



Committee Report

Committee	ISLE OF WIGHT LOCAL PENSION BOARD
Date	12 DECEMBER 2023
Title	DRAFT GOVERNANCE COMPLIANCE STATEMENT 2022-23
Report of	PENSION FUND MANAGER

1. EXECUTIVE SUMMARY

- 1.1 This report was presented to the Pension Fund Committee at its meeting on 22 November 2023. It presents the draft governance compliance statement for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2023. It demonstrates how the fund complies with the expected standards of governance as set out in the Pension Regulator's Code of Practice 14 Governance and Administration of Public Service Pension Schemes.
- 1.2 The compliance statement reviews the current operation of the governance framework against the fund's governance policy, the most recent version of which was adopted by the Pension Fund Committee in September 2020. It also compares the current level of compliance against that which was last reported in November 2022.
- 1.3 In addition to the draft compliance statement, this report also includes an action plan will be presented to address the areas of non-compliance.

2. RECOMMENDATION(S)

- 2.1 The draft governance compliance statement for the year ended 31 March 2023 is approved.
- 2.2 That the action plan for the resolution of the non-compliant areas be agreed.
- 2.3 That both the governance compliance statement and the action plan for improvement be recommended to the pension fund committee for adoption at its meeting on 14 February 2024.

3. BACKGROUND

- 3.1 Governance is how authorities ensure that they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. It comprises the systems, processes, culture, and values by which local government bodies are directed and controlled, and through which they account to, engage with and where appropriate lead their communities.
- 3.2 The Isle of Wight Council (the council) is the administering authority for the Isle of Wight Council Pension Fund (the fund). An administering authority is defined in the Local Government Pension Scheme (LGPS) Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
- 3.3 Under section 4 of the Public Service Pensions Act 2013, this role is called the “scheme manager”.
- 3.4 The council has delegated its functions as scheme manager for the LGPS to the Isle of Wight Pension Fund Committee (the committee).
- 3.5 The governance policy required by regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 must set out whether the administering authority delegates any part of its pension fund to a committee, sub-committee, or officer, and if it does so then it must record the frequency of meetings, terms of reference and whether there is employee representation with or without voting rights. If it delegates, the statement must record:
- 3.5.1 the frequency of committee or sub-committee meetings;
 - 3.5.2 the delegation’s terms of reference, structure and operational procedures;
 - 3.5.3 whether the committee or sub-committee includes representatives of scheme employers or members, and if so, whether these representatives have voting rights;
- and details of the terms, structure and operational procedures relating to the local pension board established.
- 3.6 The governance compliance statement must record the extent to which the delegation (or absence of a delegation) complies with the Secretary of State’s guidance and, to the extent it does not comply, the reasons for not complying.
- 3.7 In preparing the statement, the administering authority must consult with such persons as it considers appropriate. The statement requires authorities to consider the adoption of annual training plans for committee members and maintain a log of training undertaken. When published or revised, a copy of the statement must be forwarded to the Secretary of State.

4. PROCESS FOR COMPLETION

- 4.1 The fund’s governance compliance statement is presented at Appendix 1 to this report. It comprises ten sections, each of which have been updated by the Pension Fund Manager, in consultation with fund officers.

- 4.2 This is the sixth time that the governance compliance statement has been presented in the current format, based on a template provided by the fund's governance consultants, Hymans Robertson LLP. The statement is supported by an assessment of compliance in 79 key governance criteria across the ten sections.
- 4.3 A summary of the changes in the level of compliance for each section since the statement published in the 2021-22 annual report (November 2022) is set out in table 1 below:

Table 1: compliance

	2022-23 level of compliance			2021-22 comparison
	Full	Partial	Non	
General requirements	5	5	2	Same
Knowledge and understanding	3	7	3	Same
Conflicts of interest	1	2	3	Decline
Publishing information	6	0	0	Same
Internal controls	4	1	0	Same
Record keeping	13	2	0	Same
Maintaining contributions	6	0	0	Same
Member communications	7	0	0	Improve
Disputes and resolution	0	3	2	Decline
Reporting breaches of the law	4	0	0	Improve
	49	20	10	
	Increase	Decrease	Increase	

- 4.4 Overall, the level of compliance with the standards of governance required by the Pension Regulator has remained relatively constant, with 62 per cent of all criteria deemed fully compliant, compared to 57 per cent at the last assessment, offset by an increase in non-compliant areas to 13 per cent, from 11 per cent.
- 4.5 The areas of non-compliance can be summarised into three key themes:
- 4.5.1 Knowledge and understanding:
- 4.5.1.1 Pension board to have its own policy on knowledge and understanding requirements.
- 4.5.1.2 All pension board members to have a personalised training plan in place that is regularly monitored and updated.
- 4.5.1.3 The administering authority should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding.
- 4.5.1.4 Administering authorities should offer pre-appointment training or mentoring if appropriate.
- 4.5.1.5 The members of the pension board should be familiar with the Additional Voluntary Contribution (AVC) options offered by the Fund,

including the choice of investments offered to members and the relative performance of those investment options.

4.5.2 Conflicts of interest:

- 4.5.2.1 The administering authority should have in place an appropriate conflicts of interest policy, clearly identifying to whom any potential conflict should be reported.
- 4.5.2.2 The conflicts of interest policy should have a regular review date incorporated into it.
- 4.5.2.3 The administering authority should maintain a register of all conflicts (and potential conflicts) that are raised , reviewing them appropriately.

4.5.3 Disputes and resolution:

- 4.5.3.1 The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (inc. the employer processes at stage 1).
- 4.5.3.2 The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes.

4.6 The proposed action plan for the resolution of each of the above three key themes is presented at Appendix 2 to this report.

5. CORPORATE PRIORITIES AND STRATEGIC CONTEXT

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

Pension Fund Strategic Aims

5.2 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.

5.3 The fund has also agreed the following objectives, which are supported by information in this report:

- 5.3.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pension Regulator's codes of practice.
- 5.3.2 Ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.

- 5.3.3 Communicate in a friendly, expert, and direct way to our stakeholders, treating each equally according to their needs.
- 5.3.4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust, and evidence based.
- 5.3.5 Understand and monitor risk and compliance.
- 5.3.6 Continually measure and monitor success against objectives.

6. FINANCIAL / BUDGET IMPLICATIONS

- 6.1 There are no direct financial implications relating to the review and revision of the governance compliance statement.
- 6.2 Actions required to improve future compliance will be funded from internal staff resources, with support from the fund's governance consultants, Hymans Robertson LLP. Additional costs will be reported as the action plan is developed and implemented.

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 The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
- 7.3 Regulation 55 of the LGPS Regulations 2013 prescribes the content of the governance compliance statement which must be included in the annual report. The governance compliance statement should outline the overall governance structure in place.
- 7.4 Regulation 57 of the LGPS Regulations 2013 requires the administering authority to prepare a pension fund annual report, which must contain, among others, the most recent version of the governance compliance statement specified under regulation 55.

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 this report.

9. RISK MANAGEMENT

9.1 Following the enactment of the Public Service Pensions Act 2013 (PSPA13), and the introduction of the Pension Regulator's code of practice number 14, there has been greater public scrutiny of the governance and administration of public service pension funds, including the LGPS.

9.2 It is the responsibility of the Isle of Wight Council, as administering authority, to ensure that the Isle of Wight Council Pension Fund is properly managed, governed and administered in compliance with relevant regulations and other requirements. The council has delegated the functions of scheme manager for the LGPS to the Isle of Wight Pension Fund Committee.

9.3 Established under PSPA13, the pension board is responsible for assisting the scheme manager in securing:

9.3.1 the effective and efficient governance and administration of the scheme;

9.3.2 compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; and

9.3.3 compliance with requirements imposed in relation to the scheme by the Pension Regulator.

9.4 Should the council, as administering authority, fail to ensure appropriate standards of governance and administration of the pension fund, the Pension 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 and the pension fund.

10. APPENDICES ATTACHED

10.1 Appendix 1: draft governance compliance statement 2022-23 (v1.2 Nov 23).

10.2 Appendix 2: proposed action plan for non-compliant areas.

11. BACKGROUND PAPERS

11.1 Isle of Wight Pension Fund Governance Policy 2020.

<https://www.isleofwightpensionfund.org/resources/governance-policy-2020/>

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