



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE		
Date and time	FRIDAY, 20 NOVEMBER 2015 COMMENCING AT 10.30AM		
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT		
Present	Cllrs Ivor Warlow (Chairman), Stuart Hutchinson, Gordon Kendall	Reg Barry,	David Eccles,
Representatives	Steve Milford, Unison Representative		
Employer Representatives	Christine Shaw, Island Roads		
Independent Advisor	David Morton - Mercers		
Officers	Jennifer Beresford, Jo Thistlewood		

9. Minutes

RESOLVED :

THAT the Minutes of the meeting held on 24 July 2015 be confirmed.

10. Declarations of Interest

Councillors Reg Barry, Gordon Kendall and Ivor Warlow declared an interest as they were contributing members of the Isle of Wight Pension Fund or in receipt of a pension from the fund.

11. Fund Manager Presentation - Schroder Investment Management

An update on the performance of the two portfolios held by Schroders Investment Management was provided. The UK Bond and Property portfolios were valued at £95.345 million and £28.429 million respectively at the end of September 2015.

The committee was advised that while the themes expected to impact the market in the period had been correct, implementation across the portfolio had been more mixed. Good positioning against European growth had gone some way to offsetting losses from defensive positioning in the US and contributed to the portfolio outperforming the bench mark by 0.4%. However, members

noted that despite the outperformance to the bench mark, the portfolio had lost value during the period.

The property portfolio had outperformed the benchmark by 0.9%. The strong bias within the portfolio, to the South East, office and industrial space was considered to have contributed to the continuing strong performance, as was low vacancy rates.

Discussion took place regarding themes expected to impact the market moving forward which were Central bank Dominance and Market Manipulation, Oil over Metals, Atypical business cycle, China rebalancing and the de-synchronised world.

The property portfolio's good performance was considered sustainable. Increasing the investment in the property portfolio was suggested and members were advised it would be considered when the investment strategy was reviewed.

12. Local Authority Pension Fund Forum

The committee had received a presentation from the Local Authority Pension Fund Forum (LAPFF), a voluntary association of Local Government and Public Sector funds, at its meeting on 29 May 2015.

The presentation had outlined the organisation's membership, structure, key principles, the benefits of membership and several examples of successful engagement and shareholder resolution.

Members were asked to consider joining the association. Membership was not recommended due to cost implication and because the fund was already well supported through its membership to the Pensions and Lifetime Savings Association (PLSA) by its fund managers, actuary and investment consultants.

A proposal was made not to join the LAPFF and a named vote was taken, the result of which was as follows:

For (5)

Cllrs Reg Barry, David Eccles, Stuart Hutchinson, Gordon Kendall,
Ivor Warlow

RESOLVED:

THAT the fund decline to join the Local Authority Pension Fund Forum

13. Reports of the Technical Finance Officer

(a) Replacement of HR Support Manager

The committee had been advised at its meeting of the 29 July 2015 that the HR Support Manager would be retiring in January 2016. Concern

had been raised that a significant amount of pension's administration experience and local government pension expertise would be lost.

Members were advised that while there would be no direct replacement, a Pensions and Payroll Lead Officer had been engaged. The appointee had significant experience of private sector pensions and knowledge of fire pensions. Reassurance was provided that there was access to support through the Heywood's (software suppliers) Administrators Network and Hymans Robertson provided a consultancy service.

The committee paid tribute to Mr. Fahy for his support and advice. Since Mr. Fahy had been unable to attend the meeting the Chairman agreed to write to him on behalf of the committee, extending their gratitude and best wishes.

RESOLVED:

THAT the update be noted.

(b) Future Investment Strategy

Members were advised that a review of strategic asset allocation was required. However, the results of the formal valuation in 2016 would impact on the strategy. An initial analysis, in advance of the valuation, could be undertaken at the cost of approximately £3,000. A larger project later in the timetable for the valuation results would cost around £17,500.

The committee was advised that the review would look to assess the mixture of assets required to meet the fund's liabilities as it was underfunded. If the fund had a "flight path", which looked at the fund's ultimate goals and how they could be achieved, there could be flexibility in the strategy between formal reviews and revaluations. For example, if funding levels increased the strategy could be de-risked accordingly. If the review was undertaken jointly with the actuary it could positively impact the discount rate applied by the actuary during the review.

Clarification was provided that the central government requirement for the pooling of local government pension funds affected the choice of fund managers used but decisions relating to asset allocation would continue to be made at a local level.

A proposal was made to that an initial review be undertaken and a named vote was taken, the result of which was as follows:

For (5)

Cllrs Reg Barry, David Eccles, Stuart Hutchinson, Gordon Kendall, Ivor Warlow

RESOLVED:

THAT an initial exercise, costing approximately £3,000, be undertaken by Mercers to review the aims of the fund and how they could be achieved.

(c) Pooling of Investment

The Technical Finance Manager provided members with the history relating to the pooling of investments by Local Government Pension Scheme administering authorities. The objective had been set by central government in the Summer 2015 budget speech.

The intention was that the existing 89 Local Government and Public Service funds would be pooled into 6 “British Wealth Funds” of a minimum size of £25bn. The aim was “to significantly reduce costs, while maintaining overall investment performance” but also increased the potential for investment in infrastructure.

The announcements regarding the next steps were expected to coincide with the Autumn Statement on 25 November 2015 and to include:

- Criteria for pooling investments
- Governance arrangements
- Consultation on revised/replacement investment regulations
- Backstop legislation for funds that fail to comply.

It was anticipated that initial proposals from funds would be expected by February 2016 with detailed proposals by late summer 2016, and that pooled funds would be operational within the incumbent parliament’s lifetime.

The council had met with “A collaboration of Central, Eastern and Southern Shires” (ACCESS) group and signed a statement of intent to work together to meet the government’s agenda. There were 14 funds representing total assets of approximately £30bn, of which the Isle of Wight represented £0.5bn.

Members noted that due to the required size of the pooled funds, the Hampshire and the Isle of Wight Devolution bid was not big enough on its own.

The committee agreed that while they felt that central government was manipulating pension funds to finance infrastructure they needed to be proactive in their approach to the changes. The Chairman and the Technical Finance Manager would consult with the Section 151 Officer on the way forward. The committee would be updated through a number of informal briefings and meetings to ensure timescales were met.

Clarification was provided that the Pensions Regulator would look at funds compliance with the changes rather than assessing the objectives themselves.

RESOLVED

THAT the progress be noted and future actions be agreed.

(d) Firefighters Pension Schemes - Governance Arrangements

Full Council agreed at its meeting in October 2015, to delegate responsibility for decisions pertaining to the Firefighters Pension Scheme to the Pension Committee.

Contributions and benefits were set nationally but a number of local discretionary decisions would need to be made. An overview of the Firefighters Pension Scheme, the five separate schemes firefighters could belong to and the different accrual rates, retirement ages and benefits were provided and a further, more detailed briefing session was planned. Members also noted that there were legal challenges and industrial action in respect of the firefighter's pension schemes.

Clarification was provided that the Isle of Wight remained a fire authority in its own right and that the shared call centres and chief officer with Hampshire did not negate responsibility for the management and administration of the firefighters pension schemes.

The Fire Pension Board would look at administration and governance and may have further work for the committee. The employer members had been appointed to the board but expressions of interest were still being sought from all active, deferred and retired members.

A report was proposed as a vehicle for fulfilling the delegated responsibility at future meetings. Membership numbers, briefings on discretionary decisions required and updates on legal issues would be included. Officers would look into inviting a representative from the fire brigade union to take part in the discussions regarding decisions.

A named vote was taken, the result of which was as follows:

For (5)

Cllrs Reg Barry, David Eccles, Stuart Hutchinson, Gordon Kendall, Ivor Warlow

RESOLVED:

THAT the committee note the update and agree the recommended format for receiving information, updates and making decisions.

(e) Cessation Planning – Housing Groups

The committee considered the future planning for the retirement of the last active member of each of the housing group employers, Spectrum Housing Group and Southern Housing Group.

Reassurance was provided that neither employer had plans which would cause the last active members to cease employment but were proactively seeking to clarify the impact of the funding deficit on their accounts. A liability would be treated as a debt and would have a detrimental impact on assets and resources on the Island.

An alternative was proposed whereby, if the ceasing admission body continued in business, the fund would accept an appropriate alternative security to be held against the deficit and would be treated as if they remained in the fund as a floating liability. The cessation valuation would be calculated on an ongoing basis. Additional conditions could be imposed for protection of the fund and the council.

Members noted that the alternative treatment of the cessation would minimise the risk to the housing groups, the council as the administering authority and to the funds employers.

A named vote was taken, the result of which was as follows:

For (5)

Cllrs Reg Barry, David Eccles, Stuart Hutchinson, Gordon Kendall, Ivor Warlow

RESOLVED:

- (i) THAT the approach proposed in respect of cessation planning for the housing groups be agreed
- (ii) THAT the finalisation of the funding agreement be delegated to the Technical Finance Manager and Section 151 Officer.
- (iii) THAT a formal report to be made to the next committee meeting prior to the agreement being signed.

14. **Briefings received by Members of the Isle of Wight Pension Fund Committee**

Since the last meeting the following briefing notes have been circulated to committee members:

(a) External Auditor Results report

Members acknowledged the unqualified opinion.

(b) The Investment Performance Overview

The funds value as at the end of October 2015 was noted as £473m. There had been losses of £27m since the previous financial year end of March 2015. However, the funds value had increased some £18m since the end of September 2015 so was recovering. Majedie continued to outperform the benchmark and Newton's, over whom the committee had some concerns, was now performing to the benchmark.

It was agreed that no further scrutiny of these subjects would be undertaken by the committee at this time.

RESOLVED

THAT the briefings be noted.

CHAIRMAN