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Monitoring Officer
Christopher Potter

County Hall, Newport, Isle of Wight PO30 1UD
Telephone (01983) 821000

Agenda

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	WEDNESDAY 24 MAY 2023
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members of the committee	Clrs C Jarman (Chairman), A Garratt (Vice-Chairman), D Andre, P Brading, V Churchman, C Critchison and I Ward Steve Milford (Co-Opted) (Non-Voting) Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Apologies and Changes in Membership (If Any)**

To note any changes in membership of the Committee made in accordance with Part 4B paragraph 5 of the Constitution.

2. **Minutes** (Pages 7 - 12)

To confirm as a true record the Minutes of the meeting held on 8 February 2023.

3. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.



Details of this and other Council committee meetings can be viewed on the Council's [website](#). This information may be available in alternative formats on request. Please note the meeting will be audio recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however parents/carers should be aware that the public gallery is not a supervised area.

4. **Public Question Time - 15 Minutes Maximum**

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by email to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore the deadline for written questions will be Friday 19 May 2023.

5. **Reports from the Local Pension Board**

- (a) Draft Minutes - 5 April 2023 (Pages 13 - 18)

To receive and note the draft minutes of the meeting of the Local Pension Board held on 5 April 2023.

- (b) Local Pension Board Annual Report 2022-23 (Pages 19 - 26)

To receive and accept the Local Pension Board Annual Report 2022-23, and to approve its publication in the Pension Fund's Annual report and accounts for the year ended 31 March 2023, in due course.

6. **Recording and Reporting Breaches of the Law Policy** (Pages 27 - 68)

To receive a short briefing session on the Pensions Regulator's code of practice in respect of reporting breaches of the law, and to adopt the updated Recording and Reporting Breaches of the Law policy for the fund, on recommendation from the Local Pension Board.

7. **Pension Administration Strategy** (Pages 69 - 112)

To adopt the updated Pension Administration Strategy, on recommendation from the Local Pension Board.

8. **Risk Management** (Pages 113 - 142)

To adopt the revised risk register for the fund, on recommendation from the Local Pension Board.

9. **Annual Report and Accounts 2021-22**

To receive and note a verbal update on the conclusion of the external audit of the pension fund's accounts, and delays to the publication of the annual report and accounts for the pension fund for the year ended 31 March 2022.

10. **Triennial Valuation 2022** (Pages 143 - 148)

To note the completion of the 2022 actuarial valuation of the fund, and to confirm the publication of the final valuation report.

11. **Fund Manager Presentation** (Pages 149 - 184)

To receive a presentation from UBS on the fund's climate aware passive global equity portfolio.
12. **Knowledge and Understanding**

To receive a verbal update on committee members' training and an update on any training events, meetings, including development sessions and fund manager presentations.
13. **Workplan** (Pages 185 - 188)

To receive and confirm the draft workplan for the pension committee for the financial years 2023-2025.
14. **Investment Performance and Funding Level**

To receive and note the reports from the fund's investment consultants:

 - (a) Investment assets as at 31 March 2023 (Pages 189 - 190)
 - (b) Quarterly Investment Performance Report (Pages 191 - 208)
15. **Items circulated for Members Attention** (Pages 209 - 210)

To note the items circulated to committee members since papers were published for the last committee meeting, for information.
16. **Members' Question Time**

A question may be asked at the meeting without prior notice but in these circumstances there is no guarantee that a full reply will be given at the meeting. To guarantee a reply, a question must be submitted in writing or by email to democratic.services@iow.gov.uk no later than 10.00am, Monday 22 May 2023.
17. **Exclusion of Public and Press**

To consider passing a resolution that, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, namely agenda item(s) 18 to 20 on the grounds that there is likely to be disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
18. **Investment Strategy 2023** (Pages 211 - 298)

To receive and note the presentation from the fund's investment consultants, Hymans Robertson LLP, and to consider the recommendations for changes to the strategic asset allocation.

19. **ACCESS Update** (Pages 299 - 322)

To receive and note the update on activity with the ACCESS pool.

20. **Procurement and Contract Management Update:**

(a) Activity Update (Pages 323 - 330)

To receive and note an update on procurement and contract management activity.

(b) MiFID II Professional Status Election (Pages 331 - 344)

To approve the submission of the MiFID II professional status option questionnaire to Hymans Robertson.

CHRISTOPHER POTTER
Monitoring Officer
Tuesday, 16 May 2023

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

If you require further information please see the council guide to reporting on council meetings which can be found at <http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note>

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at democratic.services@iow.gov.uk



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 8 FEBRUARY 2023 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs C Jarman (Chairman), A Garratt (Vice-Chairman), D Andre, V Churchman, C Critchison and I Ward
Co-opted (Non-Voting)	Steve Milford (Scheme Member Representative)
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell
	Martin Doyle and Trevor Ould (Local Pension Board)
Also Present (Virtual)	Paula Pickens (Hymans Robertson), Barbara Milton (Local Pension Board)
Apologies	Cllr P Brading

58. **Apologies and Changes in Membership (If Any)**

Apologies were received from Cllr Brading.

59. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 23 November 2022 be approved.

60. **Declarations of Interest**

No declarations were received at this stage.

61. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

62. **Structure Review - Options Report**

The Pension Fund Manager provided a verbal update on the progress with the Barnett Waddingham review of the operational structure for the pension fund. It was advised that the options paper would be presented to the Council's Corporate Management Team on 7 March 2023. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the verbal update be noted.

63. Report from the Local Pension Board

The chairman of the Local Pension Board was in attendance to present the draft minutes of the meeting held on 17 January 2023. Attention was drawn to the considerations of the Funding Strategy Statement, and the update arising from the Board's attendance at the ACCESS Joint Committee meeting on 5 December 2022 as observers. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the report from the Local Pension Board be noted.

64. External Audit Update

The Pension Fund Manager provided a verbal update on the progress with the 2021-22 audit for the pension fund accounts. It was advised that the external audit had commenced and was anticipated to be completed during February 2023. The expectation is the council and pension fund accounts will be completed in time for the Audit Committee in March 2023, with the results to be presented to the Local Pension Board in April 2023, and the Pension Fund Committee in May 2023. It was suggested that the delays would likely have a knock-on impact on future years' audits. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the verbal update be noted.

65. Annual Report and Accounts 2021-22

The Pension Fund Manager presented the draft annual report and accounts for the year ended 31 March 2022 and provided an update on the process and timeline for publication and approval. Concerns were raised regarding knowledge and skills, attendance at training sessions, and delays with the external audit. Attention was drawn to the delegation of the publication of the final document (on conclusion of the external audit) to the Pension Fund Manager to avoid further delay.

RESOLVED:

- i) THAT the draft annual report and accounts for the year ended 31 March 2022 be adopted (subject to any changes from external audit), and the publication of the draft unaudited document be approved for publication on the fund's website as soon as practical after the meeting.
- ii) THAT the committee be notified of the completion of the external audit for both the pension fund and the Council, following the Audit Committee meeting on 20 March 2023.

- iii) THAT the committee delegates authority to the Pension Fund Manager (in consultation with the Director of Finance and the chairman of the Pension Fund Committee) to update the annual report and account for any changes arising from the audit, and to publish the final annual report and accounts as soon as practical, following the Audit Committee meeting on 20 March 2023.
- iv) THAT the committee and Local Pension Board be notified of the conclusion of the pension fund's external audit and the publication of the final annual report and accounts, and a report be presented to each body at the first meeting after the conclusion of the process.

66. **Triennial Valuation Update**

The committee received a presentation from the fund's actuaries on the valuation results which included an overview of the approach, risk analysis, and rates and adjustment certificates. No comments or questions were raised at this stage.

RESOLVED:

- i) THAT presentation from Hymans Robertson be noted.
- ii) THAT the draft valuation report at Appendix 1, and the employer contribution rates as set out in the rates and adjustments certificate on page 31 of Appendix 1, be approved.
- iii) THAT the requirement for the completion of the valuation process by 31 March 2023 be noted, and the committee delegates authority to the Pension Fund Manager (in consultation with the Director of Finance and the chairman of the Pension Fund Committee) to make minor amendments to the appendices prior to publication on or before 31 March 2023.

67. **Funding Strategy Statement**

The Pension Fund Manager presented the Funding Strategy Statement arising from the 2022 valuation (following consultation with scheme employers and the Local Pension Board) for adoption and publication on the fund's website. No comments or questions were raised at this stage.

RESOLVED:

- i) THAT the process for the review of the Funding Strategy Statement, including the consultation with interested parties, be noted.
- ii) THAT the Funding Strategy Statement, including the newly created contribution review policy and cessation policy, be adopted.
- iii) THAT the publication of the Funding Strategy Statement 2023 on the fund's website be approved.

68. Knowledge and Understanding Update

The Pension Fund Manager presented the output report from the Hymans Robertson National Knowledge Assessment and provided an update on the next steps for action, including the development of a learning portal (in conjunction with the council's learning and development team) and a knowledge and understanding policy. The committee were invited to share thoughts on the priorities for training and it was recommended that future sessions could cover business planning, cyber risk, and the accounts and audit. Following very helpful discussions, the committee expressed a preference for concise, face-to-face training sessions delivered on the same day as formal committee meetings to encourage participation.

RESOLVED:

THAT the update be noted.

69. Investment Performance and Funding Level

69a Investment assets as at 31 December 2022

69b Hymans Robertson December 2022 Investment Manager Report

69c UK Equity Transition Progress (Verbal Update)

Consideration was given to the reports for the quarter ended 31 December 2022, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. No significant issues with any asset classes or investment managers were highlighted. The Pension Fund Manager presented a verbal update on the progress with the delivery of the UK equity transition from Liontrust to BlackRock and advised that this was intended to be completed before 31 March 2023. It was noted that BlackRock had reduced its allocation to tobacco due to short-term industry and regulatory uncertainty.

RESOLVED:

THAT the updates be noted.

70. Items circulated for Members Attention

The committee noted the items circulated for information since the last meeting. It was confirmed that there was no update on regulatory changes for climate change reporting, the McCloud remedy, and dashboards.

RESOLVED:

THAT the items circulated for attention be noted.

71. Members' Question Time

No members questions were received.

72. **Exclusion of the Public and Press**

RESOLVED:

THAT the public and press be excluded.

Following discussion, the committee adjourned for a 5-minute comfort break.

73. **ACCESS Updates:**

73a **ACCESS Update**

The Pension Fund Manager presented the confidential report on ACCESS pool activities since the last meeting and provided feedback on the ACCESS Joint Committee meeting held on 5 December 2022. Consideration was given to the ACCESS Pool's 2023/24 business plan, as recommended by the Joint Committee. No comments or questions were raised at this stage.

RESOLVED:

THAT the update be noted, and the ACCESS Pool's 2023/24 Business Plan (as recommended by the Joint Committee) be approved.

73b **Re-procurement of the Pool's Operator**

Consideration was given to the confidential report which outlined the process for the re-procurement of the pool's operator, in planning for the end of the current contract, including the approval of delegations.

RESOLVED:

- i) THAT the update on Link Fund Solutions be noted.
- ii) THAT the recommendations presented in the report be approved.

74. **Procurement and Contract Management Update**

The Pension Fund Manager presented the confidential update on procurement and contract management activities since the last meeting. No comments or questions were raised at this stage.

RESOLVED:

- i) THAT the contract management and procurement activity undertaken since the last report in November 2022, be noted.
- ii) THAT the submission of the CMA compliance statement on 11 January 2023 be noted.
- iii) THAT the extension of the investment consultancy contract for a further 12 months to 1 January 2024 be confirmed.

iv) THAT the procurement activity required in 2023-24 be noted.

CHAIRMAN



Minutes

Name of meeting	LOCAL PENSION BOARD
Date and Time	WEDNESDAY 5 APRIL 2023 COMMENCING AT 2.00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	M Doyle (Chairman), N Cain, A Curzon, M Lilley, B Milton and T Ould
Also Present	Cllr C Jarman Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell
Apologies	L Kingston

43. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 17 January 2023 be approved.

44. **Declarations of Interest**

No declarations were received.

45. **Report from the Pension Fund Committee**

Consideration was given to the draft minutes of the meeting of the Pension Fund Committee held on 8 February 2023. No comments or questions were raised and the report was noted.

RESOLVED:

THAT the report from the Pension Fund Committee be received and noted.

46. **Annual Report and Accounts 2021-22**

The Pension Fund Manager presented the external auditors' draft audit results report (as presented to the Audit Committee on 20 March 2023) and confirmed that no areas of concern had been identified. The Pension Fund Manager provided a verbal update on the progress towards the completion of the Isle of Wight Council's audit (which included the fund's accounts), and it was advised that there was likely to be further delays of at least three weeks. Discussion took place regarding the national auditor resource issue, particularly the knock-on impact that this was likely to have on future years' and any potential financial and legal consequences that the

fund could incur as a result of the delays. It was confirmed that the Board would be notified following the publication of the fund's annual report and accounts for the year ended 31 March 2022.

RESOLVED:

THAT the draft audit results report, and the update on the progress towards the completion of the Isle of Wight Council's audit (hence the provision of the audit opinion on the pension fund's annual report and accounts), be noted.

47. Triennial Valuation 2022

Consideration was given to the report which confirmed the completion of the fund's triennial valuation, and advised on the publication of the final valuation report and the Funding Strategy Statement on the fund's website. Questions were raised regarding employer engagement and contribution rates. Discussion took place regarding the Investment Strategy Statement which was due for its three-yearly review in May 2023. Concerns were raised that matters of responsible investment would not be comprehensively covered within the review due to resourcing pressures, and it was suggested that an external consultant be commissioned to progress this. It was suggested that a future workshop be held to cover ESG/RI.

RESOLVED:

THAT the completion of the triennial valuation (at 31 March 2022), and the publication of the report on the actuarial valuation and the publication of the Funding Strategy Statement, be noted.

48. Local Pension Board Annual Report 2022-23

The chairman presented the draft annual report for the Local Pension Board for the year ended 31 March 2023. Attention was drawn to the progress made against matters of cyber security and the key-person risk. No comments or questions were raised, and the draft report was agreed for recommendation for presentation to the Pension Fund Committee.

RESOLVED:

THAT the draft Local Pension Board Annual Report 2022-23 be confirmed and be recommended for presentation to the Pension Fund Committee at its meeting on 24 May 2023.

49. Report from the Pensions Administration Team

The Pensions Manager presented the report on administration statistics, employer compliance with end of month reporting and payment deadlines for the year 2022-23 to date, complaints recorded, and breaches of the law identified since the last meeting. Attention was drawn to key updates relating to the target tracing service, i-Connect, Altair Image, and GMP projects. Concerns were raised regarding the future impact on the Team's capacity as a result of the upcoming McCloud remedy, the organisational review of the Council, and the issues associated with recruitment and retention of staff (and the inability to offer competitive salaries). The Board

noted the key performance indicators and expressed its thanks to the Team for their work.

RESOLVED:

THAT the report from the Pensions Administration Team be received and noted.

50. Cyber Security

The Pension Fund Manager presented the report which provided information and assurance that appropriate cyber security controls were in place for the Isle of Wight Council and Heywood Pension Technologies. Questions were raised around independent quality checks and the development of a fund-specific disaster recovery plan. It was advised that further work would be required to develop fund-specific policies and processes for cyber security.

RESOLVED:

THAT the next steps required to gain further assurance on cyber security controls be noted.

51. Risk Management

Consideration was given to the updated risk register. Attention was drawn to the closure of 17 additional risks, the creation of three new risks, the six red-rated risks, the increase in risk score of two risks, the reduction in risk score of three risks, and the unchanged score of the remaining 19 risks. Discussion took place regarding the risks on investment pooling, changes to legislation, resilience and capacity, and ESG/RI and climate change.

RESOLVED:

THAT the updated risk register be agreed and be recommended to the Pension Fund Committee for adoption.

52. Reporting Breaches Policy Review

The Board received a short briefing session on The Pension Regulator's code of practice in respect of reporting breaches of the law. Consideration was given to the draft Recording and Reporting Breaches of the Law Policy for the fund (in conjunction with the requirements of the Pension Regulator's code of Practice). No comments or questions were raised, and it was confirmed that the policy was fit for purpose, and it was agreed for recommendation to the Pension Fund Committee for adoption.

RESOLVED:

THAT the draft Policy for Recording and Reporting Breaches of the Law be recommended to the Pension Fund Committee for adoption at its meeting on 24 May 2023.

53. **Knowledge and Understanding**

Board members were reminded to complete the recommended training. Barbara Milton was nominated to attend the annual Local Pension Board Conference to be held in Birmingham on 18 May 2023.

RESOLVED:

THAT Barbara Milton be nominated to attend the annual Local Pension Board Conference in Birmingham on 18 May 2023.

54. **TPR Governance and Administration Survey 2022-23**

Consideration was given to the report which presented the responses from the Isle of Wight Pension Fund to the Pension Regulator's public service governance and administration survey 2022-23. No comments or questions were raised, and the response was noted.

RESOLVED:

THAT the response be noted.

55. **Items circulated for Members Attention**

The committee noted the items circulated for information since the last meeting. It was suggested that any future items relating to training and development be clearly highlighted.

RESOLVED:

THAT the items circulated for attention be noted.

56. **Workplan**

Consideration was given to the draft work programme for forthcoming meetings of the Committee and Board for the financial years 2023-2025. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the workplan be noted.

57. **Pension Administration Strategy**

The Pensions Manager presented the draft Pensions Administration Strategy for the fund. Following discussion, the Board confirmed that the strategy was fit for purpose, and it was agreed for recommendation to the Pension Fund Committee for adoption.

RESOLVED:

THAT the draft Pension Administration Strategy be recommended to the Pension Fund Committee for adoption.

58. **Other matters for the Board's attention**

No matters were raised.

CHAIRMAN

DRAFT

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Annual Report of Isle of Wight LGPS Pension Board for 2022/2023

Introduction from the Independent Chair of the Local Pension Board

Welcome to the Annual Report of the Local Pension Board (“the Board”) of the Isle of Wight Pension Fund. This report covers the period from 1 April 2022 to 31 March 2023 during which the Board held four meetings.

The focus of the Board has been on ensuring compliance with the Public Service Pensions Act, all of the relevant LGPS regulations, LGPS best practice guidance issued by the Scheme Advisory Board and the Chartered Institute of Public Finance and Accountancy (CIPFA) and the requirements of the Pensions Regulator (TPR). Section 2 “Functions and Operation of the Board” in this report gives more detail on our aims and responsibilities.

As Board Chair, I formally present to each Pension Committee an Executive Summary from each Board meeting indicating any specific recommendations made by the Board and any other matters considered to be relevant to the Committee.

I am pleased to say that, with the support of the Pension Fund Manager, Pensions Manager and the Chair of the Pension Committee, the Board made good progress in fulfilling its terms of reference during the 2022-23 financial year and the Board is able to provide assurance that the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is complying with its statutory duties.

During 2022-23 the Board undertook a wide range of work, as set out in the “Detailed Work of the Board” section of this Annual Report – including:

- In October 2022 a self-assessment of the Fund’s compliance with TPR Code of Practice 14. This review confirmed that whilst most of the areas reviewed were found to be adequately controlled and the risks well managed, in a small number of areas, compliance levels have fallen, reflecting the fact that new board members had not yet completed all required learning and development modules and that the fund had not reviewed its policies for recording and reporting breaches of the law, complaints and disputes. An action plan has been developed to address these areas of non-compliance.
- The Board has concerns that there is a significant key person dependency risk (the risk that losing key persons, due to resignation, disability, retirement, etc., will have substantial detrimental impact on the operation of the Fund). The Board, in October 2022, received a presentation from Barnett Waddingham on their review of the fund’s operational structure in light of current and future work requirements. This will be monitored by the Board during 2023-24.
- Also, cyber risk has been a priority for the Board and for the first time, data security assurances, including adherence to national data security standards have been obtained from our main IT partners. The Board will continue to work with fund officers to develop its understanding of the Fund’s cyber resilience.

Martin Doyle - Independent Chair of the Isle of Wight Local Pension Board.
6 April 2023

1 Constitution, Representation and Attendance

- 1.1. The Local Pension Board of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.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 in the interests of the Fund, by the Administering Authority and operates independently of the Pension Fund Committee. The Board is accountable to the Scheme Manager and the Pensions Regulator
- 1.3. The Board is not a committee constituted under s.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. Pension board meetings are not required to be open to members of the public.
- 1.5. The board held its first meeting on 14 August 2015.
- 1.6. The terms of reference allow the Board to consist of a minimum of four and a maximum of eight members, as well as an independent chairman.
- 1.7. Board membership during 2022-23 comprised three representatives of the Scheme employers, and three representatives of the Scheme members, all of whom are voting members. In addition, a non-voting independent chairman has been appointed.

Name	Category	date of appointment	end of term
Martin Doyle	Independent Chairman	07-Mar-22	06-Mar-26
Michael Lilley	Employer rep	21-Jul-21	05-May-25
Ashley Curzon	Employer rep	19-Jan-22	18-Jan-26
Liz Kingston	Employer rep	01-Jun-22	31-May-26
Trevor Ould	Scheme member rep	17-Nov-21	16-Nov-25
Neil Cain	Scheme member rep	01-Apr-22	31-Mar-26
Barbara Milton	Scheme member rep	01-Apr-22	31-Mar-26

- 1.8. The Board was scheduled to meet on four occasions during the year. All meetings took place in person at County Hall, Newport, Isle of Wight. The board's terms of reference allow members to attend these meetings virtually if required.
- 1.9. Agendas and minutes can be found at the following web link:
<https://iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&Year=0>

1.10. Members' attendance at each of the meetings is detailed on the following table.

	Indep. Chair	Employer rep 1	Employer rep 2	Employer rep 3	Scheme member rep 1	Scheme member rep 2	Scheme member rep 3	
06-Apr-22	√	aps	√		√	√	√	83%
15-Jun-22	√	√	√	√	√	√	aps	86%
26-Oct-22	√	√	√	√	aps	√	√	86%
17-Jan-23	√	√	√	√	√	√	√	100%
	100%	75%	100%	100%	75%	100%	75%	89%

1.11. To facilitate the operation of the Board, all the board 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 primary functions of a Local Pension Board (LPB) (as defined by the Public Services Pension Act 2013) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
 - ensure compliance with relevant laws and regulations.
 - ensure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pension Regulator.
 - such other matters as the scheme regulations may specify.
- 2.2 It therefore has a monitor/assist/review/scrutinise 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 Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Department for Levelling Up, Housing & Communities (DLUHC) 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 Pension Fund Manager and Democratic Services and operates under Terms of Reference which were initially agreed by Isle of Wight Council in January 2015.

- 2.8 The current Terms of Reference are included in the Council's constitution version 9.1
<https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&MId=1529&Ver=4&Info=1> .
- 2.9 In 2022-23 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £2,500 (2021-22: £145).
- 2.10 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.
- 2.11 The budget for 2023-24 is set at £3,500 (2022-23 budget was also set at £3,500), 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.
- 2.12 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 2022-23, the work of the Board included:
- Monitoring of KPI's for review at each Board Meeting
 - Review of the Fund Risk Management Policy – April 2022 meeting
 - Review of the new Pension Fund Risk Register – June 2022 meeting and then risk register considered at each subsequent meeting
 - Structure Review Update – October 2022 meeting
 - Review of the Governance Compliance Statement 2021-22 (compliance with pensions legislation) – October 2022 meeting
 - Review of the Climate Change/ ESG Activities – October 2022 meeting
 - Communications Strategy Review (new Communications Policy) – June 2022 meeting
 - Review of the Triennial Valuation process – October 2022 meeting
 - Review of cyber risk resilience – October 2022 meeting
 - Review of Funding Strategy Statement as part of the consultation process for the assumptions used for the Triennial Valuation – January 2023 meeting
 - Priorities for policies updates/reviews
 - LGA and legislation update
- 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 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 The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021. At that meeting it was agreed that the risk register would be created and presented in due course for adoption.

3.2.2 At the pension fund committee meeting on 25 May 2022, the committee adopted the Isle of Wight Pension Fund risk register and agreed that the Local Pension Board be asked to maintain oversight of the risk management framework and risk register, to be reported to the committee at each future meeting.

3.2.3 Risk scoring uses the previously agreed risk scoring matrix, set out in the June 2022 board report.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Fund's administration and governance on an ongoing basis and the Fund reports on its performance in these areas each year.

3.3.2 A key achievement of the Board has been to commence, with the Pension Fund Manager, a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14.

3.3.3 The assessment identifies areas in which the Fund needs to make improvements.

3.3.4 The Board monitors TPR's annual review of its priorities and reflects these in agenda setting.

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. The Board reviews any breaches of the law as a standing item on its agenda.

3.4.2 During 2022-23, 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.

3.4.3 The Board has received training to improve skills and knowledge on their Board member responsibilities along with the Hymans Robertson LGPS Online Learning Academy training with regard to the identification of a breach and there will be further training to be undertaken to improve knowledge in this area over the coming year.

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, although there was no survey during 2022-23.

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 assets. In addition, following a decision by the ACCESS Pool Joint Committee to invite representation from local pension boards, two members from the Isle of Wight Board attended their December meeting.

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 CIPFA's Knowledge & Skills Framework identified six areas of knowledge and skills as the core technical requirements for those working in public sector pensions - these are:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices.

5.3 The Fund has procured the Hymans LGPS Online Learning Academy for all Board members which covers the training for these core areas along with the 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 2022.

5.6 Board Members also attend in-house training, provided by the Isle of Wight 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 members. Specifically, it incorporates the following areas of activity for 2023-24 for Board Members:

- Pension Fund Annual Report and Accounts.
- Triennial valuation: completion confirmation.
- Administration, including Key Performance Indicators, the Data Improvement Plan and the launch of the Pensions Administration Strategy.
- Audit and risk management, including the Risk Register, cyber risk and climate change.
- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with the expected TPR's General Code of practice, and the regulations implementing the Good Governance Project.
- Investments, including developments with the ACCESS Pool: implications for Administering Authorities.
- Training.
- Member communications.
- Communications between the Board and Committee.
- Policy updates: Reporting breaches, conflicts of interest, complaints/disputes.

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

7 Public accountability

7.1 The agendas, minutes and the Board's Terms of Reference are available on the pension fund's website at the following address: [Local Pension Board | Isle of Wight Pension Fund](#)

8 Acknowledgment

- 8.1 I am grateful to the Pension Fund Manager, the Pensions Manager and the Chair of the Pension Committee and other fund officers for their support of the Board.
- 8.2 Finally, the Pension Board can only function effectively with the input of all Board members and I would like to thank my fellow Board members for their support and commitment to their roles on the Local Pension Board during the last financial year.

Martin Doyle
Chair, Isle of Wight Council LGPS Local Pension Board
6 April 2023



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	POLICY FOR RECORDING AND REPORTING BREACHES OF THE LAW
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. Following consideration by the Local Pension Board, this report presents the Isle of Wight Pension Fund Policy for Recording and Reporting Breaches of the Law for adoption.
2. The Pension Fund Manager will deliver a short briefing session during the committee meeting to support members' understanding of the topic, and to support their adoption of the policy as presented.
3. Following adoption of the policy, it will be published on the fund's website. The policy will then be shared with all employers in the fund, who will be invited to a virtual briefing session to introduce the requirements of the policy.

RECOMMENDATION

4. Option A: that the committee adopt the Policy for Recording and Reporting Breaches of the Law as presented at Appendix 1 and agree to its publication on the fund's website.
5. Option D: that the committee agrees to the circulation of the adopted policy to those parties identified as having responsibility for reporting breaches, with the offer of a briefing session to introduce and explain the policy.
6. Option E: that the breaches log, containing all identified potential breaches, their assessment, mitigation and reporting status, is presented to each Local Pension Board meeting for monitoring and review.

BACKGROUND

7. Following the enactment of the Public Service Pensions Act 2013, subsequent Local Government Pension Scheme (LGPS) regulations have given the Pensions Regulator (the regulator) greater responsibilities for the oversight of all public service pension schemes, including the LGPS.

8. In April 2015 the regulator published its code of practice no. 14 *Governance and administration of public service pension schemes* (“the code”). The code refers both to a statutory duty as well as advisory duties in responding to potential unlawful activity. Those involved with the pension scheme have a duty to have regard to the code in reporting breaches of the law.
9. The Isle of Wight Pension Fund adopted its current Reporting Breaches of the Law to the Pensions Regulator policy in November 2017, in line with the requirements of code of practice no.14. Due to capacity issues and other work priorities, the annual review of this policy was never actioned, so the current policy is significantly overdue for review.
10. In March 2021, the regulator issued a consultation on a new single code of practice, to combine 10 of its existing 15 codes of practice (including no. 14) into a single, modular code – to be called the General Code. The General Code is scheduled to be laid before Parliament in Spring 2023, with the launch date expected in July 2023.
11. The opportunity has been taken to update the current policy in line with the expected requirements of the General Code, which were published as part of the consultation process. An extract from the consultation document in respect of reporting breaches of the law is presented at Appendix 2 to this report.
12. The policy has been renamed to include the process for recording potential breaches, as well as steps for assessing whether those breaches could be of material significance to the regulator and hence should be reported.
13. The proposed policy, included as Appendix 1 to this report, has been completely refreshed in comparison to the current version, so no schedule of changes has been presented.
14. Should the final requirements of the General Code differ significantly from the version consulted upon, the fund’s policy will be updated for those changes.
15. Other than any changes required as a result of the publication of the General Code, and any future significant changes to regulatory requirements or best practice, the policy will be reviewed and updated every three years from the date of adoption.

KNOWLEDGE AND UNDERSTANDING

16. At the committee meeting on 8 February 2023, members expressed a preference for concise, face-to-face training sessions delivered on the same day as formal committee meetings to encourage participation. It was also suggested that reference to learning material be included in the meeting papers, to support the understanding of the items under consideration.
17. In order to support the members of the Pension Fund Committee in considering this new policy, the Pension Fund Manager will deliver a brief development session during the meeting, based on the Pension Regulator’s public sector tool kit module, the link for which can be found in the background papers section of this report.

18. Committee members are encouraged to have reviewed this module, and the supporting material, in advance of the meeting to support their understanding of this topic and the proposed policy.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

19. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of “being fair and transparent”.

Pension Fund Strategic Aims

20. 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 Local Government Pension Scheme (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.
21. The fund has also agreed the following objectives, which are supported by the review and update of this policy:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator’s Codes of Practice.
 - (b) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust, and evidence based.
 - (c) Clearly establish levels of performance and measure the performance of both the Fund and scheme employers against them.

CONSULTATION

22. The draft policy was considered by the Monitoring Officer, the Strategic Manager – Legal Services, the Director of Finance, and staff from the pension administration team and the council’s finance team. Comments received have been incorporated into the policy recommended for adoption, presented at Appendix 1 to this report.
23. Following adoption of this policy, it will be circulated to all employers in the fund, and a briefing session will be offered to explain both the policy and the employers’ duties included therein.

LOCAL PENSION BOARD VIEW

24. The Local Pension Board considered this matter at their meeting on 6 April 2023. This included a similar development session to that which will be provided for the committee.
25. No comments or questions were raised, and it was confirmed that the policy was fit for purpose, and it was agreed for recommendation to the Pension Fund Committee for adoption.

FINANCIAL / BUDGET IMPLICATIONS

26. There are no direct financial implications in adopting this policy.
27. No additional costs have been incurred in the review and update of this policy. The policy has been adapted from that of another LGPS fund and has been updated by the Pension Fund Manager for matters relevant to the Isle of Wight Pension Fund.
28. Should breaches be identified under the policy, then resources will need to be prioritised to ensure compliance with the policy, and to review systems, control and processes to ensure any identified breach is corrected and prevented from reoccurrence.

LEGAL IMPLICATIONS

29. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
30. 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.
31. 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, including the requirement to establish and operate suitable procedures for the reporting of breaches of the law to the Pensions Regulator.
32. The Pensions Regulator’s new General Code requires that certain people (reporters) are required to report breaches of the law to us where they have a reasonable cause to believe that:
 - a legal duty which is relevant to the administration of a scheme has not been, or is not being, complied with, and
 - the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.
33. The General Code further specifies that those responsible for the governance of pension scheme should:
 - be satisfied that those responsible for reporting breaches are aware of the legal requirements and the code.
 - establish and operate procedures to ensure that reporters are able to meet their legal obligations.

EQUALITY AND DIVERSITY

34. 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.

35. There are no implications for any of the protected characteristics arising from the adoption of the Policy for Recording and Reporting Breaches of the Law.

OPTIONS

36. Option A: that the committee adopt the Policy for Recording and Reporting Breaches of the Law as presented at Appendix 1 and agree to its publication on the fund's website.
37. Option B: that the committee request changes to the Policy for Recording and Reporting Breaches of the Law prior to its adoption and publication on the fund's website.
38. Option C: that the committee do not adopt the revised Policy for Recording and Reporting Breaches of the Law and continue to operate within the existing out-of-date policy.
39. Option D: that the committee agrees to the circulation of the adopted policy to those parties identified as having responsibility for reporting breaches, with the offer of a briefing session to introduce and explain the policy.
40. Option E: that the breaches log, containing all identified potential breaches, their assessment, mitigation and reporting status, is presented to each Local Pension Board meeting for monitoring and review.

RISK MANAGEMENT

41. It is the responsibility of the Isle of Wight Council, as administering authority for the Local Government Pension Scheme (LGPS) to ensure that the Isle of Wight Pension Fund is properly governed and administered in compliance with relevant regulations and other requirements. The council has delegated its functions as Scheme Manager for the fund to the Pension Fund Committee.
42. Adopting and implementing this policy will ensure compliance with the requirements of the Pensions Regulator.
43. Should the council fail to ensure appropriate standards of governance and administration of the pension schemes for which it has responsibility, the Pensions Regulator has the powers to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council.
44. If the fund does not have appropriate procedures in place to identify, record and monitor all potential breaches of the law, there is a risk that systemic issues are not identified and addressed, which could result in incorrect benefits being paid and/or incorrect information being provided to scheme members.
45. It could also result in incorrect decisions being made by the pension fund committee in their management of the fund, leading to reductions in funding level, inadequate investment returns and increased employer contributions.

46. Adopting the revised policy and ensuring that all potential breaches are recorded, assessed and monitored, including the creation and monitoring of rectification action plans, will reduce the risk of such failures and ensure the good standards of governance and administration of the fund are maintained.
47. Delivering the short briefing sessions to local pension board and pension fund committee members, and offering similar briefings to employers in the fund, will help satisfy the requirement to ensure that those responsible for reporting breaches are aware of the legal requirements and the General Code by the provision of training.

EVALUATION

48. To ensure compliance with regulations and the Regulator's codes of practice, the fund is required to establish and operate procedures to ensure that those responsible for reporting breaches are aware of and are able to meet their legal obligations.
49. The Local Pension Board reviewed the draft policy in conjunction with the requirements of the Pensions Regulator's proposed General Code at their meeting on 6 April 2023. The board did not identify any areas where the proposed policy was not in accordance with the requirements of the General Code. Accordingly option B is not recommended.
50. The proposed policy contains the required information to ensure that all parties are able to identify their roles, their requirements to report and the process by which breaches should be recorded and reported. The previous policy, while fit for purpose at the time it was created in 2017, does not include the most recent requirements. Therefore option C is not recommended.
51. The proposed policy clearly defines those with the responsibility to report breaches and sets out the process by which each identified breach should be recorded and assessed to determine whether it should be reported to the Pensions Regulator, and the process by which such reports should be made if required.
52. Following adoption of the policy, it will be circulated to all employers within the fund, and they will be invited to a virtual briefing session to explain their roles and responsibilities under the policy. This will satisfy the requirements of the General Code.
53. Maintaining a breaches log will assist the fund in identifying trends of non-compliance with regulations and codes of practice, and will assist in improving internal controls, systems and procedures to prevent future recurrence.
54. Delegating the monitoring of the breaches log to the Local Pension Board fits with that body's role in assisting the committee, as scheme manager, in ensuring the effective and efficient governance and administration of the scheme.
55. Accordingly, options A, D and E are recommended.

APPENDICES ATTACHED

56. Appendix 1: Policy for Recording and Reporting Breaches of the Law 2023 v2.0.
57. Appendix 2: Extract from the Pensions Regulator's consultation document for the draft new code of practice: Whistleblowing – Reporting Breaches of the law

BACKGROUND PAPERS

58. Current Isle of Wight Pension Fund Reporting Breaches of the Law to the Pensions Regulator Policy
<https://www.isleofwightpensionfund.org/resources/reporting-breaches-of-the-law-to-the-pensions-regulator-policy/>
59. The Pensions Regulator's Code of Practice No 14: *Governance and administration of public service pension schemes*
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>
Specifically the section "Reporting breaches of the law" paragraphs 241 - 275
60. The Pensions Regulator's draft new code of practice
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>
Specifically the section "Whistleblowing – Reporting breaches of the law" page 139
61. The Pensions Regulator's public sector toolkit module: Reporting breaches of the law
<https://trusteetoolkit.thepensionsregulator.gov.uk/course/view.php?id=67>
62. The Pensions Regulator's public sector toolkit module: Reporting breaches of the law Extra resource: Example breaches of the law and the traffic light framework
<https://trusteetoolkit.thepensionsregulator.gov.uk/mod/resource/view.php?id=472>

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*

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Isle of Wight Pension Fund

Policy for Recording and Reporting Breaches of the Law

May 2023

1 Document Information

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Status:	FINAL
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Author:	Jo Thistlewood, Pension Fund Manager Financial Management Jo.thistlewood@iow.gov.uk 01983 821000 x 6371
Sponsor:	Chris Ward Director of Finance Chris.ward@portsmouthcc.gov.uk 02392 834423
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1.0 draft	25 April 2017	Initial draft BH
1.1 draft	26 July 2017	JMT review
1.2 draft	03 August 2017	Senior manager review
1.3 draft	01 September 2017	For board review
1.4 DRAFT	04 October 2017	For LPB and FPB meetings
1.4 FINAL	24 November 2017	Approved
2.0 draft	21 February 2023	Full revision of policy
2.1 draft	05 April 2023	Presentation to LPB
2.1 FINAL	24 May 2023	For adoption.



As administering authority for the Isle of Wight Pension Fund

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3 Background and Introduction

- 3.1 Isle of Wight Council, acting as the administering authority for the Isle of Wight Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS), seeks to conduct its affairs in a responsible manner, to ensure that all its activities are open and effectively managed, and that the Fund's integrity and principles of public interest disclosure are sustained.
- 3.2 This document sets out the Fund's policy and procedures for identifying, monitoring and where necessary reporting breaches of the law as required in the Pensions Act 2004 (the Act) and detailed in The Pensions Regulator's (the Regulator) Code of Practice no 14 *Governance and administration of public service pension schemes* (the Code).
- 3.3 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 3.4 The procedure set out in this Policy has been developed to:
- assist those individuals who have a legal responsibility to report certain breaches of the law to the Regulator in determining whether a breach they have identified should be reported.
 - assist the Fund in ensuring it is aware of all breaches of the law in relation to the Fund and that these are appropriately recorded and then dealt with.

4 The Pensions Regulator's proposed single code of practice

- 4.1 The Pensions Regulator is due to publish a single code of practice, called the General Code, replacing 10 of the 15 existing codes of practice including Code of Practice 14, in Spring 2023.
- 4.2 This policy reflects the expected requirements of the General Code of practice. References to the code will be updated once the final version is published.

5 Requirements and to whom this Policy applies

- 5.1 The following have responsibility for reporting breaches (known as "**Reporters**"):
- all members of the Pension Fund Committee and the Local Pension Board.
 - all officers involved in the management or administration of the Fund

including officers in the Isle of Wight Council Financial Services and Pension Services teams, the Monitoring Officer, and the Director of Finance (Section 151 Officer).

- professional advisers including investment advisers, auditors, actuaries, legal advisers, fund custodians, fund managers and administration software providers in relation to the reporting of legal breaches relating to the administration of the Fund.
- all participating employers in the scheme.
- any other person otherwise involved in advising the managers of the scheme.

5.2 **Reporters** are required to report breaches of the law to the Regulator where there is reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and
- the failure to comply is likely to be of material significance to the Regulator.

5.3 The Pension Fund Manager has responsibility for the implementation, review, and monitoring of these procedures, and can seek such advice as they consider necessary including from the Council's Legal Services team or external advisors.

5.4 However, under this Policy, the **Reporter** would be expected to report the matter to the Pension Fund Manager for their assistance in the first instance, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

5.5 A person can be subject to a civil penalty if they fail to comply with this requirement without a reasonable excuse.

5.6 The duty to report breaches under the Pensions Act 2004 overrides any other duties **Reporters** may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

5.7 Practical guidance in relation to this legal requirement is provided in the Regulator's Code of Practice No 1 *Reporting breaches of the law* including in the following areas:

- implementing adequate procedures to consider and record breaches.
- judging whether a breach must be reported.
- submitting a report to the Regulator.
- whistleblowing protection and confidentiality.

5.8 Even where a breach of the law is not required to be reported, it is important that it is notified to the Pension Fund Manager so that it can be assessed and recorded.

6 Other Administering Authority or Organisational Requirements

6.1 This Policy should be followed in addition to the following procedures and policies that Isle of Wight Council has in place.

- Anti-Fraud, Bribery and Corruption Policy – setting out the requirements for the Council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the council.
<https://wightnet.iow.gov.uk/DocumentLibrary/download/anti-fraud-bribery-and-corruption-policy>
- Anti-Money Laundering Policy - procedures that must be followed to enable the Council to comply with its legal obligation to prevent criminal activity through the use of Money Laundering, as well as providing contact details for the Chief Internal Auditor.
<https://wightnet.iow.gov.uk/DocumentLibrary/download/anti-money-laundering-policy>
- Whistleblowing Policy – setting out how someone working for Isle of Wight Council or on its behalf, including elected members, can raise an issue in confidence, as well as what sort of concerns should be reported.
<https://wightnet.iow.gov.uk/DocumentLibrary/download/whistleblowing-at-work-policy>

6.2 The Pension Fund Manager can assist if an individual is uncertain how to deal with the interaction between this Policy and any other Isle of Wight Council policy or procedure.

7 Isle of Wight Pension Fund Breaches Procedure

7.1 This Procedure aims to ensure **Reporters** are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and

reduce risk. There are four keysteps to this procedure, which are explained in more detail below.

- Step 1: Understanding the law and what is a breach.
- Step 2: Determining whether there is reasonable cause to believe a breach has occurred.
- Step 3: Determining whether the breach is likely to be of material significance and so should be reported to the Regulator.
- Step 4: Recording the breach, even if it is not reported, so that remedial steps can also be monitored.

Step 1: Understanding the law and what is a breach

7.2 **Reporters** may need to refer to regulations and guidance when considering whether or not there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice no. 14:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>
In particular, reference should be made to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, to the section of the Code on 'Maintaining contributions'

7.3 The Pension Fund Manager can provide further guidance and assistance,

provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). Some examples of potential breaches are included in [Appendix A](#).

Step 2: Determining whether there is reasonable cause to believe a breach has occurred

- 7.4 **Reporters** need to have reasonable cause to believe that a breach of the relevant legal provision has occurred, not just a suspicion.
- 7.5 Where a breach is suspected, the Pension Fund Manager should be informed as soon as practicable, and no later than five (5) days from when they suspect there has been a breach. The Pension Fund Manager will then carry out further checks, to establish whether or not a breach has in fact occurred and keep the individual informed. This does not preclude the individual who first raised the issue undertaking further checks themselves should they consider it appropriate to do so.
- 7.6 However, there are some instances where it would not be appropriate to make further checks, for example, if the **Reporter** has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases the Regulator should be contacted without delay.

Step 3: Determining whether the breach is likely to be of material significance and so should be reported to the Regulator

- 7.7 Should a **Reporter** have reasonable cause to believe that a breach of the law has occurred, they must decide whether that breach is likely to be of material significance to the Regulator, and therefore should be reported to the Regulator. To do this, an individual should consider the following, both separately and collectively:
- cause of the breach (what made it happen).
 - effect of the breach (the consequence(s) of the breach).
 - reaction to the breach.
 - wider implications of the breach.
- 7.8 The Pension Fund Manager can assist with determining whether the breach should be reported and can assist with completing the document to report the breach. However, the **Reporter** is ultimately responsible for determining what should be included in the report and for submitting the report to the Regulator.

- 7.9 Further details of the approach to determining whether the breach is material are at [Appendix B](#) and a copy of the Traffic light framework for deciding whether or not to report the breach to the Pensions Regulator is at [Appendix C](#).

Step 4: Recording the breach, even if it is not reported, so that remedial steps can also be monitored

- 7.10 The Pension Fund Manager will maintain a log of all breaches identified and the breaches log may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Therefore, **Reporters** should provide the following information to the Pension Fund Manager so that all identified breaches can be recorded:
- copies of reports submitted to the Regulator.
 - copies of information relating to any other breach the individual has identified.
- 7.11 The information should be provided to the Pension Fund Manager as soon as reasonably practicable and certainly no later than within ten (10) working days of the decision made to report or not.
- 7.12 The key purpose of the breaches log is to ensure there is a clear record of what action has been taken to resolve that breach but also to ensure that the necessary controls have been put in place to ensure that the breach does not reoccur.
- 7.13 The breaches log will be included at each Local Pension Board meeting and shared with the Pension Fund Committee. An example of the report is at [Appendix D](#).

8 Supplier and advisor responsibilities

- 8.1 Where a breach has been identified relating to the Fund including a breach notified by supplier or advisor, the supplier or adviser must alert the Pension Fund Manager immediately. They must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain:
- the circumstances leading to the breach.
 - the impact and scale of the breach, both financial and with regard to the impact of service on members or other affected persons / organisations.
 - the steps that have been taken to rectify the breach.

- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

8.2 The Pension Fund Manager can assist with the production of this report.

8.3 For the avoidance of doubt all breaches of the law (regardless of whether they are deemed material) must be reported to the Pension Fund Manager in this way.

9 Referral to a level of seniority for assistance

9.1 Isle of Wight Council has designated the Pension Fund Manager to assist any individual with following this procedure. The Pension Fund Manager is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate.

9.2 **Reporters** must bear in mind, however, that the involvement of the Pension Fund Manager is to help clarify their thought process and to ensure this procedure is followed. They remain responsible for the final decision as to whether a matter should be reported to the Regulator and for completing the reporting procedure.

9.3 The matter should not be referred to the Pension Fund Manager if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in step 2 above). If that is the case, the **Reporter** may instead refer the matter to the Council's Monitoring Officer.

9.4 Otherwise, the **Reporter** should report the matter to the Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

10 Dealing with complex cases

10.1 The Pension Fund Manager may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Isle of Wight Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the Local Government Association - <http://www.lgpsregs.org> .

10.2 If timescales allow, legal advice or other professional advice can be sought, and the case can be discussed at the next Pension Fund Committee or Local Pension Board meeting.

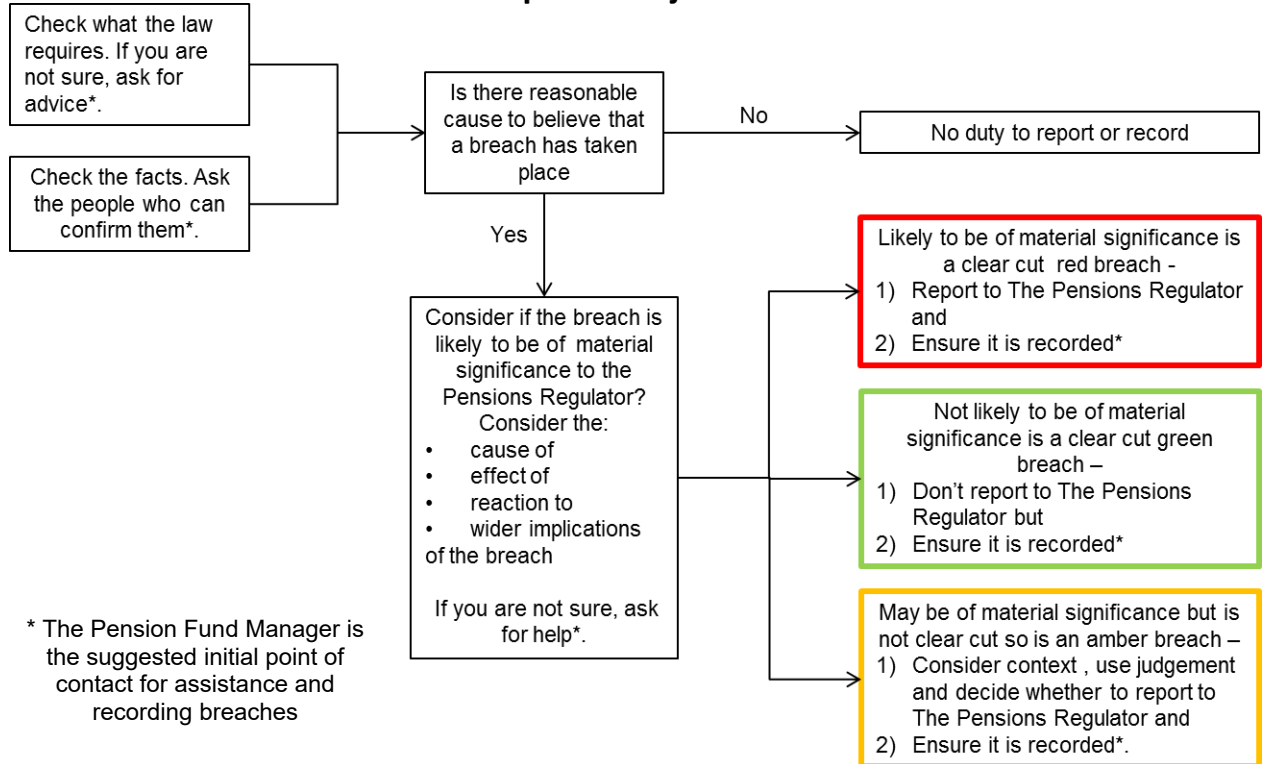
11 Reporting a breach to the Fund and the Pensions Regulator

- 11.1 Reports must be submitted to the Pension Fund Manager, jo.thistlewood@iow.gov.uk.
- 11.2 If the individual decides the breach is of material significance to the Regulator, reports must be submitted in writing via the Regulator's online system at <https://login.thepensionsregulator.gov.uk> or by post, or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call.
- 11.3 Further details on how to report can be found on the Pensions Regulator's website <https://thepensionsregulator.gov.uk>.
- 11.4 The Pensions Act and the Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable and if possible, within ten (10) working days from having reasonable cause to believe that there is a material significance.

12 Decision tree

- 12.1 A decision tree is provided below which summarises the process for deciding whether or not a breach has taken place, whether it is materially significant to the Regulator and therefore needs to be reported, and then ensuring it is recorded.

Decision-tree: Has a breach occurred and should it be reported or just recorded?



13 Confidentiality

- 13.1 If requested, the Regulator will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.
- 13.2 An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

14 Reporting to the Pension Fund Committee and Local Pension Board

- 14.1 Material breaches which have been reported to the Regulator will be reported to the Local Pension Board on a quarterly basis. This information will also be shared with the Pension Fund Committee.

15 Training

- 15.1 The Pension Fund Manager will ensure that all relevant officers and members of the Pension Fund Committee and the Local Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the Pension Fund Committee or Local Pension Board as appropriate and on an ongoing basis.

- 15.2 Suppliers and advisers must ensure that all staff with responsibilities in relation to the Fund receive appropriate training with regard to this policy and their obligations under it. They must advise the Pension Fund Manager immediately if they do not feel they have the appropriate training to discharge their responsibility and training will be arranged for them by the Pension Fund Manager.

16 Approval and Review

- 16.1 This Policy for the Recording and Reporting Breaches of the Law was approved on **24 May 2023** by the Isle of Wight Pension Fund Committee.
- 16.2 It will be formally reviewed and updated by the Committee at least every three years or sooner if breaches arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.



As administering authority for the Isle of Wight Pension Fund

17 Further Information

If you require further information about reporting breaches or this policy or wish to discuss reporting a breach, please contact:

Jo Thistlewood
Pension Fund Manager, Isle of Wight Council
E-mail: jo.thistlewood@iow.gov.uk
Telephone 01983 821000

Chris Ward
Director of Finance and s151 Officer, Isle of Wight Council
E-mail: chris.ward@portsmouthcc.gov.uk
Telephone: 02392 834423

Christopher Potter
Monitoring Officer, Isle of Wight Council
E-mail: Christopher.Potter@iow.gov.uk
Telephone 01983 821000

18 Useful Links

The Pensions Regulator's Code of Practice No. 14 *Governance and administration of public service pension schemes*
<http://www.thepensionsregulator.gov.uk/public-service-schemes/code-of-practice.aspx>

The Pensions Regulator's draft new code of practice
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>

The Pensions Regulator's Code of Practice No 1 *Reporting breaches of the law*
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-1-reporting-breaches-of-the-law>

The Pensions Regulator public service pensions schemes website
<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

The Pensions Regulator Exchange online reporting website
<https://login.thepensionsregulator.gov.uk/whatsavailable>

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
BN1 4DW



As administering authority for the Isle of Wight Pension Fund

Phone: 0345 600 5666 (option 3)

Appendix A – Example breaches of the law

- 1 In this appendix we provide some examples of breaches of the law. This is not an exhaustive list given there are many sets of legislation that must be followed and some of these are extremely lengthy and complex. It should, however, provide a useful indication of the range of potential breaches that may arise.

Funding strategy not having regard to CIPFA guidance

- 2 Regulation 58 of the Local Government Pension Scheme Regulations 2013, as amended, requires the administering authority to prepare, maintain and publish a statement setting out its funding strategy and, in doing so, to consult with such persons as it considers appropriate.
- 3 In doing this, the Administering Authority must also have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on preparing and maintaining a Funding Strategy Statement which clearly states employers should be consulted. The Funding Strategy impacts on the employers of the Fund and therefore a breach of the law by the Administering Authority is likely to have arisen if a statement was prepared which impacts on employers without first consulting with those employers.

Late notification of benefits

- 4 Various regulations dictate timescales for notifying scheme benefits, some of which are summarised below. Most of these requirements are included in more general pension legislation i.e. not the Local Government Pension Scheme Regulations. A breach would arise every time one of these timescales was not met.
- 5 All of the breaches would relate to the Administering Authority apart from the last one which would be a breach by an employer in the Fund. However, the first five listed could have been a result of delayed or incorrect information from an employer, which could be a separate and additional breach of the law by that employer.

Process	Legal Requirement
To provide new starters with information about the scheme	Two months from date of joining (provide information about the scheme in this timeframe, or within one month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled).
To inform members who leave the scheme of their leaver rights and options	As soon as is practicable, and no more than two months from date of initial notification (from employer or scheme member).

To notify the amount of retirement benefits	One month from date of retirement if on or after Normal Pension Age. Two months from date of retirement if before Normal Pension Age.
To notify dependant(s) the amount of death benefits	As soon as possible but in any event no more than two months from date of becoming aware of the death, or from date of request.
Provide annual benefit statements to active members	31 August in the same calendar year.
Receipt of contributions from employers	19th of the month following their deduction.

Errors in benefit calculations

- 6 The Local Government Pension Scheme Regulations 2013, as amended, and previous LGPS legislation relating to historical service or leavers, dictate how benefits should be calculated. This includes elements such as what fraction of pay is used to calculate a pension and what counts as pay for LGPS purposes.
- 7 A breach of the law by the Administering Authority would arise in the situation that any calculation was carried out that was not in accordance with those provisions.

Errors in deducting contributions

- 8 Regulation 20 of the Local Government Pension Scheme Regulations 2013, as amended, states which elements of pay should be treated as pensionable and therefore should have pension contributions deducted from them and should be used for calculating benefits from 1 April 2014.
- 9 Regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, is the equivalent provision for pre 1 April 2014 scheme membership and therefore it details how pensionable pay should be calculated by an employer for benefits accruing prior to 1 April 2014.
- 10 Under these provisions, non-contractual overtime is pensionable from 1 April 2014 but not classed as pensionable for benefits accruing before 1 April 2014.
- 11 A breach of the law by an employer would arise if any of the following happened:
 - an employer **did not** deduct pension contributions from non-contractual overtime since 1 April 2014

- an employer **did not** include non-contractual overtime in the amount of any pensionable pay notified to the Administering Authority for membership from 1 April 2014
- an employer **did** include non-contractual overtime in the amount of final pay notified to the Administering Authority to be used to calculate benefits accrued prior to 1 April 2014.

Late notifications from year-end information by an employer

12 Regulation 80 of the Local Government Pension Scheme Regulations 2013 require each employer to provide to the Administering Authority a list of specific information for each scheme member, such as pensionable pay, by 30 June each year.

13 A breach of the law by an employer would arise if they failed to provide this year end list to the administering authority by 30 June or if the information was incomplete or inaccurate.

Inadequate knowledge of a Local Pension Board member

14 Section 248A of the Pensions Act 2004 requires every Local Pension Board member to be conversant with the LGPS rules and Pension Fund policies as well having knowledge and understanding of pension matters at a degree appropriate for the purpose of them exercising their Local Pension Board functions.

15 Where a Local Pension Board member has failed to attend training or demonstrate that they already have the required level of knowledge, it is possible that a breach of the law will have occurred by that Local Pension Board member.

Appendix B – Determining whether a breach is likely to be of material significance

- 1 To decide whether a breach is likely to be of material significance, **Reporters** should consider the following elements, both separately and collectively:
 - cause of the breach (what made it happen).
 - effect of the breach (the consequences of the breach).
 - reaction to the breach.
 - wider implications of the breach.

The cause of the breach

- 2 Examples of causes which are likely to be of concern to the Regulator are provided below:
 - Acting, or failing to act, in deliberate contravention of the law.
 - Dishonesty, negligence or reckless behaviour.
 - Incomplete or inaccurate advice.
 - Poor administration, i.e. failure to implement adequate administration procedures.
 - Poor governance, e.g. slow or inappropriate decision-making practices.
- 3 **Reporters** may also request the most recent breaches report from the Pension Fund Manager, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.
- 4 When deciding whether a cause is likely to be of material significance, **Reporters** should also consider:
 - whether the breach has been caused by an isolated incident such as a power outage, fire, flood, or a genuine one-off mistake.
 - whether there have been any other breaches (reported to the Regulator or not) which, when taken together, may become materially significant.

The effect of the breach

- 5 Examples of the possible effects (with probable causes) of breaches which are considered likely to be of material significance to the Regulator in the context of the LGPS are given below:
- A significant proportion of members, or a significant proportion of members of a particular category of membership, are affected by the breach.
 - The breach has a significant effect on the benefits being paid, to be paid, or being advised to members.
 - The breach – or series of unrelated breaches – have a pattern of recurrence in relation to participating employers, certain members or groups of members.
 - Committee and/or Board members not having enough knowledge and understanding, preventing them from fulfilling their roles and resulting in the scheme not being properly governed and administered and/or breaching other legal requirements
 - Unmanaged conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or breaches of legal requirements
 - Poor or missing internal controls, leading to schemes not being run in accordance with regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
 - Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
 - Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
 - Misappropriation of assets, resulting in scheme assets not being safeguarded
 - Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

- 6 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified that:

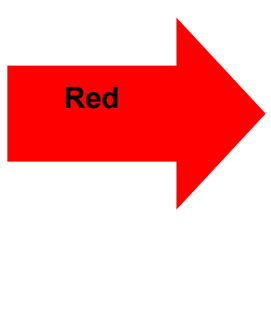
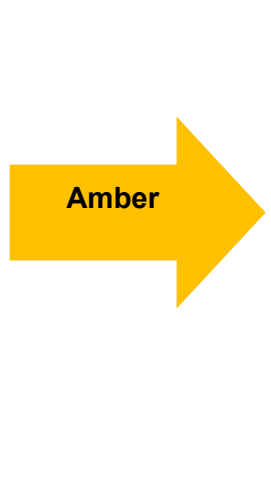
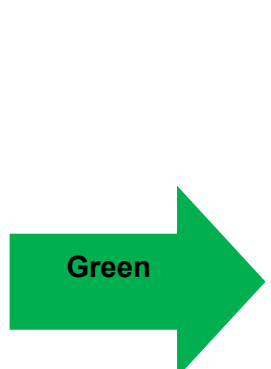
- does not receive prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- is not being given appropriate priority by the Committee and/or Board, or relevant service providers.
- has not been communicated to affected scheme members where it would have been appropriate to do so.
- where it forms part of a series of breaches indicating poor governance.

The wider implications of the breach

- 7 **Reporters** should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to the Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix C – Traffic light framework for deciding whether or not to report

Isle of Wight Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to the Regulator. This is illustrated below:

 <p>Red</p>	<p>Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.</p> <p>These must be reported to the Pensions Regulator.</p> <p>Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.</p>
 <p>Amber</p>	<p>Where the cause, effect, reaction, and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right.</p> <p>You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.</p> <p>Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.</p>
 <p>Green</p>	<p>Where the cause, effect, reaction, and wider implications of a breach, when considered together, are not likely to be of material significance.</p> <p>These should be recorded but do not need to be reported.</p> <p>Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.</p>

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework **Reporters** should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework are provided by the Regulator at the following link [http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)



As administering authority for the Isle of Wight Pension Fund

Appendix D – Breaches Log

Reference	Date entered in Register	Title of Breach	Owner of Breach	Party which caused the breach	Description and cause	Possible effect and wider implications	Category of Members and Number of Members Affected	Initial (re)action	Assessment of breach (red/amber/green) Brief summary of rationale	Reported to the Regulator Yes / No And outcome of report	If reported Name of reporter	Further actions taken to rectify Breach	Outstanding actions (if any) & date breach closed
Page 58													

Whistleblowing – Reporting breaches of the law

Who must report (RTT003)

Certain people (reporters) are required to report breaches of the law to us where they have a reasonable cause to believe that:^{WH1}

- a legal duty which is relevant to the administration of a scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to us in the exercise of any of our functions

We interpret ‘administration’ widely in the context of the duty to report breaches of law. Our interpretation is broader than day-to-day administrative tasks such as record-keeping, dealing with membership movements, calculating benefits and preparing accounts. It also includes considering investment policy and investment management, and the custody of invested assets in all schemes and scheme funding in defined benefit schemes. Broadly, our interpretation covers anything that could affect members’ benefits or the ability of members and others to access information they are entitled to.

WH1 Section 70 Pensions Act 2004 [Article 65 Pensions Order (Northern Ireland) 2005]

Who has the duty to report?

Trustees

Each trustee. If the trustee is a corporate body, the requirement to report falls on the directors.

Public service scheme pension boards

Each member of the pension board of a public service pension scheme.

Scheme manager

This includes managers of public service pension schemes and personal pension schemes where a direct payment arrangement exists.

Service providers

Those who provide administrative services to occupational and personal pension schemes, including:

- insurance companies and third-party administrators who carry out administrative tasks relating to a scheme
- participating employers who provide staff to carry out administration tasks in-house (this includes performing payroll and similar functions, as well as carrying out or helping with direct administration of the pension scheme)
- financial advisers and consultants who provide services to trustees such as record-keeping or acting as intermediaries receiving and forwarding scheme documents

Employers

All employers. In a multi-employer scheme, this includes any employer who becomes aware of a breach, regardless of whether the breach relates to or affects, members who are its employees or those of other employers.

Professional advisers

This includes advisers appointed by the governing body such as scheme actuaries, scheme auditors, reporting accountants, legal advisers,^{WH2} and fund managers. Where an individual is appointed to provide the relevant service, the duty to report applies to that individual. Where a firm is appointed to provide services, the duty to report applies to the firm and not just the member of staff providing the services.

A scheme strategist or scheme funder of master trust schemes

This is defined in Part 1 of the Pension Schemes Act 2017 (see section 39 of that Act)

WH2 Subject to the exceptions set out in Section 311 Pensions Act 2004 [Article 283Pensions Order (Northern Ireland) 2005]

Governing bodies should be satisfied that those responsible for reporting breaches are aware of the legal requirements and this code. Training should be provided for the governing body and any in-house administrators.

A person's responsibility to report breaches is not limited to those that relate to their specific role in a scheme. Irrespective of the activities being undertaken, we expect material breaches to be reported as they are identified.

Whistleblowing protection and confidentiality

The Pensions Act 2004 makes clear that the duty to report overrides any other duties a reporter may have (such as confidentiality), and that any such duty is not breached by making a report. We understand the potential impact of a report on the relationship between a reporter and their client or, in the case of an employee, their employer.

The duty to report does not override legal privilege.^{WH3} Communications (oral and written) between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed.

The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing report to us. Where individuals employed by firms having a duty to report disagree with a decision not to report, they may have protection under the ERA if they make an individual report in good faith.

We will take all reasonable steps to protect a reporter's identity and maintain confidentiality where a report is made in confidence. We will not disclose any information except where lawfully allowed to do so.

In all cases, we expect reporters to act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

WH3 Section 311 Pensions Act 2004 [Article 283 Pensions Order (Northern Ireland) 2005]

Decision to report (RTT044)

There are two key judgements required to make the decision to report a breach of the law:^{DC1}

1. Is there reasonable cause to believe there has been a breach of the law?
2. Is the breach likely to be of material significance to TPR?

‘Reasonable cause’ to believe

Having a reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be proved.

Where a breach is suspected, reporters should carry out checks to establish whether a breach has occurred.

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with members of the governing body or with others who are able to confirm what has happened. However, it would not be appropriate to alert those implicated in potential serious offences, such as theft or fraud. In such cases, it may be appropriate to bypass the usual checks with the governing body.

Likely to be of ‘material significance’

The legal requirement is that breaches likely to be of ‘material significance’ to us in carrying out any of our functions must be reported. Whether a breach is of ‘material significance’ depends on a number of factors:

1. The cause of the breach

A breach is likely to be of material significance to us where it was caused by:

- dishonesty, negligence or reckless behaviour
- poor governance, ineffective controls resulting in deficient administration, or slow or inappropriate decision-making practices
- incomplete or inaccurate advice
- a deliberate act or failure to act

DC1 Section 70 of the Pensions Act 2004 & Article 65 of the Pensions (Northern Ireland) Order 2005

2. The effect of the breach

We consider a breach to be significant where the effects are as follows:

- A significant proportion of members, or a significant proportion of members of a particular category of membership, are affected by the breach.
- The breach has a significant effect on the benefits being paid, to be paid, or being advised to members.
- The breach – or series of unrelated breaches – have a pattern of recurrence in relation to participating employers, certain members or groups of members.
- Governing bodies do not have the appropriate degree of knowledge and understanding, preventing them from fulfilling their roles and resulting in the scheme not being properly governed and administered and/or breaching other legal requirements.
- There are unmanaged conflict of interests within the governing body, resulting in: it being prejudiced in the way it carries out the role; ineffective governance and administration of the scheme, and/or breaches of legal requirements.
- Systems of governance (where applicable) and/or internal controls are not established or operated, leading to schemes not being run in accordance with their governing documents and other legal requirements.
- Risks are not properly identified and managed and/or the right money is not being paid to or by the scheme at the right time.
- Accurate information about benefits and scheme administration is not being provided to scheme members and others, so members are unable to effectively plan or make decisions about their retirement.
- Appropriate records, including those for the dashboard, are not being maintained, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Governing bodies or anyone associated with the scheme misappropriate scheme assets or are likely to do so.
- Trustees of defined benefit schemes do not comply with requirements of the Pension Protection Fund during an assessment period.

3. Reaction to the breach

We will not normally consider a breach to be materially significant if prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, all affected scheme members have been notified.

A breach is likely to be of concern and material significance to us where a breach has been identified that:

- does not receive prompt and effective action to remedy the breach and identify and tackle its cause to minimise risk of recurrence
- is not being given appropriate priority by the governing body or relevant service providers
- has not been communicated to affected scheme members where it would have been appropriate to do so
- where it forms part of a series of breaches indicating poor governance

4. The wider implications of the breach

The wider implications of a breach should be considered when assessing whether it is likely to be materially significant to us. For example, a breach is likely to be of material significance where:

- the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future (the reason could be that the governing body lacks the appropriate knowledge and understanding to fulfil their responsibilities)
- other schemes may be affected, for example schemes administered by the same organisation where a system failure has caused the breach

Those reporting a breach should consider general risk factors such as the level of funding (in a defined benefit scheme) or how well-run the scheme appears to be. Some breaches that arise in a poorly funded and/or poorly administered scheme will be more significant to us than if they arose in a well-funded, well-administered scheme.

Reporters should consider other reported and unreported breaches they are aware of. However, reporters should use historical information with care, particularly where changes have been made to address previously identified breaches.

We will not usually regard a breach arising from an isolated incident as materially significant, for example breaches resulting from teething problems with a new system or from an unpredictable combination of circumstances. However, in such circumstances reporters should consider other aspects of the breach such as the severity of the effect it has had that may make it materially significant.

Glossary

Internal controls

- Arrangements and procedures to be followed in the administration and management of the scheme
- Systems and arrangements for monitoring that administration and management, and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme (Section 249A of the Pensions Act 2004)

Reporter

Any person who has a duty to report a breach of law or notifiable event

How to report (RTT005)

Making a report

Reporters should make a report using our online web form, email or by post. We do not accept reports by telephone, but if a reporter discovers a serious breach, they should notify us by telephone (www.tpr.gov.uk/en/contact-us/whistleblowing-contact-us) before submitting their report in writing.

Reporters should also mark urgent reports as such and highlight any matters they believe are particularly serious.

Breach of law reports must be made to us in writing as soon as reasonably practicable^{HO1} and in most cases, this should be within 10 working days of the breach being identified. However, reporters may use their judgement as to the application of ‘reasonably practicable’ in their specific circumstances.

The report should include the:

- full name of the scheme
- description of the breach or breaches, including any relevant dates
- name of the employer (in the case of an occupational scheme) or scheme manager (in the case of public service and personal pension schemes)
- name, position and contact details of the reporter
- role of the reporter in relation to the scheme

The report should also include:

- reason the reporter believes breach is of material significance to us
- address of the scheme
- type of scheme – whether occupational (defined benefit, defined contribution or hybrid), personal or public service
- name and contact details of the governing body (if different to the scheme address)
- pension scheme registration (PSR) number
- address of employer

HO1 Section 70 of the Pensions Act 2004 [Article 65 of the Pensions (Northern Ireland) Order 2005]

There are other requirements placed on those running pension schemes to report to other bodies. Where the duty to report to another body coincides with the duty to report to us, the report to us should include details of the other bodies the matter has been reported to.

We will acknowledge all reports within five working days of receipt. If reporters have not received an acknowledgement from us within five days, they should contact us.

Due to legal restrictions^{HO2} on the information we can disclose, we will not keep reporters informed of the steps we are taking to deal with the report, but we may contact a reporter to ask for more information.

If a scheme or an individual is at risk, for example where there has been dishonesty, they should not take any actions that may alert those implicated that a report has been made. Similarly reporters should not delay their report to us, to check whether any proposed solutions will be effective.

Multiple reporters

More than one person may be responsible for reporting the same breach. Those who have a duty to report should be aware this is not automatically discharged by another party reporting the breach.

Where multiple reporters wish to submit a collective report, the reporting procedure must allow for the evaluation of breaches as described in this code of practice and for a report to be made as soon as reasonably practicable.

Where a report has already been made by another party, but as a reporter you hold additional relevant information about the breach, you must submit a further report.

HO2 Section 82 Pensions Act 2004 and Data Protection Act 2018 and the Retained Regulation (EU) 2016/679) (UK General Data Protection Regulation)

Reporting procedures

Those responsible for reporting breaches, including the governing body, should establish and operate procedures to ensure they are able to meet their legal obligations. Reporters should not rely on waiting for others to report.

We expect the governing body to have:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for considering the material significance of the breach to us by taking into account its cause, effect, the reaction to it, and its wider implications, including dialogue within the governing body where appropriate (see also [Decision to report](#))
- a clear process for referral to a person at the appropriate level of seniority, so decisions can be made about whether to report to us
- an established procedure for dealing with difficult cases
- a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable
- a system to record breaches even if they are not reported to us (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal an ongoing issue)
- a process for reviewing reporting procedures following any significant changes to the scheme's governance arrangements

Glossary

Reporter

Any person who has a duty to report a breach of law or notifiable event



Purpose: For Decision

Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	PENSION ADMINISTRATION STRATEGY
Report of	PENSIONS MANAGER

EXECUTIVE SUMMARY

1. Following consideration by the Local Pension Board, this report presents the Isle of Wight Pension Fund pension administration strategy to the committee for adoption.
2. Following adoption of the strategy, it will be published on the fund's website.

RECOMMENDATION

- | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none">3. That the committee adopt the Pension Administration Strategy as recommended by the Local Pension Board and agree to its publication on the fund's website. |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

BACKGROUND

4. Regulation 59 of the Local Government Pension Scheme Regulations 2013 (the regulations) makes provision that an administering authority may prepare a pension administration strategy. While this is not a mandatory document, the regulations do specify the content and process to be followed should an administering authority decide to publish such a strategy.
5. One of the recommendations arising from the Scheme Advisory Board's (SAB) Good governance project was that each administering authority must publish an administration strategy. The Department of Levelling Up, Housing and Communities (DLUHC) has yet to consult on the regulations required to enact the recommendations from this project.
6. The Isle of Wight Pension Fund adopted its first pension administration strategy (PAS) in November 2018. Due to capacity issues and other work priorities, the annual review of this policy was never actioned, so the current policy is significantly overdue for review.

7. In addition, numerous improvements to the pension administration service have been implemented since the publication of the last PAS, so many of the provisions contained in the current statement are invalid.
8. The revised PAS has been drafted from documents published by other LGPS administering authorities, adapted and amended for current Isle of Wight Pension Fund processes and procedures.
9. Subject to any changes which may be required as a result of future changes to regulatory requirements or best practice, the pension administration strategy will be reviewed and updated every three years from the date of adoption.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

10. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of “being fair and transparent”.

Pension Fund Strategic Aims

11. 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 Local Government Pension Scheme (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.
12. The adoption of the revised pension administration strategy supports the achievement of the following fund objectives:
13. Administration
 - (a) Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and scheme employers at the point of need.
 - (b) Provide pension and lump sum benefits for all members, in accordance with LGPS Regulations.
 - (c) Clearly establish levels of performance and measure the performance of both the fund and scheme employers against them.
 - (d) Develop successful partnership working between the fund and its employers.
 - (e) Data is protected to ensure security and authorised use only.
14. Governance
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

- (b) Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
- (c) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
- (d) Continually measure and monitor success against objectives.

CONSULTATION

- 15. Regulation 59 of the Local Government Pension Scheme Regulations 2013 states that in preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.
- 16. The Pensions Manager drafted the revised pension administration strategy based on those of other LGPS pension funds, adapted to reflect local practices and requirements. The draft has been discussed with members of the pension administration team, the LGPS Finance team and the chairman and other members of the Local Pension Board.
- 17. Following consideration of the draft PAS by the Local Pension Board, the draft was circulated to all employers within the fund including schools with outsourced providers on 21 April 2023. Consultees were offered a short period in which to provide comments on the proposed revised strategy, closing on 10 May 2023.
- 18. By the closing date, no responses were received, from a circulation to 78 parties. Accordingly, the pension administration strategy as presented is recommended for adoption.

LOCAL PENSION BOARD VIEW

- 19. The Local Pension Board considered this matter at their meeting on 5 April 2023. Board members welcomed the inclusion of tiered penalty charges dependent on the size of the employer, noting that the fund would use its discretion in applying any penalty charges.
- 20. The board confirmed that that the policy was fit for purpose, and it was agreed for recommendation to the Pension Fund Committee for adoption.

FINANCIAL / BUDGET IMPLICATIONS

- 21. No additional costs have been incurred in the review and update of this policy. The policy has been adapted from those of other LGPS funds and has been updated by the Pensions Manager for matters relevant to the Isle of Wight Pension Fund.
- 22. Implementing the standards of administration set out in the strategy, including enforcement, should not incur significant additional costs for the pension administration team, as it is a formalisation of existing practice.

LEGAL IMPLICATIONS

23. Regulation 59 of the Local Government Pension Scheme Regulations 2013 makes provision for an administering authority to prepare and publish a pension administration strategy. However, this is not, as yet, a legal requirement.
24. If an authority decides to prepare a strategy, it should include:
 - procedures for communicating and liaising with scheme employers.
 - levels of performance the administering authority and its scheme employers are expected to achieve in carrying out their scheme functions.
 - procedures to ensure statutory requirements are met by both the administering authority and scheme employers.
 - procedures to improve communications between the administering authority and other scheme employers.
 - conditions under which the administering authority can give notice under Regulation 22 (2) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 to a relevant employer about that employer's unsatisfactory performance;
 - publication of an annual report on how far performance levels have been achieved (in practice as part of the annual report);
 - any other matters the administering authority thinks appropriate (after consulting with its scheme employers and other appropriate persons).
25. The administering authority must keep the scheme under review and make such changes as are appropriate.

EQUALITY AND DIVERSITY

26. 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.
27. There are no implications for any of the protected characteristics arising from items covered in the report.

OPTIONS

28. Option A: that the committee adopt the Pension Administration Strategy as recommended by the Local Pension Board and agree to its publication on the fund's website.
29. Option B: that the committee request changes to the Pension Administration Strategy prior to its adoption and publication on the fund's website.
30. Option C: that the committee do not adopt the revised Pension Administration Strategy and continue to operate within the existing out-of-date statement.

RISK MANAGEMENT

31. 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 the Pension Fund Committee, Local Pension Board or staff 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 the Pensions Regulator, who if dissatisfied has the power to fine the fund.
32. Implementing a strategy which forms an agreement between the fund and its employers will formalise the relative responsibilities of the parties within the fund, and will assist in enforcing the standards of performance contained therein.
33. Failure to maintain improvements in the quality and timeliness of data received from employers could further compromise the ability of the fund to maintain accurate member records. This could result in late and/or inaccurate pension estimates being provided to members, as well as delaying the calculation and payment enabling the correct benefits on retirement and death.
34. If poor quality data is provided to the fund's actuaries for the triennial valuation of the fund, there will need to be more assumptions made in the calculation of the fund's liabilities, which could result in higher employer contributions being required from employers, including the council.

EVALUATION

35. The Local Pension Board reviewed the draft strategy at their meeting on 6 April 2023. The board did not identify any areas where the proposed policy was not in accordance with the regulatory requirements. Accordingly option B is not recommended.
36. The revised pension administration strategy includes clauses relevant to all the improvements made in the administration of the fund, including the requirement for employers to use the i-connect system for the submission of monthly membership data. The previous policy, while fit for purpose at the time it was created in 2018, does not include the most recent requirements. Therefore option C is not recommended.

APPENDICES ATTACHED

37. Appendix 1: Isle of Wight Pension Fund Pension Administration Strategy 2023.

BACKGROUND PAPERS

38. Scheme Advisory Board – Good Governance Project
[LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](http://lgpsboard.org)
39. Isle of Wight Pension Fund Administration Strategy Statement 2018
<https://www.isleofwightpensionfund.org/resources/administration-strategy-statement-november-2018/>

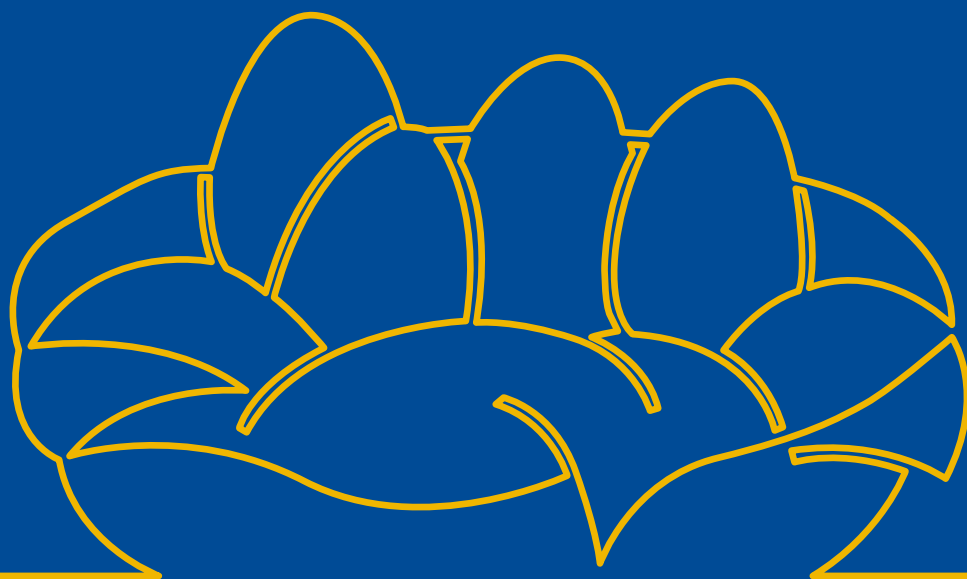
Contact Point: Matthew Collier, Pensions Manager, ☎ 821000
e-mail Matthew.collier@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*

Isle of Wight Council
Pension Fund

Pension administration strategy



May 2023

Document information

Title:	Isle of Wight Council Pension Fund – Pension administration strategy
Status:	Draft
Current version:	2.03
Author:	Matthew Collier Matthew.collier@iow.gov.uk Tel: 01983 821000 ext 8854
Sponsor:	Jo Thistlewood Jo.Thistlewood@iow.gov.uk 01983 821000 ext 6371
Consultation:	Financial Services Pension Services Legal Services Governance consultants (Hymans Robertson LLP) employers (including schools) Pension fund Committee Local Pension Board
Approved by:	Pension fund Committee
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Review frequency:	Triennially, unless significant changes are required
Next review:	2026

Version history

Version	Date	Description
1.0	18 July 2018	First draft from Hampshire PF adapted
1.1	10 August 2018	First review Isle of Wight Council
1.2	7 September 2018	Following internal comments
1.3	19 September 2018	Following Hymans review
1.3.1	3 October 2018	For external consultation
1.4	24 October 2018	Following LPB 23/10
1.5 (final)	9 November 2018	Recommendation to Pension Committee
1.6	23 November 2018	Adopted
2.0	December 2022	Admin team update, JMT review

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1 Introduction

This is the pension administration strategy (the strategy) of the Isle of Wight Council Pension Fund (the fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the Isle of Wight Council (the administering authority). This is the current strategy in force and replaces all previous versions.

In this strategy, the following terms will be used:

- **The fund** which deals with LGPS investments, actuarial valuation processes and collection of contributions and is based at County Hall, Newport, Isle of Wight.
- **Employers** who participate in the LGPS as a scheduled body or as a designating body, such as a town or parish council, or as a non-local government organisation (an admission body). In this PAS the term 'employers' also includes any other body or school that uses outsourced payroll services.

The LGPS is a statutory pension scheme and governed by regulations. The current regulations governing administration are The Local Government Pension Scheme Regulations 2013 (as amended). The following link to the Local Government Association (LGA) website provides an up-to-date version of the LGPS Regulations 2013: lgpsregs.org/schemeregs/lgpsregs2013

In discharging their roles and responsibilities under these regulations, the administering authority and employers are also required to comply with any overriding legislation and follow any regulatory guidance or code of practice issued by The Pensions Regulator regarding:

- data quality;
- completeness;
- timeliness.

This strategy sets out the standard of performance and best practice that the administering authority and the employers should aim to meet when carrying out their scheme functions. It will be reviewed triennially and will be revised to reflect changes to:

- LGPS regulations;
- policies determined by the administering authority;
- administrative practices executed by the administering authority and its employers in fulfilling its functions.

This strategy applies not only to existing employers but will also apply to all new future employers of the fund. Schools (other than academies, free schools and university technical colleges (UTCs)) are included under the LEA of the relevant council even if they have their own payroll or have outsourced it to a third party.

If you require any further information about anything in or related to this strategy, please contact the administering authority (pension.accounts@iow.gov.uk).

2 Legislative background

The legal context of the strategy is regulation 59 of the LGPS Regulations 2013, which provides authority for administering authorities to create a pension administration strategy. This strategy sets out requirements to facilitate best practice and efficient customer service in respect of the following:

- The levels of performance which the administering authority and employers are expected to achieve in carrying out their scheme functions.
- Ensuring the administering authority and employers comply with statutory requirements in respect of those functions.
- Improving the communication between the administering authority and employers to carry out those functions.

This strategy also includes a schedule of additional administration costs in **appendix 3**, in accordance with regulation 70 of the LGPS Regulations 2013, which provides scope for the administering authority to recover costs where, in its opinion, additional costs are being incurred due to an employers level of performance.

Levels of performance achieved, by both the administering authority and employers, are reported:

- as part of a pension administration report at the administering authority's Pensions and Investments Committee;
- at Local Pension Board meetings;
- in the fund's annual report and accounts.

This strategy is published on the fund's website (isleofwightpensionfund.org/resources). This is following its formal approval by the Pensions and Investments Committee in its role as the administering authority of the fund. A copy will also be submitted to the Secretary of State as required in regulation 59 of the LGPS Regulations 2013.

3 Aims and objectives

The aims of this strategy are to:

- support the provision of a high-quality pension service to fund members delivered through efficient working practices;
- clearly set out the respective roles and responsibilities of the administering authority and scheme employers;
- ensure that the fund operates in accordance with LGPS regulations and codes of practice issued by The Pensions Regulator;
- set out the quality and performance standards expected by the administering authority and its scheme employers in relation to each other;
- promote good working relationships, transparency and improve efficiency between the administering authority and its scheme employers for the benefit of the fund members;
- provide a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the fund.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the administering authority and employers, notably the timely exchange of accurate information in relation to scheme members.

The strategy should help ensure that the administering authority and employers understand their respective roles and responsibilities under the LGPS regulations to deliver these administrative procedures.

This strategy sets out the expected levels of performance of the administering authority and employers. The Strategy provides details about the monitoring of performance levels and the action(s) that could be taken where standards are not met by employers and/or when persistent non-compliance occurs.

The strategy is implemented from 1 June 2023 following a period of consultation with the administering authority and employers. The administering authority will continue to keep the strategy under review and update as required to reflect changes in scheme regulations and fund working practices.

The Local Pension Board, in its role of assisting the administering authority to ensure the effective administration and governance of the scheme, will also monitor the operation of the strategy.

4 Record keeping

Record keeping is an essential part of running a scheme such as the LGPS. The administering authority and scheme employers have a legal obligation to collate and maintain certain data which is key to managing the scheme.

The administering authority must keep accurate, up-to-date and long-term records, within the parameters of data protection legislation to ensure it can govern and administer the scheme efficiently for all scheme members.

employers provide the data needed by the administering authority and must ensure that they are meeting their legal obligations to the scheme.

The administering authority has a legal duty to provide its members with accurate and timely information about their benefits, which cannot be issued without data from employers.

5 Development of the fund's administration

5a i-Connect

The key to delivering efficiencies in our pension administration is the full implementation of i-Connect. i-Connect is an online portal which allows for the secure transfer of member data from employers' payroll systems to the administering authority's administration system on a monthly basis.

By onboarding the fund's scheme employers onto i-Connect, this will:

- reduce the need for manual inputting of pension related data;
- allow ongoing validation and a timelier response to queries;
- reduce the workload on year-end reconciliation and reporting;
- ensure the maintenance of a stable and accurate membership database;
- receive data in line with statutory rules thus avoiding the risk of enforcement action and financial penalties by The Pensions Regulator for breaching legislative time limits and other requirements;
- enhance the member experience by having up to date monthly data readily available.

Maintaining accurate member records ensures the accurate calculation of employers' pension contribution rates and the provision of a better service for scheme members.

The administering authority will maintain adequate training and support for employers submitting data through the i-Connect portal.

This strategy sets out a deadline of 31 March 2024, for the full implementation of the monthly digital transfer of data from all employers via i-Connect.

Employers who have not engaged with the administering authority towards commencing arrangements for the implementation of i-Connect should contact the administering authority by email without delay (Pensions@iow.gov.uk).

If by 1 April 2025, an employer is not onboarded onto i-Connect then the employer may be invoiced up to £1,000 (depending on size of employer) for the costs incurred in maintaining alternative procedures for the administration of data relating to active members of the fund outside of the i-Connect process. A table of potential recharges will be issued to each employer by 31 March.

These costs may be in addition to any other costs incurred due to an employer's poor performance, as detailed elsewhere in this strategy.

5b Member self-service

The fund has launched a secure, online portal to allow its members to:

- update their personal information;
- view their pension record and scheme documents;
- project their pension benefits.

This online service will become the default method for the administering authority of communication with scheme members (iwcpensions.co.uk).

The administering authority is currently promoting this service to scheme members as stipulated in the fund's communications policy. Employers are expected to actively promote this online service and encourage their employees participating in the LGPS to register for this service.

Member self-service is the default method for supplying annual statements to active and deferred members, however, all fund members can opt to receive their annual statement by post.

Member self-service is the default method for supplying payment advice slips and P60s to pensioner and dependant pensioner members, however, members can opt to receive their payment advice slips and P60s by post.

6 Roles and responsibilities

The aims of this strategy will be achieved by:

- clearly defining the respective roles of scheme employers and the administering authority;
- setting clear and achievable standards of service levels for the functions carried out by scheme employers and the administering authority;
- setting out clear procedural guidance for the secure and effective exchange of information between scheme employers and the administering authority, including the mandatory implementation of i-Connect by all participating employers;
- monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve where required;
- applying additional charges where an Employer consistently fails to meet deadlines and standards set out in this strategy, including not engaging with the implementation of i-Connect

6a The administering authority's roles and responsibilities

The responsibilities for the administering authority are to:

- administer the LGPS in respect of all scheme members (active, deferred and pensioner members) in accordance with legislation and as set out in this strategy;
- maintain and review the fund's policies, strategies, statements, reports and all other matters relating to the governance of the scheme. The fund's policies, strategies and statements can be viewed on the fund's website (isleofwightpensionfund.org/resources);
- communicate and engage with employers on LGPS matters;
- provide support and training to scheme employers;
- maintain and develop an effective web presence for the benefit of members and employers.

A guide to the administering authority's main roles and responsibilities are set out in **appendix 2**. The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the key areas which involve interaction and liaison with employers and/or scheme members.

6b The employer's roles and responsibilities

The key responsibilities for scheme employers are:

- **Communicate**
details of the LGPS to eligible staff and participating members of the LGPS.
- **Apply LGPS regulations**
The following link to the Local Government Association (LGA) website provides an up-to-date version of the LGPS Regulations 2013: lgpsregs.org/schemeregs/lgpsregs2013
- **Report information to the administering authority**
as set out in this strategy or upon request.

A guide to the employer's roles and responsibilities are set out in **appendix 1**. The guide includes a summary of duties which defines the main functions of the employer role which, in turn, enables the administering authority to deliver an efficient, accurate and high-quality pension service to scheme members.

Each employer will designate a named individual to act as the main point of contact (nominated representatives) regarding any aspect of administering the LGPS. Please let the administering authority know immediately if a nominated representative leaves your organisation and the name of the replacement representative.

The key responsibilities for the nominated representative will be to:

- act as a conduit for communications to appropriate staff within the scheme employer, for example, human resources, payroll teams, directors of finance;
- ensure that standards and levels of service that are set out in this strategy are achieved;
- ensure that details of all nominated representatives and authorised signatories are correct and to immediately notify the administering authority of any changes;
- assure data quality and ensure the timely submission of data through i-Connect to the administering authority;
- ensure payments due to the administering authority are made in accordance with legislation and as set out in this strategy;
- ensure that the employer has an up to date statement of employer discretions;
- arrange distribution of communications literature when required;
- assist and liaise with the administering authority on promotional activities;
- inform the administering authority of any TUPE of LGPS eligible staff as soon as possible;
- inform the administering authority of changes to payroll provider or any other service delivery agreement;
- notify the administering authority of breaches of the LGPS and related statutory regulations;
- notify the administering authority of all applications received under the complaints and internal disputes resolution procedure (IDRP)

7 Performance reporting

The partnership between the administering authority and scheme employers is important for the successful, ongoing administration of the scheme. The administering authority has a duty to support employers in meeting their responsibilities. The cost of underperformance on the part of one employer is to be charged to that employer, rather than being shared across all employers.

If employers have concerns about the data they provide, they should contact the administering authority without delay. This will allow the administering authority to help to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

The performance of each employer in providing all necessary data required by legislation and as set out in this strategy will be monitored.

It is the responsibility of the administering authority and the scheme employers to comply with the LGPS regulations and the standards set out in this strategy. This section describes how the administering authority:

- monitors performance and compliance;
- addresses the costs of underperformance;
- sets the potential charges.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 provides the administering authority with the ability to recover any additional administrative costs that have been incurred, because of a scheme employer's underperformance.

7a Monitoring performance and compliance

The administering authority will monitor, measure and report on the administering authorities and scheme employers' compliance with the agreed service standards outlined in this document on a regular basis to the Local Pension Board and Pension Fund Committee.

The administering authority monitors its own performance against internal key performance indicators (KPIs). Monitoring is carried out on a monthly basis and is reported to the Pensions and Investments Committee and the Local Pension Board periodically. The performance of scheme employers against the standards set out in this document, including data accuracy, are also reported to the Local Pension Board and Pension Fund Committee.

The administering authority will report back to employers where required about their individual performance, identifying any areas for improvement including outstanding data items.

Where an employer declines to work with the administering authority to resolve problems and consistently fails to meet its responsibilities under the LGPS Regulations, the administering authority (or stakeholders such as the Local Pension Board) has a duty to report such breaches to The Pensions Regulator, who has the regulatory power to take enforcement action and, if necessary, apply financial penalties.

7b Addressing the cost of underperformance

The administering authority monitors any additional costs incurred in the administration of the scheme as a direct result of underperformance and reserves the right, at its own discretion, to recover these costs, having taken the following steps:

1 Write to the scheme employer

Setting out the area(s) of poor performance; and if necessary, meet with the employer to discuss the area(s) of poor performance and how these can be addressed. This may include attendance at a training session if required.

2 Arrange a meeting with administering authority representatives

A scheme employer will be asked to attend a meeting with representatives of the administering authority to discuss area(s) of non-compliance with performance standards and to agree an improvement plan where the scheme employer has not:

- demonstrated improvement;
- taken the agreed actions;
- responded to the initial letter.

Where appropriate in respect of admission bodies, the outsourcing or letting employer will be informed and expected to work with the administering authority to resolve the issues.

3 Issue formal written notice

Where no improvement is demonstrated by the employer or where there has been a failure to take agreed action by the employer, in accordance with regulation 70 of the LGPS Regulations 2013. The written notice will include:

- the reasons for issuing the notice;
- the amount that the employer must pay;
- the relevant provisions of the strategy.

An invoice will then be issued to the scheme employer with a notification setting out the calculations of any additional administration costs incurred by the administering authority, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scales set out in this document.

A report will be presented to the Pension Fund Committee and the Local Pension Board meeting detailing charges levied against scheme employers and outstanding payments. This will also be reported in the fund's published annual report.

If poor performance continues and impacts the administering authorities ability to perform statutory functions or measures are not being taken by the employer to address this, the administering authority will report the employer to The Pension Regulator.

Where it is necessary to ensure that members' benefits are not delayed unduly due to employers' under-performance in providing the required information, the administering authority reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will

be explained to the member and employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the employer.

7c Charges

In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employer, the administering authority will seek to recover any additional costs arising.

A summary of the additional costs that the administering authority will seek to recover is provided in **appendix 3**. In addition, any third-party costs or regulatory fines incurred by the administering authority because of administrative failures or poor performance will be recovered from the respective employer.

These may include:

- fines imposed by the courts or The Pensions Ombudsman;
- additional charges in respect of actuarial fees, legal fees, third party charges;
- additional printing and distribution costs.

The administering authority will recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any employer (including the administering authority). With the objective of ensuring fairness across employers in avoiding employers paying more to cover the higher administration costs incurred by others.

Where an employer fails to pay any amount due to the administering authority (other than monthly contributions) within 30 days, interest for late payment may be charged accordingly. This includes charges and recharges levied under this strategy.

7d Feedback from employers

The administering authority will monitor its performance against the standards in this strategy, as set out in **appendix 2**, from the event date (e.g. date of leaving or retirement, or the date that all necessary data has been received or is available) to the date of the completion of the task.

Employers who wish to provide feedback on the performance of the administering authority against the standards in this strategy should send their comments to: pension.accounts@iow.gov.uk

Please begin the subject line of your email with 'Performance'. Any feedback received will be responded to and incorporated into the reports provided by the administering authority to the Local Pension Board.

8 Audit

The administering authority is subject to regular audits of its processes and internal controls. The administering authority and scheme employers will be expected to fully comply with any requests for information from both internal and appointed external auditors. Any subsequent recommendations made will be considered by the administering authority and where appropriate duly implemented.

9 General Data Protection Regulations (GDPR)

In May 2018, the EU's General Data Protection Regulation (GDPR) came into force. The regulation changed the way organisations process and handle data, with the key aim of giving greater protection and rights to individuals.

GDPR applies to the processing of personal data that is:

- wholly or partly by automated means; or
- the processing other than by automated means of personal data which forms part of, or is intended to form part of, a filing system.

The UK's Data Protection Act 2018 is the UK's implementation of GDPR and controls how personal information is used by organisations, businesses and the government. Under the Data Protection Act 2018, everyone responsible for using personal data must follow strict data protection principles. They must make sure the information is:

- used fairly, lawfully and transparently;
- used for specified, explicit purposes;
- used in a way which is adequate, relevant and limited to only what is necessary;
- accurate and, where necessary, kept up to date;
- kept for no longer than is necessary;
- handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing.

In addition, organisations have an obligation for better data management and a new regime of fines were introduced for use when an organisation is found to be in breach of the GDPR. You can obtain further information about these rights from the Information Commissioner's Office. (ico.org.uk)

Employers necessarily supply the administering authority with personal data relating to their employees.

Personal data collected or held by the administering authority includes:

- **Contact details** – name, address, telephone number and email address.
- **Identifying details** – date of birth, national insurance number and employee number and folder reference.
- **Assessment information** – used to calculate and assess eligibility for benefits, for example length of service or membership and salary information.
- **Financial information** – relevant to the calculation or payment of benefits, for example bank account and tax details.
- **Family information** – dependents or personal circumstances, for example marital status and information relevant to the distribution and allocation of benefits payable on death.
- **Health information** – to assess eligibility for benefits payable on ill health.
- **Criminal convictions** – if this has resulted in a member owing money to their employer or the administering authority and the employer or the administering authority may be reimbursed from the member's benefits.

Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations 2013, to provide certain personal data for their members, including (but not exhaustively): the pay reference number; post number; national insurance number; surname; forenames (or initials); title; gender; date of birth; address; postcode; date pensionable service started; marital status; hours; weeks; pay; basic employee and employer contributions paid; additional employee and employer contributions paid; date left pensionable service; reason left pensionable service; and periods of absence from pensionable service.

The administering authority uses members' personal data to:

- contact members;
- assess eligibility for pension benefits, to calculate benefits and to provide members (and their beneficiaries upon their death) with benefits;
- identify members' potential or actual benefit options;
- allow alternative ways of delivering benefits (for example under a power of attorney);
- carry out statistical and financial modelling and for reference purposes (for example when the administering authority assesses how much money is needed to provide members' benefits);
- comply with the administering authorities legal and regulatory obligations;
- address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the administering authority;
- manage the liabilities of the administering authority;
- to support the sale, merger or corporate reorganisation or transfer of a business by employers that participate in the administering authority;

Employers must ensure that the personal data supplied to the administering authority is correct. The supply of incorrect data (in particular, incorrect contact details) can lead to a data breach.

A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. Breaches of personal data can expose the administering authority to substantial fines from the Information Commissioner's Office (ICO) www.ico.org.uk, financial claims from individuals whose personal information has been inappropriately disclosed, and to severe reputational damage.

9a Privacy notice

The fund has published a privacy notice in line with the GDPR requirements, setting out why certain data is held; the reason for processing the data; who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available from the fund's website (isleofwightpensionfund.org/resources).

9b Memorandum of understanding

The administering authority has issued a memorandum of understanding to its scheme employers, which confirms the joint roles and responsibilities with regards to the sharing of information that enables which enables it to provide an efficient and effective service to scheme members and stakeholders. The memorandum of understanding is available from the administering authorities website (isleofwightpensionfund.org/resources).

Employers should inform all new employees that their personal data is shared with the administering authority, in accordance with the statutory responsibilities of administering the LGPS.

Appendix 1

The employer's roles and responsibilities

The following tables set out in more detail each employers roles and responsibilities in respect of the administration of the scheme in the areas of:

- scheme governance and administration;
- individual member administration.

The performance standards expected are expressed as targets expected in normal circumstances.

On an exceptional basis, it is accepted that it may not be possible to achieve the target indicated and a pragmatic approach will be adopted. This is subject to employers using best endeavours to meet expected standards wherever possible.

Scheme governance and administration

Function or task	Performance target
Employer contacts	
Confirm nominated representative(s) to the administering authority.	Within 30 days of employer joining the fund or change to nominated representative.
Appoint a person (the adjudicator) to consider disputes under stage one of the pension internal dispute resolution process (IDRP) and provide full up to date contact details to the administering authority.	Notify the administering authority within 30 days of becoming a scheme employer or following the resignation of the current adjudicator.
Appoint an Independent Registered Medical Practitioner(s) (IRMP) qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the administering authority, for the consideration of all ill-health retirement applications from active and deferred members.	Within 30 days of becoming a scheme Employer or within 30 days of a change in IRMP(s).
Employer discretions policy	
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS.	A copy of the policy document is to be submitted to the administering authority by 30 April 2020 and thereafter within 30 days of any change in policy.

Function or task	Performance target
Communications	
Distribute any information provided by the administering authority to scheme members or potential scheme members including the promotion of member self-service.	Within 10 working days of receipt of the information or as stipulated by the administering authority
In accordance with the Memorandum of Understanding, ensure that any personal data submitted to the administering authority outside of i-Connect is sent securely.	Ensure the security of all non i-Connect submissions to the administering authority at the point of sending.
Respond to queries from the administering authority.	Within 10 working days from receipt of enquiry unless stated otherwise.
<p>Notify the administering authority of any notifiable events including, but not restricted to, the following:</p> <ul style="list-style-type: none"> • Material change in LGPS membership. • Material change in Employer payroll or pensionable pay. • Change in Employer’s legal status or constitution. • A decision which will restrict the Employer’s active membership in the fund in future. • Any restructuring or other event which could materially affect the membership in the fund in future. • Confirmation of wrongful trading. • Conviction of senior personnel. • Decision to cease business. • Breach of banking covenant. 	Within 10 working days of becoming aware of such an event.
Appeals	
The employer’s adjudicator to notify the administering authority of the receipt of a stage one appeal through IDRPs.	Within five working days of receipt of the appeal.
The employer’s adjudicator to notify the administering authority of the decision in respect of an appeal at stage one of IDRPs.	Within five working days of the decision.
The employer’s adjudicator to provide the administering authority with all documentation considered in the determination of the stage one appeal for consideration in the adjudication of the appeal at IDRPs stage two.	Within five working days of the receipt of the request from the administering authority.

Function or task	Performance target
Outsourcing or TUPE arrangements	
Notify the administering authority of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	At the point of deciding to tender.
Notify the administering authority of the main contacts managing the outsourcing of service provision before and during a contract where a prospective contractor may request to join the fund.	At determination of successful tender.
Work with the administering authority to arrange for the admission of a contractor as a new employer in the fund.	A minimum of two months in advance of the date of contract.
Provide the administering authority with relevant details, including copies of documentation, of agreements relating to responsibility for an LGPS funding deficit or surplus and requirements for bond or guarantor.	Within one week of the signed contractual agreement with the contractor.
Notify the administering authority of changes, extension or cessation of arrangements with a contractor.	As soon as decision is agreed.
Assist the administering authority in ensuring that the terms of the contractor's admission as a scheme employer (admission agreement) are complied with.	Notify the administering authority if the terms of the admission agreement have been breached.
Strain or shortfall payments to the administering authority.	
Make shortfall or strain payments to the administering authority in respect of early payment of benefits from redundancy, business efficiency and flexible retirements or where a member retires early with employer's consent.	Within 30 days of receipt of invoice from the administering authority.
Pension contributions	
Apply the employer contribution rate agreed with the administering authority on becoming a scheme employer and adjust as instructed by the administering authority from a date determined by the administering authority.	Immediately on receipt of information from the administering authority effective from a date determined by the administering authority following advice from the scheme actuary.
Calculate and review the correct employee contribution rate band for all members at commencement and on 1st April each year in accordance with LGPS regulations. Also, to be reviewed at intervals during the year at the employer's discretion.	Immediately on commencement, on 1 April each year and as per the Employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year.

Function or task	Performance target
Ensure the correct application of assumed pensionable pay (APP) during periods of reduced or nil pay in accordance with the LGA's HR and payroll guides.	Review of eligibility for APP immediately upon a member moving to reduced or nil pay.
Remit employer and employee contributions to the pension fund bank account via BACS.	By 19th of the following month following deduction.
Arrange for the deduction of AVCs and payment over to the AVC providers and then schedule to be sent to the administering authority.	Payment by 19th of the following month following deduction.
Notify the administering authority of the commencement of salary sacrifice shared cost AVC arrangements.	Immediately on the commencement of arrangements.
Data returns	
Provide monthly, accurate and complete submission of i-Connect data in the format required.	By 19th of the month following the relevant calendar month.
To ensure optimum accuracy of monthly i-Connect data submission.	Less than five per cent of the active member count on 1 April to error on import into the pension administration system.
The rectification of an accurate monthly data file where it has been necessary to return the file due to data inaccuracies.	Within 10 working days of receipt of file.
To promptly resolve all queries relating to entries on i-Connect monthly submissions.	To acknowledge receipt to all queries from the administering authority within 10 working days of receipt of the query.
To ensure the administering authority receives accurate year to date information to 31 March through the month twelve i-Connect data submission.	No later than 15 April following the relevant year end.
Provide an accurate, fully reconciled and completed year-end return in the format set by the administering authority, in documentation issued by the administering authority. Arrange payment without delay of charges for submitting data outside of i-Connect.	By the date set by the administering authority in the April following the year end.
To resolve all queries returned from the year end return.	To respond fully to all queries from the administering authority within 30 days of receipt of the query. In circumstances where an employer submits a late year end return limiting the Administering Authorities time to complete its duties, the timescales may be reduced, as advised by the administering authority.

Function or task	Performance target
<p>Due to the 'McCloud judgement', we ask employers to keep service records for all members (including leavers) from 1 April 2014. The service details should include:</p> <ul style="list-style-type: none"> • marital status; • contractual hours; • remuneration changes; • contribution rate; • employee number or post number; • absence – maternity, paternity and adoption, unpaid leave of absence, and industrial action. <p>Each employer must ensure that this information is available to the administering authority if required As part of employer data retention policy.</p>	<p>As part of employer data retention policy.</p>
Change of payroll provider	
<p>To inform the administering authority of a change of payroll provider along with the contact details of the new provider.</p>	<p>As soon as possible and no later than 90 days prior to the transfer of duties and functions.</p>
<p>Ensure that the employer provides payroll references (specific to post) to the administering authority.</p> <p>This notification should include previous payroll references.</p>	<p>As soon as possible but no later than 20 working days before the first i-Connect data submission.</p>
Miscellaneous	
<p>Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the administering authority and the fund's actuary.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>
<p>Payments in respect of all other work carried out on behalf of or relating to the employer by the fund's Actuary including matters connected to funding reviews and data quality assurance undertaken by the administering authority.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>
<p>Prompt payment of invoices issued by the administering authority for specific services provided.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>

Individual member administration

This section details the functions which relate to scheme member benefits from the LGPS.

Function or task	Performance target
New starters	
<p>Ensure administering authority approved wording relating to pensions is included in all contract or appointment communications for LGPS-eligible positions including direction to the fund's web presence and signposting to registration for member self service.</p>	<p>As part of standard contract and appointment templates.</p>
<p>LGPS eligible employees must be entered into the scheme from the commencement of their employment, except for employees with a contract of less than three months, or casual and relief employees.</p> <p>Employees not subject to contractual enrolment must be offered the opportunity to join the LGPS from commencement, or automatically entered upon meeting auto-enrolment criteria.</p>	<p>From date of commencement or joining the scheme.</p>
<p>Ensure that the correct contribution percentage and banding for member's LGPS contributions is applied to their payroll record and notify the member of initial contribution rate and any subsequent changes. The notification must also notify the employee of the right to appeal, including the processes and timescales involved.</p>	<p>From date of commencement or joining the scheme.</p>
<p>Notify the administering authority of new scheme joiners via the monthly i-Connect submission.</p> <p>Evidence of an employee's election to join must be retained by the Employer and a copy sent to the administering authority.</p> <p>If an employee is entered into the LGPS incorrectly, the employer is responsible for the reimbursement of employee contributions.</p>	<p>Within 30 days of member's entry into the scheme via contractual enrolment, auto-enrolment, re-enrolment date or election to join.</p>
<p>Where the member has more than one employment with the same Employer, each membership shall be maintained and reported upon separately (via i-Connect).</p>	<p>From date of commencement or joining the LGPS or starting or ceasing additional employments.</p>

Function or task	Performance target
Changes in circumstances	
Notify the administering authority via i-Connect of change, or correction to, employees' personal details: name; address; marital and civil partnership status; date of birth; NI number.	Within 30 days of the event or receipt of information.
Notify the administering authority via i-Connect of changes or corrections in employment details, including changes in hours and moving to or from the 50/50 section	Within 30 days of the event or receipt of information.
Notify the administering authority of periods of unpaid absence not covered by assumed pensionable pay (APP).	Within 30 days of the event or receipt of information.
Notify the administering authority where recovery of financial loss is sought from the dismissed employee's pension.	Notify the administering authority where recovery of financial loss is sought from the dismissed employee's pension.
Additional pension contributions (APCs)	
Ensure members are notified of the option to pay additional pension contributions following applicable unpaid absences.	Within 10 working days of the return to work.
Upon application from a scheme member to purchase lost pension, apply APCs on receipt of application from member and notify the administering authority with a copy of the application.	Apply to next available payroll and notify the administering authority within 30 days of receipt of members application.
Apply APCs on receipt of notification from the administering authority.	Apply to next available payroll.
Apply adjustments to APC amounts on notification from the administering authority.	Apply to next available payroll.
Include APC payments in member notifications via i-Connect to the administering authority.	Payment by 19th of the following month following deduction.
Additional voluntary contributions (AVCs)	
Arrange for the deduction of AVCs from scheme member's pay following notification from AVC provider.	Commence deduction of AVCs on the next available payroll as advised by payroll provider.
Ensure payment of AVC contributions to AVC provider within required timescale.	AVCs must be paid over to the AVC Provider by 19th of the following month.
Include AVC payments in member notifications via i-Connect to the administering authority.	Payment by 19th of the following month following deduction.

Function or task	Performance target
Optant outs and 50/50 scheme	
Apply an election to opt out of the LGPS to the member's payroll record.	From the 1st of the month for the next available payroll.
Apply an election to move to the 50/50 scheme of the LGPS to the member's payroll record.	From the 1st of the month for the next available payroll.
<p>If the member opts out within three months of joining, they are treated as having opted out upon entry and the employer is responsible for refunding the pension contributions.</p> <p>Evidence of an employee's election to opt-out must be retained by the employer and a copy sent to the administering authority.</p>	Within 30 days of the opt-out being actioned on payroll.
<p>If the member opts out three months or more from joining, the administering authority will determine if the member is eligible for a refund of pension contributions and contact them directly.</p> <p>Evidence of an employee's election to opt-out must be retained by the employer and a copy sent to the administering authority.</p>	Within 30 days of the opt-out being actioned on payroll.

Type of leaver	Function or task	Performance target
Leaver Notifications		
Leavers – over 55	<p>To notify the administering authority of the member's leaving date and reason for cessation of membership and all other relevant information on the leavers form.</p> <p>The leaver event is also to be reported via the i-Connect submission by the 19th of the following month of the scheme member leaving the LGPS.</p> <p>The i-Connect submission must clearly state the reason for leaving.</p>	Within 10 working days of leaving date, flexible retirement, or opt out.
Leavers – under 55	<p>To notify the administering authority of the member's leaving date and reason for cessation of membership and all other relevant information on the leavers form.</p> <p>The leaver event is also to be reported via the i-Connect submission by the 19th of the following month of the scheme member leaving the LGPS.</p> <p>The i-Connect submission must clearly state the reason for leaving.</p>	Within 20 working days of leaving date, flexible retirement, or opt out.

Type of leaver	Function or task	Performance target
Redundancy, or business efficiency and flexible retirement	<p>Notify the administering authority of an employer decision and authorisation for payment of pension benefits on the employer authorisation for early release of pension benefits form.</p> <p>This form evidences the decision and provides agreement to meet the shortfall or strain costs by the employer.</p>	Within 10 working days of the employer making the decision.
Death in service	<p>Notify the administering authority of the death of an employee who is a scheme member.</p> <p>As part of this notification ensure the administering authority are provided with next of kin details.</p>	Within three working days of the employer being notified of the death of an employee who is a scheme member.
Ill health retirements		
Active members	<p>To determine based on medical evidence and the advice of one of the administering authorities approved independent registered medical practitioners (IRMP) whether an ill health award is to be made and determine which tier 1, 2, or 3.</p> <p>Notification to be made by submitting the appropriate form.</p>	No later than 10 working days after employer decision.
Deferred members	<p>To determine based on medical evidence and the advice of one of the administering authorities approved independent registered medical practitioners (IRMP) whether an ill health award is to be made for the early release of deferred pension benefits on the grounds of ill-health.</p> <p>Notification to be made by submitting the appropriate form.</p>	No later than 10 working days after employer decision.
Tier 3 reviews	<p>To conduct an 18-month review of tier 3 ill-health retirement awards and interim reviews at other times as requested by the member.</p> <p>To notify the administering authority of the employers decision regarding the outcome of the tier 3 ill-health review.</p>	No later than 10 working days after employer decision.

Function or task	Performance target
Scheme members with a progressive life-limiting condition	
Notify the administering authority if an employee with LGPS membership has a progressive life-limiting condition.	Immediately.
Communication with scheme members in respect of formal appeals against pension related decisions	
The employer's adjudicator to acknowledge receipt of the stage 1 IDRPs.	Immediately.
Determine appeals against the employer at stage 1 of IDRPs in accordance with The Local Government Pension Scheme Regulations 2013 (regulations 74 and 75).	Within two months of receipt of the appeal (Where a decision cannot be reached within two months, notify the appellant of reasons for the delay and the date when a decision can expected to be reached).

Appendix 2

The administering authority's roles and responsibilities

Scheme governance and administration

This section outlines the responsibilities of the Isle of Wight Council as the administering authority for the fund and the performance standards which scheme employers and scheme members should expect. It is focussed on the activities which involve interaction with scheme employers and / or scheme members and should not be viewed as an exhaustive list.

Function or task	Performance target
Governance – policies, strategies and statements	
Regularly review the strategy and consult with all scheme employers.	Triennially review the strategy and in addition review it following any material changes in service delivery or regulations relating to the strategy and consult with all employers on any changes.
The fund will review its funding strategy statement at each valuation (or material event), following consultation with employers and the fund actuary.	Publish by 31 March following the valuation date, or as required.
Review the fund's communications policy.	Triennially review and publish within 30 days of any revision to the policy being agreed by the respective pension fund committees.
Review the fund's governance and compliance statement.	Triennially review and publish within 30 days of any revision to the policy being agreed by the respective pension fund committees.
The fund should formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the LGPS.	Triennially review and publish within 30 days of any revision to the policy being agreed as above.
Governance – reporting	
Annual report of fund management and performance, including annual statement of accounts.	By 1 December each year.
Publish the fund's final audited and approved accounts.	By 31 July following the year-end (or other date as set by Government).
Information for TPR's maintenance of register of pension schemes (including employer details).	Upon receipt of scheme return notice from TPR.
Information relating to pension administration against key performance indicators and employer performance.	As required by the administering authority and Local Pension Board.

Function or task	Performance target
Fund communications to employers	
Provide scheme employers with year-end template and guidance.	No later than 28 February before the year-end.
Maintain and publish all forms required for completion by scheme employers.	Within 30 days of any revision.
Notify scheme employers of changes to key scheme regulations and requirements.	Within 30 days of the change(s) coming into effect.
Host joint meetings for all scheme employers, in person or remotely.	As required.
Notify the employer of issues relating to the employer's unsatisfactory performance.	If no response to the administering authorities request for action is received within 10 working days; second request marked 'escalation' to be issued, if no response within 10 working days matter referred for cost recovery.
Notify the employer in writing of decision to recover additional costs associated with the employer's unsatisfactory performance.	After 10 working days of second request for action and continued failure to improve performance as requested.
Fund Communications with Scheme Members	
Publish and keep up to date all forms required for completion by scheme members or prospective scheme members.	Within 30 days of any revision.
Management of registrations to the member self-service website.	Within five working days of activation key request.
Issue annual benefit statements to active and deferred members as at 31 March each year (on member self-service or by post).	By 31 August following year end.
Produce and issue pension saving statements (PSS) to members who have exceeded their annual allowance.	By 6 October following end of year (subject to receipt of all relevant information from the employer).
Provide payment advice statements to scheme members in receipt of a pension.	Payment advice statements are uploaded monthly to i-Connect. Postal statements are sent out in April each year and where the monthly pension amount changes by at least £50.
Provide P60s to scheme members in receipt of a pension.	By 31 May following year end.

Function or task	Performance target
Pension contributions	
Consult with employers on the outcome of the periodic fund valuation.	At least two months before the issue of the final rates and adjustments certificate.
Issue formal valuation results to individual scheme employer following the periodic fund valuation.	No later than one month before the issue of the final rates and adjustments certificate.
Notify new scheme employers of their contribution requirements.	Within two months of joining the fund.
Scheme employer admissions and cessations	
Process the admission of new scheme employers into the fund including signed admission, bond and guarantor agreements where required, and obtaining the fund actuary's contribution rate and opening funding position report.	Within two months of date joining the fund subject to the new scheme employer providing all relevant information upon request.
Arrange where required for employers who outsource services or functions to undertake, to the satisfaction of the fund, a risk assessment of the level of bond in order to protect other employers participating in the fund (For example, where the original employer is not a guarantor in respect of pension liabilities).	To be completed before the body is admitted to the fund subject to the new scheme employer providing all relevant information upon request.
Undertake a review of bonds or indemnity required to protect other scheme employers participating in the fund.	Annually, or three months prior to bond expiry as necessary.
Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the fund.	<p>Within two months of a cessation, subject to the employer providing all relevant information upon request.</p> <p>Where a cessation valuation reports a surplus position at the point of exit, the determination and payment of the exit credit to be completed within six months of the exit date.</p>
Pensioner Payroll	
Ensure payment of monthly pension to pensioner and dependant pensioner scheme members.	On the last working day of each calendar month. In December the payment date is the last working day before the 25th.

Individual member administration

This section details the administering authority functions which specifically relate to the administration and processing of scheme member benefits from the LGPS.

Function or task	Performance target
General enquiries	
Acknowledge to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	Within five working days from receipt of an enquiry.
Respond to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	Within 10 working days from receipt of an enquiry.
Change of scheme member personal details including but not limited to: <ul style="list-style-type: none"> • change of surname; • change of address; • change of marital status; • change of bank details; • update death grant nomination. 	Within 10 working days from receipt of all required information
Implementation of a power of attorney or court of protection order.	Within 10 working days from receipt of all required information.
New scheme joiners and 50/50 elections	
Set up a new starter pension record and provide the statutory notification to the member.	Within 30 days of the i-Connect notification.
Move member to the 50/50 section of the LGPS.	Within 30 days of the i-Connect notification.
Aggregations, transfers and estimates	
Issue statement to scheme member relating to the aggregation of previous LGPS membership.	Within 20 working days of receipt of all necessary information.
Commencement of transfer-in requests.	Within 10 working days of receiving transfer details from sending scheme.
Completion of transfer-in applications.	Information provided within 30 days of receipt of all required information.
Transfer-out quotations issued.	Within 20 working days of the date of request
Transfer-out payments processed and notification to scheme member.	If transfer-out finalised within three-month guarantee period, payment made within 30 days of guarantee date.
Cash equivalent transfer value (CETV) estimates for divorce purposes.	Within 20 working days of request.

Function or task	Performance target
Implementation of a pension sharing order.	Within 10 working days of receipt of court approved pension sharing order.
Provide requested estimates of benefits to scheme members.	<p>Within 20 working days of receipt of all required information.</p> <p>If the member holds additional voluntary contributions (AVCs) within 20 working days of confirmation of the members AVC fund valuation.</p>
Provide requested estimates of benefits to employers including any additional shortfall or strain costs in relation to the early payment of benefits.	<p>Within 20 working days of receiving all required information from the employer.</p> <p>Bulk requests of more than 20 estimates per month will be subject to prior agreement between the administering authority and the employer.</p>
Additional contributions	
Notify the scheme employer of any scheme member's election to purchase additional pension contributions (APCs), including all required information to enable deductions to commence.	Within 10 working days of receipt of election from scheme member to meet the employer's next available payroll.
Notify the scheme employer of any scheme member's election to purchase, amend or cease additional voluntary contributions (AVCs), including all required information to enable the change.	Within 10 working days of receipt of election from scheme member to meet the employer's next available payroll.
Deferred benefits and refund of pension contributions	
Notify member of deferment benefits options.	Within 20 working days of date of leaver notification.
Notify member of deferred refund benefits options.	Within 20 working days of date of leaver notification.
Process refund payments.	Within 10 working days of all completed forms.

Function or task	Performance target
Retirements	
Provision of retirement options letters detailing member options.	Within 10 working days of request or receipt of leaver notification.
Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits.	<p>Within 10 working days of the quoted retirement date or the administering authority receiving all completed forms and documents.</p> <p>Lump sum to be paid within 10 working days of quoted retirement date or the administering authority receiving all completed forms and documents.</p> <p>Pension to be paid from the administering authorities next available payroll.</p>
Deaths	
Notification of death.	Acknowledge within five working days of initial notification.
Processing of beneficiaries' pensions for payment.	Within 10 working days of completed forms and documents.
Processing of death grant for payment.	Within 10 working days of completed forms and documents.
Appeals	
Acknowledge receipt of IDRPs stage 2 appeal.	Within one week of receipt of IDRPs Stage 2 appeal.
Decide adjudicator for completion of the IDRPs stage 2 determination.	Within one week of receipt of IDRPs Stage 2 appeal.
Prepare information and evidence as required for adjudicator to consider IDRPs stage 2 appeal.	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
Ensure the issue of a formal letter to the appellant following the adjudicator's determination of the IDRPs stage 2 application.	Within one week of the adjudicator's decision.

The timescales for completing the tasks above are measured from the date the administering authority is in receipt of all the relevant information required to complete the task and is expressed in working days.

Appendix 3

Recovery of additional costs

Summary of the administering authorities determination of additional administration charges:

Reason for charge or fine	Level of charge
Administration charges and fines	
Late payment of employer or scheme member contributions. Plus any statutory charges.	£150 per occurrence plus interest as defined in as defined in regulation 71 of LGPS Regulations 2013.
Full implementation of i-Connect (i.e. on time submissions of the i-Connect files for three payroll periods in a row).	If by 1 April 2025, full implementation has not been achieved then administration recharges up to £1,000 (depending on size of employer) will be levied. Recharges will be levied to employers on a similar basis in each subsequent April if i-Connect remains unimplemented.
Late submission of monthly i-Connect data transmission.	Up to £1,000 per occurrence (depending on size of employer).
Incorrect submission of monthly i-Connect data resulting in a resubmission or manual intervention (An incorrect file means a file with an error rate greater than five per cent).	Up to £1,000 per occurrence (depending on size of employer).
Late provision of year end contributions returns in prescribed format.	Up to £1,000 (depending on size of employer) plus £100 for each week plus part week of continued non-provision.
Failure to respond to the administering authorities year end data query requests within 10 working days.	£50 per occurrence then £25 for every further 10 working days the information remains outstanding.
Late provision of starter information.	£50 per scheme member.
Failure to notify the administering authority of a change to a member's working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absence without permission) – within one month of the change of circumstances.	£50 per scheme member.

Reason for charge or fine	Level of charge
Late provision of leaver information.	£50 per scheme member. If the late provision of leaver information generates additional cost for the administering authority this additional cost may also be recharged to an employer.
Charges for persistent incorrect and incomplete information provided by the employer to the administering authority (where the case has to be returned for incorrect information on more than two occasions).	£50 per occurrence.
Governance charges and fines	
Change of employer contact nominated representative details – the administering authority not notified of contact change or new contact within one month of alteration.	Reminder will be sent to employers who do not respond. Following the second chase correspondence will be charged at £10 per communication.
Failure to notify the administering authority of a contracting out involving a TUPE transfer before the transfer date. Failure to inform the administering authority of a new Academy or Free School before their opening date	£200 per occurrence.
No response (or inaccurate response) to queries and reminders raised by the administering authority for information needed to perform a benefit calculation.	£50 per occurrence.
No response to the administering authority request for LGPS discretions statement.	£25 per reminder letter.
Third party charges and fines	
Fine from the Pensions Regulator.	Amount determined by the Pensions Regulator.
Fine from the Pensions Ombudsman (including 'distress and inconvenience' payments suggested by the Early Resolution Service).	Amount determined by the Pensions Ombudsman.
Delay causing unauthorised payments.	Cost of tax from the HM Revenue and Customs (HMRC) and or reimbursement of charges imposed by HMRC on the administering authority.
Fines from any other statutory body incurred due to the employer's actions.	As levied.

Underperformance charges will apply at the discretion of the Manager of the fund and will be calculated based on a combination of the standard tariff of charges plus time spent at the daily rate outlined below.

Charges for 'time spent' on underperformance issues will be made on a half day basis. For less than quarter of a day, no charge will be made. For more than half a day, the full day charge will be made.

Charges by employer size

The following table outlines a breakdown of the charges that may apply depending on the size of an employer for failure to onboard onto i-Connect or the late monthly submissions of i-Connect returns:

Number of active members	Penalty charge per annum for failure to start monthly i-Connect returns	Once i-Connect monthly returns are live, penalty charge for third or more late return during the tax year (after 19th of month) per occurrence
0 to 10	£250	£250
11 to 99	£500	£500
100 to 999	£750	£750
1,000 or more	£1,000	£1,000

Time spent – officer charges

Summary of officer charges for time spent on cases triggered by employer underperformance:

Time taken	Charge levels		
	Level 1 (Work at pensions assistant level)	Level 2 (Work at pension officer level)	Level 3 (Work at senior pension officer level)
Daily	£98	£142	£206
Half day	£49	£71	£103

Where the administering authority determines that such additional costs should be recovered it will give written notice to the employer stating the reasons, the amount, the basis of calculation and the relevant provisions of the strategy.

Appendix 4

Overriding legislation

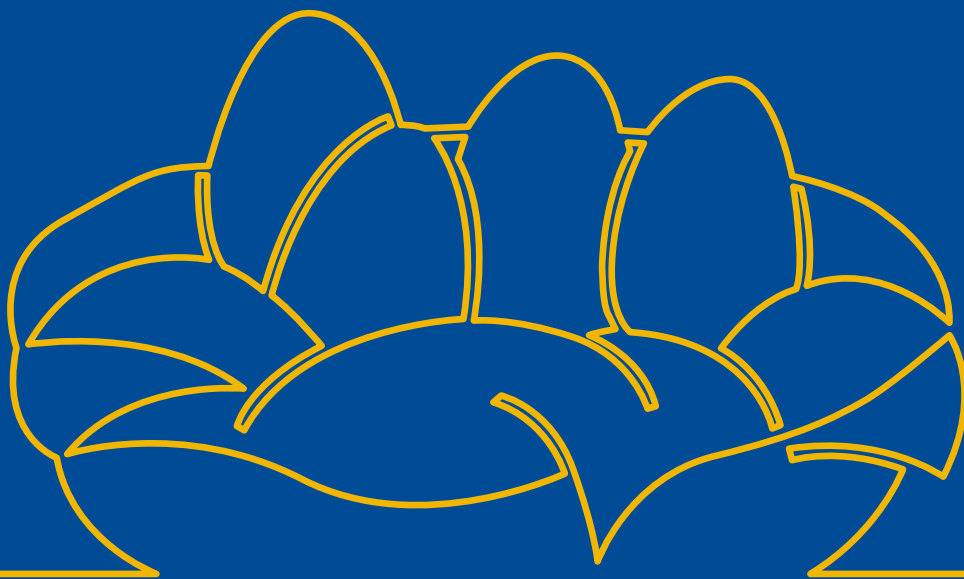
In performing the role of administering the LGPS, the administering authority and employers must comply with overriding legislation (examples below) as amended:

- The Occupational Pension Schemes (Disclosure of Information) Regulations 2015.
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
- The Pensions Act 1995, 2004 and 2014.
- Extant transitional regulations.
- The Discretionary and Compensation Regulations 2006.
- The Disability Discrimination Act 2006.
- The Finance Act 2004.
- Employment Rights Act 2010.
- HMRC legislation.
- Public Service Pensions Act 2013.

Overriding legislation dictates the minimum standards that pension schemes should meet in providing information to the various associated parties including, importantly, members. The LGPS regulations also identify several requirements for the administering authority and employers.

The strategy is designed to highlight the key areas for providing high quality administration of the LGPS but does not cover all regulatory administering authority or employers of their obligations under the LGPS or overriding legislation.

If you have difficulty in understanding this document, please contact us on 01983 823626 and we will do our best to help you.



5166CORP3/23 SC



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	PENSION FUND RISK MANAGEMENT UPDATE
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. Following a review by the Local Pension Board at its meeting on 5 April 2023, this report provides the committee with the updated pension fund risk register.
2. The board recommends the amended risk register to the pension fund committee for adoption.

RECOMMENDATION

3. That the committee accepts the changes to the risk register following review by the Local Pension Board and adopts the updated risk register as presented at Appendix 1.

BACKGROUND

4. The risk register was presented to the pension fund committee meeting in November 2023. At that meeting the committee requested that the consolidated "pension fund resourcing risk" be disaggregated and revert to its previous two component risks, now renamed as "RESILIENCE (Key person risk)" and "CAPACITY (sufficient resources)."
5. In addition to the above changes, the risk register has been reviewed in detail, and a number of risks of a similar nature, with matching mitigation actions, have been rationalised, hence reducing the total number of risks reported. All risk scores have been reviewed in accordance with the risk scoring methodology set out in appendix 4 to this report.
6. The local pension board considered the revised risk register at its meeting on 5 April 2023, and agreed the proposed amendments as set out below.

7. The current summary risk register, showing the changes to risk scores since the last report to the board is presented at Appendix 1 to this report.

Table 1: changes to risk register

Total number of risks: October 2022	41	
Closed for disaggregation	(1)	
Reopened for disaggregation	2	
Risks closed	(16)	See para 8
Proposed new risks	3	See para 9-10
Total number of risks: March 2023	<u>29</u>	

Table 2: risk register summary

	March 2023	October 2022	
Red risks	6	3	See para 11
Amber risks	9	17	
Green risks	14	21	
	<u>29</u>	<u>41</u>	

Closed risks

8. The board agreed that 17 risks be closed, with one being replaced by two previously closed risks, and the proposal to consolidate the remaining 16 into three new risks, as reported below.

Table 3: closed risks

Risk	Previous Score	Justification
Pension fund resourcing (NEW1)	15 RED	Replaced by former “Capacity” and “resilience” risks
Investment manager failure (I4)	10 AMBER	Combined into new risk “Investment Markets”
changes to national pension arrangements (A4)	9 AMBER	Combined into new risk “Changes to Legislation”
employer participation in LGPS (A5)	9 AMBER	Combined into new risk “Changes to Legislation”
External employers (F2)	9 AMBER	Combined into new risk “Employer Engagement”
Significant changes to an employer (A6)	8 AMBER	Combined into new risk “Employer Engagement”
compliance with legislation (A7)	8 AMBER	Combined into new risk “Changes to Legislation”
insufficient investment returns (I1)	5 GREEN	Combined into new risk “Investment Markets”
Gilt rates fall (I3)	5 GREEN	Combined into new risk “Investment Markets”
Active manager underperformance (I5)	5 GREEN	Combined into new risk “Investment Markets”
multiple asset class failure (I6)	5 GREEN	Combined into new risk “Investment Markets”
single asset class failure (I7)	5 GREEN	Combined into new risk “Investment Markets”

employer exits without funding (F10)	5 GREEN	Combined into new risk "Employer Engagement"
Orphaned employers (F3)	4 GREEN	Combined into new risk "Employer Engagement"
increasing early retirements (F7)	4 GREEN	Combined into new risk "Employer Engagement"
exit credit payable (F11)	4 GREEN	Combined into new risk "Employer Engagement"
failure to commission cessation valuation (F9)	2 GREEN	Combined into new risk "Employer Engagement"

9. The board commented that the consolidation of risks and hence the overall reduction in number of risks would support easier management of the risks and would facilitate monitoring with greater focus on the key issues.

New risks

10. The board agreed the creation of three new risks, arising from the combination of previous risks as detailed above:

Table 4: new risks

Risk	Score	
Investment Markets (NEW 4)	5 GREEN	
Employer engagement (NEW 5)	5 GREEN	
Changes to legislation (NEW 6)	12 RED	See para 17-18

11. The detailed risk register showing the description and consequences of these new risks and the proposed mitigation actions is presented as appendix 2 to this report.

Red risks

12. Following the latest review of the risk register, the board agree that six risks are classified as the red-rated, the highest risk rating

Table 5: red rated risks

Risk	Current Score	Previous Score	
RESILIENCE (Key person risk (G3))	15 RED	reopened	See para 14
Cyber security (NEW 2)	15 RED	15 RED	See para 15
ESG/RI and Climate Change (NEW 3)	12 RED	12 RED	See para 16
Investment pooling (I11)	12 RED	5 GREEN	See para 20
CAPACITY (Sufficient resources (A13))	12 RED	reopened	See para 14
Changes to legislation (NEW 6)	12 RED	New	See para 17-18

13. The detailed risk register showing the description and consequences of these red-rated risks and the proposed mitigation actions is presented as appendix 3 to this report.

14. The two reopened risks, in respect of resilience and capacity, remain as red-rated, pending the outcome of the structure review.

15. At the meeting on 5 April 2023, the board received a detailed report on cyber security controls in place at the fund’s two main IT providers, being Isle of Wight Council and Heywood Pension Technologies. This provided some assurance that suitable controls were in place at both organisations, but it was agreed to retain the red-rated risk score until such time as independent assurance on the operation of such controls can be obtained; this is schedule for a future board meeting.
16. The board considered that the risk score for the environmental, social and governance factors (ESG), responsible investment (RI) and climate change risk should remain as red-rated as little progress has been made in this area, due to resource constraints. It was agreed that work in this area should be treated as a high priority in the forthcoming review of the fund’s investment strategy.
17. The board agreed to the red rating assigned to the new “changes in legislation” risk, created from the combination of three previous risks. This score was felt justified due to the volume of changes anticipated over the forthcoming 12-18 months, including but not limited to:
 - McCloud remedy.
 - GMP rectification.
 - Pension Dashboard Project.
 - Climate risk reporting regulations.
 - Anticipated consultation on regulations to implement the good governance project outcomes.
 - Consultations on pooling and levelling up, detailed in the Spring 2023 budget.
18. The elevated risk score is further supported by the other red-rated risks in respect of resilience and capacity.

Increased risk scores

19. Following the most recent review, the board concurred with the assessment of increased risk scores for the following risks.

Table 6: increased risk scores

Risk	Current Score	Previous Score	
Investment pooling (I11)	12 RED	5 GREEN	See para 20
Pension Fund accounts (G9)	9 AMBER	5 GREEN	See para 21

20. The investment pooling risk, the detail for which can be found in appendix 3 to this report, has been judged to now be a higher risk as a result of a cumulation of a number of smaller factors, including:
 - The sale of the current operator, Link Fund Solutions, and the implications for the pool’s current contract.
 - Uncertainties around the timing and cost implications for the transition of existing real estate holdings into the pool.
 - Accounting and governance issues with the implementation adviser for illiquid assets, MJ Hudson, delaying the next steps of illiquid assets transfer into the pool.
 - Issues raised in the Spring Budget 2023 around the acceleration of the timetable for pooling liquid assets, and the desire for pools to increase investments in illiquid assets such as venture and growth capital,

- The anticipated consultation on the consolidation of existing pools into a smaller number of larger pools.
- Increasing requirements for local staff resources to ensure engagement on all current issues with ACCESS.

21. The pension fund accounts risk score has been increased to reflect the increased likelihood of issues with the production and completion of the fund’s accounts and annual report due to the following factors:
- Delays to the commencement of the 2021-22 external audit for the pension fund, fieldwork for which did not begin until December 2022.
 - The significant delays to the completion of the council’s external audit for 2021-22, meaning the fund’s audit cannot be completed.
 - The resulting non-compliance with the legislative duty to publish the annual report and accounts by 1 December.
 - The potential for future delays and non-compliance due to issues with the external audit of the council.
 - Increasing work pressures on current staff working on the pension fund’s accounts.

Reduced risk scores

22. The board agreed that the scores of three risks be reduced, as summarised below:

Table 7: reduced risk scores

Risk	Current Score	Previous Score	Justification
Professional advice (G5)	6 GREEN	9 AMBER	<ul style="list-style-type: none"> • Triennial valuation completed, and investment strategy work has commenced. • Advisers’ contracts monitored at each committee meeting.
Internal controls failure (G6)	6 GREEN	9 AMBER	<ul style="list-style-type: none"> • External auditors have indicated no matters to be raised from 2021-22 external audit • 2022-23 internal audit has identified no significant findings.
Pay and price inflation (F1)	5 GREEN	9 AMBER	<ul style="list-style-type: none"> • Triennial valuation completed, with 102% funding level. • Pensions increase of 10.1% built into valuation modelling and cash flow forecasting.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

23. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of “being fair and transparent.”

Pension Fund Strategic Aims

24. 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 Local Government Pension Scheme (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 employers to meet the cost of future benefits accruing.

25. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Fund, those risks will come from a range of sources, including:
 - the funding position.
 - investment pooling and investment performance.
 - scheme administration and membership movements.
 - management and administration costs.
 - General Data Protection Regulation (GDPR) and communications.
 - financial systems.
 - Central government legislation and regulation changes.
26. The Fund's aim is to embed risk management into its culture, processes and structure to ensure that risk-taking and innovation are balanced in order to maximise opportunities and that the committee, local pension board and senior fund staff understand their respective roles and responsibilities in the identification and management of risks.

Responding to climate change and enhancing the biosphere

27. One of the biggest risks that the pension fund must consider is the impact of its investments on the climate, and the impact of the climate-related actions of its investee companies on the value of its investment.
28. The fund has identified its response to ESG/RI and climate change factors as a red-rated risk. The fund has confirmed that this will be treated as a high priority in the forthcoming review of the fund's investment strategy.

Economic Recovery and Reducing Poverty

29. The pension fund has in excess of 17,000 members, the significant majority of whom live on the Isle of Wight and all of whom are either current or former employees of Island organisations.
30. Ensuring the affordability of the pension scheme for employers and paying benefits to scheme members when they are due, contributes positively to the Island economy.

LOCAL PENSION BOARD VIEW

31. As stated above, the Local Pension Board reviewed the risk register in detail at its meeting on 5 April 2023.
32. The amendments to the risk register as detailed in this report were discussed and agreed. Board members asked that an additional consequence be added to the ESG risk, to reflect the long-term impact on the creditworthiness of individual investee companies should they fail to address climate change implications, for example moving away from fossil fuels. This will be added to the next iteration of the risk register.

33. Board members agreed to recommend the risk register to the pension fund committee for adoption.

FINANCIAL / BUDGET IMPLICATIONS

34. Other than the costs incurred in developing the risk management policy and original drafting of the risk register, as reported at the 25 May 2022 committee meeting, there are no direct costs incurred with the monitoring and updating of the risk register.
35. Any costs incurred in implementing the actions to mitigate the risks will be recorded against the project to which they relate and will be reported to committee under those items.

LEGAL IMPLICATIONS

36. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
37. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council’s statutory duties in respect of the LGPS.
38. The Pensions Regulator’s Code of Practice 14 Governance and administration of public service pension schemes requires that the council, as administering authority for the Isle of Wight Pension Fund, establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
39. The risk management policy and associated risk register forms a key element of the fund’s compliance with the system of internal controls, ensuring the fund can meet its fiduciary duties.

EQUALITY AND DIVERSITY

40. 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.
41. There are no implications for any of the protected characteristics arising from items covered in the report.

OPTIONS

42. Option 1: That the committee accepts the changes to the risk register following review by the Local Pension Board and adopts the updated risk register as presented at Appendix 1.

43. Option 2: That the committee does not accept the changes to the risk register as recommended by the Local Pension board, and requests further changes before adoption of the revised risk register.

RISK MANAGEMENT

44. While this report is concerned with the subject of risk management itself, the key risk is that the pension fund fails to recognise the importance of identifying, assessing, and managing risks. The result would mean that risks are more likely to occur or that the fund will fail to plan for their impact.
45. This risk is mitigated by a review of the fund's risk register by the Local Pension Board at each of their meetings, which results in their approval of the register before its submission to the Pension Fund Committee.
46. It is the responsibility of Isle of Wight Council, as administering authority for the Isle of Wight Council Pension Fund, to ensure that the fund is properly governed and administered in compliance with relevant regulations and other requirements. The council has delegated this function to the pension fund committee, under section 101 of the Local Government Act 1972.
47. The fund's strategy in dealing with risk management is to:
- (a) identify key risks to the achievement of the fund's aims and objectives.
 - (b) assess the risks for likelihood and impact.
 - (c) identify mitigating controls that can be put in place.
 - (d) allocate responsibility for the mitigating controls.
 - (e) maintain a risk register detailing the risk features in a)-d) above.
 - (f) review and update the risk register on a regular basis.
 - (g) report the outcome of the review to the Pension Fund Committee at each committee meeting.
48. In addition to the Risk Management Policy the Fund has developed its risk register, which sets out the position in relation to each individual risk identified. Adopting the risk register, will ensure continued compliance with the requirements of the Pensions Regulator.
49. Further risks are likely to arise from future decisions taken by the Pension Committee, the ACCESS pool or from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.

EVALUATION

50. Option 1 is recommended in that from the information provided in the report and appendices is based on the views of the Local Pension Board.

APPENDICES ATTACHED

51. Appendix 1 – Summary risk register at 27 March 2023.
52. Appendix 2 – New risks, full risk register at 27 March 2023.
53. Appendix 3 – Red risks, full risk register at 27 March 2023.
54. Appendix 4 – Risk scoring profile.

BACKGROUND PAPERS

55. Isle of Wight Pension Fund Risk Management Policy
[Risk Management Policy | Isle of Wight Pension Fund](#)

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000
e-mail jo.thistlewood@jow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*

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Risks Under Service Area - Pension Fund

Risk	Assigned To	Current score: (27-Mar-23)	Review Date	Previous score: (04-Oct-22)	Change
RESILIENCE (Key person risk (G3))	Pension Fund Manager	15 RED	07/04/2023	CLOSED	REOPEN
Cyber security (NEW 2)	Pension Fund Manager	15 RED	31/05/2023	15 RED	=
ESG/RI and Climate Change (NEW 3)	Pension Fund Manager	12 RED	31/05/2023	12 RED	=
Investment pooling (I11)	Pension Fund Manager	12 RED	30/06/2023	5 GREEN	^
CAPACITY (Sufficient resources (A13))	Pension Fund Manager	12 RED	28/04/2023	CLOSED	REOPEN
Changes to legislation (NEW 6)	Pension Fund Manager	12 RED	31/05/2023	n/a	NEW
Governance arrangements (G1)	Pension Fund Manager	9 AMBER	30/06/2023	9 AMBER	=
mismatch between investment and funding strategies (G7)	Pension Fund Manager	9 AMBER	31/05/2023	9 AMBER	=
policy and decisions (G10)	Pension Fund Manager	9 AMBER	31/05/2023	9 AMBER	=
Pension Fund accounts (G9)	Pension Fund Manager	9 AMBER	31/05/2023	5 GREEN	^
Knowledge and understanding (G2)	Pension Fund Manager	8 AMBER	31/05/2023	8 AMBER	=
Communications (A1)	Pension Fund Manager	8 AMBER	30/06/2023	8 AMBER	=
Employer fails to pay contributions (A3)	Pension Fund Manager	8 AMBER	30/06/2023	8 AMBER	=
Employer fails to provide data (A8)	Pensions Manager (Admin)	8 AMBER	31/03/2023	8 AMBER	=
Longevity (F5)	Pension Fund Manager	8 AMBER	31/05/2023	8 AMBER	=
Professional advice (G5)	Pension Fund Manager	6 GREEN	30/06/2023	9 AMBER	v
Internal controls failure (G6)	Pension Fund Manager	6 GREEN	31/05/2023	9 AMBER	v
Investment Markets (NEW 4)	Pension Fund Manager	5 GREEN	31/05/2023	n/a	NEW
Employer engagement (NEW 5)	Pension Fund Manager	5 GREEN	30/06/2023	n/a	NEW
Pay and price inflation (F1)	Pension Fund Manager	5 GREEN	30/06/2023	9 AMBER	v
disclosure of information legislation (G8)	Pension Fund Manager	5 GREEN	31/05/2023	5 GREEN	=
Data quality (A2)	Pensions Manager (Admin)	5 GREEN	01/09/2023	5 GREEN	=
Assessment of benefit entitlements (A11)	Pensions Manager (Admin)	5 GREEN	31/03/2023	5 GREEN	=
Inappropriate long term investment strategy (I2)	Pension Fund Manager	5 GREEN	31/05/2023	5 GREEN	=
liquidity risk (I8)	Pension Fund Manager	5 GREEN	30/06/2023	5 GREEN	=
Other provider risks (I10)	Pension Fund Manager	5 GREEN	30/06/2023	5 GREEN	=
Freedom and Choice (F8)	Pensions Manager (Admin)	4 GREEN	31/03/2023	4 GREEN	=
Ceasing benefits (A9)	Pensions Manager (Admin)	2 GREEN	31/03/2023	2 GREEN	=
pandemic (all)	Pension Fund Manager	2 GREEN	31/05/2023	2 GREEN	=
Pension fund resourcing (NEW1)	Pension Fund Manager	CLOSED	25/11/2022	15 RED	CLOSED
Investment manager failure (I4)	Pension Fund Manager	CLOSED	25/11/2022	10 AMBER	CLOSED
changes to national pension arrangements (A4)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED
employer participation in LGPS (A5)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED

Risk	Assigned To	Current score: (27-Mar-23)	Review Date	Previous score: (04-Oct-22)	Change
External employers (F2)	Pension Fund Manager	CLOSED	25/11/2022	9 AMBER	CLOSED
Significant changes to an employer (A6)	Pension Fund Manager	CLOSED	25/11/2022	8 AMBER	CLOSED
compliance with legislation (A7)	Pension Fund Manager	CLOSED	25/11/2022	8 AMBER	CLOSED
insufficient investment returns (I1)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
Gilt rates fall (I3)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
Active manager underperformance (I5)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
multiple asset class failure (I6)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
single asset class failure (I7)	Pension Fund Manager	CLOSED	25/11/2022	5 GREEN	CLOSED
employer exits without funding (F10)	Pension Fund Manager	CLOSED	30/12/2022	5 GREEN	CLOSED
Orphaned employers (F3)	Pension Fund Manager	CLOSED	25/11/2022	4 GREEN	CLOSED
increasing early retirements (F7)	Pension Fund Manager	CLOSED	25/11/2022	4 GREEN	CLOSED
exit credit payable (F11)	Pension Fund Manager	CLOSED	30/12/2022	4 GREEN	CLOSED
failure to commission cessation valuation (F9)	Pension Fund Manager	CLOSED	30/12/2022	2 GREEN	CLOSED

Pension Fund - Extract from Full Risk Register (3 new risks)

Financial Management - Technical Finance (Pension Fund)				
Risk: Investment Markets (NEW 4) (Id: 1301) - Assigned To: Pension Fund Manager				
Description: Investment strategy fails to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long term, due to any one or a combination of the following factors: <ul style="list-style-type: none"> - Fall in risk-free returns on Government Bonds - Collapse of investment manager, or its wilful negligence, fraud or default - Active investment manager under-performance relative to benchmark - Systemic failure of several asset classes and/or investment managers - Significant allocation to any single asset category and its underperformance relative to expectation. Consequence: <ul style="list-style-type: none"> - significant reduction in investment values and/or investment income. - loss of assets. - reduction in funding level - potentially higher employer contribution rates - reputational damage Review Date: 31/05/2023		Inherent Rating: 9 - Medium	Current Rating 5 - Low (27/03/2023)	Target Rating: 5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Advice will be taken from investment consultants should there be a need to transition assets from one investment manager to another, to ensure that out-of-market exposure and transition expenses are minimised.	0	31/03/2024	Pension Fund Manager	
investment portfolio diversified across a number of asset managers. independent investment consultants provide review of performance of portfolio as a whole, specific asset classes and individual fund managers at each committee meeting Any significant changes to the structure of the manager (including personnel, acquisitions, other activity) is reported to the committee. rolling quarterly action.	0	31/05/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Investment managers invited to attend pension committee meetings on a rolling cycle, which can be amended should issues with any manager arise. Managers are invited to present on current performance, actions for mitigations of poor performance (if necessary), views for the future, as well as ESG/RI issues. proposal for managers: May 23 = Partners (Infrastructure); Jul 23 = UBS (passive global); Nov23 = ACCESS/Link (pooling update); Feb24 = Baillie Gifford (DGF)	0	31/05/2023	Pension Fund Manager	
quarterly monitoring of interim funding level reported at each pension fund committee meeting linking to review of investment performance	0	31/05/2023	Pension Fund Manager	
Investment assets are held by custodian, in ringfenced accounts, to protect against investment manager default	0	31/05/2023	Pension Fund Manager	
pooled investment management agreements determined and monitored through ACCESS Support Unit and Link fund Solutions. monitored by officer working group and reported at each JC meeting. reported to each PFC meeting as part of performance review and reports back from ACCESS.	0	31/05/2023	Pension Fund Manager	
Assets invested on the basis of specialist advice, in a suitably diversified manner across assets classes, geographies, managers, etc. annual rolling review	0	31/05/2023	Pension Fund Manager	update 24-Mar-23: review of strategic asset allocation following 2022 valuation to be considered at 24 May 23 PFC.
review of investment strategy linked with every triennial valuation to ensure consistency of approach	0	25/05/2023	Pension Fund Manager	update 24-Mar-23: introduction to strategic asset allocation review presented at Nov22 PFC, high level recommendations to be complete for decision in May 2023. implementation thereafter
triennial valuation only anticipate long term returns on a relatively prudent basis to reduce risk of underperforming	75	31/03/2023	Pension Fund Manager	update 9-May-22: valuation assumptions discussed at meeting with Director of Finance on 5 May, to be presented at committee meeting on 25 May. final discount rate (asset outperformance assumption) will be confirmed once council's contribution modelling completed. Update 1-Jul-22: meeting on 21 June discussed council's contribution rate and discount factor. no concerns, final decision can be deferred until valuation results further progressed. update 4-Oct-22: discussion of whole fund results with s151 officer included consideration of current significant market volatility. Will also be included in committee report for November. update 24-Mar-23: valuation results reflect long term returns only. Mitigation complete once valuation results published.

Financial Management - Technical Finance (Pension Fund)

Risk: Employer engagement (NEW 5) (Id: 1302) - Assigned To: Pension Fund Manager

<p>Description: Administering Authority fails to engage with employers on a regular basis, meaning it is unaware of: - structural changes in employer membership (e.g. large fall in employee members, large number of retirements). - an employer closing to new entrants. - economic circumstances causing financial pressures on the employer. - outsourcing decisions from scheduled body. Employers may be unaware of impacts of changes to scheme regulations, etc.</p> <p>Consequence: - Inappropriate funding strategy set for that employer/group of employers; unaffordable contribution rates. - Employer could approach exit without notice, resulting in either significant unaffordable deficit due to the fund, or significant credit payable to employer. - Admission agreements not prepared and/or inappropriate employer contribution rates agreed. - Failure to commission cessation calculation on a timely basis. - Employer cannot meet its obligations, leading to increased risk/additional cost to other employers.</p> <p>Review Date: 30/06/2023</p>	<p>Inherent Rating:</p> <p>9 - Medium</p>	<p>Current Rating</p> <p>5 - Low (27/03/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations - policy created in FSS 2023	0	31/03/2026	Pension Fund Manager	
Cessation policy included in FSS 2023. Further, more detailed, policies to be developed: Exit credits; flexibilities on exit. Formal documentation of current practice to ensure employers aware of fund policies, and their options when it comes to exit planning	0	31/03/2025	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
outsourced contracts, whether the Council or one of the fund's scheduled employers is letting authority, tend to have a pass through arrangement whereby employer contribution rate is fixed for the new supplier for the duration of the contract, to give certainty on contract pricing. Engagement with council's procurement team ensures fund is made aware of potential outsourcings from the council. Need to develop engagement with College and academies for this purpose.	0	29/09/2023	Pension Fund Manager	
Regular contact maintained with admitted body employers with membership less than 5 to discuss planning for exit. Engagement as part of valuation process and at least every 6 months, or if membership numbers change.	0	30/06/2023	Pension Fund Manager	
Admin team to communicate with finance team if membership numbers change significantly during year. use of i-connect for monthly data submission by all employers will highlight significant changes in membership/participation, and will prompt engagement with that employer to determine circumstances.	0	30/06/2023	Pensions Manager (Admin)	
The Administering Authority has a close relationship with employing bodies and communicates required standards - e.g. for submission of data. rolling annual mitigation.	25	31/03/2023	Pensions Manager (Admin)	
Employer engagement as part of triennial valuation planning, sharing of draft results at early stage, meetings with those "non-standard" employers (community admission bodies, housing associations)	100	30/12/2022	Pension Fund Manager	update 24-Mar-23: this was completed as part of the 2022 valuation.

Financial Management - Technical Finance (Pension Fund)

Risk: Changes to legislation (NEW 6) (Id: 1304) - Assigned To: Pension Fund Manager

<p>Description: Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including:</p> <ul style="list-style-type: none"> - changes from public sector report (McCloud) - changed to a particular type of employer in LGPS (e.g. academies) - Climate risk reporting - TPR General code <p>Consequence:</p> <ul style="list-style-type: none"> - incorrect assessment or payment of benefits - inappropriate information provided to stakeholders - increased complaints - impact on funding strategy for particular type of employer and/or fund as a whole. - impact on investment strategy. - non-compliance with legislation, regulations and/or codes of practice - reputational damage - potential financial penalties. <p>Review Date: 31/05/2023</p>	<p>Inherent Rating:</p> <p>12 - High</p>	<p>Current Rating</p> <p>12 - High</p> <p>(27/03/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Pensions Manager (Admin)	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8%" analysed. Project report to each LPB meeting.
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager	

Mitigations / Actions	%	Due Date	Assigned To	Update
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	Complete 100	30/06/2022	Pensions Manager (Admin)	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.

Pension Fund - Extract from Full Risk Register (6 red-rated risks)

Financial Management - Technical Finance (Pension Fund)					
Risk: RESILIENCE (Key person risk (G3)) (Id: 196) - Assigned To: Pension Fund Manager					
Description:			Inherent Rating:	Current Rating:	Target Rating:
reliance on key people, lack of supporting resource, single points of failure CLOSED 9 Sep 22: combined with A13 for NEW risk REOPENED 23Nov22 and renamed at request of committee Consequence: Severe disruption if key staff are absent for any period of time. Review Date: 07/04/2023			15 - Very High	15 - Very High (27/03/2023)	5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update	
work force plan to be developed, using IWC model	0	26/05/2023	Pension Fund Manager	update 15-Mar-23: no progress on this, subject to outcome of structure review.	
Recruitment of three trainee posts to pensions administration team, to replace three resignations.	0	28/04/2023	Pensions Manager (Admin)		
Barnett Waddingham to present options report from structure review to Council's Corporate Management Team on 4 April 2023	0	04/04/2023	Pension Fund Manager		
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Pension Fund Manager	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,	
Financial Management staffing restructure changes Technical Finance Manager role to Pension Fund Manager, with 100% focus on Pension Fund. New cost centre to be created to separate Pension Fund Finance costs from mainstream Accountancy team.	100	01/04/2022	Pension Fund Manager	update 9-May-22: structure now implemented, cost centre created and budget transferred. costs to be monitored via Finance Mini Service Board monthly.	

Financial Management - Technical Finance (Pension Fund)

Risk: CAPACITY (Sufficient resources (A13)) (Id: 220) - Assigned To: Pension Fund Manager

<p>Description: Insufficient resources (staffing, financial) to deliver responsibilities - LGPS CLOSED 9-Sep-22: combined with G3 for NEW risk REOPENED 23-Nov-22 and renamed at request of committee</p> <p>Consequence: inability to pay benefits, unable to engage with stakeholders, inappropriate decisions, non-compliance with regulatory and best practice requirements</p> <p>Review Date: 28/04/2023</p>	<p>Inherent Rating: 15 - Very High</p>	<p>Current Rating 12 - High (27/03/2023)</p>	<p>Target Rating: 9 - Medium</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
succession planning for administration team	0	30/04/2023	Pensions Manager (Admin)	update 16-May-22: will be factored into output of operational structure review. Update 02-02-23 Due to be reviewed by CMT 7 March 2023. Update 16-03-23 review CMT pushed back to April.
next steps for structure review to be discussed between Chief Executive, Director of Finance and Director of Corporate Resources, including process for onward referral.	0	28/04/2023	Pension Fund Manager	
Ensure appropriate strategic planning is in place, identifying resource and budgetary needs and putting them in place as required	0	31/03/2023	Pension Fund Manager	
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Pension Fund Manager	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,

Financial Management - Technical Finance (Pension Fund)

Risk: Investment pooling (I11) (Id: 231) - Assigned To: Pension Fund Manager

Description:

ACCESS (investment asset pool) fails to meet Administering Authority's objectives or needs, through lack of appropriate sub-funds, additional costs, etc.

Consequence:

investments held outside pool, regulatory compliance, potential for government intervention, reputational issues

Review Date: 30/06/2023

Inherent Rating:

12 - High

Current Rating

12 - High

(27/03/2023)

Target Rating:

5 - Low

Mitigations / Actions

**%
Complete**

Due Date

Assigned To

Update

Rolling annual mitigation. Attendance at, and participation in, officer working groups at least monthly - covering investment sub-funds, illiquid asset investments, governance, etc.	0	30/06/2023	Pension Fund Manager	update 24-Mar-23: JMT active participation in main officer working group, EPT (for operator contract work), and Reporting sub-group (JEC). JMT attended all s151 meetings, and supported IWPF rep at all JC meetings. attendance at other working groups as and when possible. significant burden on single officer
Rolling annual mitigation. Chair of pension committee or named deputy attendance at quarterly Joint Committee meetings.	0	30/06/2023	Pension Fund Manager	update 9-May-22: Cllr Andre named as primary attendee for JC meetings, agreed by Cllr Jarman and monitoring officer. 2022-23 meetings: 6 Jun 22, 12 Sep 22, 5 Dec 22, 6 Mar 23 Update 9-Sep-22: Cllr Churchman now primary representative, Cllr Andre named deputy. Update 24-Mar-23: 100% participation in JC meetings.
as smallest fund, pressure on local budget from shared costs is greatest of all 11 ACCESS funds. Fund must be included in all governance and investment discussions to ensure our needs are reflected and our cost concerns are heard.	0	30/06/2023	Pension Fund Manager	update 9-Sep-22: active participation in officer meetings, and representation at Joint Committee meeting ensure our voice is heard. update 24-Mar-23: 100% representation at JC meetings in 2022-23, and active participation in discussions.
implementation of illiquid asset solutions subject to issues with adviser (MJ Hudson). Timing of transition of investments into new real estate solutions subject to market conditions, meaning it could be a very lengthy and potentially very expensive process. Uncertainty about when work on other illiquid classes will commence due to issues with MJH.	0	30/06/2023	Pension Fund Manager	update 24-Mar-23: UK real estate manager has been identified, but lack of clear understanding about the solution and transition plan is of concern

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
monitoring of government consultations, briefings, and updates from ACCESS Support Unit to ensure that fund is up-to-date with asset pooling developments and best placed to act when required	0	31/05/2023	Pension Fund Manager	update 9-May-22: DLUHC consultation on (among others) pooling and levelling-up expected to be issued in summer 2022. consultation will be shared with committee and board members for input. Update 24-Mar-23: Spring budget 2023 included details about potential consolidation of pools, fewer in number, larger in size. Consultation expected to be launched shortly, impact to be considered once consultation issued.
pool operator, Link Fund Solutions, business being sold by Australian parent group. Pool working with advisers (Hymans Robertson and Squire Patton Boggs) to ensure the proposed purchaser (Waystone Group) is suitable for ongoing relationship with underlying authorities	0	28/04/2023	Pension Fund Manager	update 24-Mar-23: negotiations between LFS and Waystone progressing. Assurance provided by advisers that, assuming negotiations conclude satisfactorily, there should be no significant disruption for the remaining duration of the current operator contract (march 2025)

Financial Management - Technical Finance (Pension Fund)

Risk: Cyber security (NEW 2) (Id: 1276) - Assigned To: Pension Fund Manager

Description:

A Cyber Security Incident is defined as:
 A Breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data or confidential information
 or
 An event having an actual adverse effect on the security of or unauthorised access to or use of, inability to access, loss or theft of, or malicious infection of network and information systems that reasonably may compromise the privacy or confidentiality, integrity, or availability of confidential information or personal data or the council's operating environment, services, network and information systems

Consequence:

Complete or significant Loss of data
 Unlawful release of personal data held by the Council to unauthorised third parties resulting in legal action/fines
 Loss of Council or individual staff members money through fraudulent transactions as a result of phishing
 Temporary or permanent disabling of key council ICT systems
 Other fraudulent activity
 Other breaches of GDPR

Review Date: 31/05/2023

Inherent Rating:	Current Rating	Target Rating:
15 - Very High	15 - Very High (27/03/2023)	13 - High

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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Review TPR single code of practice requirements for cyber risk considerations and ensure compliant. (NB TPR combined code expected to be launched Sept 2022)	25	07/04/2023	Pension Fund Manager	Update 15-Mar-23: TPR expect to launch "General Code" in spring 2023. but reviewing cyber processes against expectations set out in draft code issued for consultation. First steps = assessment of IWC and Heywood controls at board meeting on 4 April 2023
IWC cyber incident response plan has been obtained. To be reviewed for compatibility with pension fund needs, then used to create pension specific plan	0	31/03/2023	Pension Fund Manager	
Pension Fund specific disaster recovery/cyber incident response plan in place to ensure back-up systems are in place within an agreed timescale. Regularly reviewed and updated.	0	31/03/2023	Pension Fund Manager	
compliance with Council data security protocols and building access controls maintained. rolling annual mitigation	100	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Ensure appropriate training and awareness sessions provided to administration staff, other officers and members of the Pension Committee and Pension Board. monitored as part of annual PDR process and reported in pension fund annual report.	25	31/03/2023	Pension Fund Manager	
Cyber risk assessment tool (AON) to be completed, and action plan developed.	100	30/12/2022	Pension Fund Manager	update 9-Sep-22: access to tool currently blocked under IWC firewalls; incident reported to ICT 5/9/22 update 15-Mar-23: Cyber risk assessment tool completed and presented to Pension Board 26 October 2022. Actions identified to improve performance.

Financial Management - Technical Finance (Pension Fund)

Risk: ESG/RI and Climate Change (NEW 3) (Id: 1277) - Assigned To: Pension Fund Manager

Description:

The fund fails to consider Environmental, Social and Governance risk factors, including climate change, when considering its investment strategy, funding strategy and reporting requirements. It also fails to engage with its investment managers (including the ACCESS pool) to ensure their climate risk processes align with those of the fund.

Consequence:

loss of returns through obsolete investments and/or stranded assets; reduction in funding level, higher employer contribution rates; reputational issues; non-compliance with legislation/regulations/reporting requirements.

Review Date: 31/05/2023

Inherent Rating:

12 - High

Current Rating

12 - High

(27/03/2023)

Target Rating:

9 - Medium

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
consider requirements of UK Stewardship code	0	29/03/2024	Pension Fund Manager	
ESG/RI workgroup established to review fund's current beliefs and statements to ensure fit for purpose.	25	30/06/2023	Pension Fund Manager	2 meetings held to date update 9-May-22: no meetings held since November 2021, due to officer capacity
Membership of LAPFF to improve engagement with investee companies. Reporting of engagement to be improved.	50	31/03/2023	Pension Fund Manager	
Fund has published responsible investment beliefs, set in 2019. To be reviewed to ensure still relevant and expanded where appropriate	0	31/03/2023	Pension Fund Manager	

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
fund commissioned ESG analysis and carbon footprint report in June 2021, which has informed some manager challenge, and will form baseline for future climate change actions.	0	31/03/2023	Pension Fund Manager	Update 9-May-22: consideration to be given to commissioning updated report for 2022-23. cost identified as £13k.
triennial valuation 2022 will model specific climate scenarios in determining likelihood of achieving funding targets, and setting contribution rates.	100	31/12/2022	Pension Fund Manager	update 4-Jul-22: assumptions for climate modelling agreed update 15-Mar-23: draft valuation report presented to pension committee on 8 February 2023. this included sensitivity analysis of results in three different climate scenarios.
ACCESS pool developing ESG/RI guidelines which should encompass all current statements from all 11 funds. Continued involvement in the development of those guidelines at officer and elected member level	100	25/11/2022	Pension Fund Manager	update 9-May-22: ACCESS ESG/RI guidelines were presented to elected member workshop on 27 April, with very few amendments proposed. Should be presented to 6 June 2022 JC meeting for onward recommendation. update 01-Jul-22: ACCESS JC meeting approved guidelines in principle. Next step, to build into local review of current statements. update 15-Mar-23: ACCESS JC formally recommended that guidelines be considered by local funds.
respond to DLUHC "Governance and reporting of climate change risks" consultation (issued 1 Sep. 22); develop action plan to ensure compliance with expected regulations. Reporting required for 2023-24 year, by 1 December 2024.	100	24/11/2022	Pension Fund Manager	Update 15-Mar-23: consultation response submitted 24 November 2022. Government have not yet issued their response, nor the regulations which enforce the requirements.

Financial Management - Technical Finance (Pension Fund)

Risk: Changes to legislation (NEW 6) (Id: 1304) - Assigned To: Pension Fund Manager

Description:

Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including:

- changes from public sector report (McCloud)
- changed to a particular type of employer in LGPS (e.g. academies)
- Climate risk reporting
- TPR General code

Consequence:

- incorrect assessment or payment of benefits
- inappropriate information provided to stakeholders
- increased complaints
- impact on funding strategy for particular type of employer and/or fund as a whole.
- impact on investment strategy.
- non-compliance with legislation, regulations and/or codes of practice
- reputational damage
- potential financial penalties.

Review Date: 31/05/2023

Inherent Rating:

12 - High

Current Rating

12 - High

(27/03/2023)

Target Rating:

5 - Low

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Pensions Manager (Admin)	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8% analysed. Project report to each LPB meeting. update 3-Oct-22: Data from employers now 92% received and 81% analysed. Report to LPB on 26th October 2022 confirming these figures. Update 31-Oct-22: Data from employers now 92% received and 88% analysed.
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24

Mitigations / Actions	% Complete	Due Date	Assigned To	Update
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	0	30/06/2023	Pension Fund Manager	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager	
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	100	30/06/2022	Pensions Manager (Admin)	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.

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Appendix 2 - Risk Prioritisation Matrix

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major
Impact/Severity					

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/weekly/monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised/revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual details compromised/revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual details compromised/revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual detail compromised/revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	TRIENNIAL VALUATION 2022 CONCLUSION
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report confirms the completion of the triennial valuation at 31 March 2022 for the Isle of Wight Pension Fund, and the publication of the final actuarial report.
2. It further confirms the publication of the Funding Strategy Statement arising from that valuation.

RECOMMENDATION

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| <ol style="list-style-type: none">3. That the Committee acknowledges:<ol style="list-style-type: none">(a) the completion of the triennial valuation at 31 March 2022.(b) the publication of the report on the actuarial valuation at 31 March 2022.(c) the publication of the Funding Strategy Statement March 2023. |
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BACKGROUND

4. Throughout the 2022 valuation process, members of the local pension board and pension fund committee have been provided regular updates from both fund staff and the fund's actuary, Hymans Robertson LLP.
5. Most recently, at its meeting on 8 February 2023, the pension fund committee received a presentation setting out the valuation results, the proposed employer contribution rates and the draft valuation report.
6. The committee agreed to delegate authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to make minor amendments to the appendices of the valuation report prior to publication on or before 31 March 2023.
7. At the date of the committee meeting, three employers had yet to confirm their agreement to the proposed contribution rates for the three years from 1 April 2023. On 8 March 2023, the final confirmation was received, which enabled the rates and adjustment certificate to be finalised.

8. The other remaining outstanding item at that meeting was the final appendix in relation to the Government Actuaries Department (GAD) section 13 dashboard report. This is designed to allow comparability of valuation results across funds, by recalculating the valuation results on a set of standard assumptions across the LGPS. Subsequent to the meeting, GAD confirmed their requirements, and the actuary has completed their calculations.
9. The section 13 dashboard confirms the funding position of the Isle of Wight Pension Fund and the assumptions upon which that result is based. This is then used by the Government Actuaries Department to calculate the funding positions of all LGPS funds based on a standard set of assumptions and compare their results with those of the local actuaries. This exercise facilitates comparison between LGPS funds, and supports a scheme-wide funding level.
10. As reported at the 8 February committee meeting, it had been agreed that the formal completion of the 2022 valuation exercise would be deferred until after the conclusion of both the council's and pension fund's external audit work.
11. As previously reported, at the Audit Committee meeting on 20 March 2023 the external auditors confirmed they had not yet completed their work on the council's accounts.
12. The auditors did, however, confirm that recent auditor guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicated that the completion of the fund's 2022 valuation process would not require any additional work to be undertaken on the council's accounts, so the valuation process could be finalised in advance of the completion of the council's (and hence the pension fund's) external audit.
13. The final valuation report was received on 28 March 2023. It was published on the fund's website on 30 March 2023. Members of the committee and board were notified of the publication by email. A link to the published document is included in the Background Papers section.

FUNDING STRATEGY STATEMENT

14. At the pension fund committee meeting on 8 February 2023, the Funding Strategy Statement was adopted, subject to references to additional policies being made available on request.
15. The final funding strategy statement was published on the fund's website on 30 March 2023. Members of the committee and board were notified of the publication by email. A link to the published document is included in the Background Papers section.
16. An email was sent to all employers on 31 March 2023 confirming the conclusion of the valuation process and including links to both the final valuation report and the Funding Strategy Statement.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

17. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of “being fair and transparent”.

Pension Fund Strategic Aims

18. 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 Local Government Pension Scheme (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.
19. The funding strategy objectives, supporting the primary objective above, are to:
 - (a) take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
 - (b) use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
 - (c) where appropriate, ensure stable employer contribution rates.
 - (d) reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
 - (e) use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
20. Completion of the triennial valuation and publication of the funding strategy statement ensures compliance with the following agreed objective:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

FINANCIAL / BUDGET IMPLICATIONS

21. The costs of the completion of the triennial valuation and the preparation of the funding strategy statement are consistent with the value included in the pricing considerations when the actuarial services contract was procured in 2018.
22. The triennial valuation is a planning exercise for the fund, to assess the monies needed to meet the benefits owed to its members as they fall due. It estimates the cost of future liabilities for the members of the fund and allows the fund to determine the appropriate investment strategy and employer contributions required to ensure that there are sufficient assets to meet those liabilities as they fall due.
23. The setting and agreement for affordable and sustainable employer contribution rates is part of this exercise.

LEGAL IMPLICATIONS

24. Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires that each administering authority must obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and on 31 March in every third year afterwards.

EQUALITY AND DIVERSITY

25. 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.
26. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

27. The triennial valuation is a key risk management exercise for the fund, forming part of a continual 'health check' on the fund's solvency; setting employer contribution rates; analysing actual experience against previous assumptions; and ensuring compliance with legislation.
28. As stated above, the triennial valuation is a planning exercise for the fund, to assess the monies needed to meet the benefits owed to its members as they fall due. Detailed consideration of a number of risks is included within this exercise, which are detailed in the final valuation report and the funding strategy statement.

BACKGROUND PAPERS

29. Isle of Wight Pension Fund Committee 8 February 2023, item 9 Triennial valuation update.
<https://iow.moderngov.co.uk/documents/s10693/ITEM%209%20Triennial%20Valuation%20Update.pdf>
30. Local Pension Board 17 January 2023, item 10 Funding Strategy Statement
<https://iow.moderngov.co.uk/documents/s10490/ITEM%2010%20Funding%20Strategy%20Statement.pdf>
31. Isle of Wight Pension Fund Report on the actuarial valuation at 31 March 2022
<https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-valuation-report/>
32. Isle of Wight Pension Fund Funding Strategy Statement March 2023.
<https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/>

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*

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Purpose: For Noting



Committee Report

Committee	PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	UBS CLIMATE AWARE FUND – MANAGER PRESENTATION
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report contains the presentation which will be delivered at the committee meeting by representatives from UBS.

RECOMMENDATION

2. That the committee receive and note the presentation from the UBS in respect of the fund's investment in the UBS Climate Aware fund.

CONFIDENTIAL / EXEMPT ITEMS

3. This covering report is not deemed exempt from publication. However the appendix is deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it. Disclosing the information could place the council at risk of legal challenge from individuals or other bodies identified in the report.
4. Appendix 1, the presentation from UBS, contains confidential performance and attribution information.
5. UBS have confirmed that they are comfortable with the presentation being delivered and discussed in the public part of the committee meeting.

APPENDICES ATTACHED

6. Appendix 1 (confidential): UBS Climate Award Fund portfolio review May 2023.

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

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WORKPLAN 2023-2025
ISLE OF WIGHT PENSION FUND COMMITTEE

STANDING ITEMS	Responsibility	24 May 2023	26 July 2023	22 Nov 2023	14 Feb 2024	May 2024	July 2024	Nov 2024	Feb 2025
Report from the Local Pension Board	Martin Doyle	✓	✓	✓	✓	✓	✓	✓	✓
Knowledge and Understanding Update	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓
Investment Performance and Funding Level	Hymans Robertson	✓ Q4(MAR23)	✓ Q1(JUN23)	✓ Q2(SEP23)	✓ Q3(DEC23)	✓ Q4(MAR24)	✓ Q1(JUN24)	✓ Q2(SEP24)	✓ Q3(DEC24)
Fund Manager Presentation	Fund Managers	✓ UBS	✓ Partners Group	✓ ACCESS	✓ Baillie Gifford	✓ Newton	✓ BlackRock	✓ Schroder	✓ Goldman Sachs
Items Circulated for Attention	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓
Legislation/ Regulation Update	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓
Risk Register	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓
ACCESS Update (Exempt)	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓
Procurement & Contract Management (Exempt)	Jo Thistlewood	✓ inv corr.	✓ gov ext? act repro	✓	✓ act award Inv ext?	✓ gov repro	✓	✓ gov award	✓ inv repro
STATUTORY ANNUAL REPORTS		24 May 2023	26 July 2023	22 Nov 2023	14 Feb 2024	May 2024	July 2024	Nov 2024	Feb 2025
Financial results	Jo Thistlewood Jo Cooke		✓ FINAL 22/23	✓ HALF YR 23/24		✓ DRAFT 23/24		✓ HALF YR 24/25	
Annual Report and Accounts	Jo Thistlewood Jo Cooke	✓ FINAL 21/22	✓ DRAFT 22/23	✓ FINAL 22/23			✓ DRAFT 23/24	✓ FINAL 23/24	
Pension Board Annual report	Martin Doyle	✓ FINAL 22/23					✓ FINAL 23/24		
Governance Compliance Statement	Jo Thistlewood		✓ FINAL 22/23				✓ FINAL 23/24		
External Audit	Jo Thistlewood	✓ RESULTS 21/22			✓ RESULTS 22/23				✓ RESULTS 23/24
OTHER		24 May 2023	26 July 2023	22 Nov 2023	14 Feb 2024	May 2024	July 2024	Nov 2024	Feb 2025
Operational Structure Review	Jo Thistlewood		✓?	✓?	✓?				
Triennial Valuation	Hymans Robertson	✓ CONCLUSION 2022							✓ PLANNING 2025
Investment Strategy Statement	Hymans Robertson	✓ 2023				✓ ANNUAL REVIEW			
Recording and Reporting Breaches of the Law	Jo Thistlewood	✓							
Pensions Administration Strategy	Matthew Collier	✓							

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Agenda Item 13

WORKPLAN 2023-2025
ISLE OF WIGHT PENSION FUND COMMITTEE

	Responsibility	24 May 2023	26 July 2023	22 Nov 2023	14 Feb 2024	May 2024	July 2024	Nov 2024	Feb 2025
TCFD requirements – initial review	Jo Thistlewood				✓?				
Internal Dispute Resolution Process and Policy	Jo Thistlewood			✓					
Governance policy	Jo Thistlewood		✓						
Decision making matrix	Jo Thistlewood					✓			
Conflicts of interest policy	Jo Thistlewood						✓		
Risk Management Policy	Jo Thistlewood							✓	
Pre-payment of employer contributions policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
Academy participation policy	Jo Thistlewood		✓						
Pass through arrangements for transferee admission bodies policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
Employer admission to the fund policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
Bulk transfers policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
Exit credits policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
Flexibility on exit policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC
CONSULTATIONS		24 May 2023	26 July 2023	22 Nov 2023	14 Feb 2024	May 2024	July 2024	Nov 2024	Feb 2025
TPR General code requirements	Jo Thistlewood			✓?	✓?				
Pooling consultation	Jo Thistlewood		✓?	✓?					
Good governance regulations consultation	Jo Thistlewood		✓?	✓?					
Knowledge and skills framework consultation	Jo Thistlewood		✓?	✓?					

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WORKPLAN 2023-2025
LOCAL PENSION BOARD (information)

STANDING ITEMS	Responsibility	5 Apr 2023	21 Jun 2023	13 Sept 2023	13 Dec 2023	6 Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025
Report from the Pension Fund Committee	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓	✓
Report from the Pensions Administration Team	Matthew Collier	✓	✓	✓	✓	✓	✓	✓	✓	✓
Knowledge and Understanding Update	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk Register	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓	✓
Items Circulated for Attention	Jo Thistlewood	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legislation/ Regulation Update	Jo Thistlewood		✓	✓	✓	✓	✓	✓	✓	✓
ANNUAL ITEMS		5 Apr 2023	21 Jun 2023	13 Sept 2023	13 Dec 2023	6 Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025
Pension Board Annual report	Martin Doyle	✓ FINAL 22/23					✓ FINAL 23/24			
Annual Report and Accounts	Jo Thistlewood Jo Cooke	✓ FINAL 21/22		✓ DRAFT 22/23	✓ FINAL 22/23			✓ DRAFT 23/24	✓ FINAL 23/24	
External Audit	Jo Thistlewood	✓ RESULTS 21/22	✓ RESULTS 21/22		✓ RESULTS 22/23				✓ RESULTS 23/24	
Governance Compliance Statement	Jo Thistlewood		✓ FINAL 22/23			✓ DRAFT 23/24	✓ FINAL 23/24			✓ DRAFT 24/25
The Pensions Regulator Annual Return	Jo Thistlewood			✓				✓		
Required document list review	Jo Thistlewood		✓				✓			
OTHER ITEMS		5 Apr 2023	21 Jun 2023	13 Sept 2023	13 Dec 2023	6 Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025
Triennial Valuation (next valuation 2025)	Jo Thistlewood	✓ CONCLUSION								
Funding Strategy Statement (next valuation 2025)	Jo Thistlewood	✓ PUBLICATION								
Operational Structure Review	Jo Thistlewood		✓?	✓?	✓?					
Report back from ACCESS JC meeting	Martin Doyle				✓				✓	
Investment Strategy Statement	Jo Thistlewood		✓							
Recording and Reporting Breaches of the Law	Jo Thistlewood	✓								
Pensions Administration Strategy	Matthew Collier	✓								

WORKPLAN 2023-2025
LOCAL PENSION BOARD (information)

	Responsibility	5 Apr 2023	21 Jun 2023	13 Sept 2023	13 Dec 2023	6 Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025
Internal Dispute Resolution Process and Policy	Jo Thistlewood			✓						
Governance policy	Jo Thistlewood		✓							
Decision making matrix	Jo Thistlewood					✓				
Conflicts of interest policy	Jo Thistlewood						✓			
Risk Management Policy	Jo Thistlewood							✓		
Pre-payment of employer contributions policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
Academy participation policy	Jo Thistlewood		✓							
Pass through arrangements for transferee admission bodies policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
Employer admission to the fund policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
Bulk transfers policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
Exit credits policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
Flexibility on exit policy	Jo Thistlewood			TBC	TBC	TBC	TBC	TBC	TBC	TBC
CONSULTATIONS		5 Apr 2023	21 Jun 2023	13 Sept 2023	13 Dec 2023	6 Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025
TPR General code requirements	Jo Thistlewood			✓?	✓?					
Pooling consultation	Jo Thistlewood		✓?	✓?						
Good governance regulations consultation	Jo Thistlewood		✓?	✓?						
Knowledge and skills framework consultation	Jo Thistlewood		✓?	✓?						

Isle of Wight Pension Fund - Overview Quarter to 31 March 2023

12 May 2023

Manager	Asset class	Asset Allocation Proportion of Total Fund %	Market Value Previous Quarter 31/12/22	Market Value Latest Quarter 31/03/23	Current Proportion of Total Fund %	Actual Quarterly Performance %	Benchmark Performance	Actual relative to benchmark	Benchmark to Outperform by %
ACCESS	UK Equities	12.5	94,570,812	98,341,453	14.4	4.3	3.1	1.2	2.0
ACCESS	Global Equities	18.8	140,008,748	147,398,305	21.5	5.9	4.4	1.5	2.0
ACCESS	Diversified Growth Fund	10.0	101,661,281	103,857,818	15.2	2.8	1.8	1.0	1.0
Total ACCESS holdings		41.3	336,240,841	349,597,576	51.1	4.5	3.4	1.1	
Schroder	Bonds	22.0	108,457,912	110,824,264	16.2	2.7	2.4	0.3	1.0
UBS	Climate Aware Passive	18.8	131,590,273	138,205,322	20.2	2.7	2.4	0.3	n/a
Total Liquid Assets		82.0	576,289,025	598,627,162	87.5	3.1	2.3	0.8	
Schroder	Property	8.0	37,885,737	37,136,020	5.4	-1.6	-0.2	-1.4	0.5
Goldman Sachs	Private Debt	5.0	25,647,644	25,539,866	3.7	o/s	o/s	o/s	
Partners	Infrastructure	5.0	12,017,374	13,737,532	2.0	o/s	o/s	o/s	
Total Alternative Funds		18.0	75,550,755	76,413,419	11.2	-1.6	-0.2	-1.4	
Direct Cash Holding		0.0	12,984,500	9,184,500	1.3	n/a	n/a	n/a	n/a
TOTAL FUND		100.0	664,824,280	684,225,081	100.0	2.7	1.9	0.8	
Of which the following are equities:									
	UK Equities	12.5	94,570,812	98,341,453	14.4	4.3	3.1	1.2	2.0
	Global Equities	37.5	271,599,020	285,603,626	41.7	4.3	7.4	-3.1	2.0
	Total Equities	50.0	366,169,832	383,945,079	56.1	4.3	6.4	-2.0	2.0
	Proportion of total fund		55.08%	56.11%					

NOTE 1: Schroder quarterly performance report based on MID price. Monthly reports from November 2010 are based on BID price. BID price is reported above. BID price on Schroder's property portfolio is £683,224 higher than MID price

TOTAL FUND 684,908,304 MID value

NOTE 2: March 2023 Goldman Sachs Private Debt portfolio and Partners Group Infrastructure portfolio values reported above are at 31 December 2022, updated for investments made since that date. The final valuation reports for March 2023 from these investment managers have not yet been received.

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Isle of Wight Council Pension Fund

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Q1 2023 - Investment Monitoring Report

David Walker – Partner

Emma Garrett – Senior Investment Consultant

Stefan Chilom – Investment Analyst

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Global growth has surprised positively in Q1 with resilient labour market and falling energy prices, improving the outlook for consumers and businesses. Forecasted 2023 GDP growth was revised higher in most developed economies, while recession in the UK is now forecasted to be shorter and shallower than previously expected.

The European Central Bank (ECB), Bank of England (BoE) and Federal Reserve (the Fed) continued to announce rate hikes. The BoE and the Fed both raised policy rates by 0.25% p.a., to 4.25% p.a. and 5.0% p.a. respectively. The ECB raised rates by a larger 0.50% p.a., to 3.50% p.a.

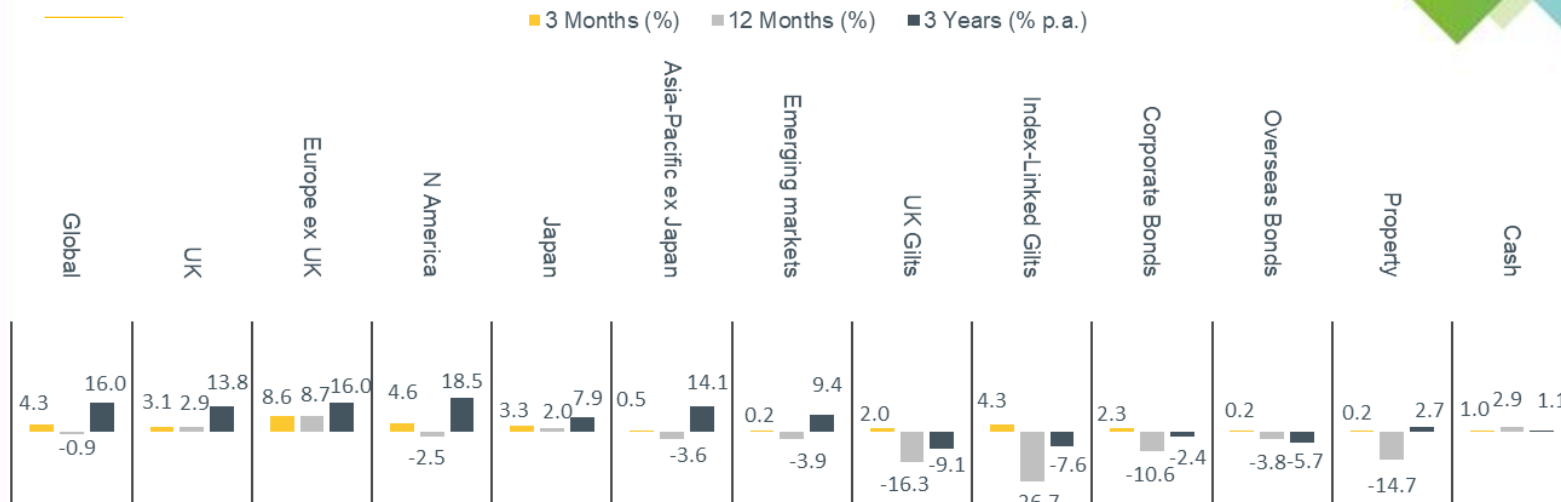
Year-on-year headline CPI inflation in the US and Eurozone fell to 6.0%, and 8.5%, respectively, as the UK measure rose to 10.4%. The equivalent core measures fell to 5.5% in the US as the UK and Eurozone measures rose to 6.2% and 5.6% respectively.

UK 10-year implied inflation is 3.8% p.a., 0.2% above end-December levels.

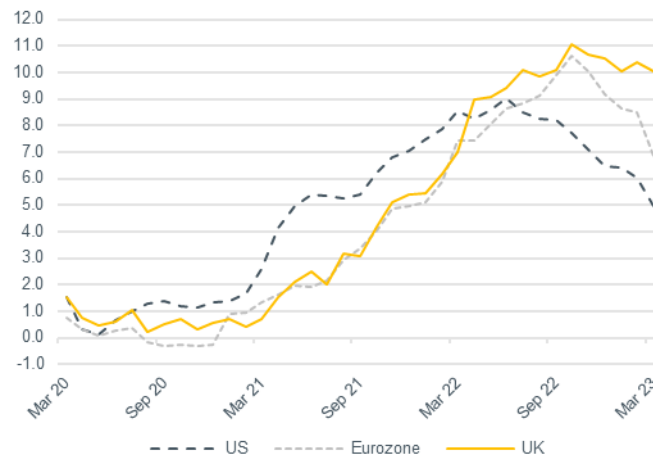
The US dollar gave back some of its February gains, falling 0.9% in trade-weighted terms over the quarter. Equivalent sterling, euro and yen measures rose 1.8%, 0.6% and 0.1%, respectively.

The MSCI UK Monthly Property Total Return Index ended consecutive falls and returned to positive territory in March, despite still declining -14.7% year-on-year. Capital values have also fallen 19% over the last 12 months, with the most pronounced declines being in the industrial sector.

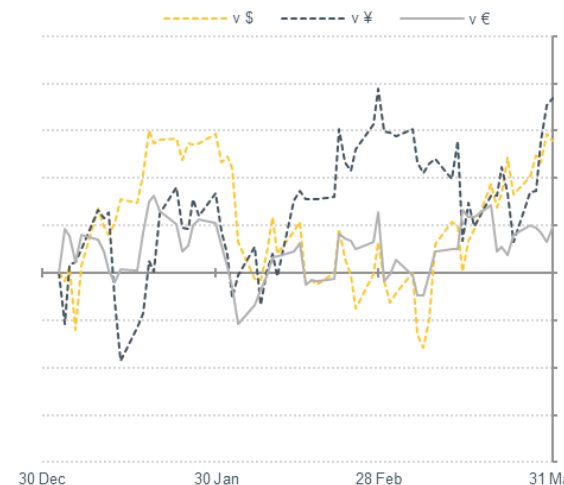
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1]Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

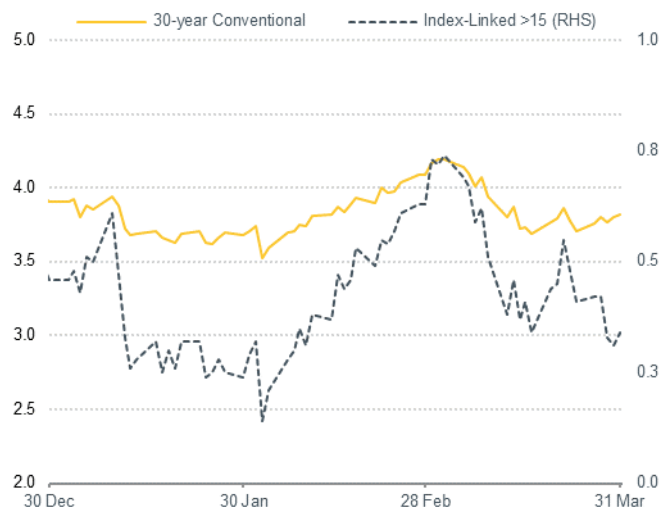
The S&P GSCI Commodity Spot Price Index ended March 5.9% below end-December levels, primarily driven by a decline in energy prices.

Bonds have been volatile over the quarter, rallying in January, posting losses in February and rallying again in March after investor flight to safety due to stresses in the banking sector. As a result, UK 10-year gilt yields ended the period at 3.5% p.a., 0.2% p.a. below end-December levels. Equivalent US yields fell 0.4% p.a., to 3.5% p.a., and Germans yields fell 0.3% p.a. to 2.3% p.a.

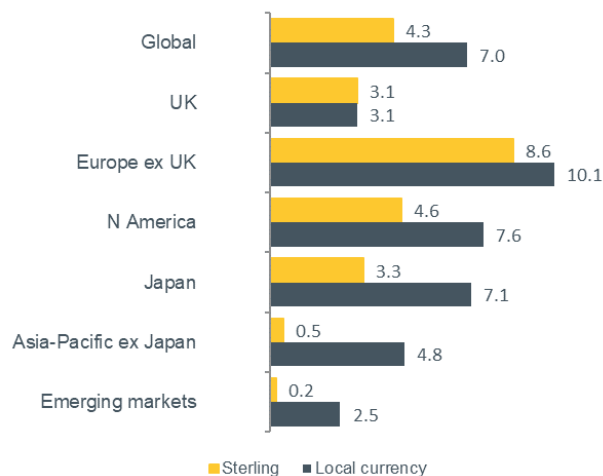
Credit had positive returns due to falling sovereign bond yields. Global investment-grade credit spreads widened 11% p.a. to 1.5% p.a. while speculative-grade credit spreads narrowed 11% p.a. to 5.0% p.a.

The FTSE All World Total Return Index rose 7.0%, buoyed by the support lent to stocks from resilient economic data which, together with high core inflation, led to investors reassessing interest rate expectations in higher for longer. The improvement in consumer and business sentiment in Europe, on the back of lower gas prices, led European equities to outperform. Growth stocks outperformed value stocks over the quarter, as falling bond yields supported the former while the latter were weighed down by stresses in the banking sector. By sector, energy, healthcare and financials were the worst underperformers.

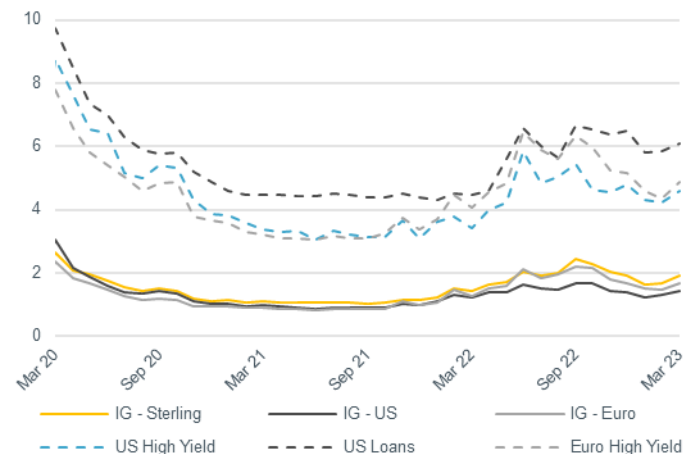
Gilt yields (% p.a.)



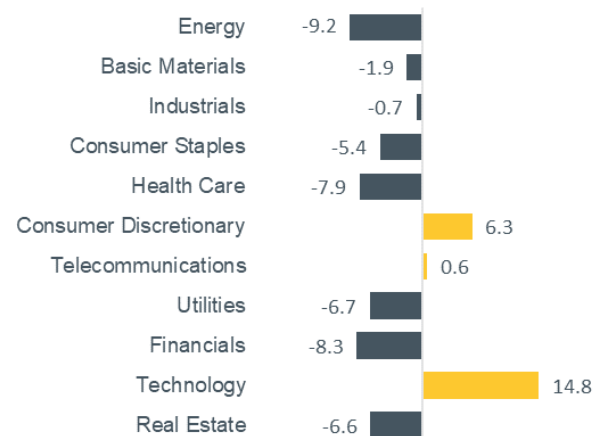
Regional equity returns [1]



Investment and speculative grade credit spreads (% p.a.)



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

Summary of Medium-term Capital Market Views

The page summarises our broad views on the outlook for various markets. The ratings used are Positive, Attractive, Neutral, Cautious and Negative.

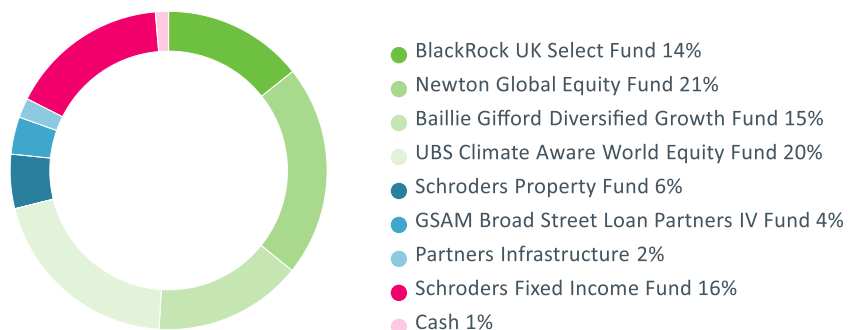
The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion. In practice, they need to be interpreted in the context of the strategic framework within which individual schemes are managed.

	December 2022	March 2023	Comment
Index-linked gilts	Neutral	Attractive	Based on implied inflation and allowing for high near-term forecast inflation and the re-referencing of RPI to CPIH, we prefer index-linked to conventional gilts at shorter terms, but conventional to index linked gilts at longer terms. As index linked gilts were never purchased under the Asset Purchase Facility, and institutional demand remains strong, they are less susceptible to the technical pressures faced by nominal gilts as the Bank of England proceeds with quantitative tightening (selling bonds).
Conventional gilts	Neutral	Neutral	High inflation remains a fundamental challenge for nominal gilts while BoE asset sales and increased issuance pose a technical headwind. However, yields are attractive relative to longer term fair value and any cut to rates in 2023 is unlikely unless the recession proves much deeper than forecast. Quantitative tightening and low forward yields make us more cautious on both real and nominal longer-dated yields.
Sterling non-government bonds	Neutral	Neutral to Attractive	Corporate balance sheets remain in reasonable shape and spreads are above long-term median levels but higher yields and slowing earnings growth are likely to weigh on debt affordability going forward. Attractive yields, peaking inflation, and anticipation of the end rate hiking cycles provides support for our overall assessment for investment grade.
Private Debt	Neutral to Cautious	Neutral to Cautious	Leverage levels have come down in managers' pipelines and LTVs still remain low as PE funds have yet to write down assets. While defaults remain low, we expect these to rise with concerns on labour, input, and energy costs meaning EBITDA margins are likely being squeezed. Valuations, relative to the traded loan markets, remain unattractive despite some retrenchment in the secondary loan market.
Equities	Neutral to Cautious	Neutral to Cautious	Consensus global corporate earnings growth expectations for 2023 continue to see downward revisions and now sit at a negligible 0.6%. Although there are tentative signs that these earnings revisions are bottoming out, even with earnings forecasts at such low levels, we view the downside risks (higher inflation persists and interest rate stay higher for longer) as outweighing the up side. Valuation multiples are not especially demanding and in line with historical averages, but given where real yields are, it is difficult to envisage multiple expansion being a significant driver of a market rally.
Cash Strategies	Neutral	Neutral	Higher base rates means investors can now generate positive (although below inflation) returns through cash holdings. The deteriorating economic outlook could provide opportunities further down the line.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 2022	Q1 2023			
Liontrust UK Equity Fund	94.6	-	-	-	-
Newton Global Equity Fund	140.0	147.4	21.5%	18.75%	2.7%
Baillie Gifford Diversified Growth Fund	101.7	103.9	15.1%	10.0%	5.1%
UBS Climate Aware World Equity Fund	131.6	138.2	20.2%	18.75%	1.4%
BlackRock UK Select Fund	-	98.3	14.3%	12.50%	1.8%
Total Growth	467.8	487.8	71.1%	60.0%	11.1%
Schroders Property Fund	38.4	37.8	5.5%	8.0%	-2.5%
GSAM Broad Street Loan Partners IV Fund	25.8	26.0	3.8%	5.0%	-1.2%
Partners Infrastructure	12.0	13.7	2.0%	5.0%	-3.0%
Total Income	76.2	77.5	11.3%	18.0%	-6.7%
Schroders Fixed Income Fund	108.3	111.2	16.2%	22.0%	-5.8%
Total Protection	108.3	111.2	16.2%	22.0%	-5.8%
Cash	13.0	9.2	1.3%	0.0%	1.3%
Total Scheme	665.4	685.7	100.0%	100.0%	

Asset class exposures



Source: Investment Managers. GSAM provided estimated valuation for Q1 2023. GSAM Q4 2022 valuation has now been updated to reflect the final valuation statement.

As at 31 March 2023, the Fund's assets totalled £685.7m, increasing by £20.3m over the quarter.

Amid strong labour markets, falling gas prices, and peaking inflation, recent economic data has shown unexpected resilience in the major advanced economies. Forecast GDP growth for 2023 have been revised higher in most developed economies, albeit from low levels coming into the year.

However, the improvement in the near-term global economic outlook was counteracted in markets by expectations that rates will need to remain higher for longer to combat the as yet stickier core inflation.

Global sovereign bond yields have declined year to date, with bonds rallying in March due to the stresses in the banking sector, while equities have made steady year-to-date gains. Global investment grade credit spreads have widened.

The Fund remains overweight to equities and underweight to income and protection assets as the new income allocations continue to drawdown capital and due to the relative performance of bonds over the last 12 months.

Over the first quarter of 2023, the Fund returned 2.6% against its benchmark of 2.8%, a relative underperformance of 0.2%.

Over the medium term, the Fund fell short of its 12-month benchmark. Over the 3-year period the fund outperformed its benchmark by 0.6% p.a., delivering a 7.9% return per year. The slowdown on the markets is evident over the 12-month period with a negative absolute return of -4.8%.

The increased AUM of the fund over Q1 was an effect of the majority of the mandates returning positive absolute returns over the first 3 months of 2023.

The Schroders Property fund had a negative return over the quarter, with the lower property values caused by the increased rates and processing of a large number of redemptions currently affecting the mandate.

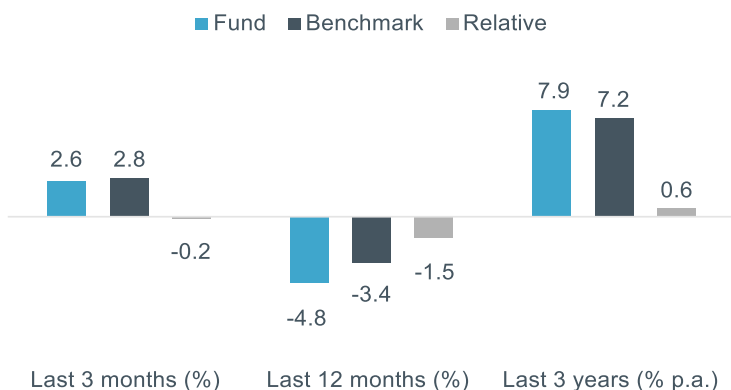
More attractive yields and anticipation of the end of central bank tightening cycles has improved sentiment towards investment-grade credit markets. This change in perception favoured the fixed income fund, which delivered a meaningful return to the Scheme over Q1.

Manager performance (gross of fees)

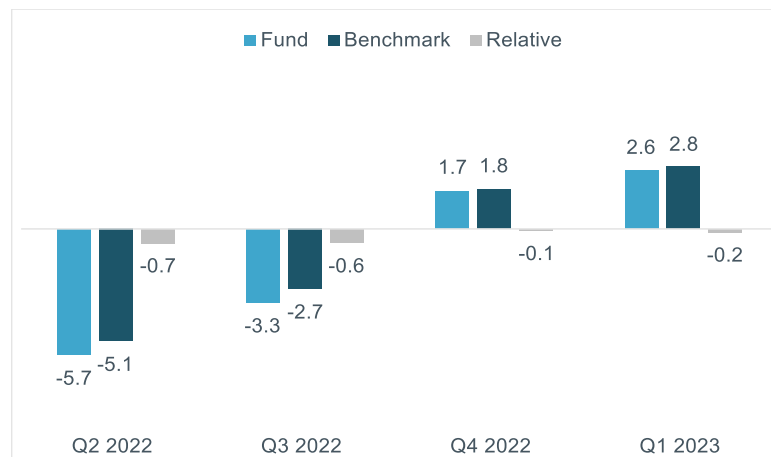
	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
BlackRock UK Select Fund	-2.0	-3.1	1.1	-	-	-	-	-	-
Newton Global Equity Fund	6.0	4.4	1.5	0.4	-1.4	1.9	15.1	15.5	-0.3
Baillie Gifford Diversified Growth Fund	2.3	1.8	0.5	-8.2	5.9	-13.3	4.1	4.4	-0.3
UBS Climate Aware World Equity Fund	5.0	4.8	0.2	-0.9	-0.5	-0.4	-	-	-
Income									
Schroders Property Fund	-1.3	-0.2	-1.2	-10.8	-9.5	-1.4	1.1	2.2	-1.1
Protection									
Schroders Fixed Income Fund	2.7	2.4	0.3	-15.3	-13.7	-1.9	-5.9	-6.3	0.4
Total	2.6	2.8	-0.2	-4.8	-3.4	-1.5	7.9	7.2	0.6

Note: The BlackRock UK Select Fund replaced the Liontrust UK Equity fund as of 23.02.2023. Thus, the performance displayed above for the Blackrock mandate is representative for the period from 23rd February 2023 to 31st March 2023. The total fund performance accounts for the combined performance of the two UK Equity mandates.

Fund performance vs benchmark/target



Historical quarterly performance summary



Source: Fund performance and valuation data provided by Investment Managers and is gross of fees. Benchmark performance provided by Investment Managers and DataStream. Performance excludes the impact of any cash held.

This page includes details of the current investment manager ratings together with any relevant manager business updates.

This page also shows RI ratings for the current investment managers.

Manager ratings

Mandate	Hymans Rating	RI
Newton Global Equity Fund	Suitable	Good
BlackRock UK Select Fund	Preferred	Adequate
Schroders Fixed Income Fund	Positive	Good
Schroders Property Fund	Positive	Good
Baillie Gifford Diversified Growth Fund	Positive - On Watch	Good
GSAM Broad Street Loan Partners IV Fund	Positive	Adequate
Partners Infrastructure	Preferred	Good
UBS Climate Aware World Equity Fund	Preferred	Good

UBS Chairman change

Colm Kelleher is appointed Chairman of UBS AG, replacing Axel Weber.

Schroder's Property manager change

Jessica Berney, the Fund's Manager, is currently on a maternity leave. Ross Coslett has recently joined Berney to co-manage SREF, previously acting as Berney's Deputy. Berney is expected to return in September 2023. Upon returning, she will become Fund Director and her role will involve working on other mandates, whilst Coslett's role will be fully focused on SREF

Blackrock UK Equity

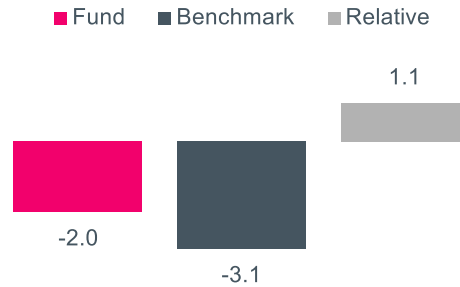
The Liontrust UK Equity fund was replaced by the BlackRock UK Select fund as of the 23rd February 2023. The UK Equity allocation remains within the ACCESS LGPS Pool, despite the manager change.

Over Q1 2023 the overall UK Equity allocation delivered a total return of c.4%, beating its FTSE All Share benchmark of 3.1%. This performance also accounts for dilution levies and other direct transaction fees charged by Link in relation to the switch. Both Liontrust and BlackRock outperformed their common benchmark over Q1, aiding in compensating for any costs that were incurred during the switch.

The newly implemented BlackRock Institutional Equity Fund ('BIEF') – UK Select takes active positions, with significantly overweight allocations to Consumer Discretion and Industrials. On the other hand, the fund is materially underweighting the UK's Financial and Consumer Discretion sectors.

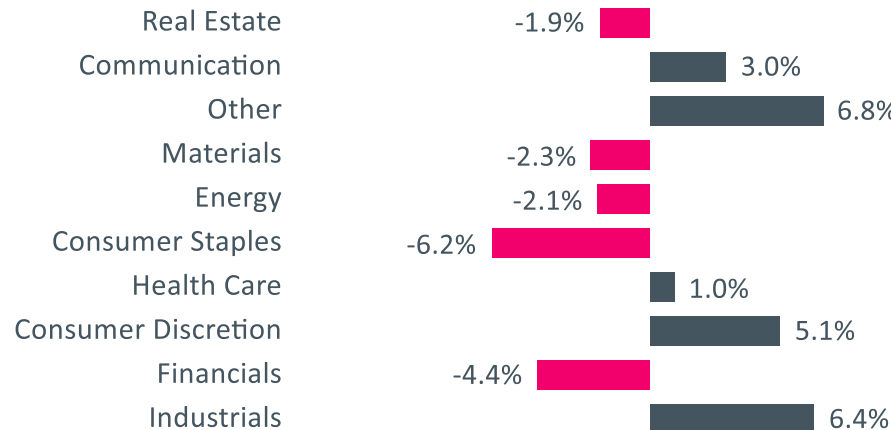
The fund does not invest in equities from the Information Technology and Utilities sectors, strategically considering these as overvalued assets.

Performance summary

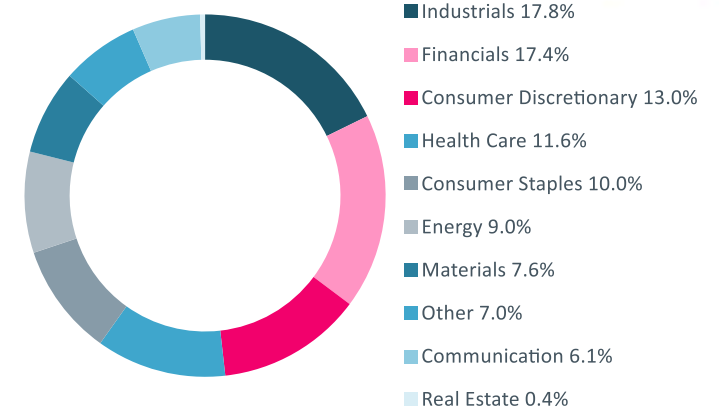


Note: The fund was only implemented as of 23.02.2023 and thus the figures above provide the fund's performance from inception to 31.03.2023. Over the period from 01.01.2023 to 23.02.2023, the Liontrust fund delivered 6.59% against a benchmark of 6.4%

Allocation relative to benchmark



Sector allocation



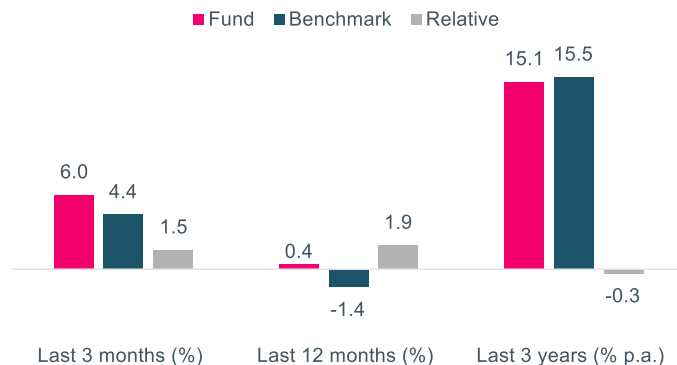
Newton Global Equity

The Newton Global Equity Fund beat its MSCI ACWI benchmark over Q1 2023, returning 6% in absolute terms. The fund also outperforms its 12-month benchmark, returning 0.4% and only mildly underperforms over the 3-year period by 0.3% p.a.

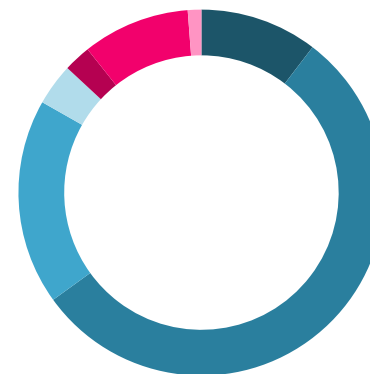
Newton's global equities overall have returned 6.0% year to date, as lower energy prices, reopening in China and improved business sentiment outweighed concerns that sustained core inflation may mean interest rates may have to remain elevated for longer. The continuation of this positive trend over Q1 is a great sign for the equity markets, which were resilient despite the collapse of two US banks in early March, as well as the forced takeover of Credit Suisse by UBS.

Outperformance was driven by strong stock selection in industrials and health care. Stock selection effects were also positive in consumer discretionary and information technology. From a sector perspective, an underweight in energy was beneficial as the oil price fell in response to turmoil in the banking sector and implications for the global economy. More pronounced overweights in financials and health care had a negative impact.

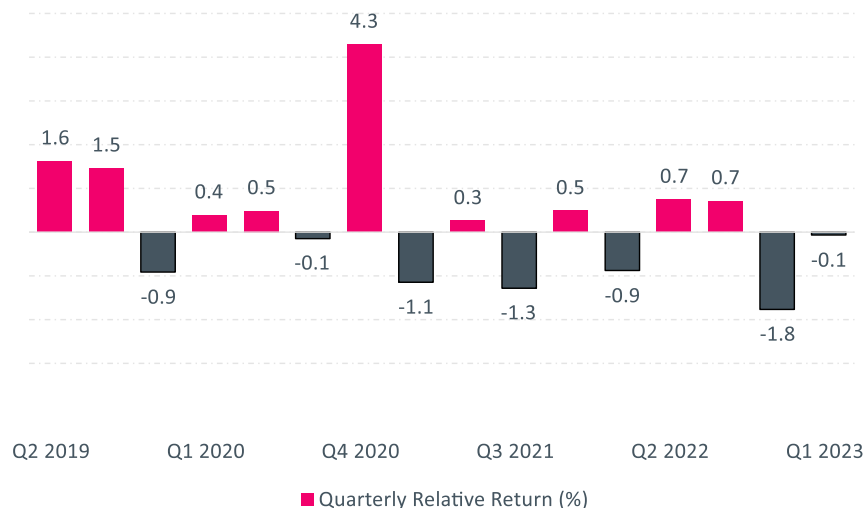
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Newton and Link Group and is gross of fees.

UBS Climate Aware World Equity Fund

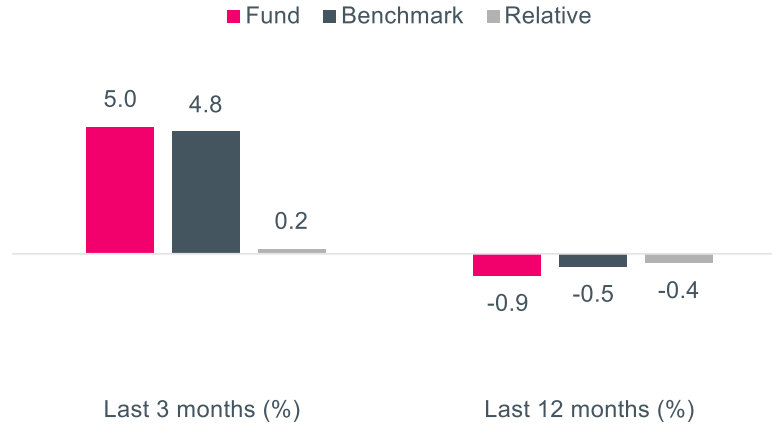
Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach. In December 2021, the new allocation of £145m was invested in the UBS Global Aware mandate.

The aim of the mandate is to perform broadly in line with the FTSE AW Developed Index, delivering similar performance to standard global equity indices but with less carbon intensive investments.

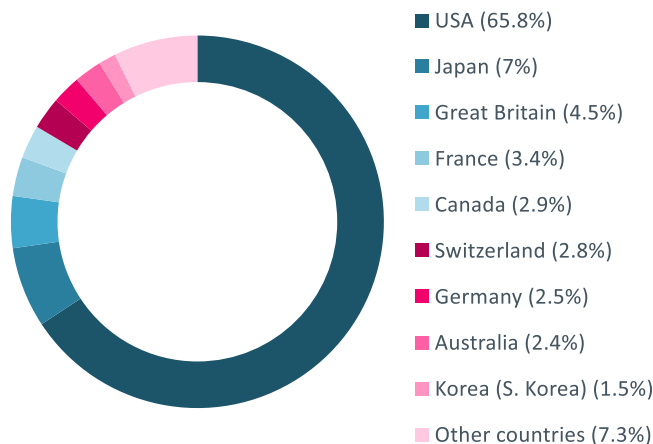
Global equity valuations are now in line with long-term medians, although far below their peak at the beginning of the 2022. While rate hiking cycles look advanced, we do not anticipate dramatic falls in interest rates and yields to drive equity multiple expansion over the medium term, leaving valuations more dependent on economic fundamentals and earnings growth.

The fund is performing broadly in line with the FTSE AW Developed Index over both the shorter and the longer term, some tracking error of +/- 0.5% is expected from this mandate.

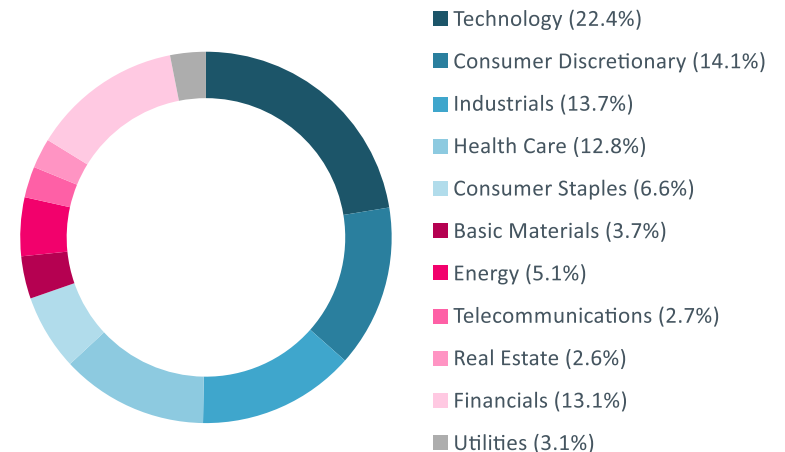
Performance summary



Geographical allocation



Sector allocation



**Baillie Gifford
Diversified Growth**

Over Q1 2023, the Diversified Growth Fund returned 2.3%, slightly outperforming its benchmark, by 0.5%. The fund fell short of its longer-term benchmarks however, with the 12-month performance remaining the greatest laggard against its benchmark by 13.3%.

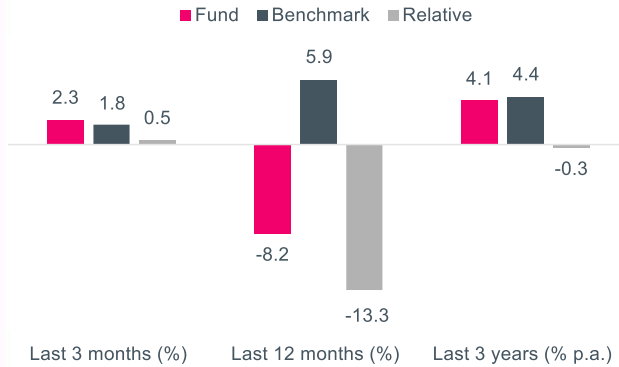
While the fund is still facing a mixed market outlook, especially given an increased probability of a developed market recession, performance over Q1 showed that the fund can be resilient to volatility and take advantage of opportunities.

The largest detractors were holdings in commodities (3.8% allocation), absolute return funds (4.3% allocation) and active currency mandates (0.1% allocation). Aluminium price volatility and rare earth metal exposure are the two core underperformers.

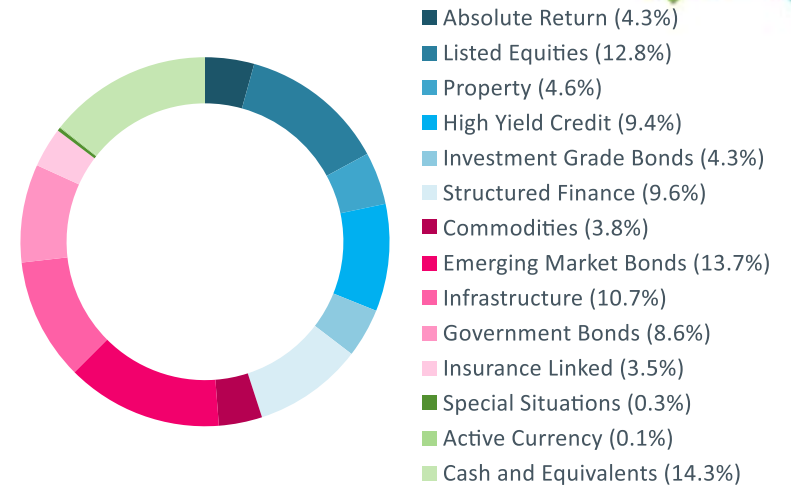
Government bonds, Emerging market bonds, structured finance, high-yield credit and IG bonds (total allocation of c46%) were the top contributors to Q1 performance. In particular, long-dated US and Australian Government bond investments, together with a US 'curve steepener' position contributed 1% of the performance.

In the current environment, BG deem long-term opportunities in infrastructure, property, commodities and emerging markets attractive.

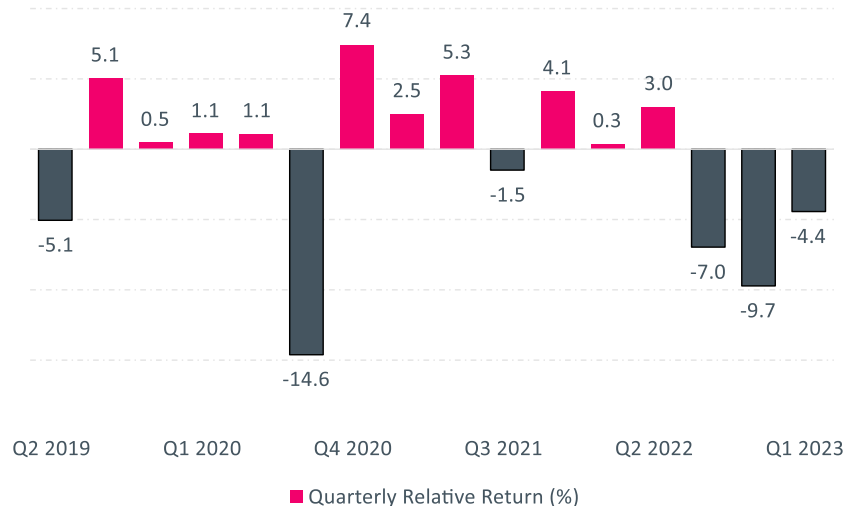
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Baillie Gifford and Link Group and is gross of fees.

Schroders Property

The Schroder's property mandate returned -1.3% over Q1 2023 versus its benchmark of -0.2%, an underperformance of 1.2%.

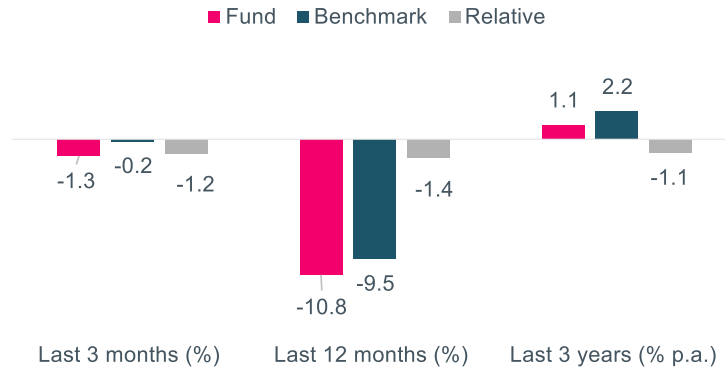
SCREF's performance during the quarter was derived principally from capital value declines in the industrial and office sectors. These falls in valuations were triggered by rise in UK bond yields and higher cost of debt.

On the bright side, the fund's income return increased by 0.1% over the 3 months to end of March, reaching 1.1% overall, 0.4% higher than the benchmark income return. This aids performance and hints at a sustainable long-term approach for the fund and the quality of underlying assets.

The pressure of redemptions initiated after the gilt crisis has been eased off through a divestment from Two Ruskin Square, Croydon. Alongside realising an 11.7% IRR p.a., the sale also aimed to reduce the fund's overweight allocation to offices. The managers confirmed that redemptions have slowed down and liquidity should not be an issue going forward.

Rent collections are at their highest levels since pre-Covid, with 99.3% of rents for Q4 2022 collected within a month of month-end.

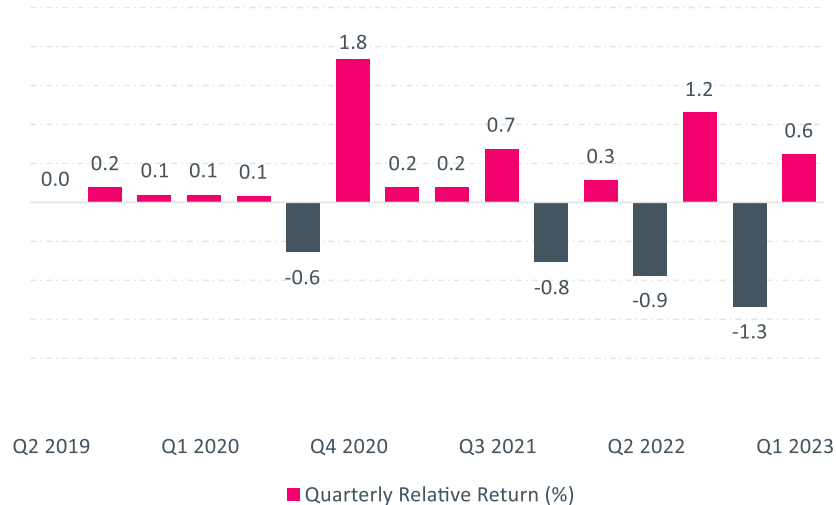
Performance summary



Key statistics

Fund size (gross)	£2,090.15m
Number of holdings	52
Number of tenants	660
Debt (% of NAV)	7.7%
Top 10 holdings as % of portfolio	44.9%

Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

Schroders Fixed Income

The Schroders Fixed Income fund returned 2.7% over Q1 2023, marginally beating its benchmark of 2.4%.

Over the past 12 months the fund underperformed mainly due to the high yields over the last three quarters of 2022 and falls short of its benchmark by 1.9%.

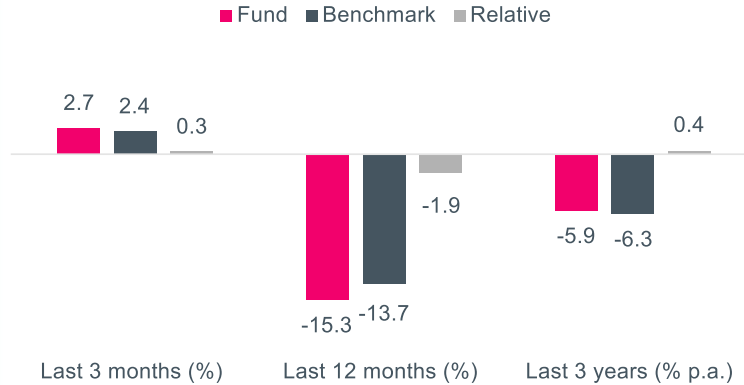
Performance over the 3-year period was also negative albeit slightly outperforming the fund's benchmark.

The fund's positive return over the quarter can be attributed to its aim of exploiting relative value opportunities. While keeping close to the benchmark performance, the fund's relative credit allocation shows a significant tilt towards higher yielding bond investments (mostly favouring double and triple B against AA ratings).

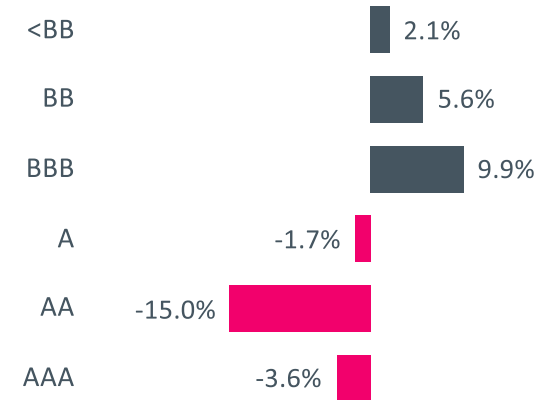
The fund is currently favouring Australian and Canadian investments against underweighted positions in the UK and US. The strategy stems from a conviction that the Canadian and Australian economies would be more resilient to a global downturn for longer.

In terms of asset allocation, Schroders is overweight duration and well-positioned to benefit from yield curves steepening.

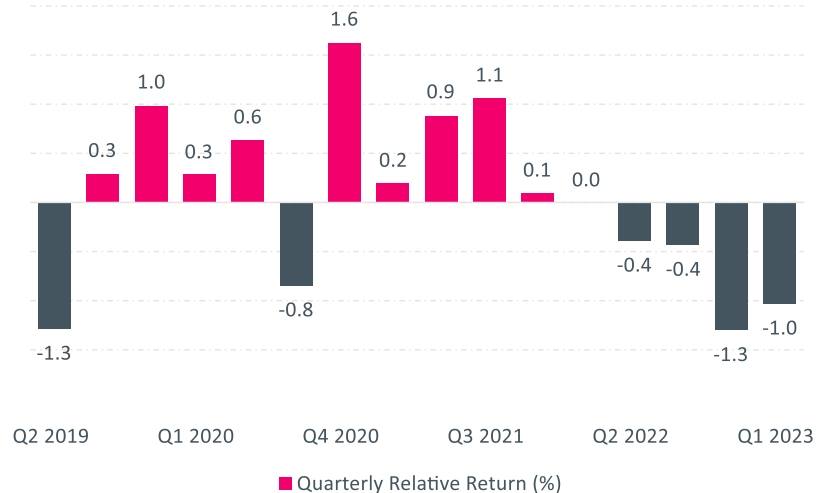
Performance summary



Relative credit allocation



Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

GSAM Broad Street Loan Partners IV Fund

In July 2020, a new 5% allocation to private debt was agreed by the Committee which will be drawn down over time.

The table to the right reflects the key statistics since inception based on the estimated end of December figures from GSAM.

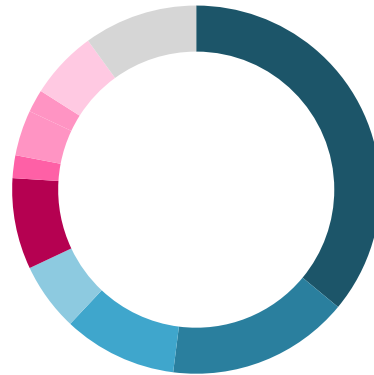
The estimated capital balance by GSAM as at 31 March 2023 was c.£26m and capital contributions were c.£29.6m (out of which £5.1m were distributed back).

First Lien term loans continue to hold the majority weighting, in line with the Fund's target investment profile.

The charts to the right reflect end of December 2022 position as the Q1 2023 report is still to be released.

*Net income allows for impact of currency movements. Over Q1 2023 the dollar depreciated against the pound, negatively impacting returns

Geography split

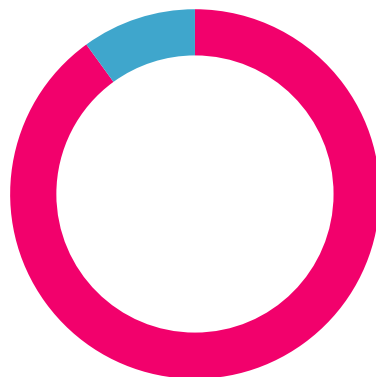


- United States (36%)
- United Kingdom (16%)
- Germany (10%)
- Sweden (6%)
- France (8%)
- Canada (2%)
- Netherlands (4%)
- Australia (2%)
- Italy (6%)
- Other Western Europe (10%)

Key statistics since inception (£m)

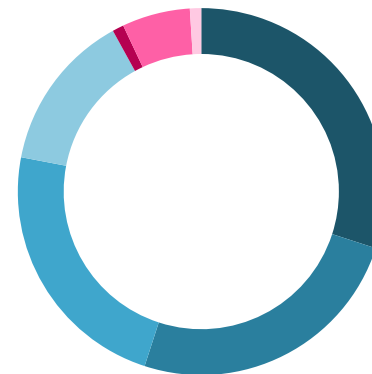
Commitment	30.0
Capital contributed	29.6
Distributions	5.1
Estimated Capital balance	26.0
Estimated Net Income/Loss*	1.5

Security/Loan type



- First Lien (90%)
- Other (10%)

Industry split



- Services/Distributions (30%)
- Software/Information Services (25%)
- Health Care (23%)
- Manufacturing/Industrial (14%)
- Media/Communications (1%)
- Retail/Consumer Products (6%)
- Leisure/Entertainment (1%)

Partners Direct Infrastructure

In July 2020, a new 5% allocation to infrastructure was agreed by the Committee which will be drawn down over time. The first allocation to Partners Direct Infrastructure Fund was drawn on 10 July 2021.

The net asset value for the fund as at 31 March 2023 was c.£13.7m (vs. c.£11.4m as at 31 December 2022).

A capital call was issued in March, bringing the net contributions to the fund up to £12.8m (vs c£10.7m in December 2022)

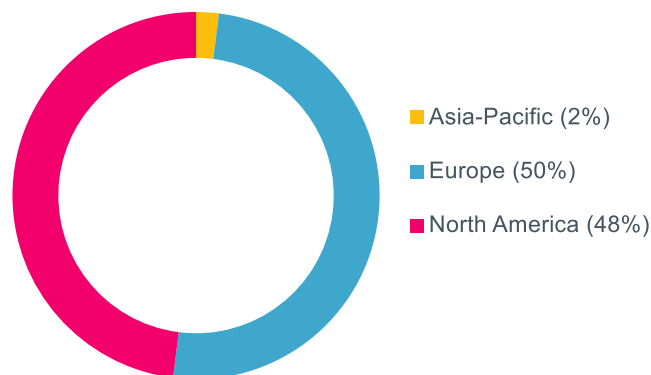
It should be noted that given this is a EUR fund, FX movements will impact the returns. During Q1 2023 the exchange rate did not change drastically and thus did not affect the reported NAV significantly.

Reporting for the fund will evolve over time as the fund establishes.

Key statistics (£m; as at 28th February)

Commitment	35
Capital contributions	12.8
Distributions	0
Net contributions	12.8
Net asset value	13.7
Net multiple	1.2x

Regional allocation (as at 28th February)



Source: Fund data provided by Partners.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Hymans Robertson LLP and our group companies have a wide range of clients some of which are fund managers, who may be parties in our recommendations to you in various circumstances including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

Benchmarks, Targets & Fees

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
Newton Global Equity Fund	25/08/2009	MSCI AC World	+2% p.a. over rolling 5 years
BlackRock UK Select Fund	23/02/2023	FTSE All Share	+2% p.a. over rolling 5 years
Schroders Fixed Income Fund	31/08/2009	50% iBoxx Gilts and 50% iBoxx Non-Gilts Indices	Outperform benchmark by 1% p.a. (net of fees) over a market cycle before fees
Schroders Property Fund	31/08/2009	AREF/MSCI UK Quarterly Property Fund Index All Balanced Funds Median	Outperform benchmark by 0.5% p.a. (net of fees) over 3 year rolling period
Baillie Gifford Diversified Growth Fund	30/10/2013	UK Base Rate +3.5% p.a.	UK Base Rate +3.5% p.a. (net of fees) over 5 year rolling period
GSAM Broad Street Loan Partners IV Fund	25/01/2021	-	8% gross IRR
Partners Infrastructure	10/07/2021	-	8-12% p.a. net of fees
UBS Climate Aware World Equity Fund	08/12/2021	FTSE AW Developed Index	-

Source: Investment Managers

Hymans Ratings

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

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Agenda Item 15

Items circulated to Committee members since the papers were published for last committee meeting (31 January 2023), for information:

- 1) Sent 31-Jan-23: LGPC Bulletin 233
- 2) Sent 01-Feb-23: briefing note for Pension Fund Committee meeting 8 February 2023.
- 3) Sent 10-Feb-23: Hymans Robertson February issue of The Edit.
- 4) Sent 13-Feb-23: link to LGPS Live recording 1 Feb, Scheme Advisory Board update.
- 5) Sent 16-Feb-23: Mandate Wire press article mentioning Isle of Wight Pension Fund.
- 6) Sent 23-Feb-23: ACCESS – Joint Committee update re Link.
- 7) Sent 27-Feb-23: ACCESS Joint Committee 6 March Private agenda pack.
- 8) Sent 27-Feb-23: Hymans Robertson Looking Ahead - monthly round up.
- 9) Sent 02-Mar-23: ACCESS Joint Committee 6 March Private supplementary papers.
- 10) Sent 02-Mar-23: LGPC Bulletin 234 (February 2023).
- 11) Sent 03-Mar-23: Save the date: Aon webinar – TPR New Code of Practice, 23 March.
- 12) Sent 09-Mar-23: Hymans Robertson March issue of The Edit.
- 13) Sent 10-Mar-23: ACCESS Weekly media and political summary 10 March 2023.
- 14) Sent 16-Mar-23: Isle of Wight Pension Fund exposure to Silicon Valley Bank (2 emails).
- 15) Sent 16-Mar-23: Spring Budget 2023 – pension impacts.
- 16) Sent 16-Mar-23: Pensions for Purpose and Schroders impact training session 17 April.
- 17) Sent 22-Mar-23: Isle of Wight Pension Fund – exposure to Credit Suisse.
- 18) Sent 23-Mar-23: LGPS briefing from Room 151.
- 19) Sent 31-Mar-23: 2022 actuarial valuation conclusion.
- 20) Sent 12-Apr-23: Hymans Robertson April issue of The Edit.
- 21) Sent 12-Apr-23: PLSA Policy Watch Easter edition.
- 22) Sent 12-Apr-23: Hymans Robertson webinar: LPGA 2022 Valuation – the big picture.
- 23) Sent 21-Apr-23: ACCESS – Waystone and Link agreements signed.
- 24) Sent 21-Apr-23: ACCESS Weekly Political and Media Summary, 21st April 2023.
- 25) Sent 21-Apr-23: Hymans Robertson catch up “Q: Who will win the match this afternoon?”

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 MAY 2023
Title	MIFID II OPTION FOR PROFESSIONAL INVESTOR STATUS
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report presents the requirement for the Council, as administering authority for the Isle of Wight Pension Fund, to resubmit its election for professional investor status under the Markets in Financial Instrument Directive 2014/65 (“MiFID II”).

RECOMMENDATION

2. That the committee approves the election for professional investor status, and authorises the Pension fund Manager to submit the option form to Hymans Robertson, and other investment counterparties as may request such election.

CONFIDENTIAL / EXEMPT ITEMS

3. This covering report is not deemed exempt from publication, but the appendix is deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it “relates to financial or business affairs of any particular person”, (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it. Disclosing the information could place the council at risk of legal challenge from individuals or other bodies identified in the report.
4. The appendix contains the draft election notice, which has yet to be completed. Once the election has been made, the completed election form can be released into the public domain.

BACKGROUND

5. Following the introduction of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) from 3 January 2018, firms were no longer able to categorise local authorities as a ‘per se professional client’ or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities would have been classified as “retail clients” unless they were opted up by firms to an ‘elective professional client’ status.

6. In January 2018, the Isle of Wight Council completed opt-up election forms for each of its incumbent investment managers, as well as the investment consultants, treasury management advisers and custodians.
7. Since then, for each new investment manager added to the fund's investment portfolio, an election to be considered as a professional investor has been completed and accepted by each counterparty.
8. In May 2023, Hymans Robertson notified the fund that they are required to carry out a status assessment on a regular basis, to determine from their perspective whether the fund can continue to be treated as a Professional Client.
9. The fund is required to complete a questionnaire to confirm its self-assessment as a professional investor; a partially completed copy of that questionnaire is included as Appendix 1 to this report.
10. The committee is asked to confirm the completion of the questionnaire, and to specifically authorise its submission to investment counterparties, as required by

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

11. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of "being fair and transparent".

Pension Fund Strategic Aims

12. 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 Local Government Pension Scheme (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.

FINANCIAL / BUDGET IMPLICATIONS

13. There are no direct financial implications for the submission of the stand alone questionnaire.

LEGAL IMPLICATIONS

14. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".

EQUALITY AND DIVERSITY

15. 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.

16. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

17. Should the council decide not opt up to professional investor status, or if such election were declined by one or more counterparties, it will automatically be considered a retail client, under MiFID II.
18. A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat the council the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer's needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves lots more work and potential cost for both the firm and the client, for the purpose of to prove proving to the regulator that all such the requirements have been met.
19. Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.
20. Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as 'non-complex' which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss ('promote') certain asset classes and vehicles with the authority as a retail client.

APPENDICES ATTACHED

21. Appendix 1 (confidential): Draft standalone questionnaire Isle of Wight Council as administering authority for the Isle of Wight Pension Fund May 2023.

BACKGROUND PAPERS

22. Local Government Pension Scheme Advisory Board – England and Wales: guidance on opting up to professional status.
<https://lgpsboard.org/index.php/opting-up-process>

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Chairman of the Isle of Wight
Pension Fund Committee*

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