



# Minutes

Name of meeting	<b>ISLE OF WIGHT COUNCIL PENSION FUND COMMITTEE</b>
Date and time	<b>FRIDAY 6<sup>th</sup> FEBRUARY 2014 at 10.00 am</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Present	Councillors: Bob Blezzard (Chairman), Ivor Warlow, Reg Barry, Stuart Hutchinson, Daryll Pitcher, David Eccles  Representatives: Christine Shaw, Admitted Bodies Representative Steve Milford, Unison Representative  Independent Advisor : Jo Holden – Mercers  Officers: Jo Thistlewood Technical Finance Officer Graham Fahy, HR Support Manager  <b>Apologies:</b> Cllr Gordon Kendall

30. **Minutes - Paper A**  
Members reviewed the minutes of the previous meeting held on [28<sup>th</sup> November 2014](#).  
It was highlighted that there were three typographical errors which were duly noted in paragraphs 22 and 25.  
  
RESOLVED:  
    **THAT** subject to the correction of the above errors, the minutes be agreed as a correct record.
31. **Declarations of Interests**  
Cllrs Bob Blezzard, Ivor Warlow and Reg Barry declared an interest as active members of the Isle of Wight Pension Fund and/or in receipt of an Isle of Wight Council Pension.
32. **Public Question Time**  
No members of the public were present.  
  
**Governance**
33. **Pension Board – update**  
The Technical Finance Officer reported that at the Full Council meeting held on the 21<sup>st</sup> January, the terms of reference for the Pension Board were presented and agreed, with an amendment to allow elected members to be considered as the Council’s employer representative.

Subsequently the final regulations were laid before Parliament on Wednesday 28<sup>th</sup> January. The main changes were that the requirement for board members to have “relevant experience” has been removed, with the expectation that knowledge and skills would be kept up to date.

There has also been clarification in the regulation that elected members with responsibility for the management of the fund i.e. those on the pension fund committee, are unable to be representatives on the Pension Board.

The biggest change which needs to be considered is that voting rights are now restricted to the employer and member representatives, so any independent member appointed to the board will have no voting rights. Discussions followed as to whether the requirement for an independent member should be removed from the terms of reference, as the only contribution would be knowledge and sharing information.

The next steps will be to update terms of reference and populate the Pension Board.

The Technical Finance Officer also advised the Committee that the Fire Service Pension also required a Pension Board.

**RESOLVED:**

THAT: a recommendation be made to Full Council that the terms of reference be amended to remove the independent representative from the Pension Board.

**Contracts**

34. **Global Custodian Services – update**

The Technical Finance Officer advised that the Global Custodian agreement with the BNP Paribas Securities Services was sealed according to Council regulations on the 30<sup>th</sup> January 2015. The transition from JP Morgan and BNP Paribas had progressed smoothly.

RESOLVED:

THAT: the oral report to be noted.

**Training**

35. **Governance Summit 27<sup>th</sup> January 2015:**

The Technical Finance Officer attended the CIPFA LGPS Governance Summit on 27<sup>th</sup> January 2015, where updates were received from:

- Bob Holloway, Department for Communities and Local Government, on the regulations and how the local pension fund boards are going to operate
- Nicola Mark - Norfolk Pension Fund, on the role of section 151 officer in the pension funds management.
- The Pensions Regulator gave an overview of their code of practice which has been adopted.

### **LAPF Strategic Investment Forum**

The Chair Cllr Blezzard had attended the above event on 5<sup>th</sup> February 2015 which had been useful in setting out a range of relevant issues for Local Government Pension Schemes.

### **Training schedule for next two meetings:**

- Custodians in May (BNP Paribas Securities Services)
- Inflation Protection in July (Schroders)

36. Committee members' attendance was planned at the following external events:

### **External Events:**

- Shadow Scheme Advisory Board – 24<sup>th</sup> April 2015 Cllrs Blezzard and Barry attending
- Schroders, Trustee Training – Two Parts 27<sup>th</sup> February and 20<sup>th</sup> March Cllr Barry attending, Cllr Blezzard to attend later in the year
- SPS Conferences Investment Strategies and Current Issues – 19<sup>th</sup> March, Cllrs Barry and Kendall attending

The Technical Finance Officer introduced members to the Pensions Regulator Public Service Schemes web page which has a link to learning materials which are free to use and should provide additional background knowledge in respect of the scheme, committee's role and the requirements of the Regulator.

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

### **RESOLVED:**

THAT: the Committee note the reports.

THAT: Ethical and Social Governance issues be added to a future agenda.

### **Investments**

37. **Overview of fund investment performance for the quarter**

The Technical Finance Officer and Jo Holden, Mercers provided an overview for the quarter to 31<sup>st</sup> December 2014 and updated the Committee on performance by Newton Investments over the last 3 – 5 years.

### **RESOLVED:**

THAT: the report be noted.

38.

**Fund Managers**

**Performance Review 11.00 - 12.00**

**Newton performance review to end of December 2014**

**Attendees: Jeff Munroe and James Mitchell**

Investment performance versus benchmark to end December 2014: 12 months to end December 2014 Fund +10.9% versus benchmark +10.6%; 3yrs Fund +16.5%pa versus benchmark +14.0%pa.

Newton opened by explaining to the Committee that since alterations were made to Newton's global equity strategy in 2012 the Global Equity Fund's (Fund) performance has improved and is delivering a strong relative return of +2.5% per annum over the latest three year period. This outperformance comes in a period of strong absolute returns from equity markets.

In 2014 US equities were the strongest performing market returning close 20% with other world equity markets delivering returns between zero and five percent. The Fund was underweight US equities relative to the benchmark and this was a detractor from performance over the year. The Fund has around 50% of its assets in US equities and Newton is comfortable with this level of overall exposure. In broad terms the Fund's investments which were exposed to the consumer performed well. Also having only a small exposure to oil related companies was helpful given the dramatic fall in the price of oil in the past 6 months.

Newton believes there is a number big investment Themes at work in global economies. The experimental ultra-low interest rate environment is helping to support asset prices but is distorting prices. These price distortions are evidenced by the recent volatility in the oil price, the Swiss Franc and industrial metals. In this environment it is important to be very focused on stock selection.

The Fund's focus continues to be on identifying stable growth companies with predictable earning, good cash generation and strong balance sheets. However, Newton are also looking for opportunities in more economically sensitive areas but will only pursue any such investments if the prices are particularly attractive and the longer term fundamentals are very sound. The Fund has rightly been underweight in emerging markets but these markets may become more interesting later in the year presenting a tremendous opportunity to re-orientate the Fund.

40.

**Members' Question Time**

No questions.

Meeting closed at 11.32 pm

CHAIRMAN .....