



Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION COMMITTEE
Date	22 NOVEMBER 2023
Title	GOVERNANCE SUPPORT UPDATE
Report of	PENSION FUND MANAGER

1. Executive Summary

- 1.1 As reported at the 6 September 2023 pension committee meeting, the fund has engaged Hymans Robertson LLP to support in identifying work priorities, develop a sensible work plan and identify the areas where further support may be required.
- 1.2 This report encloses the update on activities undertaken since the last report, including progress against the previously identified high priority actions.
- 1.3 As part of the ongoing activities, the fund has reviewed its risk register, focusing on those risks which were red-rated (high risks). This report also provides an update on those risks. A detailed review of the full risk register will be presented to the Local Pension board at its meeting on 13 December 2023.

2. Recommendation(s)

- | |
|---|
| <ol style="list-style-type: none">2.1 That the Fund Governance Outlook update report, and related appendix, from Hymans Robertson be noted.2.2 That the committee continue to support the actions and approach to fund governance.2.3 That the committee continue to pursue the conclusion of the Barnett Waddingham Structure options report.2.4 That the updates to the red rated risks in section 9 be noted. |
|---|

3. Background

- 3.1 Colleagues from Hymans Robertson will be attending the committee meeting to present this report.

4. Corporate Priorities and Strategic Context

- 4.1 There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 – 2025](#).
Pension Fund Strategic Aims
- 4.2 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.
- 4.3 The fund has also agreed the following objectives and beliefs, which are supported by information in this report:
- 4.3.1 Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
- 4.3.2 External advice from parties such as an investment consultant helps planning, risk management and decision making.
- 4.3.3 Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice

5. Local Pension Board

- 5.1 The Local Pension Board considered this matter at its meeting on 13 September 2023.
- 5.2 The board noted the report and supported the underlying assumptions. The board sought an update on the recruitment of the governance support post, and requested that a meeting be convened with the chairman of the committee and the director of finance to discuss the way forward.
- 5.3 The job description for the governance support post has been reviewed and updated in conjunction with Hymans Robertson. The revised job description has been sent to the council's job evaluation team for confirmation, but to date no response has been received. Advertisement of the role will be undertaken in due course, but has been delayed due to the ongoing issues with administration staffing.
- 5.4 To date, the independent chair of the Local Pension Board has received no response to his requests for a meeting.

6. Financial / Budget Implications

- 6.1 The ongoing costs from Hymans Robertson in providing this support for the fund are charged rates consistent with those set out in the submission document when the governance consultancy contract was originally awarded in 2018.
- 6.2 To date, no other external costs have been incurred, with work being delivered through the fund's existing financial and staffing resources, or through Hymans Robertson.

7. Legal Implications

- 7.1 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"
- 7.2 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.
- 7.3 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.

8. Equality And Diversity

- 8.1 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.
- 8.2 There are no implications for any of the protected characteristics arising from items covered in the report

9. Risk Management

- 9.1 The fund's existing risk register can be summarised in the following table.

Table 1: risk register summary

Risk rating	Risk score range	Number of open risks	Number of closed risks
Red: VERY HIGH	15-16	2	1
Red: High	12-14	4	4
Amber: Medium	7-11	9	8
Green: Low	1-6	14	13
		<hr/> 29	<hr/> 26

- 9.2 The first review of the risks focussed on those rated red, with scores between 12 and 14.

Table 2: Red-rated risks

Risk description	Previous score	Current score	Action
Resilience: reliance on key people, lack of supporting resources, single points of failure	15 VERY HIGH	16 VERY HIGH	Treat
Capacity: Insufficient resource (staffing, financial) to deliver LGPS responsibilities	12 High	16 VERY HIGH	Treat
ACCESS investment pool fails to meet administering authority needs, through lack of appropriate sub-funds, additional costs, etc	12 High	9 Medium	Monitor
Cyber security	15 VERY HIGH	13 High	Monitor
ESG/RI and climate change	12 High	12 High	Accept (work to be deferred)
The fund is not aware of, or fails to respond adequately, to changes from central government and/or HMRC	12 High	9 Medium	Treat

- 9.3 The score for the resilience (key person) risk has been reviewed and the risk is determined to still be very high, hence no change in risk score. Support offered by Hymans Robertson for both governance and administration is providing some mitigation, but the score cannot be reduced until internal resource and support is implemented. Action is required to reduce this risk score.
- 9.4 The score for capacity (resourcing) risk has increased to very high, following the resignation of a significant number of administration team staff. Support from Hymans Robertson for both governance and administration is again providing some mitigation, but the immediate risk to business as usual activities can only be reduced once the administration service redesign is completed and recruitment activity carried out. Action is required to reduce this risk score.
- 9.5 The likelihood that the ACCESS pool fails to meet local requirements has been reduced, following the successful acquisition of the pool operator by Waystone Group, the progress being made on illiquid solutions within the pool, and the fund's local selection of investment managers to fulfil its illiquid asset allocations. This risk should continue to be monitored to ensure it does not deteriorate again.
- 9.6 The likelihood of a significant exposure to cyber security risks has been reduced to unlikely, given the reliance on the council's solutions and those of external software providers. This risk still remains high (rather than very high) as the impact of an attack would be major. Work to develop a fund-specific disaster recovery/cyber incident response plan continues. This risk should be monitored.
- 9.7 The score for the ESG/RI and climate change risk is unchanged, as no further work has been carried out on this subject given high levels of activity on governance and

administration issues. A proposal for support and action has been received from Hymans Robertson but has not been implemented. It is proposed that work on this area is deferred until the capacity and resilience risks are more under control.

- 9.8 The likelihood of the fund failing to react to changes in legislation has been reduced given the current good progress achieved in respect of the McCloud remedy data collection and analysis, and support in place from both Hymans Robertson and the fund's administration system software provider. There is a danger this risk could increase again when government finally issue new requirements for other anticipated changes in legislation (good governance, employment cases, etc).

10. Appendices Attached

- 10.1 Appendix 1: Hymans Robertson report – Fund governance outlook update November 2023
- 10.2 Appendix 2: high priority activities progress update
- 10.3 Appendix 3: risk register extract – red rated risks

11. Background Papers

- 11.1 Isle of Wight Pension Committee 6 September 2023. Governance Support <https://iow.moderngov.co.uk/documents/s12526/ITEM%209a%20Governance%20Support.pdf>

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

CHRIS WARD
Director of Finance

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