



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and time	FRIDAY, 29 MAY 2015 COMMENCING AT 10.30 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Ivor Warlow (Chairman), Bob Blezzard, David Eccles, Stuart Hutchinson, Gordon Kendall, Daryll Pitcher
Member Representatives	Steve Milford, Unison Representative
Employer Representatives	Christine Shaw, Island Roads
Independent Advisor	Jo Holden, Mercers
Officers	Dave Burbage, Managing Director Jo Thistlewood, Technical Finance Officer Jennifer Beresford, Democratic Services Officer

1. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [6 February 2015](#) be confirmed.

2. [Declarations of Interest](#)

Councillors Bob Blezzard, Gordon Kendall and Ivor Warlow declared an interest as they were members of the Isle of Wight Pension Fund and/or were in receipt of an Isle of Wight Council Pension.

3. **Reports of the Technical Finance Officer**

(a) [Draft Year End Results 2014-15](#)

The committee was provided with the draft financial results for the Isle of Wight Council Pension Fund for the year ended 31 March 2015. The key issues highlighted were:

- The pension fund's increased net assets;
- The performance of the fund managers for the financial year ending 31 March 2015;
- Change in membership numbers for the year; and
- Indicative interim funding level as of 31 March 2015.

Clarification was provided that "pension strain cost" was the charge to an employer, if an employee was in receipt of a pension longer than the usual period due to early retirement.

Members questioned Majedie's return when compared to their fees. Members noted Majedie's fees were based on performance for the period to 30 June each year. Since they had outperformed the benchmark by 5.5% per annum for the three years to 30 June 2014 but had only outperformed the benchmark by 0.5% in the last financial year, the fees payable in respect of next year would be reduced accordingly.

Discussion took place regarding how the risks in relation to the funds current 81.6% funding level could be mitigated. Members were reassured that whilst funding of 100% was ideal, the 81.6% funding level reflected a long term investment strategy and there was no cause for concern while the number of active members remained high.

RESOLVED:

THAT the report be noted.

(b) [Changes to Employers in the Fund](#)

The committee received an oral update accompanied by a tabled paper (attached to and forming part of these minutes) detailing membership and contributions.

Members were advised timeliness of payments from employers was good. Where there had been late payments there was a valid reason; Newport and Northwood Parish Councils had changed payroll provider. There had been no on-going issues with late payment of contributions.

The following changes to the employers in the fund were noted:

- There were 5 new employers during the year ended 31 March 2015:
 - Cowes Enterprise College;
 - Gurnard Town Council;
 - Island Free School;
 - Lanesend Academy
 - Island Studio School

- The Isle of Wight Society for the Blind and Chale Parish Council no longer had active members.
- Subsequent to the year end the following changes were noted:
 - Planet Ice staff had transferred to a new Community Interest Company;
 - Barnardos had been awarded the Early Help contract (replacing Spurgeons and the Childrens Society).
 - The last active member from Riverside had ceased.

Talks were ongoing with Spectrum and Southern Housing Groups regarding accounting for their withdrawal from the scheme should their last member retire. The committee would need to make a formal decision, should a spread payment rather than a final contribution payment, which was being investigated, be proposed.

Concerns were raised regarding an increase in liability and decrease in funds resulting from the loss of active members and increased number of pensioners. Members were reassured the actuaries' contribution calculation took such changes into account. Inflation, which increased liability, was considered one of the biggest risks to the fund. It was agreed the composition of the fund's investment portfolio would be reviewed with a view to increased inflation protection, possibly by putting growth assets into index linked investments.

RESOLVED:

THAT the report be noted.

(c) [Approval of Governance Compliance Statement](#)

The Technical Finance Officer presented an updated Governance Compliance Statement and a summary of the amendments which had been made to the previous version (detailed on page C2 of the report attached to and forming part of these minutes). The fund was considered compliant with the nine principles of best practice.

Discussion took place regarding the creation of a Local Pension Board. Members were reassured while all individual representatives had not been agreed, progress had been made. The knowledge and skill requirements of prospective members had been confirmed. Unison had identified active and retired member representatives and nominations would be requested for an Employer and Isle of Wight Council Representative. A recommendation would be made to full council on 8 July 2015 regarding who would sit on the board.

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

For (6)

Councillors Bob Blezzard, David Eccles, Stuart Hutchinson,
Gordon Kendall, Daryll Pitcher, Ivor Warlow

RESOLVED:

THAT the Annual Governance Compliance Statement be approved.

(d) [Investment Performance Review – Changes to Strategic Asset Allocation](#)

An overview of the Fund Managers performance through 31 March 2015 was presented. Members were referred to page B12 of the Draft Year End Results 2014/15 (attached to and forming part of these minutes). All fund managers were noted as having returned positively, with only Schroder's failing to exceed the benchmark in both their portfolios. The relative performances of Newton and Majedie were highlighted and Schroders was noted as underperforming.

Members were advised Newton remained an area for concern. They had outperformed against the benchmark, but as a result of the global equity market, rather than active management of the portfolio. Their management stance was defensive.

Majedie were not considered an area of concern as they had predicted the downturn in performance and had performed well long term. They would be attending the latter part of the meeting to explain their strategy.

The independent adviser highlighted the committee needed, from a governance point of view, to understand what Newton was doing which was not being communicated. The fees they charged were very high when it did not appear they were actively seeking growth. Members were asked to consider if a higher return on the same level of investment would be possible using an alternative provider.

In light of Newton and Schroders performances, discussion took place regarding asset allocation. Members agreed a review of the asset allocation would be undertaken by the Technical Finance Officer and Independent Advisor and presented to the committee at the annual meeting on 24 July 2015.

The 12 months leading up to the actuarial review were considered an ideal time to review and amend the strategic asset allocation. If the actuary was not informed of changes to the strategy, the assessment they made could not reflect them and contributions would be affected. Hymans would be asked to provide training regarding the strategies leading to the valuation at the 19 February 2016 meeting.

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

For (6)

Councillors Bob Blezzard, David Eccles, Stuart Hutchinson,
Gordon Kendall, Daryll Pitcher, Ivor Warlow

RESOLVED:

- (i) THAT the Investment Performance Review be noted.
- (ii) THAT training from Hymans on the strategies that led to valuation be received at the 19 February 2016 meeting.
- (iii) THAT the asset allocation be reviewed and a report presented to the committee at the 24 July 2015 meeting.

4. **Presentation - Local Authority Pension Fund Forum**

The committee received a presentation from Ian Greenwood and Keith Bray of the Local Authority Pension Fund Forum. The forum was described as a voluntary association of Local Government and Public Sector funds which sought to protect and enhance the value of its members' shareholdings through:

- The provision of shareholder engagement/activism via collaboration to improve share prices;
- Acting on Corporate Governance issues;
- Promoting high standards of corporate social responsibility in companies members had invested in; and
- Facilitating the commissioning of research and policy analysis.

The presentation outlined the organisations membership, structure, key principles, the benefits of membership and several examples of successful engagement and shareholder resolution.

RESOLVED:

THAT the presentation be noted.

5. **Fund Manager Presentation - Majedie Investment Management**

Simon Hazlitt and Mark Hepburn from Majedie Investment Management updated members on the UK Equity portfolio in which the council had an approximate £112m holding.

The committee was advised Majedie's approach was different to many fund managers; they ran fewer assets but managed them more dynamically. The conditions at Majedie, which had produced good returns historically, were still in place.

It was acknowledged that whilst they had outperformed the benchmark, it was by a very small percentage, significantly less than in past years. The dip in performance had been predicted as the fund was actively managed against a long term strategy.

The allocations of the portfolio were provided and the broader global economic factors impacting on the portfolio's performance were discussed. Some of the specific stock choices which had impacted on the portfolio's performance were also reviewed. Specifically noted was that the negative headlines surrounding banking had lowered prices, but banks had returned to "boring banking". Since valuations had not reflected the reduced risk, banks were considered a good investment.

Discussion took place surrounding the impact of uncertainty in the lead up to the EU referendum following the negative effect of the Scottish Referendum on the markets. Whilst the pending referendum was considered unlikely to affect the FTSE100 Index as it included a significant number (75%) of non-UK companies, the situation would be watched closely.

Members sought reassurance that risks were mitigated as much as possible and were advised Majedie had no preferred stock choices since investments were made based on what was best fit for the risk profile. As a result, long term, significant gains could be made if predictions were correct, but losses would be minimal if predictions were wrong.

RESOLVED:

THAT the report be noted.

CHAIRMAN