

# Public Document Pack



Monitoring Officer  
**Christopher Potter**

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

## Agenda

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>WEDNESDAY 6 SEPTEMBER 2023</b>
Time	<b>10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Members of the committee	CLLrs C Jarman (Chairman), V Churchman (Vice-Chairman), D Andre, P Brading, C Critchison, K Lucioni and I Ward  Steve Milford (Co-Opted) (Non-Voting)  Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

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### 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 24 May 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 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 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 electronic mail to Democratic Services at [democratic.services@iow.gov.uk](mailto: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, 1 September 2023.

5. **Reports from the Local Pension Board** (Pages 13 - 14)

To receive an update from the chairman of the Local Pension Board on activity since the last meeting.

6. **Annual Report and Accounts:**

(a) 2021-22

To receive a verbal update on progress towards the completion of the 2021-22 annual report and accounts.

(b) 2022-23 (Pages 15 - 22)

To receive and note the draft financial results for the year ended 31 March 2023, and to note the timetable for the completion of the pension fund's annual report and accounts for the year ended 31 March 2023 and the external audit programme.

7. **Recording and Reporting Breaches of the Law Policy** (Pages 23 - 64)

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.

8. **Investment Performance and Funding Level**

(a) Investment Assets as at 30 June 2023 (Pages 65 - 66)

(b) Quarterly Investment Performance Report (Pages 67 - 84)

9. **Workplan**

(a) Governance Support (Pages 85 - 104)

To receive a report from Hymans Robertson on the fund governance outlook, including work priorities, risks, dependencies, and actions.

(b) Workplan (Pages 105 - 106)

To receive and confirm the draft workplan for the Committee for the financial years 2023-2025, to be updated following outcome of above work.

10. **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](mailto:democratic.services@iow.gov.uk) no later than 10.00am, Monday, 4 September 2023.

11. **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) 12 to 15 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.

12. **DLUHC consultation: Local Government Pension Scheme (England and Wales): Next steps on investments** (Pages 107 - 124)

To consider the government consultation on investments, including pooling and levelling up, and the fund's confidential proposed response.

13. **Fund Manager Presentation (Confidential)** (Pages 125 - 126)

To receive a presentation from Partners Group on the fund's infrastructure portfolio.

14. **Investment Strategy 2023 (Confidential)**

To receive updates on the implementation of the revised strategic asset allocation:

- (a) UK Equity Tobacco Considerations (Confidential) (Pages 127 - 134)
- (b) Fixed Income Transition to ACCESS Pool (Confidential) (Pages 135 - 150)
- (c) Manager selection process for increased Private Debt and Infrastructure Allocations (Confidential) (Pages 151 - 178)

15. **ACCESS Update (Confidential)** (Pages 179 - 200)

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

CHRISTOPHER POTTER  
Monitoring Officer  
Tuesday, 29 August 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](mailto:christopher.potter@iow.gov.uk), or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email [justin.thorne@iow.gov.uk](mailto:justin.thorne@iow.gov.uk).

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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>

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## Minutes

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date and Time	<b>WEDNESDAY 24 MAY 2023 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Present	Cllrs C Jarman (Chairman), D Andre, P Brading, V Churchman, C Critchison, K Lucioni and I Ward
Co-opted (Non-Voting)	Steve Milford (Scheme Member Representative)
Also Present	Jo Cooke and Megan Tuckwell
	Neil Cain and Martin Doyle (Local Pension Board), David Walker (Hymans Robertson), Rodrigo Dupleich and Yuan Yuan Xu (UBS)
Also Present (Virtual)	Matthew Collier

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

No apologies or changes in membership were received. It was noted that there had been changes to the membership of the committee following the annual meeting of the Full Council on 18 May 2023.

### 2. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 8 February 2023 be approved.

### 3. **Declarations of Interest**

No declarations were received at this stage.

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

No public questions were received.

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

#### 5a **Draft Minutes - 5 April 2023**

Consideration was given to the draft minutes of the meeting held on 5 April 2023. No comments or questions were raised, and the draft minutes were noted.

RESOLVED:

THAT the draft minutes of the Local Pension Board be noted.

**5b Local Pension Board Annual Report 2022-23**

The chairman of the Local Pension Board presented the annual report and drew attention to key areas including governance changes, risks, and responsible investment. The committee noted that an employer representative seat on the Board (previously held by an elected councillor) had become vacant, and the chairman agreed to ensure that work to appoint a replacement would be progressed. The committee thanked the Board and accepted the report.

RESOLVED:

THAT the Local Pension Board Annual Report 2022-23 be approved for publication within the Pension Fund's annual report and accounts for the year ended 31 March 2023.

**6. Recording and Reporting Breaches of the Law Policy**

This item was deferred to a later date due to the unplanned absence of a key member of staff.

**7. Pension Administration Strategy**

The Pensions Manager presented the draft Pensions Administration Strategy for the fund, as recommended for adoption by the Local Pension Board.

Questions were raised regarding the review being significantly overdue due to capacity issues and whether this had been addressed. Comments were made in relation to the support for employers of the fund.

RESOLVED:

THAT the Pension Administration Strategy be adopted and be agreed for publication on the fund's website.

**8. Risk Management**

Consideration was given to the revised risk register, as agreed by the Local Pension Board at its meeting held on 5 April 2023. Attention was drawn to the consolidation of risks (and overall reduction in number of risks) which would support more efficient management and monitoring. No comments or questions were raised.

RESOLVED:

THAT the changes to the risk register following review by the Local Pension Board be accepted, and the updated risk register (as presented at Appendix 1) be adopted.



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

The Pension Fund and Treasury Management Accountant 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 the matter was ongoing. Discussion took place regarding the national auditor resource issue, particularly the knock-on impact that this was likely to have on future years' audits. The committee received a verbal update on the agreement of the opening position of the council's accounts..

RESOLVED:

THAT the updates be noted.

**10. Triennial Valuation 2022**

Consideration was given to the report which confirmed the completion of the triennial valuation at 31 March 2022 for the fund, the publication of the final actuarial report, and the publication of the Funding Strategy Statement arising from that valuation.

RESOLVED:

THAT the completion of the triennial valuation at 31 March 2022, the publication of the report on the actuarial valuation at 31 March 2022, and the publication of the Funding Strategy Statement March 2023, be acknowledged.

**11. Fund Manager Presentation**

The Senior Portfolio Manager and the Client Relationship Manager from UBS were in attendance to deliver a presentation on the fund's climate aware passive global equity portfolio. This included an overview of climate strategy performance comparisons, performance attributions, research initiatives, and the metrics used in portfolio construction. Discussion took place regarding engagement with companies and questions were raised regarding data centres.

RESOLVED:

THAT the presentation from UBS on the fund's climate aware passive global equity portfolio be noted.

**12. Knowledge and Understanding**

This item was deferred to a later date due to the unplanned absence of a key member of staff.

**13. Workplan**

Consideration was given to the draft workplan for the Committee for the financial years 2023-2025. The committee noted the revised presentation of the workplan.

RESOLVED:

THAT the workplan be noted.

**14. Investment Performance and Funding Level**

14a **Investment assets as at 31 March 2023**

14b **Quarterly Investment Performance Report**

Consideration was given to the reports for the quarter ended 31 March 2023, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. Attention was drawn to the completion of the UK equity transition from Liontrust to BlackRock. Discussion took place regarding the property portfolio (particularly in relation to office space and warehouses).

RESOLVED:

THAT the updates on investment performance and funding level be noted.

**15. Items circulated for Members Attention**

The committee noted the items circulated for information since the last meeting. No questions were raised at this stage.

RESOLVED:

THAT the items circulated for attention be noted.

**16. Members' Question Time**

Cllr Brading asked an oral question regarding the eligibility of Isle of Wight Council staff benefits and whether this should be extended to former members of staff who are also members of the pension scheme. The chairman agreed to seek a written response.

Cllr Critchison asked an oral question regarding the fund's stance on divesting from fossil fuels and Israeli companies in support of the Palestine. The chairman agreed to seek a written response.

**17. Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

**18. Investment Strategy 2023**

Consideration was given to the confidential report from Hymans Robertson, which set out the second stage of the review of the fund's investment strategy (following the results of the 2022 actuarial valuation). The committee received a presentation which summarised the review and advised the committee on the preferred strategic asset allocation as it related to growth assets, income assets and protection assets.

Discussion took place and it was agreed that the proposed recommendations would be agreed.

RESOLVED:

- i) THAT the presentation from the fund's investment consultants and review the results of the asset liability modelling exercise, be received, and noted.
- ii) THAT the preferred strategic asset allocation as recommended by the fund's investment consultants, be adopted.

19. **ACCESS Update**

Consideration was given to the confidential report on ACCESS pool activities since the last meeting and the committee noted the key updates arising from the meeting of the ACCESS Joint Committee meeting held on 6 March 2023.

RESOLVED:

THAT the updates from the ACCESS Joint Committee meeting held on 6 March 2023 be noted.

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

20a **Activity Update**

Consideration was given to the confidential report which summarised the activity undertaken in the review of existing contracts, progress with previously reported procurement activity, and planned activity for the next financial year.

RESOLVED:

- i) THAT the contract management and procurement activity undertaken since last reported in February 2023, be noted.
- ii) THAT the previously agreed extension of the investment consultancy contract will expire on 9 July 2024, not 1 January 2024, be confirmed.

20b **MiFID II Professional Status Election**

The Pension Fund and Treasury Management Accountant presented the report which outlined the requirement for the Council, as administering authority for the Isle of Wight Pension Fund, to resubmit its election for professional investor status. Consideration was given to the submission of the MiFID II professional status option questionnaire.

RESOLVED:

THAT the election for professional investor status be approved, and the Pension Fund Manager be authorised to submit the option form to Hymans Robertson and to other investment counterparties as may request such election.

CHAIRMAN

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**Minutes of an informal meeting of the Local Pension Board held virtually on  
Monday 24 July 2023 at 10am**

Present

Martin Doyle (Independent Chair)  
Liz Kingston, employer representative  
Barbara Milton, member representative  
Trevor Ould, member representative

In attendance:

Matthew Collier, Pensions Manager  
Jo Cooke, Pension Fund & Treasury Management Accountant  
Jo Thistlewood, Pension Fund Manager

Absent:

Neil Cain, member representative

**Introduction**

The Chair opened the meeting by setting out that this was an informal meeting following the cancellation of the 12 July 2023 Board meeting (previously deferred from 21 June 2023) due to key officer absence.

The purpose of this informal meeting was to ensure that updates on administration and governance continue to be provided to Board members to reassure them that business as usual (including statutory responsibilities) is ongoing and to keep the Board updated with the achievement of key targets.

There would also be an opportunity later in the meeting to discuss concerns around single person risk.

**Update from the Pension Teams**

The Pensions Manager reported that there are no concerns about meeting key targets on administration including upcoming dispatch of the 2023 Annual Benefit Statements.

All posts in the pensions admin team are now recruited into although this does present challenges through increased training needs and then the retention of staff. Other projects on greater automation are being planned.

The Pension Fund & Treasury Management Accountant provided an update the revised timetable for the completion and publication of the annual report and accounts, as a result of the delays to the external audit of the Pension Fund's accounts for the year ended 31 March 2022.

The Pension Fund Manager led the meeting in thanking the Pension Fund & Treasury Management Accountant and Pensions Manager in keeping business as usual going on the fund side during the recent staff absence.

The Pension Fund Manager reported that the process for reviewing and setting the fund's investment strategy was continuing.

### **Discussion on Key Risks**

The Chair informed the meeting that he addressed the May 2023 Pension Fund Committee with the Board's 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 Committee were informed that progress would be monitored by the Board during 2023/24.

A board member asked whether there were other actions that board members could take to pursue progress on resourcing risk. The Chair advised that it's the role of the Council's Pension Fund Committee to discharge, in relation to the Fund, the fiduciary duty owed to scheme members and employers for the proper administration of the scheme. Therefore, concerns should be addressed to the Committee in the first instance.

The Chair added that he had recently met with the Director of Finance who had affirmed that a structural review of the pensions function would take place after a wider organisational review of the Council. He stated that "doing nothing was not an option" and agreed that the likely outcome of the Good Governance statutory guidance will mandate that an individual will need to be specified with responsibility for delivering the LGPS function under a reporting structure which falls under the that officer's supervision. The officer will be the line manager for key functions such as investment, administration, employer liaison, communications, fund accounting, etc. A report from Barnett Waddingham is under active consideration.

### **Outcomes**

The Pension Fund Manager reported that, with regard to the vacant governance post in her section, an external pensions advisor will be appointed to devise statements and policies which will then be maintained by the new postholder when recruited.

The Board will continue to engage with the Committee and Fund Officers to monitor progress on the key risks.

The meeting ended at 11.05 am

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



## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>6 SEPTEMBER 2023</b>
Title	<b>DRAFT ACCOUNTS 2022-23</b>
Report of	<b>PENSION FUND MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report presents the draft financial statements for the Isle of Wight Council Pension Fund for the year ended 31 March 2023.
2. The draft results presented within this report are subject to any changes that may arise during the audit process.

### RECOMMENDATION

- |  |
|--|
| <ol style="list-style-type: none"><li>3. That the draft financial statements for the pension fund for the year ended 31 March 2023 be approved.</li><li>4. That the proposed timetable for the completion and publication of the annual report and accounts for the year ended 31 March 2023 be noted.</li></ol> |
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### LEGISLATIVE BACKGROUND

5. The Accounts and Audit Regulations 2015 (the 2015 regulations), as amended, requires that the statement of accounts for the Isle of Wight Pension Fund form part of the council's annual accounts; these accounts will be approved by the Audit and Governance Committee. The deadline for the publication of the council's draft statement of accounts for the year ended 31 March 2023 was 31 May 2023, as set out in the amended 2015 regulations, with final audited accounts required to be published no later than 30 September 2023.
6. Due to the delay in closing the external audit of the council's 2021-22 accounts, the council's draft statement of accounts for the year ended 31 March 2023 have not yet been published. Accordingly, the Pension Fund's 2022-23 accounts have not been published.

7. There is no specific regulatory requirement for the pension fund's accounts to be approved separately it is a matter of good practice for the Pension Fund Committee to be provided with the draft results as part of the overall approval process.
8. As required by the Local Government Pension Scheme Regulations 2013, the pension fund accounts will form part of the Pension Fund's Annual Report, which must be published by 1 December 2023. It is proposed that the fund's Annual Report and Accounts for the year ended 31 March 2023 will be presented at the November 2023 committee.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

9. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

### Pension Fund Strategic Aims

10. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other 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.
11. Receiving information on the fund's draft results statements, and the overall stewardship of public funds, fulfils the fund's governance objective to ensure compliance with the LGPS regulations, other relevant legislation, and the Pension Regulator's codes of practice.

## DRAFT FINANCIAL RESULTS

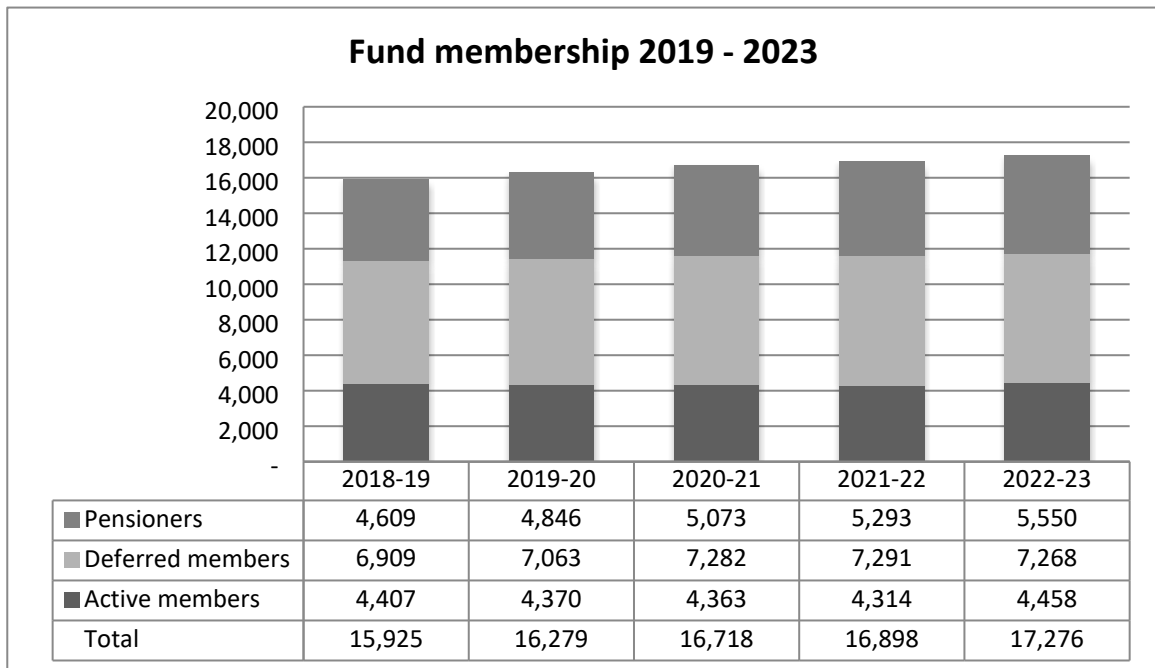
12. Appendix 1 to this report sets out the current draft fund account (income and expenditure/revenue account) and balance sheet for the year ended 31 March 2023.
13. Subject to any changes that arise during the audit process, the draft results show a reduction in the total net assets of the fund of approximately £37.2 million (5.11 percent), being £691.1 million at 31 March 2023.
14. The decrease in net assets is due to the reduction in value of the fund's investment assets from £709.8 million at 31 March 2022 to £676.1 million at 31 March 2023 (subject to paragraph 13 above), a reduction the direct cash holdings of £4.8 million, offset by an increase in operational cash balances by £1.2 million at 31 March 2023 in comparison to the previous year end. This fall in investment valuation was driven by general market fluctuations, rather than any specific decisions made by the fund.
15. Contributions received have increased by £3.5 million (15.7 per cent) compared to the previous year, as a result of both salary increases in year and also due to the slight increase in active members (as per paragraph 22 below).



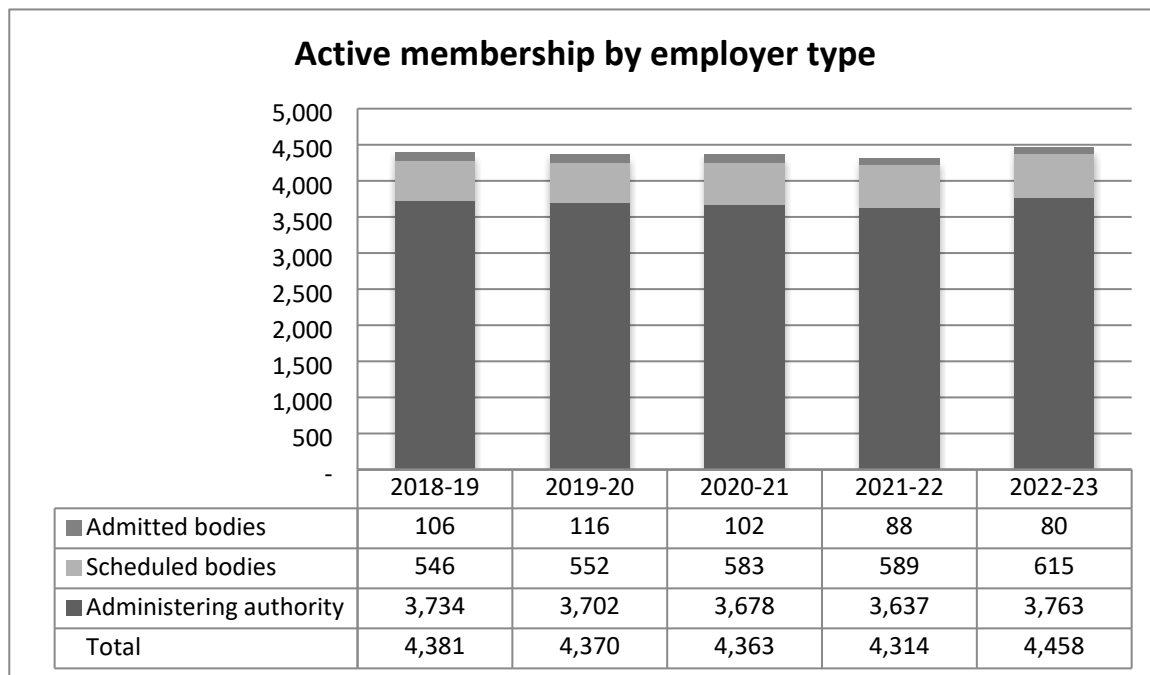
16. Benefits payable have increased by £3.3 million (13.3 per cent) in comparison to the previous year; contributing factors include inflationary pension increases, and higher pensioner numbers with a resulting increase in lump sum retirement grants.
17. The increase in management expenses was due to the initial licence fee for the pension administration software system (£0.2 million) following the re-procurement of the system completed in 2022. There was only a slight change to the investment management fees incurred year on year.
18. The change in value of the investments reflects the reduction in the net assets highlighted in paragraph 14.

**MEMBERSHIP NUMBERS**

19. Total members of the fund at 31 March 2023 were 17,276, an overall increase of 378 since 31 March 2022.
20. The graph below shows the total change in membership, and the composition of the membership (active members, deferred members, and pensioners) for the last five years.



21. The council’s proportion of active members has increased slightly this year to 84.4 percent of the total.
22. The graph below shows the movement in active membership numbers by type of employer (council (as administering authority), admitted body and scheduled body) over the last five years.



23. Membership of admitted bodies continues to decline as those employers are not able to admit new members to the scheme. At 31 March 2023, there were 11 admitted bodies in the fund, of whom only five have five or more active members; there is only one that has more than ten active members.

#### FINANCIAL / BUDGET IMPLICATIONS

24. There are no direct financial implications associated with this report.
25. As an annual process, it is necessary to produce financial information in this format to comply with external reporting requirements, codes of practice and the specific requirements of the Accounts and Audit (England) Regulations 2015.

#### LEGAL IMPLICATIONS

26. The accounts for the Isle of Wight Council Pension Fund will form part of the council's annual accounts, which are required by the Accounts and Audit (England) Regulations 2015 (as amended) to be approved by the council sitting as a whole, or by a committee with delegated powers to make such a decision (for the Isle of Wight Council this is the Audit and Governance Committee), no later than 31 May for each financial year.
27. The Accounts and Audit (Amendment) Regulations 2022, which came into force on 22 July 2022, amended the 2015 regulations to extend the deadline for the publication of audited accounts to 30 September for the 2022-23 accounts and the following five years.
28. While there is currently no specific regulatory requirement for the pension fund accounts to be separately approved, it is considered good practice to provide the Pension Fund Committee with the draft results figures as part of the overall approval process.

## EQUALITY AND DIVERSITY

29. 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.
30. There are no implications for any of the protected characteristics arising from items covered in the report.

## RISK MANAGEMENT

31. The Isle of Wight Council Pension Fund accounts form part of the council's overall annual accounts that have to be signed off by Full Council (or a committee with delegated powers) as part of the Accounts and Audit (England) Regulations 2015. While it is not a statutory requirement for the fund's accounts to be approved separately from the council's full accounts, not involving the pension fund committee in this sign off process would not be following accepted good practice.
32. Presenting the committee with an early draft of the financial results, and then presenting the final pension fund annual report and accounts for approval at a later date, ensures that committee members have a greater understanding of the financial information when providing their final approval.

## APPENDICES ATTACHED

33. Appendix 1 – Extract from draft financial results for the year ended 31 March 2023

Contact Point: Jo Cooke, Pension Fund and Treasury Management Accountant,  
☎ 821000 e-mail [jo.cooke1@iow.gov.uk](mailto:jo.cooke1@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 COUNCIL PENSION FUND

2021-22 £000	FUND ACCOUNT	Notes	2022-23 £000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
21,015	Contributions	7	23,271
953	Transfers in from other pension funds	8	2,143
15	Other income	9	28
21,983			25,442
(24,067)	Benefits	10	(25,324)
(895)	Payments to and on account of leavers	11	(2,953)
(24,962)			(28,277)
<b>(2,979)</b>			<b>(2,835)</b>
<b>(5,674)</b>	Management expenses	12	<b>(6,021)</b>
	<b>Returns on investments</b>		
14,156	Investment income	13	16,055
-	- Taxes on income	14	23
32,125	Profit and losses on disposal of investments and changes in the value of investments	17A	(44,419)
(5)	Interest payable	16	-
<b>46,276</b>	Net returns on investments		<b>(28,341)</b>
<b>37,623</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>(37,197)</b>
690,697	Opening Net Assets of the Scheme		728,320
<b>728,320</b>	Closing Net Assets of the Scheme		<b>691,123</b>

## ISLE OF WIGHT COUNCIL PENSION FUND

2022 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2023 £000
709,786	Investment assets	17	676,161
14,003	Cash deposits	17	9,187
<b>723,789</b>			<b>685,348</b>
-	Investment liabilities	17	-
-	Short-term borrowings	19A	-
183	Long-term assets	23	134
4,935	Current assets	24	6,171
(587)	Current liabilities	25	(530)
<b>728,320</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>691,123</b>

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 22.



## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>6 SEPTEMBER 2023</b>
Title	<b>POLICY FOR RECORDING AND REPORTING BREACHES OF THE LAW</b>
Report of	<b>PENSION FUND MANAGER</b>

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### 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](mailto: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

<b>Title:</b>	Isle of Wight Pension Fund Policy for Recording and Reporting Breaches of the Law
<b>Status:</b>	FINAL
<b>Current version:</b>	V2.1
<b>Author:</b>	Jo Thistlewood, Pension Fund Manager Financial Management <a href="mailto:Jo.thistlewood@iow.gov.uk">Jo.thistlewood@iow.gov.uk</a> 01983 821000 x 6371
<b>Sponsor:</b>	Chris Ward Director of Finance <a href="mailto:Chris.ward@portsmouthcc.gov.uk">Chris.ward@portsmouthcc.gov.uk</a> 02392 834423
<b>Consultation:</b>	Financial Services Pension Services Local Pension Board Pension Fund Committee Monitoring Officer / Legal Services Employers Advisers
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Version history		
Version	Date	Description
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](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://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](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://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.

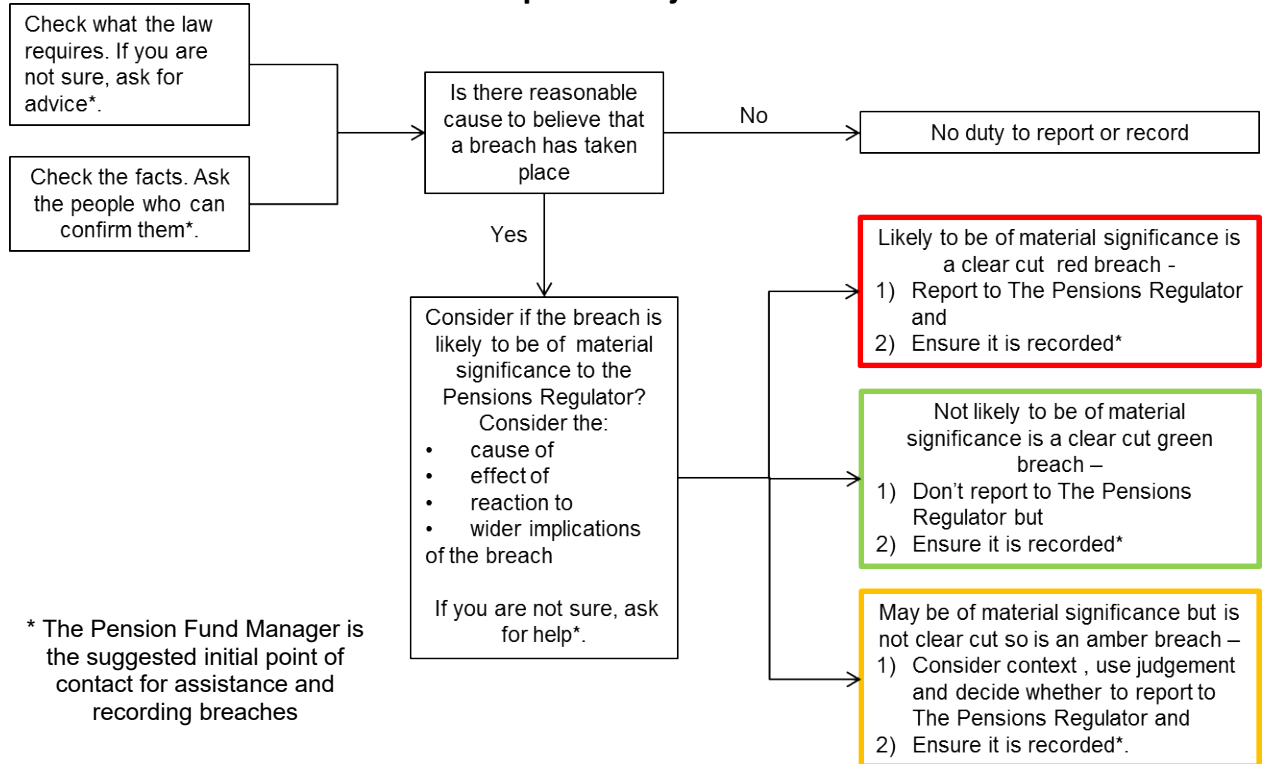
## 11 Reporting a breach to the Fund and the Pensions Regulator

- 11.1 Reports must be submitted to the Pension Fund Manager, [jo.thistlewood@iow.gov.uk](mailto: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

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## 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](mailto: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](mailto:chris.ward@portsmouthcc.gov.uk)  
Telephone: 02392 834423

Christopher Potter  
Monitoring Officer, Isle of Wight Council  
E-mail: [Christopher.Potter@iow.gov.uk](mailto: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

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**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
<b>To provide new starters with information about the scheme</b>	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).
<b>To inform members who leave the scheme of their leaver rights and options</b>	As soon as is practicable, and no more than two months from date of initial notification (from employer or scheme member).

<b>To notify the amount of retirement benefits</b>	One month from date of retirement if on or after Normal Pension Age. Two months from date of retirement if before Normal Pension Age.
<b>To notify dependant(s) the amount of death benefits</b>	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.
<b>Provide annual benefit statements to active members</b>	31 August in the same calendar year.
<b>Receipt of contributions from employers</b>	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:

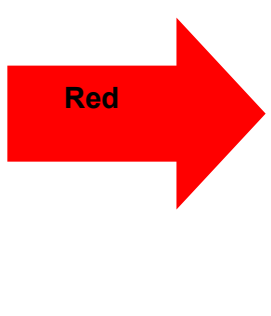
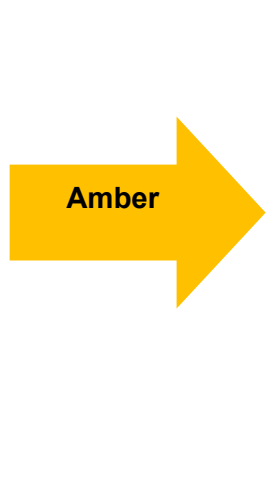
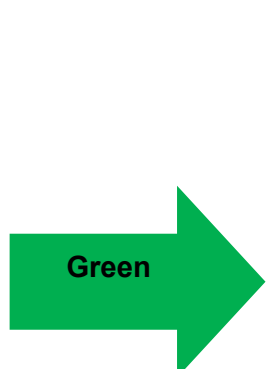
- does not receive prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- is not being given appropriate priority by the Committee and/or Board, or relevant service providers.
- has not been communicated to affected scheme members 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><b>Red</b></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><b>Amber</b></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><b>Green</b></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)

## 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

## 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:<sup>WH1</sup>

- 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.

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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,<sup>WH2</sup> 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.<sup>WH3</sup> 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.

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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:<sup>DC1</sup>

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

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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](http://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<sup>HO1</sup> 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

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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<sup>HO2</sup> 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.

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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



**Isle of Wight Pension Fund - Overview Quarter to 30 June 2023**

Manager	Asset class	Asset Allocation Proportion of Total Fund %	Market Value Previous Quarter 31/03/2023	Market Value Latest Quarter 30/06/2023	Current Proportion of Total Fund %	Actual Quarterly Performance %	Benchmark Performance	Actual relative to benchmark	Benchmark to Outperform by %
ACCESS	UK Equities	12.5	98,341,453	101,156,663	14.5	2.8	-0.5	3.2	2.0
ACCESS	Global Equities	18.8	147,398,305	155,913,283	22.4	5.7	3.3	2.5	2.0
ACCESS	Diversified Growth Fund	10.0	103,857,818	101,683,306	14.6	-2.1	2.0	-4.1	1.0
<b>Total ACCESS holdings</b>		<b>41.3</b>	<b>349,597,576</b>	<b>358,753,252</b>	<b>51.5</b>	<b>2.7</b>	<b>1.8</b>	<b>0.9</b>	
Schroder	Bonds	22.0	110,824,264	109,072,319	15.6	-5.2	-4.7	-0.5	1.0
UBS	Climate Aware Passive	18.8	138,205,322	143,797,264	20.6	4.0	3.9	0.1	n/a
<b>Total Liquid Assets</b>		<b>82.0</b>	<b>598,627,162</b>	<b>611,622,834</b>	<b>87.8</b>	<b>0.7</b>	<b>-0.3</b>	<b>1.0</b>	
Schroder	Property	8.0	37,136,020	36,140,168	5.2	-2.2	0.9	-3.1	0.5
Goldman Sachs	Private Debt	5.0	26,111,359	26,111,359	3.7	o/s	o/s	o/s	
Partners	Infrastructure	5.0	14,277,254	16,392,291	2.4	o/s	o/s	o/s	
<b>Total Alternative Funds</b>		<b>18.0</b>	<b>77,524,633</b>	<b>78,643,818</b>	<b>11.3</b>	<b>-2.2</b>	<b>0.9</b>	<b>-3.1</b>	
<b>Direct Cash Holding</b>		<b>0.0</b>	<b>9,184,500</b>	<b>6,684,500</b>	<b>1.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>TOTAL FUND</b>		<b>100.0</b>	<b>685,336,295</b>	<b>696,951,152</b>	<b>100.0</b>	<b>1.3</b>	<b>-0.2</b>	<b>1.5</b>	

Of which the following are equities:

UK Equities	12.5	98,341,453	101,156,663	14.5	2.8	-0.5	3.2	2.0
Global Equities	37.5	285,603,626	299,710,547	43.0	4.9	7.0	-2.1	2.0
Total Equities	50.0	383,945,079	400,867,210	57.5	4.4	5.1	-0.8	2.0
Proportion of total fund		56.02%	57.52%					

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 £788,371 higher than MID price

**TOTAL FUND 697,739,523 MID value**

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

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# Isle of Wight Pension Fund

Page 67

Q2 2023 - Investment Monitoring Report

David Walker – Partner

Chris King – Investment Consultant

Stefan Chilom – Investment Analyst

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Consensus forecasts for 2023 global GDP growth saw further upwards revisions in Q2, given unexpected resilience in labour markets and consumer spending. Nonetheless, with higher interest rates likely to weigh on consumer and business activity in the second half of 2023 and into 2024, growth forecasts remain relatively weak.

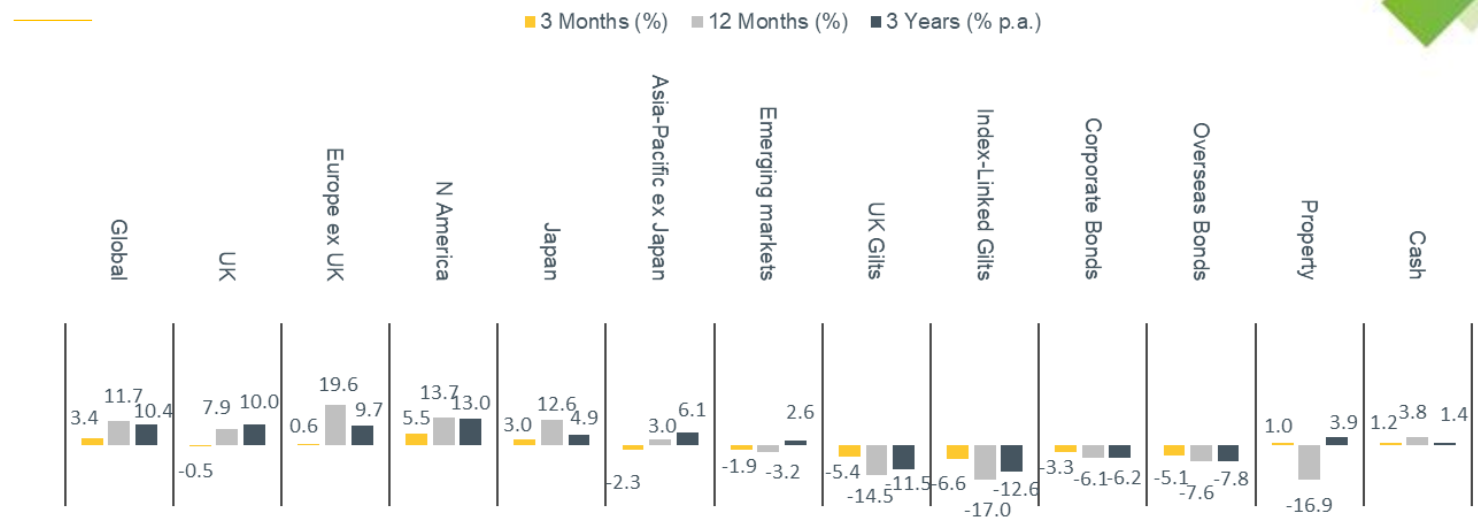
UK inflation data released during Q2 came in higher than forecasters expected. However, June's UK headline CPI inflation figure, released in July, fell more than expected, to 7.9% year-on-year and core inflation slipped back to 6.9% from 7.1%. Equivalent CPI inflation in the US and Eurozone fell to 3.0% and 5.5%, respectively in June. Core inflation eased to 4.8% in the US, but rose to 5.5% in the Eurozone.

Responding to a run of higher than expected inflation, the Bank of England (BoE) raised rates by 0.75% p.a. in Q2, to 5.0% p.a., including a surprise 0.5% p.a. increase in June. The US Federal Reserve raised rates by 0.25% p.a., to 5.25% p.a., in May; pausing in June to evaluate the impact of prior tightening. The European Central Bank increased their deposit rate 3.5% p.a.

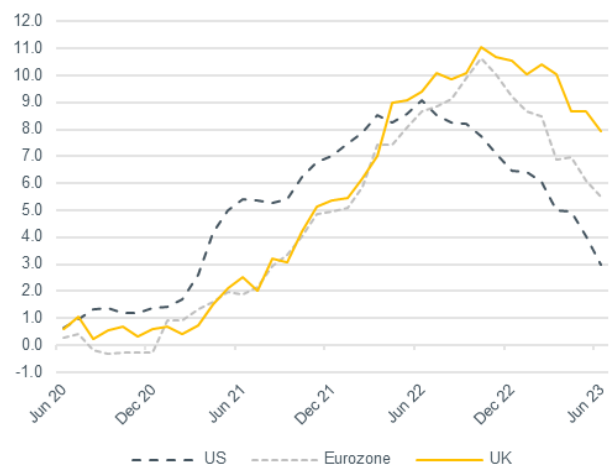
UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% p.a., as real and nominal yields rose by similar amounts.

UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK 10-year gilt yields rose sharply by 0.8% p.a. to 4.4% p.a., while US yields rose 0.2% p.a. to 3.8% p.a., and equivalent German yields rose 0.1% p.a., to 2.4% p.a.

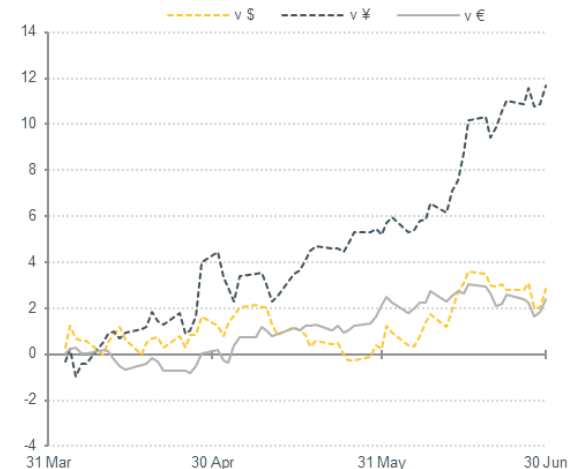
## Historic returns for world markets <sup>[1]</sup>



## Annual CPI Inflation (% p.a.)



## Sterling trend chart (% change)



Source: DataStream. <sup>[1]</sup>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

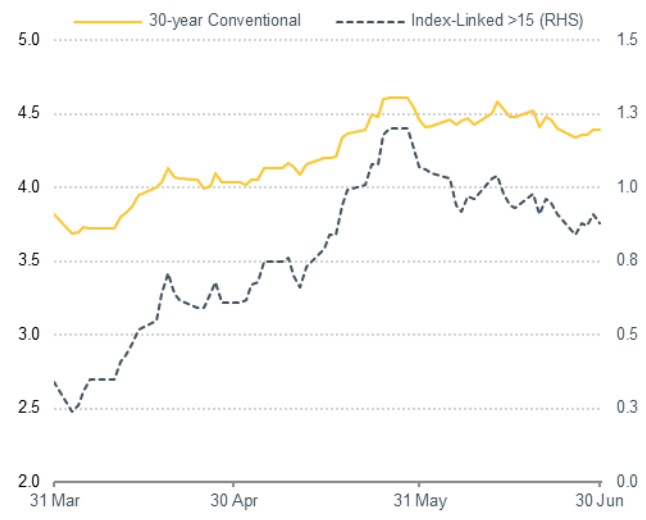
The UK investment-grade credit market recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads. Global investment-grade credit spreads decreased by 0.1% p.a. to 1.4% p.a., and global speculative-grade credit spreads decreased by 0.5% p.a. to 4.5% p.a.

The FTSE All World Total Return Index rose 6.7%, buoyed by better-than-expected earnings and AI-inspired optimism around the technology sector. Japanese and North American equities outperformed, with the exporter-heavy index of the former benefitting from Yen weakness and the latter benefitting from its disproportionately high exposure to the technology sector. Disappointing Chinese activity data dragged down emerging markets and Asia Pacific ex-Japan. The UK was the worst performing region, as the basic materials and energy sectors underperformed amid commodity price declines and global manufacturing weakness.

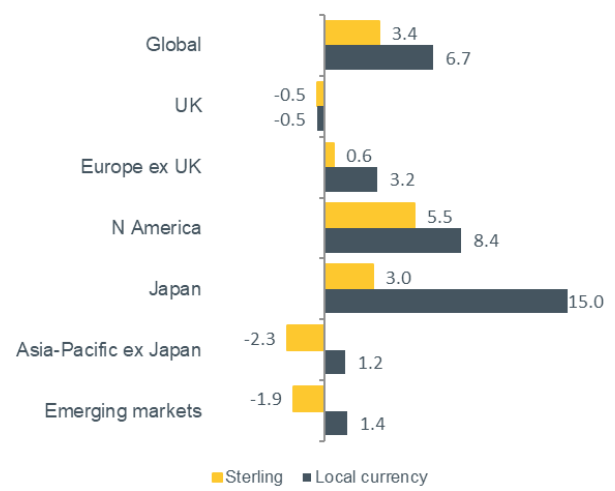
Sterling rose over 4.0% in trade-weighted terms as interest rate expectations soared. Meanwhile, equivalent US and euro measures rose 0.8% and 2.1%, respectively, while the yen measure fell more than 5%. The S&P GSCI Commodity Spot Price Index fell 5.8% in Q2, driven by declines in energy and industrial metal price.

UK commercial property values, as measured by the MSCI UK Property Index, had fallen by over 21% in the 12 months to end-June. Capital values have somewhat stabilised in recent months, though office values continued to decline in June. Alongside income, this led to a modest positive total return from the market over the quarter.

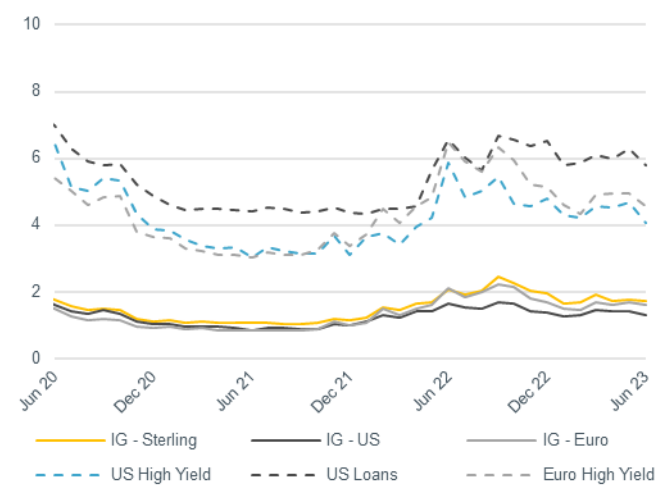
## Gilt yields (% p.a.)



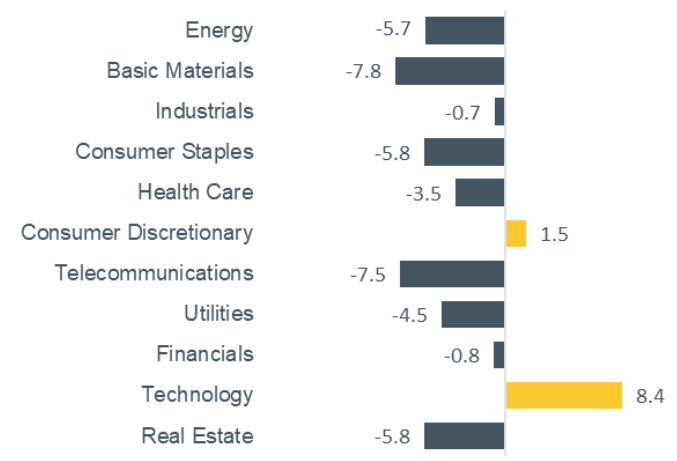
## Regional equity returns [1]



## 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.

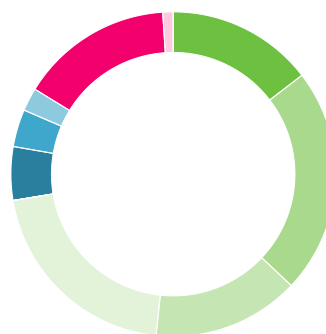
The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion.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

	March 2023	June 2023	Comment
<b>Index-linked gilts</b>	Attractive	Attractive	Ten-year index-linked gilt yields have also risen to reasonably attractive levels of 1.1% pa. Very weak real growth forecasts and sticky inflation should help keep a lid on real yields. Gilt-implied inflation, as measured by the difference between nominal and index-linked yields of the same maturity, indicates short-dated index-linked gilts offer decent value but suggests a relative preference for nominal gilts at medium-to-longer terms.
<b>Conventional gilts</b>	Neutral	Neutral	Even allowing for elevated near-term inflation, slightly higher inflation over the medium term, and the uncertainty associated with that outlook, 10-year nominal gilt yields of 4.6% pa look attractive versus our assessment of fair value of around 3.5% pa. We see the best value in gilt yields at maturities out to 20 years, given a sharp fall in longer-term forward real and nominal yields beyond. However, quantitative tightening and heavy issuance make for a very fragile technical backdrop.
<b>Sterling non-government bonds</b>	Neutral to Attractive	Neutral to Attractive	Debt affordability metrics are expected to come under pressure, but corporate balance sheets start from a strong position. Though speculative-grade default rates are expected to peak at lower levels than in previous slowdowns, we retain a preference for investment-grade markets, where the deterioration in fundamentals is expected to be less severe and take longer to materialise than in speculative-grade markets.
<b>Private Debt</b>	Neutral to Cautious	Neutral to Cautious	Manager's underwriting has become more conservative as debt affordability is expected to come under pressure from rising borrowing costs and weaker earnings. Leverage levels on new deals has fallen as a result. Defaults are rising but given a greater proportion of non-cyclical origination may peak at lower levels than the traded loan market. Valuations are attractive relative to the new issue traded loan market, which is now functioning again.
<b>Equities</b>	Neutral to Cautious	Neutral to Cautious	Despite consensus global corporate earnings growth expectations for full-year 2023 sitting at a lacklustre 0.7%, they may still be vulnerable to disappointment should economic growth slow as we expect. Recent price performance has taken cyclically adjusted valuations further above long-term averages, leaving limited scope for revaluation to drive equities higher against a challenging fundamental backdrop. Furthermore, recent rises in real yields leave equities looking very expensive relative to risk-free assets.
<b>Cash Strategies</b>	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
	Q1 2023	Q2 2023			
Newton Global Equity Fund	147.4	155.9	22.5%	18.8%	3.7%
Baillie Gifford Diversified Growth Fund	103.9	101.7	14.6%	10.0%	4.6%
UBS Climate Aware World Equity Fund	138.2	143.8	20.7%	18.8%	2.0%
BlackRock UK Select Fund	98.3	101.2	14.6%	12.5%	2.1%
<b>Total Growth</b>	<b>487.8</b>	<b>502.6</b>	<b>72.4%</b>	<b>60.0%</b>	<b>12.4%</b>
Schroders Property Fund	37.8	36.9	5.3%	8.0%	-2.7%
GSAM Broad Street Loan Partners IV Fund	26.0	25.9	3.7%	5.0%	-1.3%
Partners Infrastructure	14.3	16.1	2.3%	5.0%	-2.7%
<b>Total Income</b>	<b>78.0</b>	<b>78.9</b>	<b>11.4%</b>	<b>18.0%</b>	<b>-6.6%</b>
Schroders Fixed Income Fund	111.2	105.5	15.2%	22.0%	-6.8%
<b>Total Protection</b>	<b>111.2</b>	<b>105.5</b>	<b>15.2%</b>	<b>22.0%</b>	<b>-6.8%</b>
Cash	9.2	7.2	1.0%	0.0%	1.0%
<b>Total Scheme</b>	<b>686.2</b>	<b>694.1</b>	<b>100.0%</b>	<b>100.0%</b>	

## Asset class exposures



- BlackRock UK Select Fund 14.6%
- Newton Global Equity Fund 22.5%
- Baillie Gifford Diversified Growth Fund 14.6%
- UBS Climate Aware World Equity Fund 20.7%
- Schroders Property Fund 5.3%
- GSAM Broad Street Loan Partners IV Fund 3.7%
- Partners Infrastructure 2.3%
- Schroders Fixed Income Fund 15.2%
- Cash 1.0%

As at 30 June 2023, the Fund's assets totalled £694.1m, increasing by £7.9m over the quarter.

Global economic growth outperformed prior downbeat expectations in the six months to end-June 2023 on the back of falling energy prices and unexpected resilience in labour markets and consumer spending.

The markets are however pricing in higher interest rates persisting for longer, with little room left for further growth expectations. This is clearly reflected in the increasing gilt yields over the second quarter of 2023. The issue was further compounded by heavy issuance and BoE gilt sales. UK 10-year gilt yields rose sharply by 0.8% p.a. to 4.4% p.a., while US yields rose 0.2% p.a. to 3.8% p.a.

The Fund remains overweight to equities and correspondingly underweight to income and protection assets. The existing income mandates continue to draw down capital and the Scheme is currently in the process of selecting two more funds to top up the allocations. The underweight position in protection assets was accentuated by the negative bond performance over the year to June 2023.



# Fund performance

Over Q2, the Fund returned 0.4% against its benchmark of 0.6%, 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 0.1% p.a., delivering a 4.2% return per year. The slowdown on the markets is evident over the 12-month period with a much lower, however still positive, absolute return of 1.6%.

The increased AUM of the fund over Q2 was an effect of the majority of the growth mandates returning positive absolute returns, with the notable exception of the Baillie Gifford DGF.

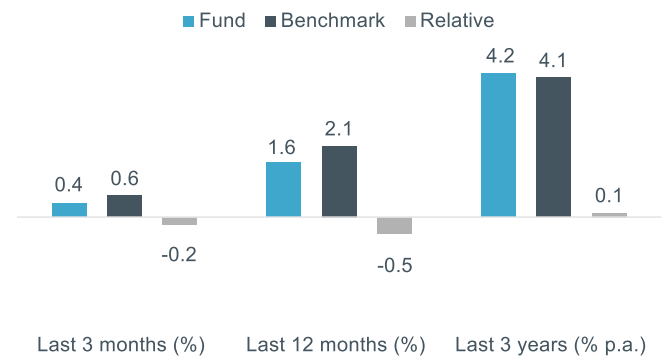
Commercial property capital values showed signs of relative steadiness in recent months. Thus, the Schroders Property fund had a negative return over the quarter against a mildly positive benchmark, mostly due to the mandate's increased exposure to offices, which continued to underperform over the quarter.

With gilt yields increasing in the 3 months to June given the expected persistence of higher interest rates, the Schroders fixed income mandate was a laggard for the Scheme. The mandate delivered a significantly negative return of -5.2%.

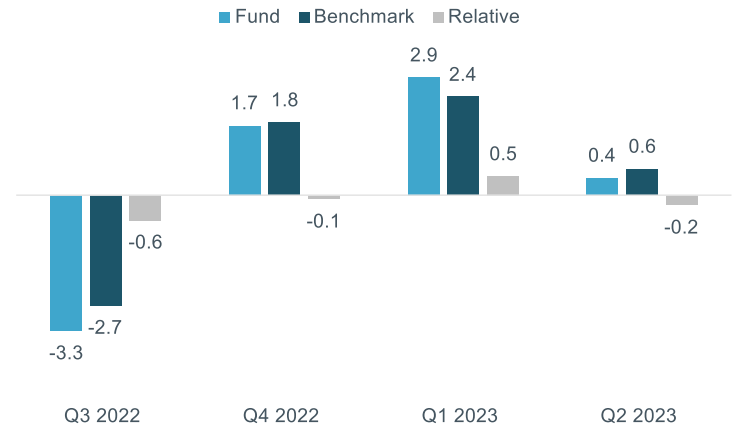
## Manager performance (gross of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
<b>Growth</b>									
BlackRock UK Select Fund	2.8	-0.5	3.3	0.7	-3.5	4.4	-	-	-
Newton Global Equity Fund	5.8	3.3	2.5	16.3	11.3	4.5	10.9	9.9	0.9
Baillie Gifford Diversified Growth Fund	-2.0	2.0	-3.9	-1.4	6.8	-7.7	0.6	4.8	-3.9
UBS Climate Aware World Equity Fund	4.0	3.9	0.1	13.2	13.5	-0.3	-	-	-
<b>Income</b>									
Schroders Property Fund	-2.2	0.9	-3.0	-19.5	-16.8	-3.2	1.4	3.8	-2.4
<b>Protection</b>									
Schroders Fixed Income Fund	-5.2	-4.2	-1.0	-12.2	-10.8	-1.7	-9.5	-9.0	-0.5
<b>Total</b>	0.4	0.6	-0.2	1.6	2.1	-0.5	4.2	4.1	0.1

## 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. 12-month BlackRock UK Select Fund's performance is since inception. Total Performance excludes the impact of private market allocations and any cash held.



## Manager ratings

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.

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	Good
GSAM Broad Street Loan Partners IV Fund	Positive	Adequate
Partners Infrastructure	Preferred	Good
UBS Climate Aware World Equity Fund	Preferred	Good

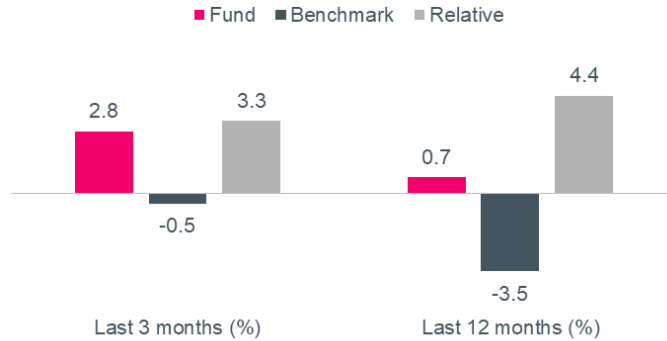
**Blackrock UK Equity**

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

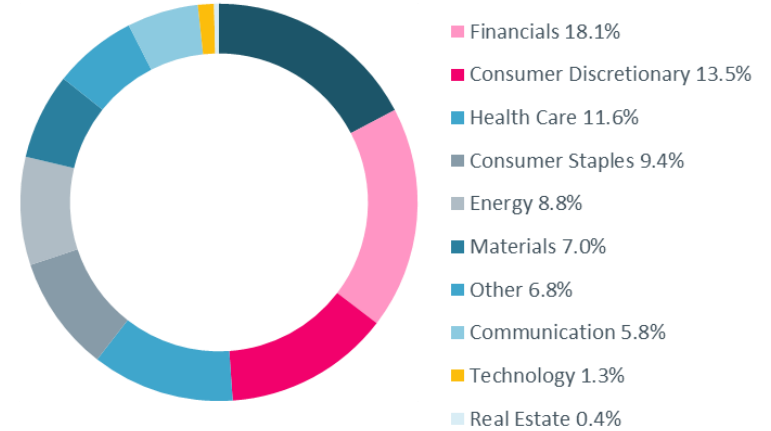
Over Q2 2023 the BlackRock UK Select Fund delivered a total return of 2.8%, outperforming its FTSE All Share benchmark of -0.5%. The fund managed to perform better than its benchmark since the Scheme investment in the first quarter of 2023, with a relative outperformance of 4.4%.

The BlackRock Institutional Equity Fund ('BIEF') – UK Select takes active positions, with significantly overweight allocations to Communication and Industrials. On the other hand, the fund is materially underweighting the UK's Financial and Health Care sectors. This allocation is consistent with the fund's moderate quality/growth bias.

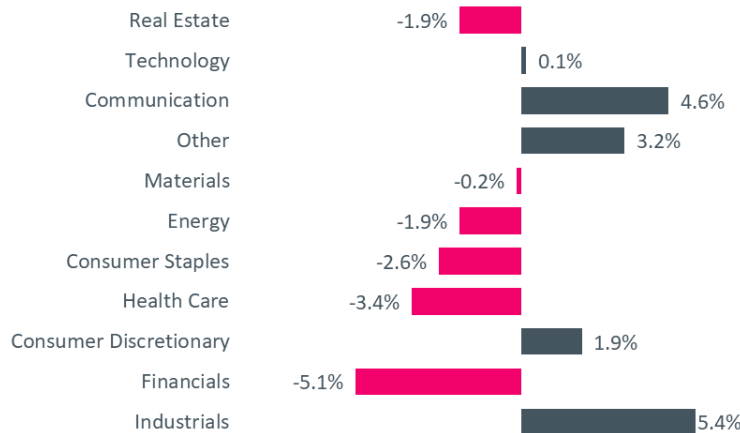
Performance summary\*



Sector allocation



Allocation relative to benchmark



Source: Data and fund performance provided by Link Group and is gross of fees.  
 \*12m performance represents the SI figure provided by manager. SI date is 23/02/2023

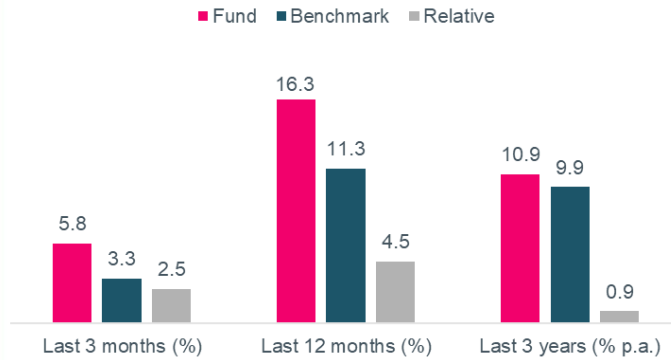
**Newton Global Equity**

The Newton Global Equity Fund beat its MSCI ACWI benchmark over Q2 2023, returning 5.8% in absolute terms. The fund also outperforms its 12-month and 3-year benchmarks by 4.5% and 0.9% respectively p.a.

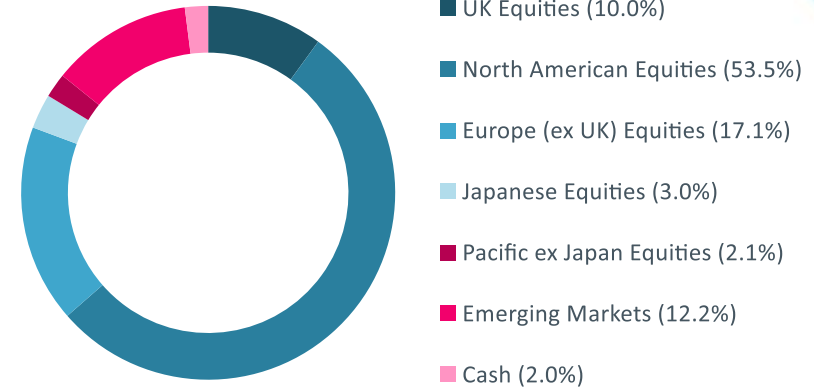
In the 3 months to June the global equity market was characterised by AI optimism and another US debt ceiling crisis being avoided. These events provided a significant boost to equity valuations, particularly in the technology sector. While the US and the UK increased interest rates again in their continued fight against inflation, investors are gaining confidence in the global economy achieving its much-desired soft-landing scenario, avoiding a significant recession in the process.

Outperformance drivers were identified through stock selection in information technology, financials, health care and industrials. The fund overweights the technology sector, benefitting from investors developing an appetite for AI. The materials sector was underweight which also contributed positively to returns given a relatively lacklustre Chinese economy rebound. Performance was negatively impacted by the fund's overweight in health care and poor stock selection in communication services.

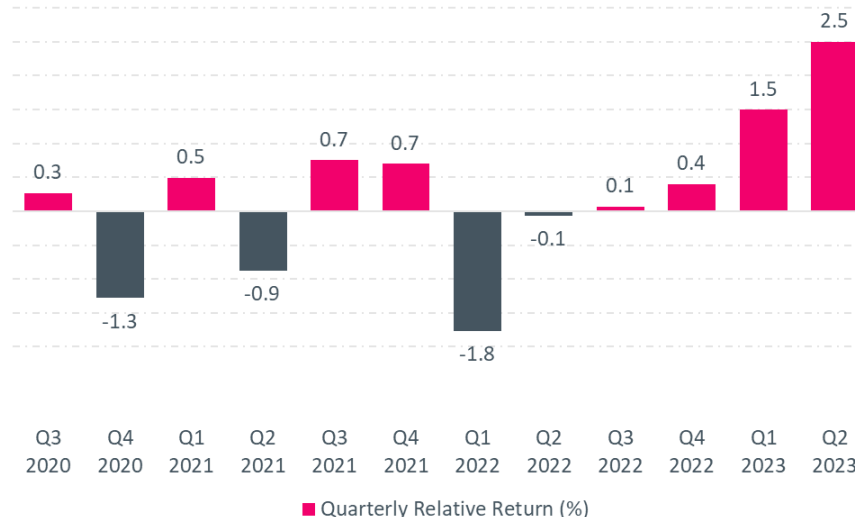
Performance summary



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

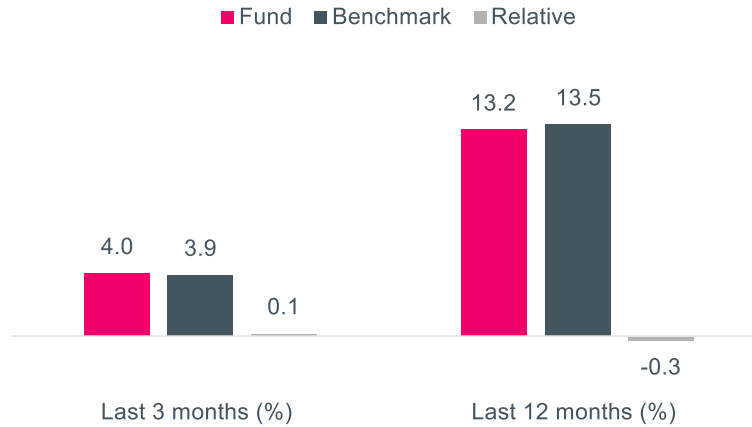
Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach. In December 2021, the allocation of £145m was invested in the UBS Global Climate Aware mandate.

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.

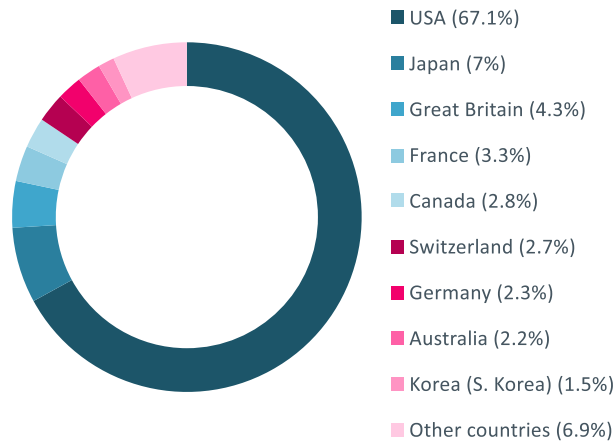
The positive return over the 3 months to June 2023 can be attributed to North American equities outperforming, given their disproportionate exposure to the technology sector, which benefited as optimism grew about the impact of AI adoption on future tech sector earnings. The mandate's exposure to Japanese equities also contributed positively to the return given the close to 0% interest rates maintained in Japan.

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.

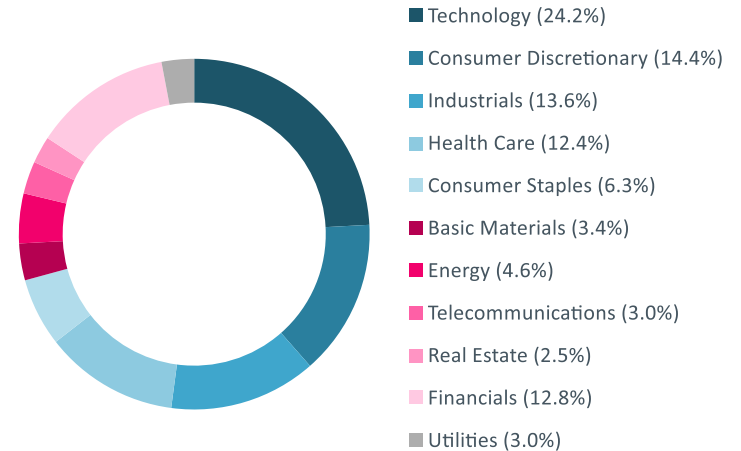
### Performance summary



### Geographical allocation



### Sector allocation\*



Source: Data and fund performance data provided by UBS and is gross of fees.  
\*Due to rounding the allocation total sums to over 100%

## Baillie Gifford Diversified Growth

Over Q2 2023, the Diversified Growth Fund returned -2.3%, underperforming its benchmark, by 3.9%. The fund also fell short of its longer-term benchmarks, with the 12-month relative performance improving from Q1, but remaining the greatest laggard against its benchmark by 7.7%.

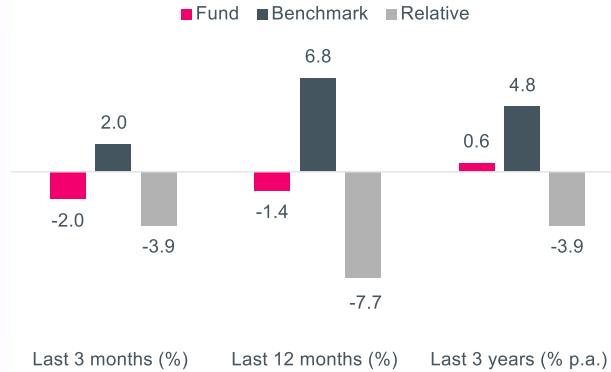
As the wider macroeconomic landscape continues to adapt to increased rates and heightened inflation, a varied performance, both across different asset classes and within the asset classes themselves was evident over the 3 months to June.

As expected, given the rising yields over the quarter the largest detractors were holdings in Government Bonds (14.6% allocation) and High Yield Credit (8.8% allocation). Active currency bets also detracted, contributing c. -1% to the funds return.

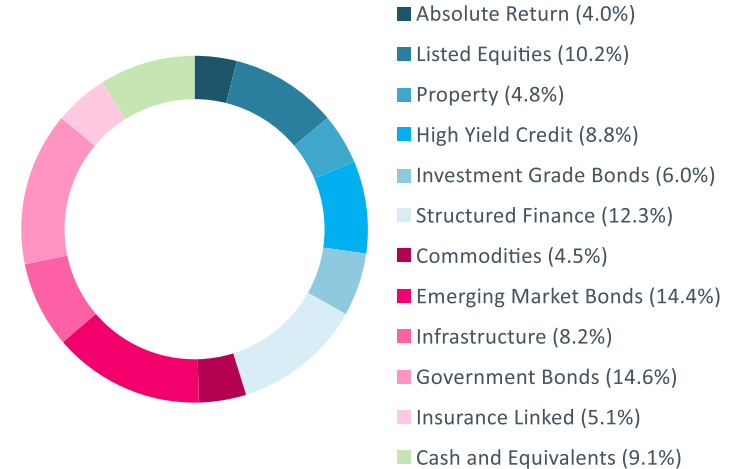
Structured finance, Emerging market bonds, Insurance-linked securities and Absolute return bonds (total allocation of c36%) were the top contributors to Q2 performance.

Baillie Gifford acknowledge the higher than desired allocation to cash and the manager is optimistic with regards upcoming opportunities under the current macroeconomic environment.

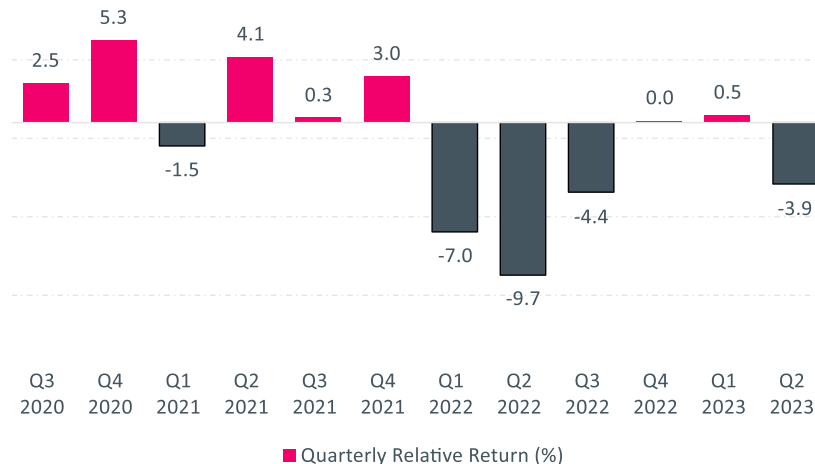
### Performance summary



### Asset allocation\*



### Quarterly relative performance



Source: Data and fund performance provided by Baillie Gifford and Link Group and is gross of fees.  
\*Due to rounding the allocation total sums to over 100%

## Schroders Property

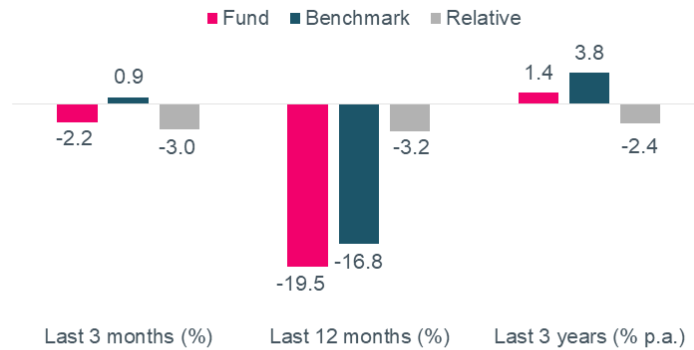
The Schroder's property mandate returned -2.2% over Q2 2023 versus its benchmark of 0.9%, an underperformance of 3.0%.

SCREF's performance during the quarter was derived mainly from capital value declines in the office sector. These falls in valuations are caused by the continued rise in UK bond yields and higher cost of debt. Furthermore, the fund has now transitioned to CBRE as Property Fund Valuer, in line with the latest RICS guidance. The rebasing which forms part of this transition process resulted in notable value declines.

On the positive side, given the numerous rent events over the quarter (i.e. 22 new lettings, 12 lease renewals and 10 rent reviews) the fund's income return is now 0.9% higher than the benchmark income return. Simultaneously to the higher than benchmark income yield, the portfolio is positioned defensively, with high quality assets (i.e. 69.5% London and SE assets and 29.7% of lettings towards government or higher education).

The fund disposed of one of Unit 3C, Hams Hall Distribution Park in Tamworth for £25.0 million, achieving a 10.48% IRR since acquisition. Proceeds were allocated to fulfilling investor redemptions and further improvements to other assets in the portfolio.

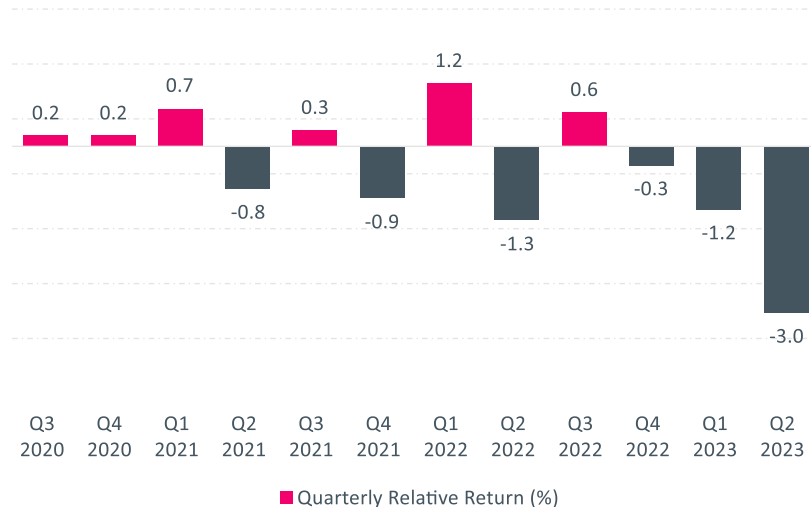
### Performance summary



### 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 -5.2% over Q2 2023, underperforming its benchmark of -4.2%.

The fund also delivered negative returns over the past 12 months due to the dramatic upward shift in yields since September 2022, and falls short of its benchmark by 1.7%.

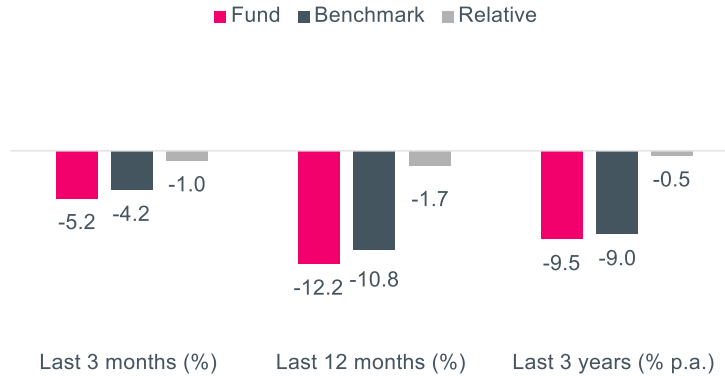
Performance over the 3-year period was also negative however less divergent from its target benchmark return.

The fund's negative return over the quarter is largely attributable to the increasing yields over the quarter. In addition, the manager took a strategic decision to overweight UK gilts, which yielded negative results given the two significant Bank of England rate hikes observed over the past three months.

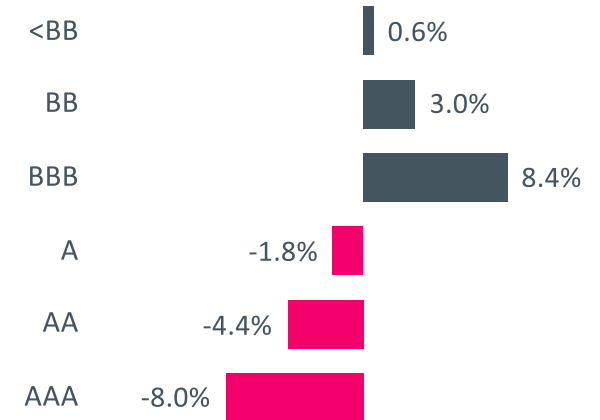
On the bright side, a tactical allocation to German bonds contributed positively, with the contraction in manufacturing activity boosting the performance of eurozone government bonds.

In terms of asset allocation, Schroders is modestly overweight duration. The manager is actively searching for opportunities to exploit divergence in central policy actions across countries.

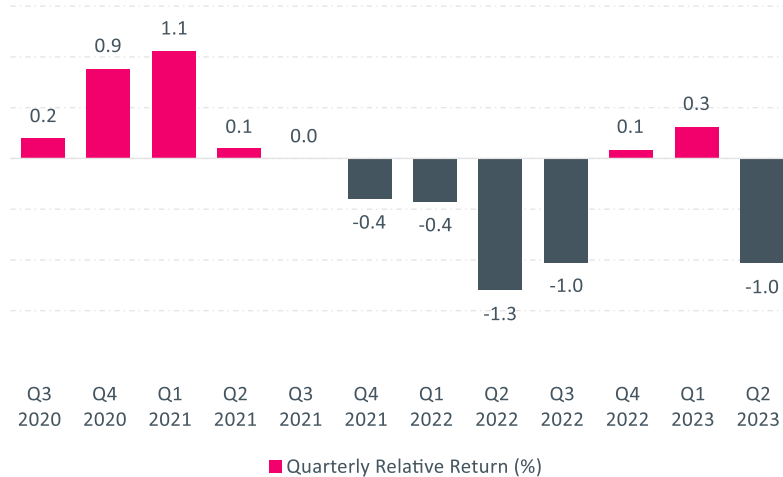
Performance summary



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.

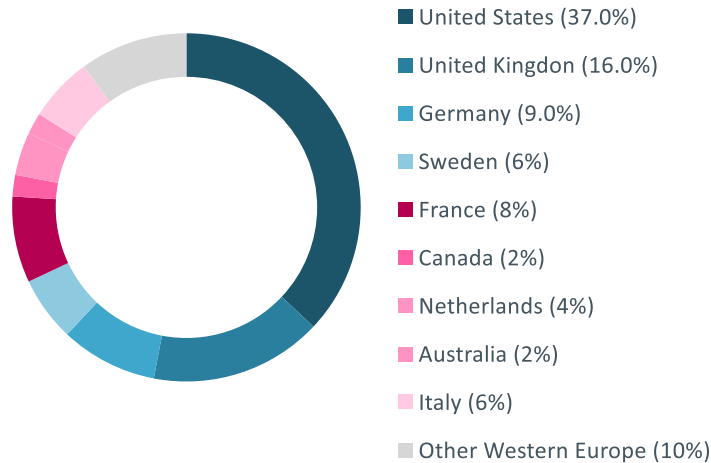
The table to the right reflects the key statistics since inception based on the estimated end of June figures from GSAM.

The estimated capital balance by GSAM as at 30 June 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.

\*Net income allows for impact of currency movements. Over Q2 2023 the dollar depreciated against the pound, negatively impacting returns

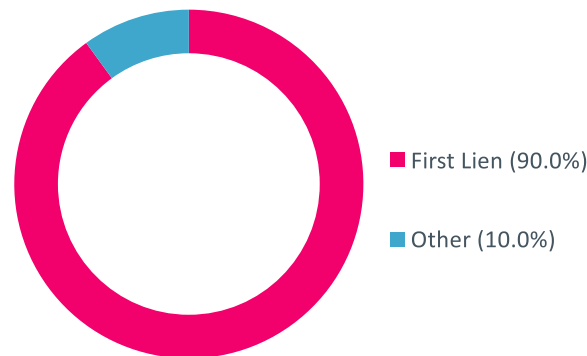
Geography split



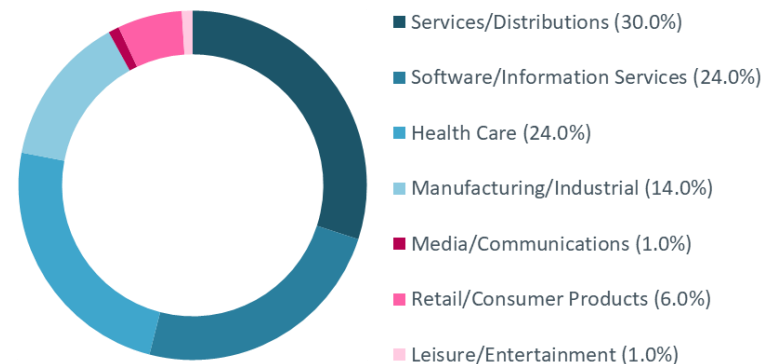
Key statistics since inception (£m)

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

Security/Loan type



Industry split





### 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 30 June 2023 was c.£16.4m (vs. c.£13.7m as at 31 March 2023).

A capital call was issued in June, bringing the net contributions to the fund up to £14.9m (vs £12.8m in March 2023)

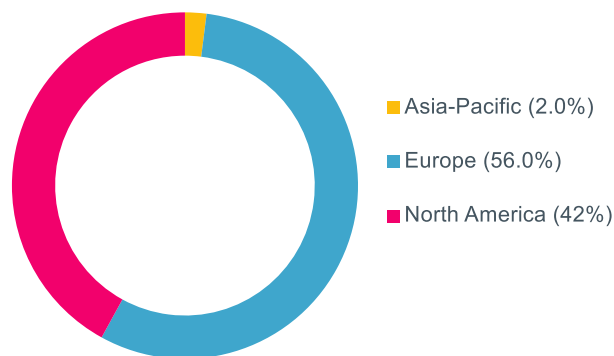
It should be noted that given this is a EUR fund, FX movements will impact the returns. During Q2 2023 the UK Sterling only mildly appreciated against the EUR and thus did not affect the reported NAV meaningfully.

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

### Key statistics (£m; as at 30th of June 2023)

Commitment	35
Capital contributions	14.9
Distributions	0.4
Net contributions	14.6
Net asset value	16.4
Net multiple	1.2x

### Regional allocation (as at 30th June 2023)



## 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.

This page sets out the benchmark, performance targets, and fees of each mandate.

It also provides descriptions of our ratings and the rationale behind our Hymans research and Responsible Investment ratings.

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Purpose: For Decision

## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>6 SEPTEMBER 2023</b>
Title	<b>GOVERNANCE SUPPORT</b>
Report of	<b>PENSION FUND MANAGER</b>

---

### EXECUTIVE SUMMARY

1. Due to existing resource and capacity issues faced by the fund, Hymans Robertson were engaged to provide support in identifying work priorities, develop a sensible work plan and identify the areas where further support may be required.
2. Following a workshop session with fund officers on 9 August 2023, colleagues from Hymans have prepared the attached report and appendices, which will be discussed at the committee meeting.
3. The output from the report will inform the fund's workplan for the forthcoming three years, and assist in ensuring that the fund remains compliant with current and future regulatory requirements within the resources available to the fund.

### RECOMMENDATION

- |  |
|--|
| <ol style="list-style-type: none"><li>4. That the Fund Governance Outlook report, and related appendices, from Hymans Robertson be noted.</li><li>5. That the working assumptions on which the report is based be agreed.</li><li>6. That the actions to deliver quick wins be agreed and supported.</li><li>7. That the next steps as outlined in the report be approved.</li></ol> |
|--|

### BACKGROUND

8. The Isle of Wight Pension Fund is one of the smallest funds in the Local Government Pension Scheme (LGPS) in England and Wales. Based on the March 2022 valuation, the fund was ranked 86 (out of 87) in terms of assets under management – the smallest is the Environment Agency (closed) fund.

9. Despite its size, the fund is still required to comply with regulatory and legislative requirements and provide a high standard of service to its members (in excess of 17,000) and its 31 employers.
10. The fund has already identified significant risks of capacity and resource constraints, with its reliance on a small number of key staff across all areas of operation, and has identified a number of key areas where work is or will be required to improve governance and investment arrangements.
11. In discussion with Hymans Robertson colleagues, officers identified 81 key priorities, over 12 areas of fund business. Of those 81 priorities, 27 (33 per cent) were identified as high priority, “must do” activities, requiring action over the next 12 months; a further 32 areas (40 per cent) were identified as medium priority, “should do” activities to be delivered over the next one to two years.
12. The report and associated appendices provides more detail on these areas, and includes a timeline for the key high priority areas over the next 12 months.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Corporate Aims

13. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#).

### Pension Fund Strategic Aims

14. 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.
15. The fund has also agreed the following objectives, which are supported by information in this report:
  - (a) Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
  - (b) External advice from parties such as an investment consultant helps planning, risk management and decision making.
  - (c) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## LOCAL PENSION BOARD VIEW

16. The Local Pension Board will further consider this matter at their meeting on 13 September 2023.

## FINANCIAL / BUDGET IMPLICATIONS

17. The costs incurred in collating and preparing this report, including the workshop and report preparation were approximately £30,000 and have been agreed by the Director of Finance.
18. Any further support required to implement and deliver the outcomes of this report will be procured through the use of the National LGPS Frameworks, to ensure that best value is received for the fund, its employers and its members.

## LEGAL IMPLICATIONS

19. 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”.
20. Maintaining business as usual activities, including the payment of pensioner benefits, implementing the investment strategy and maintaining accounting records, will ensure compliance with existing regulatory and legislative requirements.
21. Proper planning for future improvements in the governance framework will ensure the fund is prepared to comply with forthcoming changes including McCloud, the Pensions Regulator’s General Code, and the outcomes of the Good Governance project.

## EQUALITY AND DIVERSITY

22. 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.
23. There are no implications for any of the protected characteristics arising from items covered in the report.

## RISK MANAGEMENT

24. The fund has already identified key risks in respect of resourcing and capacity, as well as compliance with future legislation changes.
25. The report identifies some specific risks, which should be considered complementary to, and not replacing, the existing risks identified by the fund. These include:
  - (a) that the Fund may be unable to fulfil its statutory duties because of subject matter experts leaving, leading to the Fund being unable to execute some of its basic functions e.g., paying pensioners.

- (b) that the Fund may be unable to fulfil its statutory duties because of an overreliance on key members of staff.
- (c) that the Fund will not deliver to existing exceptionally high service standards because of key people leaving the Fund leading to reputational risk and potential backlogs.
- (d) that the Fund's approach to Employer discretions has not been progressed because of conflicting priorities leading to exposure of regulatory requirements for its Scheme employers.
- (e) that the Fund would be unable to demonstrate its approach to record keeping and data accuracy. In order to appropriately evidence this work, additional effort may be required by Officers.
- (f) that the Fund's climate reporting approach has not been progressed as a result of other priorities leading to the Fund being non-compliant when the regulations come into effect.
- (g) that continuity of membership across the Pension Fund Committee and Local Pensions Board will be lost due to upcoming Council elections in May 2025. This could lead to a loss of knowledge and momentum of the future direction of the Fund.

#### APPENDICES ATTACHED

26. Appendix 1: Hymans Robertson report – Fund Governance Outlook August 2023.
- 1A: Plan on a page – All activities 2023-2026
  - 1B: Plan on a page – High priority activities August 2023 – July 2024

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



# Isle of Wight Pension Fund

## Fund Governance Outlook

August 2023

Susan McKenzie – Project Manager, Governance, Administration & Projects Consultant LGPS  
Andrew McKerns – Senior Governance, Administration & Projects Consultant

For and on behalf of Hymans Robertson LLP

# Contents

## Fund Governance Outlook

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5	Action Required	7
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## Appendices

Appendix title

# 1 Introduction

## 1.1 Background

Regulatory demands and the cost of compliance is increasing across all LGPS Funds, regardless of size or scale of the Fund. The challenges for the Isle of Wight (IOW) pension fund include some that are unique to the Fund but also challenges that are applicable to all LGPS funds:

- Isle of Wight Pension Fund is one of the smallest funds across the LGPS in England and Wales.
- Ability to recruit and retain staff within IOW Council job bands/salary grades.
- Key person dependency across three key officers (full time equivalent of two officers)
- Spans of control<sup>1</sup>, limits opportunities to delegate work across the Fund resources
- Newer and expected 'project' issues such as McCloud, TPR General Code of practice, Good Governance, Mansion House reforms. All require Officer resource and focus for both the delivery of the Funds requirements but also in its communication to various stakeholders.
- Fund Structure and lines of control are split across Council functions which can cause delays to operational decision making and impact service delivery.

## 1.2 Support request

Fund officers approached Hymans Robertson to provide:

- 1 Support and assistance to specifically validate the current and upcoming governance requirements for the Fund.
- 2 Visually detail the requirements of the Fund to remain compliant.
- 3 An outlook on current Fund resources

## 1.3 Proposed approach

To provide this support Hymans Robertson and the Fund discussed:

- Current Fund Governance status - "as is" view.
- Immediate Fund Governance requirements now and in the short term (1 year)
- Upcoming Fund Governance requirements in the medium term (1-3 years); and
- Prioritisation of these requirements.

## 1.4 Purpose of this report

**Assess current "as is" governance position of the Fund.**

Summarise the outlook of the Fund's Governance activities to the Isle of Wight Pension Fund Committee:

1. Prioritisation of Fund activities:
  - Over the next year to summer 2024, identifying quick wins and pinch points.
  - Autumn 2024 and beyond
  - Identify high priority activities which will be the focus for the Fund.

---

<sup>1</sup> spans of control - the area of activity and number of functions, people, or things for which an individual or organisation is responsible.

- Identify non-priority activities where the Fund will agree a risk-based approach.
2. Provide a visual **overview** of the Fund's Governance activities.

### Proposed next steps

Recommend next steps allowing the Pension Fund to focus on key activities.

The Pension Fund Committee to approve suggested next steps in this paper.

- Note the content of this report
- Agree working assumptions
- Agree and support actions to deliver the Quick Wins
- Approve next steps

## 2 Approach

### 2.1 Inputs

Initial approach was to ascertain current Fund 'activity' requirements and Fund policy/document status.

- **Activity** - to understand the current 'as is' position, Hymans Robertson, as the Fund's actuary, governance and investment adviser, prepared a view of the main activity across all areas of the Fund's responsibility. This was supplemented by Fund Officers input.
- **Documents** - Alongside this 'activity' work, Fund Officers also provided a document list which detailed the status position for each document and the next (or overdue) review date.

This preparatory work was completed to gain an understanding of both activity and document requirements for Fund Officers to then assess the current and future compliance of the IOW Pension Fund with its responsibilities.

Following this preparatory work, an agenda was agreed for a workshop with Fund Officers and Hymans Robertson representatives on 9 August.

### 2.2 Workshop – 9 August 2023

On 9 August 2023, Hymans Robertson conducted an in-person workshop with Jo Thistlewood, Jo Cooke and Matthew Collier. The purpose was to:

- Download, in more granular detail, all activities on the Fund's radar over the next 12 - 36 months; and
- Consider the priority, effort and complexity of the activities identified.

The workshop identified key dependencies, assumptions and risks relating to the governance function and wider Fund functions. These are noted later in this report.

The workshop identified activities that, while out of scope for this work, should be a focus for the Fund. These items are noted later in this report as "parking lot" items.

The outputs of this workshop have been converted to a timeline view (referred to as a *Plan on a Page*). The timeline view provides a visual reference point for the Fund and Committee. This will be a working document, which will evolve as discussions progress and priorities are agreed.

## 3 Findings and actions – Workshop

### 3.1 Responsibility areas investigated

Twelve areas of Fund responsibility were considered, with over 120 activities initially identified:

- 1 Actuarial
- 2 Administration
- 3 Data
- 4 Communications
- 5 Business as Usual
- 6 Governance
- 7 Regulations
- 8 Projects
- 9 ACCESS
- 10 Investments
- 11 Risk Management
- 12 Finance & Accounting

### 3.2 Prioritisation

During the workshop the initial 120+ activities were refined and reduced to 80+ activities. The group concentrated on assessing this condensed list of 80+ activities into priorities:

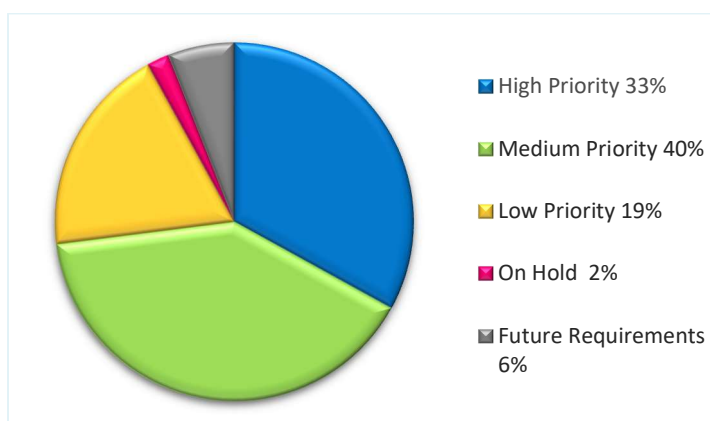
- **High priority** (27) defined as a “must do” activity for the fund to remain compliant. These activities tended to be required over the next 12 months.
- **Medium priority** (32) defined as a “should do” activity for the fund to remain compliant. These activities tended to present less risk to the fund and/or were required over the next 1-2 years.
- **Low priority** (15) defined as a long-term requirement over the next 2+ years or a “*nice to have*”.

Two further categories were agreed:

- **On hold** (2) where the Fund has agreed to pause progress on Climate and TCFD activity and has raised a risk
- **Future requirements** (5) where specific Fund requirements are unknown as of August 2023

Category	Volume	%
High priority	27	33%
Medium priority	32	40%
Low priority	15	19%
On hold	2	2%
Future requirements	5	6%
<b>Total</b>	<b>81</b>	<b>100%</b>

#### Prioritisation



The group validated the high priority activities as the key areas of focus for the Fund's resources.

### 3.3 Quick wins

Fund Officers were keen to identify quick wins to alleviate pressure and reduce risk. 3 areas were initially identified:

#### ➤ Data Improvement Plan

This is an area of concern for the Fund and is a strong focus for TPR. The Fund have a number of individual initiatives underway, which should be brought together under a Data Quality Maintenance Plan (or similar) to evidence the Fund's good work in this area and reduce risk.

**Action:** Hymans and the Fund will work together to produce a Data Quality Management Plan by end March 2024

#### ➤ Conflicts of Interest Policy

The Fund currently relies on IOW Council's Constitution; however, the introduction of expected [Good Governance](#) recommendations should specify that the Fund maintains its own conflicts of interest policy. Hymans have produced a template which can be tailored to Fund specifics, to remove reliance on Council Constitutional documentation.

**Action:** Hymans and the Fund will work together to produce a Conflicts of Interest Policy by end September 2023

#### ➤ System Project – Implementation of immediate payments functionality

This is an area where current subject matter expertise should be directed, to reduce effort required on a resource heavy administration task. This would allow resource to focus on more value-add tasks.

**Action:** Matthew to seek support to accelerate immediate payments project utilising resource due to leave the Fund by end September.

NOTE: There is a dependency on Council IT resource to execute this project in the time available.

### 3.4 Pinch points

Two roles exist to perform Fund Governance activities:

- Pension Fund Manager – Jo Thistlewood
- Governance Officer – Vacancy

During the workshop several activities were identified that could be allocated to the Governance Officer. Previous attempts to fill the vacancy have been unsuccessful despite a national advertising of the post.

**Action:** Immediate recruitment of Fund Governance Officer addressing previous challenges (e.g. review the role profile)

**Action:** Create a heatmap of current resource demands on existing Governance resource to identify any further gaps in resource during August.

### 3.5 Risks, Dependencies and Assumptions identified during the Governance workshop

#### 3.5.1 Risks

These risks were identified during specific discussions related to workload within the Fund and should be noted in that context. These risks should not be considered new, nor do they replace any risks currently reported in the risk register. Risks have been ranked highest to lowest.

- There is a risk that the Fund may be unable to fulfil its statutory duties because of subject matter experts leaving, leading to the Fund being unable to execute some of its basic functions e.g., paying pensioners.
- There is a risk that the Fund may be unable to fulfil its statutory duties because of an overreliance on key members of staff (Jo T / Matthew / Jo C)
- There is a risk that the Fund will not deliver to existing exceptionally high service standards because of key people leaving the Fund leading to reputational risk and potential backlogs.
- There is a risk that the Fund's approach to Employer discretions has not been progressed because of conflicting priorities leading to exposure of regulatory requirements for its Scheme employers.
- There is a risk that the Fund would be unable to demonstrate its approach to record keeping and data accuracy. In order to appropriately evidence this work, additional effort may be required by Officers
- There is a risk that the Fund's climate reporting approach has not been progressed as a result of other priorities leading to the Fund being non-compliant when the regulations come into effect.
- There is a risk that continuity of membership across the Pension Fund Committee and Local Pensions Board will be lost due to upcoming Council elections in May 2025. This could lead to a loss of knowledge and momentum of the future direction of the Fund.

#### 3.5.2 Dependencies

These dependencies were raised during specific discussions related to workload within the Fund and should be noted in that context. These dependencies have identified areas where uncertainty negatively impacts the Fund's ability to forward plan. These should be acknowledged by Pension Fund Committee.

##### Critical dependencies

- Timely decision on Barnett Waddingham structural options paper is critical to forward planning. A formal impact assessment on the option selected will be required, to assess resource, effort and time required to execute the decision.
- Collaborative structure and reporting lines joining Administration, Finance & Accounting and Governance functions at the Fund could assist with a smoother running of the Fund. This is required to demonstrate compliance with expected Good Governance regulations.

##### Further dependencies

- Budget and Business plan are interdependent.
- The cyclical nature and interdependency of accounts, audit and annual reports at Fund and Council level means that any delays at any point negatively impacts the cycle and ability to deliver mandatory Fund requirements.
- Fully resourced and knowledgeable team required to assess and implement upcoming regulatory changes and respond to consultations, the specifics and timing of which are unknown but imminent.

### 3.5.3 Working assumptions

Subject to critical dependencies above, these working assumptions were raised during specific discussions related to workload within the Fund and should be noted in that context. These should be validated with Pension Fund Committee.

A common and stable set of assumptions, agreed by the Pension Fund Committee, will allow the Fund officers to proceed with certainty.

- Isle of Wight Pension Fund continues to function in the long term.
- Isle of Wight Pension Fund will have a fully trained and resourced team.
- BAU for the Pension Fund will be the highest priority work:
  - Administration – Pay pensioners and dependents the right amount at the right time (Matthew)
  - Finance & Accounting – Maintain cashflows and day to day accounting (Jo C)
  - Governance – Local Pension Board and Pension Fund Committee meetings will proceed as per cycle and high priority Governance activities identified in the outlook plan will be delivered (Jo T)

### 3.6 Parking lot

Items were identified that, while out of scope for this work, should be a focus for the Fund.

- Resource required to execute the option agreed on the Barnett Waddingham structural options paper.  
NOTE: Currently a lower priority as decision not yet made.
- Address ability to recruit for Pension Fund resource within the constraints of Council job descriptions, role descriptions and salary bands. Recognising the current skilled resource marked for pensions.
- Agree roles & responsibilities within Isle of Wight Council (as a Scheme Employer) in relation to iConnect submissions. Administration resource currently perform these tasks.
- Agree delineation of roles & responsibilities within Isle of Wight Council as Administering Authority and roles and responsibilities as a Scheme Employer in the LGPS.

## 4 Next steps

Following presentation of the workshop outputs and findings to the Pension Fund Committee, Fund Officers will:

- 1 Undertake a deeper dive on the high priority activities with Hymans or other stakeholders and agree an approach, keeping the Pension Fund Committee informed of progress and seeking support where required.
- 2 Risk assess the medium and low priority activities with Hymans or other stakeholders and agree an approach, keeping the Pension Fund Committee informed of progress and seeking support where required
- 3 Start work on the quick win actions
- 4 Seek a decision or clear direction from both S151 Officer and Pension Fund Committee as it pertains to Barnett Waddingham structural options paper. This is seen as a crucial dependency for Fund planning.
- 5 Where required, seek short term support for delivery of medium and high priority actions. This support may come from internal Council resource or external LGPS providers.



- 6 Meet on a regular basis with Hymans Robertson advisors to maintain short term delivery focus and as a sounding board for progress and support with resourcing. Progress reports will be presented to the Pension Fund Committee.

It is expected that progress through these next steps will alleviate current officer concern that the Fund will not deliver on its expected statutory requirements. Furthermore, it will reduce the risk that the Fund would be exposed to challenge from external scrutineers.

## 5 Action Required

The Pension Fund Committee to approve suggested next steps in this paper.

- Note the content of this report
- Agree working assumptions
- Agree and support actions to deliver the Quick Wins
- Approve next steps

## 6 Plan on a page – Timelines attached

### Appendix A - All activities 2023-2026

Page 1 Aug 23 – Jul 24

Page 2 Aug 24 – 2026

### Appendix B – High Priority activities August 2023 – July 2024

NOTE: These timelines are indicative and each activity will require detailed planning and resourcing.



Isle of Wight - Fund Governance Outlook - 2023 onwards

★ Actuary
★ Fund - Gov
★ Fund - Admin
★ Inv Adviser
★ Fund - Fin
○ Highest Effort



Workstream	Activities	Priority	Fund Rep	Year End											
				Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Actuarial	Tender	H	Jo T			Procurement for Tender							Tender review		PFC Recommendation
	WIP - Accounting and Employer work - reporting inputs (regular)	M	Jo C - cashflows Admin team - pensioner data	Assume same volume and quality											
	FRM onboarding	L	n/a												
	March 2024 data cleansing - pre 2025 Valuation work	M	Matthew												Self Serve Employer Funding positions
	Academisation	M	Admin-Matthew School R&R -Jo	Academisation - Governance and Admin											
Admin	Annual benefit statements	H	Admin	BAU PRIORITY											
	Pension Saving statements	H	Admin	BAU PRIORITY											
	Maintaining KPI's	H	Admin	BAU PRIORITY											
	Pensioner Payroll - maintenance	H	Matthew	BAU PRIORITY											
	Record-keeping (data retention)	H	Jo T	Identify requirements for record keeping policy				Create record keeping policy					Scheduled review date		
	Exercise of discretions	M	Jo T							Plan discretions work				Execute discretions plan	
	Admissions and bulk transfers	M	Jo T												
	Cessations (FSS23 App F) includes deficit spreading; deferred debt	L	Jo T												
	Contribution Review policy (FSS23 App E)	L	Jo T												
	Academy participation policy	H	Jo T			Create policy document		Policy to PFC							
	Exit credits	M	Jo T												
	Employer flexibilities on exit	M	Jo T												
	Pass through arrangements	M	Jo T												
	Data Quality maintenance plan (data improvement plan)	H	Matthew			Analysis of requirements and create DQ plan			Socialise proposal and metrics in place			Plan in place		Execute plan	
	Data	TPR Data scoring	H	Matthew					TPR Data scoring						
Prep for dashboards		L	Matthew/ Jo T												
Comms	Employer Forum	L	Matthew/ Jo T								Employer Forum				
	Future comms - eg McCloud, Dashboard	L	Mixed at Fund												
BAU	Retention of staff	M	Matthew / Jo T	Retention plan										Execute retention plan	
	Election cycles - change of members	L	Jo T												
Governance	Implementation of Good Governance recommendations - IoW Assessment	Future requirement	Jo T												Good Governance - consider recommendations
	General Code of Practice - IoW Assessment	Future requirement	Jo T												General Code of Practice - consider recommendations
	Governance Policies Review Schedule	M	Jo T		Review policy schedule							Review policy schedule			
	Pension scams - Knowledge and understanding - Admin secure	M	Jo T												Pension scams training assessment
	Gender pensions gap - data to evidence	L	Jo T												
	Business Plan	M	Jo T												Business planning for 2024-25
	Recruitment/induction - officers	H	Jo T			SME backfill - TBC									
	Recruitment/induction - Board and Committee	M	Jo T												
	IDRP cases	M	Jo T	Current low level											
	Communications policy	L	Jo T												
	Knowledge and skills assessment strategy	n/a	Jo T	NKA complete											Review Knowledge and skills strategy (linked to training strategy)
	Conflicts of interest policy	M	Jo T			Consider Fund version (conflicts)		Create fund version (conflicts) - if required							
	Hospitality policy	n/a	Jo T												
	Data Protection (IWC) policy	M	Jo T											Consider Fund version (data protection)	Create fund version (DP) - if required
	Privacy Notice policy	L	Jo T				Revisit Privacy notice								
	Expenses policy	M	Jo T												Consider Fund version
	Governance policy	M	Jo T												Review Governance policy
	Training strategy & plan - creation and monitoring	M	Jo T	NKA findings	Training plan to address knowledge and skills gaps										
	Register of interests - employees	M	Jo T							Consider Fund version					Create fund version - if required
	Register of interests - members	M	Jo T							Consider Fund version					Create fund version - if required
Register of interests - other	M	Jo T							Consider Fund version					Create fund version - if required	
Declaration of gifts or hospitality	M	Jo T							Consider Fund version					Create fund version - if required	
Breaches log	M	Jo T			Update for PFC/LPB		Update for PFC/LPB							Update for PFC/LPB	
Governance Compliance Statement	H	Jo T			Input to annual report										
Representation policy	L	Jo T												Review representation policy	
Roles and responsibilities matrix	n/a	Jo T	Current R&Rs in place												
Independent Governance Review	Future requirement	Jo T													
Regulation	Orientation on regulation for new members LPB/PFC	Future requirement	Jo T												
	New Regs - consult and implementation	Future requirement	Jo T												
Projects	McCloud	M	Matthew					McCloud assessment of effort					Heywood fixes for McCloud - guestimate for delivery		McCloud fix - - guestimate for delivery
	Dashboards	L	Matthew												
	Systems projects - Enhanced admin to pay	H	Matthew	Plan and execute implementation											
	GMP reconciliation - pensioner fixes	H	Matthew	Ascertain population											Work with provider to remediate members
ACCESS	Image - storing pf paper docs to Altair	L	Matthew												Scanning and indexing paper files - temp resource
	Pooling consultation	H	Jo T					input to consultation							
	Operator procurement	H	Jo T					input to operator procurement							
	Sub Fund launches	n/a	Jo T												
Investments	Governance	n/a	Jo T												
	Responsible investments	n/a	Jo T												
	BAU Meetings - prep, attendance	M	Jo T												Prep, Attendance (including travel) and follow up for regular ACCESS meetings
	Access Property - CBRE	n/a	Jo T												
Risk	Switch to Blackrock - investigate non tobacco	L	Jo T	Fund switch proposal											
	Strategy review - selection exercise for private debt	H	Jo T					Review and agree strategy proposed by Investment Adviser							
	Strategy review - selection exercise for infrastructure solutions	H	Jo T					Review and agree strategy proposed by Investment Adviser							
	Adhoc climate reporting analysis	On hold	Jo T												
	TCFD reporting - scope and fee emailed to Fund	On hold	Jo T												
	Regular updates on access/pools	H	Jo T												Committee update
	Move to ACCESS Bond - due diligence on Schroder replacement	M	Jo T												Committee update
	Property - get up to target for CBRE Product	M	Jo T												Committee update
Finance & Accounting	Funding Strategy Statement	M	Jo T												Investment Strategy Review
	Investment Strategy Statement	M	Jo T												
	Disaster recovery - including BCP, Cyber risk, scenario planning	H	Jo T / Matthew	Identify requirements for DR											Create DR plan engaging 3rd parties as required
	Risk assessment / management policy	L	Jo T												Test and implement DR plan
Committee and Board	Internal dispute resolution guide	H	Jo T					Review current IDRP guide							Agree review cycle
	Reporting breaches DRAFT	H	Jo T					Committee review							
	Risk register	H	Jo T					Committee review							Revisit approach to risk register
	Third party contracts and service level agreements	L	Jo T					Contract monitoring							
Finance & Accounting	Stat accounts at end of fin year - in time to include in council accs	H	Jo C												Prep for Stat Accounts - input to Council
	Annual report for PF - end Oct	H	Jo C												
	Audit - liaising with Auditors - no forewarning - 2023 dates unknown	H	Jo C, Matthew, Jo T												Answering auditor questions - specific dates unknown
	Manual accounting processes and entries	M	Jo C												BAU PRIORITY
Committee and Board	Cashflow and maintain direct cash holdings	M	Jo C												BAU PRIORITY
	Committee/Board meetings cycle	H	Jo T					PFC/LPB update							PFC update

Breaches log  
Risk Register  
quarterly investment performance  
ACCESS update

Isle of Wight - Fund Governance Outlook - 2023 onwards



Workstream	Activities	Priority	Fund Rep	Aug-24	Sep-24	Oct-24	Oct - Dec Q4 2024	Jan - Dec 2025	Jan - Dec 2026
Actuarial	Tender	H	Jo T						
	WIP - Accounting and Employer work - reporting inputs (regular)	M	Jo C - cashflows Admin team - pensioner data				Assume same volume and quality	Assume same volume and quality	Assume same volume and quality
	FRM onboarding	L	n/a				TBC - dependency on Tender outcome		
	March 2024 data cleansing - pre 2025 Valuation work	M	Matthew				Self Serve Employer Funding positions		
	Academisation	M	Admin-Matthew School R&R - Jo						
Admin	Annual benefit statements	H	Admin	BAU PRIORITY					
	Pension Saving statements	H	Admin		BAU PRIORITY				
	Maintaining KPI's	H	Admin	BAU PRIORITY					
	Pensioner Payroll - maintenance	H	Matthew	BAU PRIORITY					
	Record-keeping (data retention)	H	Jo T						
	Exercise of discretions	M	Jo T			Execute discretions plan			
	Admissions and bulk transfers	M	Jo T				Plan Admissions and bulk transfer work	Execute plan	
	Cessations (FSS23 App F) includes deficit spreading; deferred debt	L	Jo T						Cessations policy review update
	Contribution Review policy (FSS23 App E)	L	Jo T						Contribution review policy update
	Academy participation policy	H	Jo T						
	Exit credits	M	Jo T					Plan exits credit work	Execute exit credit work
	Employer flexibilities on exit	M	Jo T					Plan employer flexibilities on exit	Execute employer flexibilities on exit work
	Pass through arrangements	M	Jo T					Plan Passthrough arrangements	Execute Passthrough arrangements work
	Data Quality maintenance plan (data improvement plan)	H	Matthew				Execute plan		
	Data	TPR Data scoring	H	Matthew					
Prep for dashboards		L	Matthew/ Jo T						Dashboard prep
Comms	Employer Forum	L	Matthew/ Jo T					Employer Forum	Employer Forum
	Future comms - eg McCloud, Dashboard	M	Mixed at Fund				Plan for Comms to stakeholders		
BAU	Retention of staff	M	Matthew / Jo T				Review requirements and adjust retention plan		
	Election cycles - change of members	L	Jo T					Plan for elections	potential change of PFC/LPB members
Governance	Implementation of Good Governance recommendations - IoW Assessment	Future requirement	Jo T				Good Governance - implement recommendations		
	General Code of Practice - IoW Assessment	Future requirement	Jo T				General Code of Practice - implement recommendations		
	Governance Policies Review Schedule	M	Jo T				Review policy schedule		Review policy schedule
	Pension scams - Knowledge and understanding - Admin secure	M	Jo T						
	Gender pensions gap - data to evidence	L	Jo T				Consider gender pensions gap		
	Business Plan	M	Jo T					Business planning for 2025-2026	Business planning for 2026-2027
	Recruitment/induction - officers	H	Jo T						
	Recruitment/induction - Board and Committee	M	Jo T				Plan for change of PFC/LPB members		
	IDRP cases	M	Jo T				Assume current low level remains	Assume current low level remains	Assume current low level remains
	Communications policy	L	Jo T					Review Comms policy	
	Knowledge and skills assessment strategy	n/a	Jo T						
	Conflicts of interest policy	M	Jo T						
	Hospitality policy	n/a	Jo T						
	Data Protection (IWC) policy	n/a	Jo T				ired		
	Privacy Notice policy	L	Jo T					Revisit Privacy notice	Revisit Privacy notice
	Expenses policy	M	Jo T				Create fund version - if required		Revisit Privacy notice
	Governance policy	M	Jo T						
	Training strategy & plan - creation and monitoring	M	Jo T						
	Register of interests - employees	M	Jo T						
	Register of interests - members	M	Jo T						
Register of interests - other	M	Jo T							
Declaration of gifts or hospitality	M	Jo T							
Breaches log	M	Jo T					Update for PFC/LPB	Update for PFC/LPB	
Governance Compliance Statement	H	Jo T						Update for PFC/LPB	
Representation policy	L	Jo T						Update for PFC/LPB	
Roles and responsibilities matrix	n/a	Jo T							
Independent Governance Review	Future requirement	Jo T							
Regulation	Orientation on regulation for new members LPB/PFC	Future requirement	Jo T						
	New Regs - consult and implementation	Future requirement	Jo T						
Projects	McCloud	M	Matthew				McCloud fix ??	McCloud fix ??	McCloud fix ??
	Dashboards	L	Matthew					Prep for dashboards	Dashboard testing and launch
	Systems projects - Enhanced admin to pay	H	Matthew						
	GMP reconciliation - pensioner fixes	H	Matthew						
ACCESS	Image - storing pf paper docs to Altair	L	Matthew				Scanning and indexing paper files - temp resource		
	Pooling consultation	H	Jo T						
	Operator procurement	H	Jo T						
	Sub Fund launches	n/a	Jo T						
	Governance	n/a	Jo T						
	Responsible investments	n/a	Jo T						
	BAU Meetings - prep, attendance	M	Jo T				Prep, Attendance (including travel) and follow up for regular ACCESS meetings	ACCESS participation	ACCESS participation
Access Property - CBRE	n/a	Jo T							
Investments	Switch to Blackrock - investigate non tobacco	L	Jo T						
	Strategy review - selection exercise for private debt	H	Jo T						
	Strategy review - selection exercise for infrastructure solutions	H	Jo T						
	Adhoc climate reporting analysis	On hold	Jo T						
	TCFD reporting - scope and fee emailed to Fund	On hold	Jo T						
	Regular updates on access/pools	H	Jo T			Committee update	Committee update	Committee update (x 4)	Committee update (x 4)
	Move to ACCESS Bond - due diligence on Schroder replacement	M	Jo T						
	Property - get up to target for CBRE Product	M	Jo T				CBRE project kick off	CBRE project - ACCESS	CBRE project - ACCESS
Funding Strategy Statement	M	Jo T						Funding Strategy Review - Valuation	
Risk	Investment Strategy Statement	M	Jo T						
	Disaster recovery - including BCP, Cyber risk, scenario planning	H	Jo T / Matthew				Maintain DR plan and test regularly	Maintain DR plan and test regularly	Maintain DR plan and test regularly
	Risk assessment / management policy	L	Jo T						
	Internal dispute resolution guide	H	Jo T						
	Reporting breaches DRAFT	H	Jo T						Breach report to PFC
Finance & Accounting	Risk register	H	Jo T						
	Third party contracts and service level agreements	L	Jo T				Contract monitoring	Contract monitoring	Contract monitoring
	Stat accounts at end of fin year - in time to include in council accs	H	Jo C						
	Annual report for PF - end Oct	H	Jo C						
Committee and Board	Audit - liaising with Auditors - no forewarning - 2023 dates unknown	H	Jo C, Matthew, Jo T						
	Manual accounting processes and entries	M	Jo C				BAU PRIORITY	BAU PRIORITY	BAU PRIORITY
	Cashflow and maintain direct cash holdings	M	Jo C				BAU PRIORITY	BAU PRIORITY	BAU PRIORITY
Committee and Board	Committee/Board meetings cycle	H	Jo T				LPB update	PFC/LPB update	PFC/LPB update
							PFC/LPB update	PFC/LPB update	PFC/LPB update



Isle of Wight - Fund Governance Outlook - 2023 onwards

★ Actuary
★ Fund - Gov
★ Fund - Admin
★ Inv Adviser
★ Fund - Fin
○ Highest Effort



Workstream	Activities	Priority	Fund Rep	Year End													
				Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24		
Actuarial	Tender	H	Jo T	Procurement for Tender								Tender review		PFC Recommendation			
Admin	Annual benefit statements	H	Admin	BAU PRIORITY													
	Pension Saving statements	H	Admin	BAU PRIORITY													
	Maintaining KPI's	H	Admin	BAU PRIORITY													
	Pensioner Payroll - maintenance	H	Matthew	BAU PRIORITY													
	Record-keeping (data retention)	H	Jo T	Identify requirements for record keeping policy				Create record keeping policy				Scheduled review date					
	Academy participation policy	H	Jo T	Create policy document				Policy to PFC									
	Data Quality maintenance plan (data improvement plan)	H	Matthew	Analysis of requirements and create DQ plan				Socialise proposal and metrics in place				Plan in place		Execute plan			
Data	TPR Data scoring	H						TPR Data scoring									
BAU	Retention of staff	H	Matthew / Jo T	Retention plan				Execute retention plan									
Governance	Recruitment/Induction - officers	H	Jo T					SME backfill - TBC									
	Governance Compliance Statement	H	Jo T					Input to annual report									
Projects	Systems projects - Enhanced admin to pay	H	Matthew	Plan and execute implementation													
	GMP reconciliation - pensioner fixes	H	Matthew	Ascertain population				Work with provider to remediate members									
ACCESS	Pooling consultation	H	Jo T	input to consultation													
	Operator procurement	H	Jo T	input to operator procurement													
Investments	Strategy review - selection exercise for private debt	H	Jo T					Review and agree strategy proposed by Investment Adviser									
	Strategy review - selection exercise for infrastructure solutions	H	Jo T					Review and agree strategy proposed by Investment Adviser									
	Regular updates on access/pools	H	Jo T	Committee update				Committee update				Committee update		Committee update			
Risk	Disaster recovery - including BCP, Cyber risk, scenario planning	H	Jo T / Matthew	Identify requirements for DR				Create DR plan engaging 3rd parties as required				Test and implement DR plan					
	Internal dispute resolution guide	H	Jo T	Review current IDR guide				Agree review cycle									
	Reporting breaches DRAFT	H	Jo T	Committee review													
	Risk register	H	Jo T	Committee review				Revisit approach to risk register									
Finance & Accounting	Stat accounts at end of fin year - in time to include in council acs	H	Jo C					Prep for Stat Accounts - input to Council									
	Annual report for PF - end Oct	H	Jo C	Prep for Annual Report													
	Audit - liaising with Auditors - no forewarning - 2023 dates unknown	H	Jo C, Matthew, Jo T	Answering auditor questions - specific dates unknown													
Committee and Board	Committee/Board meetings cycle	H	Jo T	PFC/LPB update		PFC update		LPB update		PFC update		LPB update		PFC update		PFC update	

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**WORKPLAN 2023-2025**  
**ISLE OF WIGHT PENSION FUND COMMITTEE**

STANDING ITEMS	Responsibility	24 May 2023	6 Sept * 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	DEFERRED	✓	✓	✓	✓	✓	✓	✓
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 reproc	✓ Inv ext?	✓ act award gov reproc	✓	✓ gov award	✓ inv reproc
STATUTORY ANNUAL REPORTS		24 May 2023	6 Sept * 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			✓ DRAFT 22/23	✓ FINAL 22/23		✓ FINAL 23/24		
External Audit	Jo Thistlewood	✓ RESULTS 21/22			✓ RESULTS 22/23				✓ RESULTS 23/24
OTHER		24 May 2023	6 Sept * 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	✓ STRATEGY 2023	✓ STRATEGY 2023	✓ STRATEGY 2023	✓ ISS 2023			✓ ANNUAL REVIEW	
Recording and Reporting Breaches of the Law	Jo Thistlewood	DEFERRED	✓						
Pensions Administration Strategy	Matthew Collier	✓							

\* 26 July 2023 meeting deferred to 6 September 2023, due to key personnel absence

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Agenda Item 9b

**WORKPLAN 2023-2025**  
**ISLE OF WIGHT PENSION FUND COMMITTEE**

	Responsibility	24 May 2023	6 Sept * 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
Academy participation policy	Jo Thistlewood			✓					
Pass through arrangements for transferee admission bodies policy	Jo Thistlewood				TBC	TBC	TBC	TBC	TBC
Employer admission to the fund policy	Jo Thistlewood				TBC	TBC	TBC	TBC	TBC
Bulk transfers policy	Jo Thistlewood				TBC	TBC	TBC	TBC	TBC
Exit credits policy	Jo Thistlewood				TBC	TBC	TBC	TBC	TBC
Flexibility on exit policy	Jo Thistlewood				TBC	TBC	TBC	TBC	TBC
<b>CONSULTATIONS</b>		<b>24 May 2023</b>	<b>6 Sept * 2023</b>	<b>22 Nov 2023</b>	<b>14 Feb 2024</b>	<b>May 2024</b>	<b>July 2024</b>	<b>Nov 2024</b>	<b>Feb 2025</b>
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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\* 26 July 2023 meeting deferred to 6 September 2023, due to key personnel absence

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Last updated 16 August 2023



Purpose: For Discussion

## Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>6 SEPTEMBER 2023</b>
Title	<b>DLUHC CONSULTATION - LOCAL GOVERNMENT PENSION SCHEME (ENGLAND AND WALES): NEXT STEPS ON INVESTMENTS</b>
Report of	<b>PENSION FUND MANAGER</b>

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### EXECUTIVE SUMMARY

1. On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation: Local Government Pension Scheme (England and Wales): Next steps on investments. The consultation closes on 2 October 2023.
2. This report summarises the key themes of the consultation, and some of the key issues which should be considered in framing the fund's response.
3. It also proposes the process for the completion of the fund's response and seeks contributions from committee members on matters to be included in the response.

### RECOMMENDATION

4. That the consultation from the Department for Levelling Up, Housing and Communities be noted.
5. That the Pension Fund Manager's initial thoughts on the themes in the consultation be noted.
6. That the Pension Fund Manager, following review by the Director of Finance, the chairman and vice-chairman of the committee, be authorised to submit the fund's final response by the consultation deadline of 2 October 2023.
7. That the final response to the consultation be published on the fund's website after it has been submitted to DLUHC.

### CONFIDENTIAL / EXEMPT ITEMS

8. This covering report is not deemed exempt from publication. However the appendix, containing initial thoughts on the interpretation of, and the fund's possible response

to, the government's consultation document, 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.

9. The views expressed in the appendix to this report are currently those of the Pension Fund Manager, informed by published briefing notes from advisers to the fund and other professional firms, and consideration of the draft ACCESS response, which will have been shared for the first time with the ACCESS Joint Committee at its meeting on 4 September 2023.

## BACKGROUND

10. In 2015, the government set out its expectations that Local Government Pension Scheme (LGPS) funds in England and Wales should form pools for the management of their investment assets, with the stated aims of reducing investment management costs while maintaining overall investment performance.
11. At that stage, the government stated that it would be for administering authorities to determine how the pooling arrangements would be constituted and would operate, provided they had regard to the following four key criteria:
  - (a) Benefits of scale: in 2015 this was defined as pooled assets of at least £25 billion.
  - (b) Strong governance and decision making.
  - (c) Reduced costs and excellent value for money.
  - (d) Improved capacity to invest in infrastructure.
12. During 2016, eight pools were formed following the government's direction:
  - ACCESS
  - Border to Coast
  - Brunel
  - Central
  - London CIV
  - LPP
  - Northern Pool
  - Wales
13. Since 2016 the Isle of Wight Pension Fund has been working with ten other 'like-minded' Administering Authorities to form and discharge the activities of ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other participating ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Kent, Norfolk, Suffolk, West Northamptonshire and West Sussex. Governance and cost sharing arrangements are set out in an Inter-Authority Agreement (IAA) signed by all eleven authorities, to establish the ACCESS Pool and define governance and cost sharing.

14. It was agreed that the ACCESS pool would buy-in the services of an operator, currently Link Fund Solutions, to deliver the asset management services for the pool, rather than setting up a separate company (which would be owned jointly by the 11 authorities) to provide in-house investment management. This was because no one of the constituent authorities had previously had in-house investment management. Wales followed a similar route, again using Link Fund Solutions for their operator. All other pools formed owned companies for their investment management.
15. In January 2019, the government issued an informal consultation covering draft guidance on LGPS asset pooling, setting out proposals that administering authorities must pool their investment assets, stating that pool companies “may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients”. It further recommended that governance structures for the pools should consider including observers from the Local Pension Boards of constituent authorities. It also stated that liquid assets should be transitioned into pools “over a relatively short period”, and that assets kept outside of the pool should “normally not exceed and aggregate of 5% of the value of the pool members’ assets”.
16. That consultation closed in March 2019. No response was received from the government to this consultation.
17. Government have continued to focus on investment pooling in the LGPS and had promised that further consultation would follow in due course.

## 2023 CONSULTATION

18. On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation: Local Government Pension Scheme (England and Wales): Next steps on investments.
19. This consultation document, along with a briefing note for Hymans Robertson, was forwarded to all committee and board members, as well as senior management within the council, on 14 July 2023. The consultation document is linked in the background papers to this report.
20. The key proposals from the consultation, reproduced from Annex A to the consultation document are as follows:

### Pooling

- To revise [Investment Strategy Statement] ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:
  - assets which are pooled, under pool management and not pooled, and
  - to provide a rationale, value for money and date for review for assets which are under pool management or not pooled.
- To revise pooling guidance so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy

implementation, advice, governance, transition of assets, new investments outside the pool and reporting.

- To implement a requirement in guidance for administering authorities to have an investment-related training policy for pensions committee members and to report against the policy.
- To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling, and to report the returns achieved by each asset class against an appropriate benchmark.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.
- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

#### Investment in private equity

- To revise ISS guidance to require funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

#### Investment consultancy services

- To amend regulations to set requirements funds with respect to investment consultants in line with the CMA order.

#### Definition of investment

- To amend investment regulations to correct an inconsistency in the definition of investment.

21. Initial thoughts on the main key issues from this consultation are set out in Appendix 1 to this report. These are the opinions of the Pension Fund Manager, and as proposed as matters for discussion at the meeting or comment thereafter.
22. The ACCESS Support Unit are formulating a response to the consultation from the pool's perspective. The fund may wish to consider endorsing that response in its own submission, while highlighting additional points which it wishes to include.

#### FINANCIAL / BUDGET IMPLICATIONS

23. There are no direct financial implications in responding to the government's consultation document.

#### LEGAL IMPLICATIONS

24. There are no direct legal implications in responding to the government's consultation document.
25. Once the consultation is concluded and the proposals are introduced into regulations and/or statutory guidance, the fund will be required to comply with all aspects.

26. Under Regulation 8 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Secretary of State has power, after consultation, to make directions to a fund where that fund is in breach of statutory guidance. Directions can cover the fund's investment strategy statement, its assets, the running of the fund's investment function, or any other instruction in relation to its investment function.
27. Paragraph 48 of the consultation document states "Government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction is appropriate. Examples of activities which could result in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets."

### RISK MANAGEMENT

28. It is important that the fund considers responding, to ensure that matters directly impacting the fund can form part of the consideration of the next steps.
29. Once the proposals in the consultation have been reviewed, draft regulations will be consulted upon, and the council, as administering authority, will be required to comply with the final regulations.

### APPENDICES ATTACHED

30. Appendix 1: key issues identified from the consultation (confidential).

### BACKGROUND PAPERS

31. November 2015: Local Government Pension Scheme: Investment Reform Criteria and Guidance  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479925/criteria\\_and\\_guidance\\_for\\_investment\\_reform.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf)
32. January 2019: Draft MHCLG guidance on LGPS asset pooling – informal consultation document  
[https://lgpsboard.org/images/Other/Draft\\_guidance\\_on\\_pooling-consultation.pdf](https://lgpsboard.org/images/Other/Draft_guidance_on_pooling-consultation.pdf)
33. July 2023: DLUHC consultation paper  
[Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

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