



# Minutes

<b>Name of meeting</b>	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
<b>Date and time</b>	<b>FRIDAY 17 MAY 2019, COMMENCING AT 10.30AM</b>
<b>Venue</b>	<b>CONFERENCE ROOM 4, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
<b>Present</b>	Cllrs Adrian Axford (Chairman), Paul Brading, Vanessa Churchman, Andrew Garratt, Ian Stephens, Steve Milford (Scheme Member Representative), Christine Shaw (Employer Representative)
Board Members	Barbara Milton
Isle of Wight Council	Jo Cooke, Jo Thistlewood, Megan Tuckwell
Baillie Gifford	Chris Murphy, Helen Roxburgh
Hymans Robertson	Simon Jones, Emma Garratt
Apologies	Cllr Barry Abraham

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1. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on 5 April 2019 be confirmed.

2. [Declarations of Interest](#)

No new declarations were received at this stage.

3. [Draft Year-End Financial Results](#)

The Technical Finance Manager advised that the draft financial results had demonstrated another good year for investment returns. Investment management costs appeared to have increased significantly primarily due to a change in reporting requirements to separately identify transaction costs, which had previously been reported as part of the change in market value of investments. This was in compliance with the Local Government Pension Scheme Cost Transparency Code. A webinar on this subject was taking place on 6 June 2019 and it was agreed that an invitation would be circulated.

It was advised that the fund was paying out more in benefits than it was receiving in contributions which would need to be considered in the investment strategy, meaning that the amount of borrowing from the council had increased to support operational

cash flow. It was noted that membership numbers were similar to last year but the categorisation between active, deferred, and pensioner numbers was more accurate following the extensive data cleansing work.

Reporting on timeliness of employer submissions showed little improvement from the smaller employers during the year. The process for non-compliance was outlined and it was clarified that the administration team would begin to issue penalties if there was continued non-compliance.

Employer performance in respect of the timeliness of monthly data submissions and contribution payments would be reported to the Pension Board on a quarterly basis as part of the breaches log, and any issues with compliance would be reported to the committee and escalated to the Pensions Regulator where appropriate.

**RESOLVED:**

THAT the committee note the report and the draft financial results for the pension fund for the year ended 31 March 2019.

**4. Approval of Governance Compliance Statement**

The Technical Finance Manager advised that the Pension Board had worked on the statement and their comments would be incorporated into the next version. Key issues identified were knowledge and understanding, risk management, and communications.

The intention was to bring the draft statement to the committee on 14 June 2019 for members to comment before finalisation. The Pension Board would then look at the comments made by the committee, agree a final version, and recommend it for adoption at the committee on 19 July 2019 for inclusion in the annual report. An action plan from the compliance statement would be created to supplement the current action plan from the 2018 governance review.

**RESOLVED:**

THAT the process for the completion and approval of the governance compliance statement for 2018-19 be noted.

**5. Global Custodian Transition Plan**

The Technical Finance Manager provided an update on the transition of the fund's global custodian services. An initial call had been held to discuss the transferring of services from the BNP Paribas Securities Services (BNP) to Northern Trust, and an agreement has been reached that the BNP contract would now terminate on 31 July 2019. All relevant documentation had been completed and accepted and the contract had been signed by the Section 151 Officer. Authorisation had been given for Majedie to correspond with Northern Trust as the main portfolio where custodian services are required.

Questions were raised regarding the reasoning for the resignation of BNP as the global custodian and it was clarified that they had withdrawn from the market.

RESOLVED:

THAT the progress in the transition of the global custodian contract be noted.

**6. Investment and Funding Performance**

The committee received an update on indicative funding levels and investment performance to 31 March 2019. The Technical Finance Manager advised that the funding level was indicative based on previous valuation assumptions rolled forward for current market conditions. The full valuation work was in process and would be presented to committee in July 2019. Representatives of Hymans Robertson provided an update regarding the capital market outlook and a summary of the portfolio, fund managers, and performance.

The Investment Consultant advised that the fund should consider rebalancing its investment portfolio to eliminate the current overweight position in global equities, in comparison to its strategic asset allocation. It was proposed that the fund disinvest five per cent of the total investment assets from the Newton Global Equity portfolio and reallocate the funds between the Majedie UK Equity and Baillie Gifford Diversified Growth Fund portfolios, with consideration being given to retaining a lump sum of cash to reduce the debt to the council. This would ensure that the investment allocation was closer to the strategic asset allocation and could mitigate the amount the fund was borrowing in order to support operational cash flow as a result of paying out more in benefits than the fund was receiving in contributions.

RESOLVED:

- i. THAT the update on indicative funding levels, and investment performance to 31 March 2019 be noted.
- ii. THAT the committee agree to disinvest five per cent of the total scheme assets from Newtons Global Equity, and delegates to the Section 151 Officer (in consultation with the investment advisers) to determine the appropriate mix between UK equities and diversified growth fund, including consideration of retaining lump sum cash to reduce the debt to the Isle of Wight Council.

**7. Fund Manager Presentation**

The committee received an update from Baillie Gifford on the diversified growth portfolio. It was advised that performance remained ahead of target over the long term with returns delivered with low volatility. Recent performance had been lower driven by falls in emerging market assets. Top contributors to performance in the past 12 months included infrastructure, listed equities, and property. It was advised that the portfolio reflected the potential risks to the central outlook (including US/ China trade tariffs, and a no-deal Brexit) with allocations to both return-seeking asset classes and increased exposure to investments which offer protection to the portfolio.

RESOLVED:

THAT the update from Baillie Gifford be noted.

8. **Items Circulated for Member Attention**

The committee considered the items which had been circulated to members since the last meeting (5 April 2019) and welcomed the opportunity to raise any issues or questions.

The Technical Finance Manager reminded members to contribute to the Hymans Robertson Good Governance Survey circulated on 8 May 2019. It was noted that a webinar on this subject was being delivered by Hymans on 31 May 2019 and a room had been booked at County Hall if any members wished to attend. It was agreed that a meeting invitation would be circulated.

**RESOLVED:**

THAT the update be noted.

9. **ACCESS Update**

The Technical Finance Manager provided an update on recent ACCESS activities. A Director had not been appointed as notified by the chairman of the Joint Committee on 15 April 2019. A briefing report for Section 151 Officers was being prepared for the Joint Committee on 11 June 2019 with recommendations on how to proceed.

It was advised that the investment transition was progressing, and the fund now had approximately £245m invested in the pool. The governance documentation timetable had shifted, and the revised timetable would be reported to the Joint Committee at its meeting on 11 June 2019. It was noted that Monitoring Officers across the pool were working to finalise an Inter-Authority Agreement.

**RESOLVED:**

THAT the update regarding ACCESS activities be noted.

CHAIRMAN