



Committee report

COMMITTEE	ISLE OF WIGHT PENSION BOARD
DATE	23 SEPTEMBER 2020
TITLE	PROCESS FOR APPROVAL OF ANNUAL REPORT AND ACCOUNTS 2020
REPORT OF	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report is an almost exact duplication of the paper presented to the Pension Committee at its meeting on 2 September 2020. Other than the header, and this paragraph, very few changes have been made.
2. This report sets out the proposals for the process by which the committee will approve the pension fund's annual report and accounts for the year ended 31 March 2020. The process has been delayed in comparison with previous years, as a result of the Covid-19 pandemic situation.
3. The pension fund accounts will be approved as part of the council's statement of accounts at the Audit Committee meeting on 28 September 2020. The fund's annual report and accounts is a standalone document, containing the pension fund accounts, and has a separate publication deadline.
4. Members are asked to agree to the proposals for reviewing certain content informally between the committee meetings on 2 September 2020 and 28 October 2020, with the intention of approving the full annual report and accounts for publication at the committee meeting on 28 October 2020.

DELAY IN APPROVAL OF COUNCIL'S ACCOUNTS

5. The Accounts and Audit Regulations 2015 (the 2015 regulations) require approval of the council's statement of accounts, including the accounts to the pension fund, by members no later than 31 July each year.
6. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 regulations as a result of the Covid-19 pandemic lockdown, to allow for local authority accounts to be approved no later than 30 November 2020.
7. The council and pension fund have taken advantage of the allowed deferral period and intend that the council's statement of accounts for the year ended 31 March

2020, including the pension fund accounts for the same period, be presented to the Audit Committee for approval at the meeting on 28 September 2020.

8. The external auditors, Ernst & Young LLP, have completed their audit fieldwork for the pension fund accounts and have identified no issues.

COMPLETION OF PENSION FUND ANNUAL REPORT AND ACCOUNTS

9. While there is no requirement for the pension fund's accounts to be published anywhere other than as part of the council's statement of accounts, the Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year. This deadline has not been revised as a result of the pandemic situation.
10. In "normal" circumstances, the pension fund committee would receive the pension fund's annual report and accounts for approval at its meeting in July, where a recommendation would be made for adoption, subject to the completion of the external audit and the approval of the council's statement of accounts at the July Audit Committee meeting. This allows the fund to publish its annual report and accounts over three months ahead of the statutory deadline.
11. As stated in paragraphs 6 and 7 above, the pension fund accounts for the year ended 31 March 2020 have been prepared, and the audit work has been completed.
12. The key issue relates to the completion of the other content for the pension fund annual report, which in some instances has been delayed due to the reallocation of resource to the pandemic response between April and early June 2020.
13. The table below sets out the content to be included in the annual report and accounts for the pension fund as required by the regulations and how it is proposed to present each item to the committee for approval. Where items have previously been approved, or a published document is to be inserted, a link is provided to the relevant committee paper/published document in the background papers section of this report.

Table 1: Table of contents

Foreword	To be drafted and agreed by chairman between committee meetings.
Financial summary	Previously presented to committee at meeting on 17 July 2020.
Scheme management and advisers	Factual statement – no need for approval. Will be included for noting in final annual report presented on 28 October 2020.
Investment policy and performance report	Report from the fund's investment consultants, Hymans Robertson LLP. Will be circulated for members' information between committee meetings.
Investment strategy statement	January 2019 version. Previously approved by committee on 29 January 2019; published on fund's website.

Actuarial statement	Report from the fund's actuary, Hymans Robertson LLP. Will be circulated for members' information between committee meetings.
Funding strategy statement	Approved and adopted by committee at meeting on 13 March 2020; published on fund's website.
Pension scheme administration information	Key performance indicators for 2019-20 previously presented to committee at meeting on 17 July 2020.
Administration strategy	Previously approved by committee November 2018; published on fund's website.
Governance policy statement	Presented as paper B on this agenda at 2 September committee meeting.
Terms of reference of Pension Fund Committee	Contained within council's constitution, revisions to which will be presented to the September November 2020 meeting of Isle of Wight Council.
Terms of reference of Pension Board	
Governance compliance statement	See paragraphs 13 – 17 below.
Annual report of the Pension Board	Presented as paper C on this agenda at 2 September committee meeting.
Knowledge and skills framework compliance statements	Will be circulated between committee meetings, for adoption at the 28 October 2020 committee meeting.
Risk management statement	Will be circulated between committee meetings, for adoption at the 28 October 2020 committee meeting.
Communications policy statement	Previously approved by committee February 2019; published on fund's website.
ACCESS Pool annual report	Presented as Paper D on this agenda at 2 September committee meeting.
Statement of responsibilities for the statement of accounts	Replicated from council's statement of accounts. Will be included for noting in final annual report presented on 28 October 2020.
Financial statements year ended 31 March 2020	Replicated from council's statement of accounts. Will be included in final annual report presented on 28 October 2020.
Independent auditors' statement	See paragraphs 18 – 20 below.
APPENDIX A – Glossary of terms	Unchanged from previous years. Will be included for noting in final annual report presented on 28 October 2020.

GOVERNANCE COMPLIANCE STATEMENT

14. As reported at the Pension Fund Committee meeting on 17 July 2020, the governance compliance statement comprises ten sections:
- i) General requirements.
 - ii) Knowledge and understanding.

- iii) Conflicts of interest.
 - iv) Publishing information about the scheme.
 - v) Managing risks and internal controls.
 - vi) Scheme record keeping.
 - vii) Maintaining contributions.
 - viii) Member communication.
 - ix) Internal dispute resolution procedure.
 - x) Breaches of the law.
15. Three sections (knowledge and understanding, conflicts of interest and publishing information about the scheme) have already been sent to committee members for their comment.
16. Two sections (scheme record keeping and maintaining contributions) have been sent to board members for their comment, in advance of being sent to committee members.
17. The remaining sections will be prepared and sent to board members in advance of the next Pension Board meeting on 23 September 2020, and will then be circulated to committee members.
18. The governance compliance statement, including a comparison on the levels of compliance between the current and previous financial years, will be presented in full at the committee meeting on 28 October 2020 for adoption. Members will have previously seen all sections of the document, so the agenda item itself should be a formality.

INDEPENDENT AUDITORS' STATEMENT

19. In addition to their opinion on the truth and fairness of the pension fund accounts, the external auditors are required to provide an opinion on the consistency of information provided within the annual report with that previously certified in the accounts. In order to complete this consistency opinion, the auditors need to have sight of the full annual report.
20. At the same time as papers are published for the committee meeting on 28 October 2020, a copy of the annual report and accounts will be provided to the auditors, with the expectation that they will have completed their consistency opinion in time for the Pension Fund Committee meeting, or shortly thereafter.
21. This proposal has been discussed with the section 151 officer, and has been agreed with the audit manager and lead partner from Ernst & Young LLP.

APPROVAL OF THE ANNUAL REPORT AND ACCOUNTS

22. As stated above, it is intended that the full annual report and accounts will be completed and presented for approval at the committee meeting on 28 October 2020.
23. With the exception of those documents already published on the pension fund's website, the full annual report and accounts document will need to be published with the agenda pack, and the covering report will indicate those items which require formal approval by the committee.

24. As with the governance compliance statement, members will have previously seen all sections of the document, so the agenda item itself should be a formality.

STRATEGIC CONTEXT

25. 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.
26. Approval of the fund's draft annual report and accounts, and the overall stewardship of public funds, form an integral part of the fund's corporate governance framework.

FINANCIAL / BUDGET IMPLICATIONS

27. There are no direct financial implications associated with this report.
28. The financial information included in this report was presented in summary at the committee meeting in May 2019. However, on an annual basis it is necessary to produce financial information in this format to comply with external reporting requirements, codes of practice and the specific requirements of the Accounts and Audit (England) Regulations 2015, and with the Local Government Pension Scheme Regulations 2013.

LEGAL IMPLICATIONS

29. The pension fund annual accounts form part of the council's annual statement of accounts. For the year ended 31 March 2020 only, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 require approval of the council's statement of accounts by the council sitting as a whole, or by a committee with delegated powers to make such a decision, no later than 30 November 2020.
30. The Local Government Pension Scheme Regulations 2013 require that LGPS funds prepare an annual report, including specified contents, which must be published on or before 1 December each year.
31. The pension fund annual report and accounts for the year ended 31 March 2020 will be presented to the committee on 28 October 2020, and will be published on the fund's website before 1 December 2020.

EQUALITY AND DIVERSITY

32. 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.

33. The approval of the fund's annual report and accounts has no impact on any of the above protected characteristics.

RISK MANAGEMENT

34. The pension fund's accounts are not required to be separately published, but form part of the council's statement of accounts.
35. The key risks relate to not producing, approving and publishing the pension fund annual report in accordance with the Local Government Pension Scheme Regulations 2013. Failure to approve the annual report in accordance with the timeframe set out in the regulations would represent a potential risk to the reputation of the pension fund.

RECOMMENDATION

36. Members are asked to confirm the process for the completion and approval of the pension fund annual report and accounts for the year ended 31 March 2020.
37. Members are asked to agree to receive and comment, where appropriate, on the following documents forming part of the annual report between the committee meetings on 2 September and 28 October, with a view to ensuring the swift approval of the full report at the 28 October committee meeting:
- (a) Investment policy and performance report – for information.
 - (b) Actuarial statement – for information.
 - (c) Governance compliance statement, in sections – for comment.
 - (d) Knowledge and skills framework compliance statements – for comment.
 - (e) Risk management statement – for comment.

BACKGROUND PAPERS

38. Presentation of key performance indicators and summary financial information – Pension Fund Committee 17 July 2020.
<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/22-7-20/agenda.pdf>
39. Isle of Wight Council Pension Fund Investment strategy statement, January 2019.
<https://isleofwightpensionfund.org/media/4414/investment-strategy-statement-2019-v23-final.pdf>
40. Isle of Wight Council Pension Fund Funding strategy statement, March 2020.
<https://isleofwightpensionfund.org/media/5277/iw-pf-funding-strategy-statement-2020.pdf>
41. Isle of Wight Council Pension Fund Administration strategy, November 2018.
<https://www.isleofwightpensionfund.org/media/4314/pension-fund-lgps-administration-strategy-2018.pdf>

42. Isle of Wight Council Pension Fund Communications policy statement, February 2019.
<https://www.isleofwightpensionfund.org/media/4428/iwfppluscommunicationspluspolicyplus2019plusfinal.pdf>

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR ADRIAN AXFORD
*Chairman of the Isle of Wight
Pension Fund Committee*