



Minutes

Name of meeting	PENSION BOARD
Date and time	FRIDAY, 11 DECEMBER 2015 COMMENCING AT 10.00 AM
Venue	CONFERENCE ROOM 5, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Scheme Member Representatives	Paul Wilkinson (Chairman), Barbara Milton
Employer Representatives	Cllr Roger Whitby-Smith
Officers	Jo Thistlewood, Technical Finance Officer Jennifer Beresford, Democratic Services Officer
Apologies	Anne Wildeman

5. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [14 August 2015](#) be confirmed.

6. **Declarations of Interest**

There were no declarations of interest received at this stage.

7. [Minutes of the 20 November 2015 Isle of Wight Pension Fund Committee \(IWPEC\)](#)

The board considered the minutes of the IWPEC meeting held on 20 November 2015.

Discussion took place regarding the committee's disquiet in relation to the performance of the Schroders UK Bond portfolio. Despite outperforming to the bench mark, the portfolio had lost value during the period. Members noted the levels of liability matched funding were small and a different approach could be taken. The committee would be considering the allocation, liability linked investments and inflation linked investments.

Members were reassured that the new Pensions and Payroll Lead Officer had significant experience of private sector pensions and knowledge of fire pensions. In addition, there would be access to support through the Heywood's (software suppliers) Administrators Network, and Hymans

Robertson provided a consultancy service. Clarification was provided that the board's role was to monitor the situation to ensure standards were maintained and that the correct actions had been taken if any issues arose.

The board shared the committee's concerns over Newton's performance. The fund was now performing to the benchmark. However, the asset allocation would be reviewed as part of the future investment strategy.

Particular consideration was given to:

(a) Pooling of Investment

The board reviewed the IWPFC's comments regarding the central governments use of the pooling fund to advance infrastructure investment and the need for the fund to be proactive in its approach to the changes.

The committee's decision that the Chairman and the Technical Finance Manager would consult with the Section 151 Officer on the way forward, and that the committee would be updated through a number of informal briefings and meetings to ensure timescales were met, were also considered.

Members were advised it was expected the existing 89 Local Government and Public Service funds would be pooled into 6 "British Wealth Funds". The minimum size was believed to be £25bn. The number of fund managers would be reduced, the volume of investment with each increased, and therefore proportionally lower fees incurred. The potential for investment in infrastructure would be increased.

Initial proposals from funds were expected by February 2016. Members noted that the council was responding proactively, in an effort to retain as much choice as possible, and had signed a statement of intent with "A collaboration of Central, Eastern and Southern Shires" (ACCESS) group.

Concern was expressed that good performance the fund had seen from managers like Majedie could be lost as a result of the pooling.

RESOLVED :

THAT the update be noted.

(b) Future Investment Strategy

Members considered the decision by the IWPFC to approve an exercise, costing approximately £3,000, by Mercers, that would review the aims of the fund and how they could be achieved. The investment strategy had been revised in small ways over the past five years, in line with changes to the economy, but a full review of strategic asset allocation was required.

Since the results of the formal valuation in 2016 would impact on the strategy, a statement or a “flight path” was needed, which looked at the fund’s goals and how they could be achieved. The mixture of assets required to meet the fund’s liabilities, as it was underfunded, would be assessed. If funding levels increased the strategy could be de-risked accordingly, therefore an alternative strategy would be created to allow a flexible approach.

Clarification was provided that the Mercers review would provide hypothetical proposals to Hymans and explore the impact those would have on the revaluation. Members were advised undertaking the review jointly with the actuary could positively impact the discount rate applied by the actuary during the review as it would ensure a linear approach.

The board was invited to the training session on the revaluation on the 19 February, 2016 presented by the actuary.

RESOLVED :

THAT the board note the decision that Mercer be engaged to undertake an initial exercise, costing approximately £3,000, to review the aims of the fund and how they could be achieved.

(c) Cessation Planning - Housing Groups

The board reviewed the IWPFC’s decision to agree an alternative approach to cessation planning of the housing groups. The approach allowed that the fund would, if the ceasing admission body continued in business, accept an appropriate alternative security to be held against the deficit. It would be treated as if the group remained in the fund as a floating liability. The cessation valuation would then be calculated on an ongoing basis.

The alternative treatment of the cessation would minimise the risk to the housing groups, the council as the administering authority and to the fund’s other employers. The planning was proactive and neither employer had plans which would cause the last active members to cease employment.

Clarification was provided that a formal report would be made to the IWPFC prior to the agreement being signed, following its resolution, finalisation of the funding agreement would be delegated to the Technical Finance Manager and Section 151 Officer.

Members questioned if the debt could be crystallised at a later date and were advised it could should payments be missed or the housing associations financial rating change. Similarly, there would be flexibility for the debt to be settled early.

RESOLVED :

THAT the Isle of Wight Pension Fund Committee's decision to the approach proposed in respect of cessation planning for the housing groups be noted.

7. **Statement of Investment Principles**

The Statement of Investment Principle was introduced as a statutory requirement which outlined the funds objectives and the principles through which they would be achieved. The funds compliance to the Myner principles was also detailed.

The board noted that the risk register had not been updated. However, risk was factored into all the IWPFC's decisions and would be reviewed by the committee as part of the 2015/16 work programme.

The asset classes of Hedge funds, currency, derivatives and infrastructure were noted as omitted from the statement since none were held.

Ethical investments were considered. Members were advised that the statement delegated social and ethical policies to its fund managers to operate within their own policies which were reviewed periodically. The IWPFC work plan included the review of a social and ethical investment policy. Members noted that while the policy must be balanced in terms of how much it negatively impacted returns.

A list of the strategies, policies and documents recommended as support for the statement was circulated at the meeting. The board agreed to review the list. Omissions would be examined to see if they were required. Policies and documents would be reviewed to ensure they were up to date, compliant and fit for purpose. It was also suggested that the board would inform the committee's annual governance statement.

Discussion took place regarding the proposed audit review of pension governance. A proposal was made to consider the auditor's reports at the relevant future meeting and invite the auditor and relevant officers to attend if appropriate.

RESOLVED :

- (i) THAT the Statement of Investment Principles be noted
- (ii) THAT the Isle of Wight Pension Fund Committee's strategies, policies and documentation be reviewed as part of the board's work plan.
- (iii) THAT the report of the internal auditor relating to the Isle of Wight Pension Fund Committee be brought to a future meeting.