



Purpose: For Decision

Committee report

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

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

4. That the Fund Governance Outlook report, and related appendices, from Hymans Robertson be noted.
5. That the working assumptions on which the report is based be agreed.
6. That the actions to deliver quick wins be agreed and supported.
7. That the next steps as outlined in the report be approved.

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

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