

# Annual Report of Isle of Wight LGPS Pension Board for 2020/2021

## 1 Constitution, Representation and Attendance

The Local Pension Board of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is established under s.5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

The Board is established in the interests of the Fund, by the Administering Authority and operates independently of the Pension Fund Committee.

The Board is not a committee constituted under s.101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided.

The Board is accountable to the Scheme Manager and the Pensions Regulator.

- 1.1 It held its first meeting on 14 August 2015. It currently consists of 2 representatives of the Scheme employers, and 2 representatives of the Scheme members, all of whom are voting members.

The terms of reference have been amended to allow the Board to consist of a minimum of four and a maximum of eight members.

Additionally, the recruitment of an Independent Chair has been included in the Terms of Reference, and this position will be recruited in the forthcoming year.

- 1.2 The Board was scheduled to meet on 5 occasions during the year, but met on 4 occasions (the first meeting was cancelled due to the Covid-19 lockdown). Dates of the meetings are detailed on the following table.

All meetings were held on-line, due to Covid-19 restrictions.

Board	TB	RB	BM	TO		Board
	Chairman (employer)	Employer rep 2	Scheme member rep 1	Scheme member rep 2		
21-Apr-20	CANCELLED - Coronavirus					
17-Jun-20	√	√	√	√	<i>virtual</i>	100%
23-Sep-20	√	√	√	√	<i>virtual</i>	100%
09-Dec-20	√	√	√	√	<i>virtual</i>	100%
24-Mar-21	√	√	√	√	<i>virtual</i>	100%

This represents an overall attendance record of 100%.

- 1.3 Pension board meetings are not required to be open to members of the public.

- 1.4 Agendas and minutes can be found at the following web link:  
<https://www.iow.gov.uk/Meetings/current/committeeDetail.aspx?cmteld=187>

- 1.5 To facilitate the operation of the Board, the all board members are invited as observers to meetings of the Isle of Wight Council Pension Fund Committee (“the Committee”).

## 2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) (as defined by the Public Services Pension Act 2013) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
  - ensure compliance with relevant laws and regulations.
  - ensure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pension Regulator.
  - such other matters as the scheme regulations may specify.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.
- 2.6 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Technical Finance Manager and a Democratic Services Officer and operates under Terms of Reference which were initially agreed by Isle of Wight Council in January 2015.
- 2.8 The terms of reference have been reviewed, and an amended set of Terms of Reference have been accepted in year.
- The amended Terms of Reference include a provision for the Board to appoint an Independent Chair, if it wishes to.
- The terms of reference remain fit for purpose and comply with the legislative and regulatory requirements, and fully complied with the Pensions Regulator’s Code of Practice 14.
- 2.9 The current terms of reference are published under section 6 of Part 3 of the [Council’s Constitution](#) as approved in July 2021.
- 2.10 In 2020/2021 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £2,030 (£2,245 2019/20).

- 2.11 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council.
- 2.12 The budget for 2021/22 is set at £3,500 (2020/21 budget was also set at £3,500), and actual spend will be monitored against this. The budget is set at a level to show the Boards' commitment to technical updating and training.
- 2.13 Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

### **3 Detailed Work of the Board**

#### **3.1 Overview**

- 3.1.1 Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of Boards by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2 In 2020/21, the work of the Board included:
- Monitoring of KPI's for review at each Board Meeting
  - Monitoring of the governance review action plan
  - Review of progress in the i-Connect project
  - Board constitution – increasing membership numbers and independent chair
  - TPR scheme return 2020
  - TPR Governance and administration survey 2020
  - Priorities for policies updates/reviews
  - LGA and legislation update
- 3.1.3 The main elements of the work programme of the Board are governance and oversight of the pension administration function, which is run by an in-house team.
- 3.1.4 The Board had been following the Governance Action Plan agreed in February 2018, with its recommendations and objectives. Its successes include reviewing and making recommendations to the Committee on both the re-launched Communications Strategy and on the new Administration Strategy. These achievements help ensure compliance with the TPR's Code of Practice 14.
- 3.1.5 Paragraph 4 sets out further examples of how the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their efficient, accurate and timely supply of information and data is critical to the Fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

#### **3.2 Risk management**

- 3.2.1 While considerations of risk are included in all items considered by the board, there is still no formal risk register in place for the pension fund during 2020-21, (although this was noted in 2018-19 as a key area for development in 2019-20).
- 3.2.2 There is no deadline date in place for generation of a Risk Register, or of consideration of cyber security and data protection issues.

3.2.3 This is of concern to Board members, who have asked about the planned implementation dates at Board Meetings.

### 3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's).

3.3.2 The Board was pleased to note that Isle of Wight Pension Fund (the Fund) produced its ABS's by the due date in 2020, but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.

3.3.3 A key achievement of the Board has been to commence, with the Technical Finance Manager, a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14.

3.3.4 The assessment identifies areas in which the Fund needs to make improvements.

3.3.5 The Board monitors TPR's annual review of its priorities, and reflects these in agenda setting.

3.3.6 The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". In 2020/21, these were reported as:

- Common data 95% (2019/20 95%)
- Scheme specific data 96% (2019/20 95%)

### 3.4 Reporting and Recording Breaches

3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the Board reviews any breaches of the law as a standing item on its agenda.

3.4.2 During 2020/21, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. The Board has queried skills and knowledge with regard to the identification of a breach and it expects training to be undertaken to improve knowledge in this area over the coming year.

### 3.5 Scheme Advisory Board (SAB)

3.5.1 The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings.

3.5.2 The SAB commissions periodic surveys of local pension boards, although there was no survey during 2020/21.

### 3.6 Review of Investment Issues

3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

- 3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.
- 3.6.3 The Board continued to receive updates on progress by the ACCESS Pool on pooling of assets.
- 3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

### 3.7 Scheme documents

- 3.7.1 The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.
- 3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

## 4 **Ensuring Compliance with Regulatory Deadlines.**

- 4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations.
- 4.2 In all cases progress reports are received, with the Board considering whether any recommendations are appropriate to help meet the deadlines.
- 4.3 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. The Fund complied with these deadlines.
- 4.4 On-going compliance of legislation, such as GDPR and MiFID II forms part of the work of the board.

## 5 **Training**

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.
- 5.2 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored.
- 5.3 This allows use of both the CIPFA Framework and TPR Toolkit.
- 5.4 In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference. (Board members attended various events in year, including the LGA Governance Conference, and various webinars).
- 5.5 Board members are encouraged to attend LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2019, and the General Data Protection Regulations.

5.6 Board Members also attend in-house training, provided by the Isle of Wight Council to both Board and Committee members, as well as viewing relevant webinars. Due to the pandemic, training sessions were conducted on-line.

## **6 Workplan**

6.1 A work plan has been implemented for both Board and Committee members. Specifically, it incorporates the following areas of activity for 2021/22 for Board Members:

- Pension Fund Annual Report and Accounts
- Administration, including automatic re-enrolment compliance, Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- Audit and risk management, including the Risk Register, cyber risk and climate change
- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's revised code of practice, and the Good Governance Project
- Investments, including developments with the ACCESS Pool: implications for Administering Authorities
- Training
- Member communications
- Communications between the Board and Committee
- Recruitment of board members/independent chair
- Policy updates: Reporting breaches, conflicts of interest, complaints/disputes
- Planning for triennial valuation.

6.2 There is flexibility to allow for any additional reviews and developments.

## **7 Public accountability**

7.1 The agendas, minutes and the Board's Terms of Reference are available on the pension fund's website at the following address:

<https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/local-pension-board>

## **8 Thanks**

8.1 The Chair of Isle of Wight Council's LGPS Local Pension Board wishes to thank her fellow Board members who have volunteered their time and energies in their roles.

8.2 Thanks are also expressed to the Technical Finance Manager and associated colleagues, and the Chair of the Pension Fund Committee, as well as the admin support officers.

8.3 The Board has made progress in 2020-21 and is determined to continue this into 2021-22.

Tracy Bull, Chair of the Isle of Wight Council LGPS Local Pension Board, July 2021