



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>28 OCTOBER 2020</b>
Title	<b>GOVERNANCE COMPLIANCE STATEMENT 2019-20</b>
Report of	<b>TECHNICAL FINANCE MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report presents the governance compliance statement for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2020. 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*.
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 committee in September 2020.
3. The overall level of compliance with governance standards has improved, with the fund deemed to be fully compliant with required standards in 60 per cent of criteria assessed, partially compliant in 36 per cent of criteria, and non-compliant in four per cent (three criteria), these being:
  - (a) the lack of a formal induction programme for board and committee members;
  - (b) the absence of a specific learning and development policy for board and committee members;
  - (c) failure to maintain a formal risk register.
4. On recommendation from the Isle of Wight Pension Board (the board), the committee is asked to approve the compliance statement for the year ended 31 March 2020, and authorise its publication within the annual report and accounts of the fund and separate publication on the fund's dedicated web pages.

## BACKGROUND

5. 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.

6. The Isle of Wight Council (the council) is the administering authority for the Isle of Wight Council Pension 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”.
7. The council has delegated the functions of scheme manager for the LGPS to the Isle of Wight Pension Fund Committee (the committee).
8. The governance policy required by regulation 55 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:
  - the frequency of committee or sub-committee meetings;
  - the delegation’s terms of reference, structure and operational procedures;
  - 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.
9. 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.
10. 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.

## PROCESS FOR APPROVAL

11. The fund’s governance compliance statement comprises ten sections, each of which have been updated by the Technical Finance Manager, in consultation with fund officers. Each section has then been reviewed separately by members of the pension board, and updated for their comments and suggestions. Finally, each section has been sent to committee members for their review and comment outside the normal committee meeting cycle.
12. A summary of the process followed for the review and approval of each of the sections is set out in table 1 below:

Table 1: approval process

		Sent to board	Sent to committee	Comments
pt 1	General requirements	29-Sep	08-Oct	none
pt 2	Knowledge and understanding	23-Jun	14-Aug	see par.13
pt 3	Conflicts of interest	23-Jun	17-Aug	none
pt 4	Publishing information	24-Jun	18-Aug	none
pt 5	Internal controls	18-Sep	07-Oct	See par. 14

pt 6	Record keeping	17-Aug	17-Sep	none
pt 7	Maintaining contributions	18-Aug	16-Sep	none
pt 8	Member communications	17-Sep	07-Oct	none
pt 9	Internal dispute resolution process	28-Sep	08-Oct	none
pt 10	Breaches of the law	28-Sep	08-Oct	none

13. One comment was received in respect of the knowledge and understanding section of the compliance statement, seeking clarification as the focus of that section was on the pension board as opposed to the committee. This was explained due to the fact that there is a statutory requirement for members of the pension board to have a minimum level of knowledge and understanding to enable them to carry out their role, where there is no such statutory requirement (at present) for committee members.
14. In respect of the managing risks and internal controls section of the statement, a question whether smaller funds could be exempt from some requirements of the compliance statement, given the complexity and amount of time required to comply. Members were advised that scheme members have the same expectations of good governance from the management of the pension fund, regardless of the size of the individual fund they are in.
15. No other comments or questions were received from committee members.

#### COMPARISON OF COMPLIANCE

16. This is the fourth year that the governance compliance statement is 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 78 key governance criteria across the ten sections listed above.
17. A summary of the changes in the level of compliance for each section since the statement published in the 2018-19 annual report is set out in table 2 below:
18. Overall, the level of compliance with the standards of governance required by the Pension Regulator has improved, with 60 per cent of all criteria deemed fully compliant.
19. There has been an increase in the number of non-compliant criteria, from two to three. The two reported last year, which remain non-compliant, reflect the absence of a specific training and development policy for board and committee members, and the lack of a formal induction programme for members. The additional criterion of non-compliance reflects that the fund has not maintained its risk register throughout the period under review.

Table 2: compliance

	2020 level of compliance:			2019 compare
	Full	Partial	Non	
General requirements	6	5	1	-
Knowledge and understanding	8	4	1	+
Conflicts of interest	2	4	0	=
Publishing information	5	1	0	=
Internal controls	1	3	1	-

Record keeping	13	2	0	+
Maintaining contributions	6	0	0	+
Member communication	6	1	0	+
IDRP	0	4	0	-
Breaches of the law	0	4	0	-
	<b>47</b>	<b>28</b>	<b>3</b>	<b>+</b>
	+	-	+	

20. The compliance level in four individual sections has improved reflecting significant work undertaken by the administration team in improving membership data quality and employer compliance with submission deadline through the delivery of the i-connect project.
21. Compliance levels have fallen in four sections, reflecting the lack of a risk register, and the fact that the fund has not properly reviewed and publicised its policies for recording and reporting breaches of the law, complaints and disputes.
22. In due course, an action plan will be developed to address these areas of lower compliance.

### STRATEGIC CONTEXT

23. 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.
24. The committee has adopted the following governance objectives, which are supported by the governance compliance statement:
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pension Regulator's codes of practice.
  - Ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
  - Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
  - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
  - Understand and monitor risk and compliance.
  - Continually measure and monitor success against objectives.

### CONSULTATION

25. The process by which the governance compliance statement has been completed and reviewed is set out in paragraphs 11 to 13 above.

## FINANCIAL / BUDGET IMPLICATIONS

26. There are no direct financial implications relating to the review and revision of the governance compliance statement.

## LEGAL IMPLICATIONS

27. 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.
28. 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.

## 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. The adoption of the governance compliance statement has no negative impacts on any of the protected characteristics.

## OPTIONS

31. Option 1: the committee approves the governance compliance statement for the year ended 31 March 2020 as presented at appendix 1, and authorises its publication within the annual report and accounts of the fund and separate publication on the fund's dedicated web pages.
32. Option 2: the committee requests amendments to the governance compliance statement before it can be approved.

## RISK MANAGEMENT

33. 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.
34. 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.

35. Established under PSPA13, the pension board is responsible for assisting the scheme manager in securing:
- the effective and efficient governance and administration of the scheme;
  - compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
  - compliance with requirements imposed in relation to the scheme by the Pension Regulator.
36. 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.

## EVALUATION

37. Committee members have been sent each section of the governance compliance statement for review and comment as detailed in table 1 above. Where comments have been received, appropriate adjustments have been made to the relevant section of the statement to reflect the response.
38. The governance compliance statement presented at appendix 1 has been updated to take into account all member comments received up to the date of publication of these papers.
39. While members may still make amendments at the committee meeting, it is proposed that the compliance statement as presented be approved.

## RECOMMENDATION

40. Option 1: The committee approves the governance compliance statement for the year ended 31 March 2020 as presented at appendix 1, and authorises its publication within the annual report and accounts of the fund and separate publication on the fund's dedicated web pages.

## APPENDICES ATTACHED

41. Appendix 1 – governance compliance statement 2020.

## BACKGROUND PAPERS

42. Isle of Wight Council Pension Fund Governance Policy 2020  
<https://isleofwightpensionfund.org/media/5750/iowcpf-governance-policy-2020-final.pdf>

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