



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and time	WEDNESDAY 22 JULY 2020, COMMENCING AT 10.30 AM
Venue	<u>VIRTUAL – MICROSOFT TEAMS LIVE EVENT</u>
Present	Cllrs Adrian Axford (Chairman), Barry Abraham, Debbie Andre, Paul Brading, Vanessa Churchman, Andrew Garratt Steve Milford (Employee Representative)
Also Present	Cllr Reg Barry, Barbara Milton (Board Members), Emma Garrett (Hymans Robertson), Matt Collier, Jo Cooke, Jo Thistlewood, Megan Tuckwell
Apologies	Cllr Graham Perks

1. Minutes

RESOLVED:

THAT the Minutes of the meeting held on 13 March 2020 be confirmed, subject to an amendment reflecting Cllr Paul Brading's apologies for that meeting.

2. Declarations of Interest

No new declarations were received at this stage.

3. Membership Changes

The Democratic Services Officer provided an update on the politically proportionate re-allocation of committee seats following the meeting of Full Council on 15 July 2020. Members were asked to note the key changes in Committee membership; Cllr Andre joined the committee filling a vacancy previously held by the Island Independent Group, Cllr Perks joined the committee filling a newly allocated seat as an Ungrouped Member, the Conservative Group had lost one seat and confirmation on who would permanently step down from the committee was pending.

The Technical Finance Manager advised on the process for the recruitment of a new employer representative, following Christine Shaw's resignation from the committee. A role profile had been created and had been shared with the chairman and Section 151 Officer, with a proposal that it would be sent to all employers within the fund seeking expressions of interest. As a majority of the employers were schools/academies (and would be closed over the summer period) the expression of interest form would be circulated in early September. On this basis, it was anticipated that a new employer representative would be appointed commencing from the meeting of the committee on 28 October 2020.

RESOLVED:

THAT the updates regarding committee membership be noted.

4. Update Since the Last Meeting

The Technical Finance Manager presented the report which provided an update on pension fund activity in all areas of funding, investment, governance and administration, since the last meeting of the committee on 13 March 2020. It was confirmed that no governance and administration statutory deadlines had been missed, and members were advised that business-as-usual had been maintained although some resources had been diverted to the Covid-19 response.

The key priorities in terms of administration had been the payment of member benefits, dealing with members who were recently retired, or those who had lost a loved one during this period. It was reported that the fund had not experienced a significant increase in deaths, retirements, or transfers out; and no employers had requested a deferral of contributions as a result of the pandemic.

In terms of employer compliance, the only delay (regarding receipt of contributions or membership data) had arisen from those who send information by post, as the Administration Team had not been based in Council offices. Members were reassured that those employers had been asked to use electronic means, as paper contributions or cheque payments would no longer be accepted.

Members were thanked for their participation in the national knowledge assessment, and it was advised that the results of this would be presented to the Committee in September or October 2020.

RESOLVED:

THAT the update since the last meeting be noted.

5. Annual Report and Accounts

The Technical Finance Manager presented the summary financial results of the fund for the year ended 31 March 2020, the balance sheet at that date, and information on employers, membership numbers, and contributions. Attention was drawn to the key change from last year's results; particularly regarding investment market values due to the fluctuation following Covid-19 valuations.

Members were advised on the progress with the external audit for the year ended 31 March 2020 and the proposed timetable for the approval of the accounts. Due to the pandemic, the statutory deadline for the approval of the council's accounts (including those of the pension fund) had been delayed to 30 November 2020. This would therefore be considered at the meetings of the Pension Fund Committee and Audit Committee due to be held in September. Members were reassured that external audit work was substantially complete.

RESOLVED:

THAT the update on the annual report and accounts be noted.

6. Workplan

The Technical Finance Manager drew members attention to the proposed work programme for Pension Fund over the next quarter, including the completion of the annual report and accounts. It was noted that the consultation from the Government on the remedy for the McCloud case (in terms of age discrimination in respect of transition arrangements) was published on 16 July 2020 and a response was required before October 2020. It was anticipated that the key issue arising from this would be in terms of administration resource rather than financial implications.

RESOLVED:

THAT the workplan be noted.

7. Investment and Funding Position Overview

The Technical Finance Manager presented a summary of the change in market value from December 2019 to March 2020, and the unaudited value as at 30 June 2020. It was advised that there had been a significant drop as a result of the pandemic however most areas where market values slumped had now been recovered. Members were reminded that the Fund is a long-term investor and therefore the crisis would not have a significant impact on future performance of the fund. It was noted that the valuation activity in March 2020 included worst-case scenario analysis, which demonstrated that the investment and funding strategies remain fit for purpose.

The Investment Consultant from Hymans Robertson provided a summary of the overall market performance. It was advised there had been a lot of volatility in the funding position during this period, the total fund value had fallen by around 13% over Quarter 1 but had since bounced back by around 12%. Questions were raised regarding a comparison with other funds in terms of performance, the long-term effects of Covid-19 and short-term government stimulus, and the discrepancies and the performance of Majedie's UK Equity portfolio.

Members were advised that markets rallied over Quarter 2, likely due to the unprecedented government support in developed markets to recover economic growth. Global equities and diversified growth had fallen and bounced back, however UK equities and commercial property continue to fall. Bond market yields continued to increase, possibly due to the extensive government stimulus which further increased the value and impacted the funds liabilities.

Due to the relative strong recovery performance in equities in comparison with other asset classes, the fund's actual allocation to global equities at 30 June 2020 exceeded the strategic asset allocation by more than the allowed tolerances, being 36.6% of the fund's total assets, compared to the strategic allocation of 32.5%. It was therefore recommended that the fund reduce its overweight position with global equities by 2% and reinvest that money into the underweight bond portfolio, in order to reduce risk, capture gains, and bring the fund back in line with the agreed strategic asset allocation.

RESOLVED:

THAT the fund reduce its overweight position with global equities by 2% and reinvest that money into the underweight bond portfolio.

8. Exclusion of the Public and Press

RESOLVED:

THAT the public and press be excluded.

9. Investment Strategy – Asset Allocation (Confidential)

Members received a report and presentation from Hymans Robertson which set out stage 2 of the review of the Isle of Wight Pension Fund's investment strategy, following the initial presentation at the Pension Fund Committee meeting on 14 February 2020. Based on the key findings and the conclusions set out, members were asked to receive the paper and presentation, and to agree the recommendations for the next stages of the review.

RESOLVED:

THAT the Committee agreed to;

- i) Confirm the detail of the previously agreed high level changes to the strategic investment allocation.
- ii) A rebalancing of UK and Global Equity allocations.
- iii) Reaffirmation of the fund's investment beliefs.
- iv) Commit to undertake development sessions on:
 - the new infrastructure and private debt allocations, to be delivered by subject matter experts.
 - how the fund can improve its understanding of responsible investment (RI) and environmental, social and governance (ESG) risks, and improve the committees monitoring and reporting of the same.
 - how passive management strategies complement active management and can support ESG considerations.

10. ACCESS Update (Confidential)

The Technical Finance Manager provided feedback following the ACCESS Joint Committee meeting held on 17 July 2020 and confirmed that the minutes of that meeting would be circulated once available. It was advised that topics of discussion included environmental social governance and responsible investment, and the afternoon session looked at communications. Members were reassured that engagement with ACCESS was ongoing.

RESOLVED:

THAT the update be noted.

CHAIRMAN