PAPER A

Minutes

Name of meeting	**ISLE OF WIGHT PENSION FUND COMMITTEE**
Date and time	**FRIDAY, 14 JULY 2017 COMMNECING AT**
Venue	**COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT**
Present	Cllrs Adrian Axford (Chairman), Paul Brading, Vanessa Churchman, Ian Stephens
Representatives	Steve Milford, Unison Representative Christine Shaw, Employer Representative, Island Roads
Employer Representatives	Tracy Bull, Isle of Wight College Tim Adams, Yarmouth Harbour Commission
Independent Advisor	Jo Holden - Mercers
Actuary	Craig Alexander - Hymans Robertson
Fund Managers	Geoff Day, Schroders Tom Dorey, Schroders Paul Markham, Newton James Mowat, Majedie David Moylett, Newton James de Uphaugh, Majedie
Officers	Jennifer Beresford, Democratic Services Officer Matthew Collier, Pension/Payroll Lead Officer Jo Cooke, Pension Fund and Treasury Management Accountant Jo Thistlewood, Technical Finance Manager
Apologies	Cllrs Barry Abraham, Shirley Smart

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1. **Minutes**

RESOLVED :

THAT the Minutes of the meeting held on 16 June 2017 be confirmed.

2. **Declarations of Interest**

No declarations of interest were received at this stage.

3. **Overall investment performance of the fund for 2016-17**

The committee considered a presentation from the council's investment consultants. The key features were:

- Fund managers asset classes and asset allocation
- Market commentary for the period
- Fund manager performance
- Investment fees
- Compliance with the Myners principles

Members were advised that the Isle of Wight Pension Fund (IWPF) investment strategy was relatively straight forward, consistent and used a limited number of managers. Work undertaken for the pooling agenda suggested that funds with a small number of long term fund managers performed better.

Majedie had significantly outperformed the benchmark by 8% for the year ending 31 March 2017. Members were cautioned that that level of outperformance should not be expected every year. However, over the longer term Majedie had consistently performed well against the benchmark and in comparison with their peers.

Newton had achieved returns of 24% for the 12 months to 31 March 2017 but had underperformed the bench mark by 8%. Performance over five years had been just higher than the benchmark and when ranked against their peers, Newton were performing at the median level. A defensive stance had been taken for some time now and it was suggested the committee may want to seek reassurance from Newton regarding future returns.

The Schroders Bonds portfolio had exceed the benchmark and performed consistently in comparison with their peers both in the past year and over three and five years. The Schroders Property portfolio had significantly outperformed the benchmark and were one of the better performers amongst their peers both over the past year and long term.

Baillie Gifford has performed very well in the past year, outperforming the bench mark by 11%. Long term they consistently outperformed the bench mark and ranked well amongst their peers. Members noted Baillie Gifford would not be attending the meeting as they were treating member of the ACCESS pool as one client and had reduced customer services accordingly.

Discussion took place regarding fees. The fund was again benefiting from the simple structure and limited number of fund managers. Reassurance was sought regarding the high cost of fees and members were reminded that fees were averaged over three to four years performance and that higher performance would necessarily result in higher fees, while conversely in years of lower performance fees would be lower.

Part of the review of the investment strategy was to evaluate the funds compliance with the Myners principles, standards of good decision making and governance. Members were advised that the fund was only partially compliant with Principle 4 (Performance Assessment) and Principle 5 (Responsible Ownership). The committee was developing processes to measure its effectiveness but would need to consider Environmental, Social and Governance and Responsible Ownership when next reviewing its Investment Strategy.

RESOLVED :

THAT the presentation be noted.

4. **Annual report and accounts 2016/17**

The Technical Finance Manager presented the draft annual report and accounts for 2016-17. Included in the report were the draft accounts for the Isle of Wight Pension Fund which would be submitted to the audit committee for approval, as part of the council's accounts, in September 2017.

Attention was drawn to the Actuarial Statement and to the Knowledge and Skills Framework Compliance Statements. The Pension Board's work programme included training compliance reviewing and the terms of reference. Policy statements related to the previous year and committee would be revised moving forward and the governance compliance statement was being drafted and would be included in the report when it was presented to Full Council.

The union representative raised the issue of Responsible Ownership and Social Responsibility. The fund had historically delegated this to their fund managers, who had clear tobacco and arms policies. Responsible ownership would be explored further over the next 12 – 18 months.

RESOLVED :

THAT the report be noted.

5. **Actuarial review 2016/17**

The committee received a presentation from the council's actuary, Hyman Robertson, on the role of the actuary, the outcomes of the 2016 valuation, how different employers contributed to the fund and how the funding strategy was drafted.

Members were advised that the Isle of Wight Pension Fund was one of the better performing funds across the country. Funding was at 92% compared to 78% at the last valuation. General themes between 2013 and 2016 included lower than expected salaries and inflation.

The Union representative questioned the assumption of a 2.6% pay rise, suggesting 1% or less was more realistic. Reassurance was provided that this took into account incremental pay increases and was a long term prediction.

RESOLVED :

THAT the review be noted.

6. **Fund Manager's Review of Performance 2016/17**

(a) Majedie - UK Equities

A summary of the fund's UK equities performance for the year was considered. The portfolio was valued at £129,586,784 at the end of March 2017.

The portfolio had a strong 12 months, outperforming the benchmark Performance had been boosted by a fall in sterling post Brexit and selective investment strategies in mining stocks, support services and banks. This had been offset by negative contributions from telecoms and food retailers.

Members questioned the impact of the US on performance and were advised that the US cycle was vulnerable. Discussion took place regarding the factors which could affect the market including the value of sterling and the impact an increase would make to consumer spending, the changing political landscape and Brexit.

(b) Schroders- Bonds and Property

A performance update for 2016/17 was presented for the UK Bond and Property portfolio portfolios which were valued at £108.739 million and £31.332 million respectively at the end of March 2017.

Bonds had outperformed the benchmark by 2% over the last 12 months. Bonds had been strong during the period. Other influences had included the portfolio being overweight in debt companies, actively managed against the interest rate and inflation linked debt being introduced.

Property had also outperformed the benchmark. Performance had been positively impacted by the sale of assets and investment into existing assets rather than new ones.

Discussion took place regarding risks to the market and the impact of Brexit.

(c) Newton- Global Equities

Members received an overview of the Global Equity fund's annual performance which was valued at £217 million at the end of June 2017. Newton had underperformed against the benchmark by 8% in the year ended 31 March 2017 as a result of having taken a cautious stance.

Members questioned their underperformance and early defensive stance. They were advised the underperformance was the result of underweight in financials where they did not have confidence and stock missteps. Reassurance was provided that, long term, steady returns were expected.

CHAIRMAN