



Committee report

Committee	PENSION FUND COMMITTEE
Date	8 FEBRUARY 2023
Title	ANNUAL REPORT AND ACCOUNTS 2021-22
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report presents the annual report and accounts for the Isle of Wight Council Pension Fund for the year ended 31 March 2022, which is still subject to external audit.
2. The pension fund accounts contained within the annual report will form part of the accounts of the Isle of Wight Council, as administering authority for the fund, which will be presented to Audit Committee for approval in March 2023.
3. The separate external audit of the pension fund accounts has begun but will not be complete until February 2023. A verbal update on this matter is presented elsewhere on this agenda.
4. Publication of the draft, unaudited annual report and accounts will ensure the fund is compliant with Local Government Association best practice, albeit after the statutory deadline.
5. Delegation of the publication of the final document on conclusion of the external audit process to the Pension Fund Manager will avoid further delay to the completion of the 2021-22 year end reporting process.

RECOMMENDATION

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| <ol style="list-style-type: none">6. That the committee adopts the draft annual report and accounts for the year ended 31 March 2022, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund's website as soon as practical after the committee meeting.7. That the committee is notified of the completion of the external audit for both the pension fund and the Council, following the Audit Committee meeting on 20 March 2023.8. That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension |
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Fund Committee, to update the annual report and account for any changes arising from the audit, and to publish the final annual report and accounts as soon as practical after the Audit Committee meeting.

9. That the committee and pension board are notified of the conclusion of the pension fund's external audit and the publication of the final annual report and accounts, and a report be presented to each body at the first meeting after the conclusion of the process.

BACKGROUND

10. Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year. The content of the annual report is specified by the regulations.
11. For the current year, ended 31 March 2022, the fund has been unable to meet this deadline, due to significant delays in the external audit process for both the fund itself and the council, as administering authority. This breach of the regulations was reported to the Local Government Association (LGA) and the Pensions Regulator (TPR) as soon as it became apparent. Both bodies determined that no further action was necessary in respect of this breach.
12. Current guidance from the LGA is that funds should publish their draft, unaudited annual report and accounts as soon as it is available; funds should publish an updated version once the external audit of the relevant administering authority's accounts has been completed.
13. The draft financial result for the pension fund for the year ended 31 March 2022, including investment performance and employers' contributions analysis, was presented to the pension fund committee at its meeting on 27 July 2022. The annual report contains the same information but presented in accordance with statutory reporting guidelines.
14. Regulation 57 of the regulations covers the requirement for, content of, and publication arrangements for LGPS pension fund annual reports.
15. A full list of the contents of the annual report is listed below. The full document is in excess of 250 pages long, so is not presented in its entirety. The full document can be provided if required on request from the Pension Fund Manager.
16. Attached to this report as Appendix 1, is the information that has not been seen previously by this committee, indicated in *italics* in the table below. Where details have been submitted previously a link has been provided to the document.

Table of contents	
Foreword	<i>As prepared on behalf of the committee chair.</i>
Financial summary	<i>Extracted from draft financial statements presented to July 2022 committee meeting</i>
Scheme management and advisers.	<i>Same format as prior year.</i>
Investment policy and performance report	<i>Report from the fund's investment consultants, Hymans Robertson LLP</i>
<u>Investment strategy statement</u>	February 2021 version. Approved by previous committee on 3 March 2021. Link to published statement provided.
Actuarial statement	<i>Report from the fund's actuary, Hymans Robertson LLP.</i>
<u>Funding strategy statement</u>	Approved and adopted by previous committee at meeting on 13 March 2020. Link to published statement provided.
<u>Pension scheme administration information</u>	Key performance indicators for 2021-22 previously presented to pension board at meeting on 15 June 2022.
<u>Administration strategy</u>	Approved by previous committee November 2018. Link to published statement provided.
<u>Governance policy statement</u>	Approved by previous committee 2 September 2020. Link to published statement provided.
<u>Terms of reference of Pension Fund Committee</u>	Contained within council's constitution which was last updated August 2022. Link to relevant section of constitution provided.
<u>Terms of reference of Local Pension Board</u>	
<u>Governance compliance statement</u>	Approved by committee on 25 November 2022. Link to published statement provided.
Knowledge and skills framework compliance statements	<i>Detail of training undertaken both by Pension Fund Committee and Pension Board.</i>
<u>Risk management policy</u>	Approved by committee in November 2021. Link to published statement provided.
<u>Communications policy statement</u>	Approved by committee on 25 November 2022. Link to published statement provided.
<u>ACCESS Pool Annual Report</u>	Adopted by ACCESS Joint Committee at their meeting in October 2022. Link to published statement provided.
Statement of responsibilities for the statement of accounts – not included	Final version to be inserted once council's statement of accounts finalised, expected 20 March 2023.
Financial statements year ended 31 March 2022	Current unaudited version, as published in the Council's draft financial statements .
Independent auditors' statement – not included	To be added once council's statement of accounts finalised, expected 20 March 2023.
APPENDIX A – Glossary of terms	<i>As per prior year.</i>

17. There is no annual report from the Local Pension Board presented as part of the fund's annual report and accounts for the current year, as the board was not operational between September 2021 and April 2022.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

18. 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

19. 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.
20. The fund has also agreed the following objective, which is supported by information in this report:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
21. Approval of the fund's draft annual report and accounts, and the overall stewardship of public funds, form an integral part of the fund's corporate governance framework.

LOCAL PENSION BOARD VIEW

22. The Local Pension Board considered the draft annual report and accounts at its meeting on 17 January 2023. This meeting also considered the fund's compliance with the disclosure requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*.
23. The board noted that there are no areas where the fund's annual report and accounts do not comply with the disclosure requirements of the code.

FINANCIAL / BUDGET IMPLICATIONS

24. There are no direct financial implications associated with this report.
25. The financial information included in this report was presented in summary at the committee meeting in July 2022. However, on an annual basis 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, and with the Local Government Pension Scheme Regulations 2013.

LEGAL IMPLICATIONS

26. The Local Government Pension Scheme Regulations 2013 require that LGPS funds prepare an annual report, including specified contents, which must be published on or before 1 December each year.
27. Due to delays in the external audit process, the fund has not been able to comply with this deadline. It has self-reported to both the Local Government Association (LGA) and the Pensions Regulator (TPR).
28. The fund will comply with LGA guidance to publish its draft, unaudited annual report and accounts on the fund's website as soon as practical after this committee meeting.
29. The external auditors expect to issue their report and opinion on the council's accounts, including those of the pension fund, on 20 March 2023.
30. The independent report of the external auditor on both the council's accounts and the pension fund accounts will be presented to the Audit Committee on 20 March 2023, prior to issue of their final report and audit certificate to be published with the council's statement of accounts.
31. On completion of the external audit, the fund's final annual report and accounts will be published on the fund's website, and the draft version removed.

EQUALITY AND DIVERSITY

32. 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.
33. The approval of the fund's annual report and accounts, subject to external audit, has no impact on any of the above protected characteristics.

OPTIONS

34. To support the completion of the fund's annual report and accounts for the year ended 31 March 2022, the following options can be considered:
 - (a) That the committee adopts the draft annual report and accounts for the year ended 31 March 2022, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund's website as soon as practical after the committee meeting.
 - (b) That the committee adopts the draft annual report and accounts for the year ended 31 March 2022, subject to any changes from external audit, but does not approve the publication of the draft, unaudited document on the fund's website.

- (c) That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any audit adjustments required, and to publish the final annual report and accounts as soon as practical after the Audit Committee meeting.
- (d) That the committee does not adopt the draft annual report and accounts for the year ended 31 March 2022, and requests that the final annual report and accounts be presented to committee for adoption and publication once the external audit process is completed.

RISK MANAGEMENT

- 35. This pension fund's accounts are not required to be separately published, but form part of the council's statement of accounts.
- 36. The key risk relates to not publishing the pension fund annual report in accordance with the Local Government Pension Scheme Regulations 2013; presenting a potential risk to the reputation of the council.
- 37. In the current year, the delays in the external audit process for both the pension fund and the council have meant that the statutory deadlines for publication have not been met. The potential reputational damage has been mitigated by the reporting of the delay and hence the breach of legislative requirements to the Pensions Regulator and the Local Government Association as soon as the delay was identified.
- 38. There is a further risk that the conclusion of the external audit process for either the council or the pension fund, or indeed both, is delayed beyond the expected March 2023 date. This is beyond the control of pension fund officers, who are providing all information promptly as requested by the external auditors.
- 39. Should this delay materialise, the committee will be notified, and alternative publication arrangements will be made.

EVALUATION

- 40. If the committee does not adopt the draft annual report and accounts, subject to any changes from external audit, at the current meeting, there will be a need to convene an additional committee meeting after the March 2023 audit committee meeting to review and adopt the audited annual report and accounts.
- 41. If the committee do adopt the draft annual report and accounts, subject to any changes from external audit, but do not delegate authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any audit adjustments required, and to publish the final annual report and accounts, there will be a need to convene an additional committee meeting after the March 2023 audit committee meeting.
- 42. Finding time in committee members' calendars to convene an additional pension fund committee meeting is likely to be challenging, particularly given the workload at the current time of year, in respect of the agreement of the council's budget.

43. There is little risk to the fund in not publishing the draft, unaudited annual report and accounts on the fund's website, as this is not a legislative requirement. However, failure to do so will be going against best practice and may reflect poorly on the fund.
44. Accordingly, options at paragraphs 34a) and 34 c) are recommended.

APPENDICES ATTACHED

45. Appendix 1: Extracts from the Isle of Wight Council Pension Fund Annual report and accounts for the year ended 31 March 2022.

BACKGROUND PAPERS

46. Isle of Wight Pension Fund Committee, 27 July 2022, Draft Pension Fund Accounts 2021-22
<https://iow.moderngov.co.uk/documents/s8755/ITEM%207a%20Draft%20Accounts%202021-22.pdf>.

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

CHRIS WARD
*Director of Finance
and Section 151 Officer*

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