



Committee Report

ISLE OF WIGHT COUNCIL

Meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	14 FEBRUARY 2024
Title	GOVERNANCE COMPLIANCE STATEMENT 2022-23
Report of	PENSION FUND MANAGER

Executive Summary

1. This report presents the Isle of Wight Council Pension Fund's Governance Compliance Statement for the year ended 31 March 2023 for adoption, and the agreed action plan to improve compliance in the next municipal year.
2. Following adoption of the governance compliance statement, it will be published on the Pension Fund website (<https://www.isleofwightpensionfund.org/>) and will be included in the final Annual Report and Accounts for the year ended 31 March 2023, following the conclusion of the external audit for Isle of Wight Council, as administering authority for the fund.
3. Progress against the action plan will be monitored by the Local Pension Board and will be reported to each future meeting of the committee.

Recommendation

4. That the governance compliance statement for the year ended 31 March 2023 is adopted and published on the fund's website.
5. That the action plan to address non-compliant areas is agreed.
6. That the Local Pension Board monitor progress against the agreed action plan and report back to each future committee meeting.

Background

7. At its meeting on 22 November 2023, the Pension Fund Committee received the draft governance compliance statement for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2023.
8. Following that meeting, the draft governance compliance statement was considered by the Local Pension Board at its meeting on 13 December 2023, at which meeting an action plan was developed to address the three identified areas of non-compliance.
9. The Local Pension Board did not propose any changes to the draft governance compliance statement, as previously presented to the committee. The final version of the governance compliance statement for adoption is presented as Appendix 1 to this report.
10. The Local Pension Board agreed the proposed actions to cover the non-compliant areas, being Knowledge and Understanding of Board and Committee members; Complaints and Internal Dispute Resolution; and Conflicts of Interest. The action plan presented to the Board meeting is attached to this report as Appendix 2. A verbal update on progress made since the plan was agreed will be provided at the meeting.

Corporate Priorities and Strategic Context

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

Pension Fund Strategic Aims

12. 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.
13. The fund has also agreed the following objectives, which are supported by information in this report:
 - (a) Ensure compliance with the LGPS regulations, other relevant legislation, and the Pensions Regulator's codes of practice.
 - (b) Ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
 - (c) Communicate in a friendly, expert, and direct way to our stakeholders, treating each equally according to their needs.
 - (d) Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust, and evidence based.
 - (e) Understand and monitor risk and compliance.
 - (f) Continually measure and monitor success against objectives.

Consultation

14. The governance compliance statement was updated by the Pension Fund Manager, in consultation with fund officers. It was shared with the fund's governance consultants, Hymans Robertson LLP for their input.
15. The presentation of the draft statement to both Pension Fund Committee and Local Pension Board formed part of the consultation on this matter.
16. Other than Hymans Robertson, no external consultation was undertaken, nor was it deemed necessary.

Local Pension Board View

17. The Local Pension Board considered this matter at its meeting on 13 December 2023.
18. Board members agreed the classification of each area within the statement as either fully compliant, partially compliant, or non-compliant. They further agreed the detail of the action plan for addressing areas of non-compliance and requested that the draft policies required to address both the Complaints and Internal Disputes Resolution and Conflicts of Interest issues be brought to their March 2024 meeting for consideration and onward recommendation.
19. The board agreed to recommend both the governance compliance statement and the action plan to the Pension Fund Committee for adoption.

Financial / Budget Implications

20. There are no direct financial implications relating to the review and revision of the governance compliance statement. The costs of the review by Hymans Robertson are included in the ongoing governance support contract agreed by this committee in September 2023.
21. 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 outputs from the action plan are implemented.

Legal Implications

22. 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".
23. 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.

Equality and Diversity

24. 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.
25. There are no implications for any of the protected characteristics arising from items covered in this report.

Options

26. Option 1: That the governance compliance statement for the year ended 31 March 2023 is adopted and published on the fund's website.
27. Option 2: That the governance compliance statement for the year ended 31 March 2023 is not adopted; and that further amendments are made before it is approved and published.
28. Option 3: That the action plan to address non-compliant areas is agreed; and the Local Pension Board monitor progress against the agreed action plan and report back to each future committee meeting.
29. Option 4: That the action plan to address non-compliant areas is not agreed.

Risk Management

30. Following the enactment of the Public Service Pensions Act 2013 (PSPA13), and the introduction of the Pensions 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.
31. 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.
32. Established under PSPA13, the pension board is responsible for assisting the scheme manager in securing:
 - (a) the effective and efficient governance and administration of the scheme;
 - (b) compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
 - (c) compliance with requirements imposed in relation to the scheme by the Pensions Regulator.

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

34. As the Pension Fund Committee has already had chance to consider the draft governance compliance statement at its meeting on 22 November 2023, and the Local Pension Board has reviewed the statement and agreed the classifications therein, it is proposed that Option 1 is followed.
35. The Local Pension Board has considered the action plan to address areas of non-compliance and is satisfied that the actions proposed are sufficient to address the issues and ensure improved compliance by the time of the next assessment. Accordingly, option 3 is recommended.

Appendices Attached

36. Appendix 1: Isle of Wight Council Pension Fund 2022-23 Governance Compliance Statement FINAL
37. Appendix 2: Non-compliance action plan - 29 November 2023.

Background Papers

38. Isle of Wight Pension Fund Committee 22 November 2023 Agenda item 8 Draft Governance Compliance Statement 2022-23
<https://iow.moderngov.co.uk/documents/s13164/ITEM%208%20-%20Draft%20Governance%20Compliance%20Statement%202022-23.pdf>
39. Local Pension Board 13 December 2023 Agenda item 7 Draft Governance Compliance Statement
<https://iow.moderngov.co.uk/documents/s13385/ITEM%207%20-%20Draft%20Governance%20Compliance%20Statement%202022-23.pdf>
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