

Isle of Wight Pension Fund

Fund Governance Outlook – Pension Fund Committee Update

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For and on behalf of Hymans Robertson LLP

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1 Background

This paper refers to ITEM 10A Governance Outlook presented to Isle of Wight Pension Fund Committee in September 2023.

The purpose of this paper is to provide an update on progress, set out ongoing challenges, the outlook for next period and actions required of the Pension Committee

2 What's changed since September 2023

Governance update – A critical impact to the Fund's existing Governance priority work will be the loss of the existing Pension Fund Manager. Committee will note that the majority of Governance objectives for the Fund is 'owned' by this role. A re-prioritisation is taking place to confirm what outstanding objectives are achievable before the existing Pension Fund Manager leaves their role in April 2024. Alongside existing Fund Investment priorities, the Pension Fund Manager has advised that they will prioritise the delivery of the actuarial tender within the timeframe of their leaving this role.

The Fund, following advertising and interviews will soon benefit from a Governance Officer. It is expected that some of the governance activities of the Fund will transfer to this role, but Committee should assess the level of support needed for this new person.

The key requirement for the Committee will centre on areas contained within this reports **section 4 - Outlook for next period** and **section 5 - Action required**.

Administration Update - The Administration team continues to be impacted by the loss of experienced staff. The Fund's administration lead has prioritised core administration requirements, in line with the "working assumptions" agreed with Committee in September 2023. Chiefly, this is the payment of pensioner payroll, key administration benefit calculations and meeting required administrative statutory duties.

The Fund have employed retained administration support from Hymans Robertson. This support covers:

1. Staff training
2. Technical queries
3. Senior Administration support
4. Optional 'drawdown' of junior administration support

At present, the Fund continues to focus on the delivery of core administration requirements. Fund's administration lead has advised that there has been some deterioration of service. Further that there is a high risk to service delivery if any further staff loss or increased workload happens. Weekly calls are in place with the Fund's administration lead and Hymans Robertson, with the key objective to monitor existing work and interface on upcoming requirements i.e. McCloud, Pension Dashboard.

6-month reflection – In order to assess the benefits of this governance workplan, the existing challenges and upcoming challenges, Officers and representatives from Hymans Robertson met on 16th January 2024.

Setting the scene for this discussion we concluded that, the Fund continues to function within a challenging framework of:

- Over-reliance on a small number of Officers (both senior and junior).

- Requirement to fulfil its statutory duties as a LGPS fund – regardless of its size of membership or officer base.
- Increasing areas of compliance in the pension industry, with a need for Officers to understand requirements and implement improvements (where required)

Benefits of work

The group concluded that the benefits since this plan has been brought together were:

- Production of a prioritised action plan with allocated action owners, targeted timescales and agreed pinch points.
- Completion of activities such as conflicts of interest policy, academy participation policy, annual benefit statements, IDRPs guide, and Pension Fund annual report.
- Full risk register review since previous assessment in May 2023
- Weekly check in support, allowing Officers to both track progress and raise any new challenges/solutions that will impact the plan.

Crucially, Officers state they are operating under a clearer plan of actions, with an understanding of any limitations to deliver on objectives or actions.

Increased challenge

Despite the good progress that has been made and support solutions sourced, the news of the Pension Fund Manager's imminent departure is expected to impact delivery of the plan for the first quarter of 2024 and any interim period from then until a new Pension Fund Manager is appointed. Consequently, the group are working together to reprioritise what must be achieved in this period by the current Pension Fund Manager.

The crucial action for the Fund remains a decision based on Barnet Waddingham structure paper. The loss of the Pension Fund Manager further accelerates the urgency of that decision.

3 Progress since September 2023

3.1 Quick Wins

Fund Officers identified quick wins to alleviate pressure and reduce risk. Three areas were initially identified:

3.1.1 Data Improvement Plan

This is an area of concern for the Fund and is a strong focus for the Pension Regulator (TPR). Fund Officers have several data quality initiatives underway, which should be brought together under a Data Quality Maintenance/Improvement Plan. That plan will evidence the Fund's good work in this area.

- Action agreed September 2023: Hymans and the Fund will work together to produce a Data Quality Management Plan by end March 2024
- Update November 2023: The start of this activity has been impacted by the resourcing challenges within the Administration team, however, remains on track for March 2024.
- **Update February 2024: Data improvement support has been proposed by Hymans to Officers covering both existing Fund data retention policy and an update to the existing Fund data improvement plan. The target date for this work has moved to June 2024 given resource**

constraints and will be dependent on the appointment of a new Pension Fund Manager. We would note that there is a risk to the Fund that if an updated Data Improvement plan is not completed or a definite timescale for completion, then this would be a specific risk that TPR would focus on if they requested a compliance update from the IOW Fund.

3.1.2 Conflicts of Interest Policy

The Fund currently relies on IOW Council's Constitution; however, the introduction of expected [Good Governance](#) recommendations should specify that the Fund maintains its own conflicts of interest policy. Hymans have produced a template which can be tailored to Fund specifics and remove reliance on Council Constitutional documentation.

- Action agreed September 2023: Hymans and Fund Officers will work together to produce a Conflicts of Interest Policy by end September 2023.
- Update November 2023: This activity has been impacted by the resourcing challenges within the Administration team. A proposal to adopt a tailored Conflicts of Interest policy template is with the Pension Fund Manager for decision later this calendar year, for presentation to Committee in February 2024.
- **Update February 2024: Proposal to be presented by the Pension Fund Manager to Board in March. The Pension Fund Manager will prepare a covering paper for Committee in May.**

3.1.3 System Project – Implementation of immediate payments functionality

This is an area where current subject matter expertise should be directed, to reduce effort required on a resource heavy administration task. Implementation of this functionality would allow resource to focus on more value-add tasks.

- Action agreed September 2023: Administration lead Officer to seek support to accelerate immediate payments project utilising resource due to leave the Fund by end September.
- Update November 2023: This activity has been superseded by the implementation of “enhanced admin to pay”. This decision was taken to alleviate pressure on the administration team processes and can be implemented with the assistance of Heywood resource (the third-party admin system provider).
- Immediate payments functionality will move to early 2024 implementation. NOTE: There remains a dependency on Council IT resource to execute this project in the time available.
- **This has been deprioritised because of resource constraints in the Administration team.**

3.2 Pinch Points

Upcoming loss of the Fund's Pension Fund Manager, alongside recent loss of administration team members, increases reliance on remaining senior officers (namely Administration Lead and Jo Cooke (0.2 FTE)). Beyond these remaining senior officers, the Fund retains inexperienced LGPS Officers (Two existing junior administration team members) and incoming Governance Officer (with no LGPS experience)

3.3 Next steps

Next steps were agreed at September's Pension Fund Committee. Good progress has been made and is summarised below:

Next Step agreed at September PFC	Update as at February 2024
Explore opportunities for high priority activities	See attached Plan on a Page for current status
Risk assessment of medium priority activities, exploring support options Validate low priority activities Fund and Hymans meet regularly to maintain focus on delivery	Ongoing support from Hymans Robertson in place with regular meetings to track progress and outsource work where possible. This is critical to ensure clear sight of priorities for new Pension Fund Manager Assessment of medium and low priority activities, monitoring changes in priority levels and identifying new priorities is discussed at these meetings.
Commence quick win actions	See 3.1 above for update and current status
Seek clear direction or decision on structural options paper	No decision made or direction provided. Working assumption: Fund continues to function in the long term and will have a fully trained and resourced team. This is challenging given the current resourcing situation and Committee may conclude that this working assumption is currently invalid. Resource challenges are being managed by officers, though challenge has increased with upcoming loss of existing Pension Fund Manager.
Report progress to Pension Fund Committee	Report to February Committee prepared

Summary of high priority activities noted below. See attached document for more detail.

Status	Activities	
	Nov 23	Jan 24
Complete	4	12
In progress / on track	17	13
At risk	3	5
Not Started	7	5
New items added	n/a	5
Total	31	40

Key Gap

Confirmation of decision or direction with regards structural options paper. Assistance sought to progress.

4 Outlook for next Period

- Recruit a new Pension Fund Manager
- Plan to be produced for the interim period between new Pension Fund Manager joining the Fund and decision on BW structural paper.
- Continued focus on high priority activities for delivery before the Pension Fund Manager leaves the Fund.
- Prepare a roadmap of priority activities in readiness for the new Pension Fund Manager.
- Ongoing Governance support from Hymans Robertson.
- Ongoing Administration support from Hymans Robertson, until the admin function is fully resourced and trained.
- Assessment of medium and low priority activities, monitoring changes in priority levels and identify new priorities until the Pension Fund Manager leaves the Fund.
- Regular progress reporting to Pension Fund Committee.

5 Action Required

The Pension Fund Committee is requested to:

- Note the content of this update and the increased risk to the Fund's compliance.
- Continue to support the actions and approach to Fund Governance.
- Prioritise conclusion of structural options paper.
- Request action plan for the interim period between new Pension Fund Manager joining the Fund and decision on BW structural paper.

6 Plan on a page – 12-month timeline (attached)

High Priority activities August 2023 – July 2024

NOTE: These timelines remain indicative, and each activity requires detailed planning and resources.