



Purpose: For Decision

# Committee Report

Committee	<b>PENSION FUND COMMITTEE</b>
Date	<b>23 NOVEMBER 2022</b>
Title	<b>GOVERNANCE COMPLIANCE STATEMENT 2021-22</b>
Report of	<b>PENSION FUND MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report presents the draft governance compliance statement for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2022. 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 Pension Fund Committee in September 2020. It also compares the current level of compliance against that which was last reported in October 2020.
3. Once adopted by the Pension fund Committee, the governance compliance statement will be published as part of the pension fund's annual report and accounts for the year ended 31 March 2022, as well as being published separately on the pension fund's website.
4. An action plan has been drawn up to address the areas of non-compliance and partial compliance within the statement. As part of the ongoing work programme for the pension board, progress against this action plan will be monitored and reported upon to the committee.

## RECOMMENDATION

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| <ol style="list-style-type: none"><li>5. That, on recommendation from the Local Pension Board, the committee adopts the governance compliance statement and approves its publication in the fund's annual report and accounts.</li></ol> |
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## BACKGROUND

6. 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.
7. 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”.
8. Under section 4 of the Public Service Pensions Act 2013, this role is called the “scheme manager”.
9. The council has delegated its functions as scheme manager for the LGPS to the Isle of Wight Pension Fund Committee (the committee).
10. 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.
11. 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.
12. 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 COMPLETION

13. The fund's governance compliance statement comprises ten sections, each of which have been updated by the Pension Fund Manager, in consultation with fund officers.
14. This is the fifth 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 79 key governance criteria across the ten sections.
15. A summary of the changes in the level of compliance for each section since the statement published in the 2020-21 annual report is set out in table 1 below:

**Table 1: compliance**

	2021/22 level of compliance:			2020/21 comparison
	Full	Partial	Non	
General requirements	5	5	2	-
Knowledge and understanding	2	9	2	-
Conflicts of interest	1	3	2	-
Publishing information	6	0	0	+
Internal controls	4	1	0	+
Record keeping	13	2	0	=
Maintaining contributions	6	0	0	=
Member communication	6	1	0	=
IDRP	2	1	2	-
Reporting breaches of the law policy	0	3	1	-
	<b>45</b>	<b>25</b>	<b>9</b>	-
	-	-	+	

16. Overall, the level of compliance with the standards of governance required by the Pension Regulator has declined, with 57 per cent of all criteria deemed fully compliant, compared to 62 per cent in at the last assessment.
17. There has been an increase in the number of non-compliant criteria, from four to nine, as listed below.
  - a) Pension board to have its own policy on knowledge and understanding requirements.
  - b) All pension board members to have a personalised training plan in place that is regularly monitored and updated.
  - c) Administering authorities should offer pre-appointment training or mentoring if appropriate.
  - d) The members of the pension board should be familiar with the AVC options offered by the Fund, including the choice of investments offered to members and the relative performance of those investment options.
  - e) The administering authority should maintain a register of all conflicts (and potential conflicts) that are raised , reviewing them appropriately.
  - f) Declaration of conflicts (or potential conflicts) of interest should be disclosed on appointment and at regular intervals.

- g) The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes.
  - h) The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (including the employer processes at stage 1).
  - i) The administering authority should be satisfied that those responsible for reporting breaches of the law are made aware of their legal requirements and the Pensions Regulator's guidance.
18. Items a), c) and h) were reported as non-compliant at the last assessment. No action has been taken to improve compliance in those areas.
19. One area reported as non-compliant at the last assessment, namely that the fund had not maintained its risk register, has now improved to full compliance.
20. The compliance level in two individual sections has improved reflecting the introduction of the fund's risk register and improved disclosures about the board on the fund's dedicated website.
21. Compliance levels have fallen in five sections, reflecting the fact that, the new board members have not yet completed all required learning and development modules, and that the fund has not reviewed its policies for recording and reporting breaches of the law, complaints, and disputes.
22. An action plan has been developed to address these areas of non-compliance. This action plan will be monitored by the Local Pension Board, and progress will be reported to the committee at future meetings.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Corporate Aims

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

### Pension Fund Strategic Aims

24. 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.
25. The fund has also agreed the following objectives, which are supported by information in this report:
- 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

26. The governance compliance statement has been prepared by the Pension Fund Manager, in consultation with the Pensions Manager (Administration).
27. No external consultation has been undertaken, nor is any required.

## LOCAL PENSION BOARD VIEW

28. As part of the consultation process for the review and update of the governance compliance statement for the year ended 31 March 2022, the Local Pension Board considered the draft statement at its meeting on 26 October 2022.
29. The chairman of the board noted that the compliance statement needed to be read in conjunction with the fund's governance policy, which in turn was identified not to have been reviewed or updated since October 2020.
30. The Pension Fund Manager acknowledged the need for the policy to be reviewed, confirming that this would be undertaken once the LGPS Regulations were amended for the changes recommended by the Scheme Advisory Board's good governance project; consultation on which is expected in early 2023, following recent changes in central government.
31. The board considered the nine areas of non-compliance identified within the statement, in particular the policies identified as overdue for review, or requiring completion.
32. It was proposed that future policies be based on exemplar policies obtained from other funds, rather than being created from scratch. It was agreed that this approach would be adopted.

## FINANCIAL / BUDGET IMPLICATIONS

33. There are no direct financial implications relating to the review and revision of the governance compliance statement.
34. The actions required to improve future compliance will generally be funded from internal staff resources, although some consultant support may be required. Additional costs will be reported as the action plan is developed and implemented.

## LEGAL IMPLICATIONS

35. 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”.
36. 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.
37. 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.
38. 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

39. 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.
40. There are no implications for any of the protected characteristics arising from items covered in the report.

## RISK MANAGEMENT

41. 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.
42. 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.
43. 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.

44. 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.

#### APPENDICES ATTACHED

45. Appendix 1: Governance compliance statement 2021-22 (v1.4 August 2022).

#### BACKGROUND PAPERS

46. Isle of Wight Council Pension Fund Governance Policy 2020  
[Governance Policy - 2020 | Isle of Wight Pension Fund](#)

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