



PAPER D

Purpose: For Noting

Committee report

Committee	PENSION FUND COMMITTEE
Date	29 JANUARY 2019
Title	INVESTMENT AND FUNDING PERFORMANCE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report presents a summary of the valuation of the fund's investment assets at 31 December 2018, with detailed investment performance reports up to 30 September 2018, and the indicative funding level at that date. A verbal update will be provided at the meeting on investment and funding changes in the period since 1 October 2018.
2. Members are asked to note this report, and the updates provided.

INVESTMENT PERFORMANCE

3. Appendix 1 sets out the change in market value of the fund's investment assets for the quarter to 31 December 2018, and the movement in the previous quarter, to 30 September 2018.
4. As at 30 September 2018, the total market value of the fund's investment assets was £613.8 million, an increase of £11.5 million since the previous quarter end.
5. Representatives from Hymans Robertson LLP will be attending the meeting to present a more detailed overview of the investment performance of each manager. The Hymans' investment report for the period ended 30 September 2018, is presented as appendix 2 to this report.
6. Since 1 October 2018, equity markets have fallen sharply, with the UK FTSE All Share index falling by 10.4 per cent between close of business on 30 September 2018 and 10 December 2018. In accordance with MiFID II legislation reporting requirements, the fund received an email from Majedie Asset Management Limited on 11 December, reporting the fall in value of the fund's UK equity portfolio by 10.1 per cent since the beginning of the quarter. A copy of this notification is presented as Appendix 3 to this report.

7. In the quarter to 31 December 2018, the total market value of the fund's investments has fallen by £43.9 million to £569.9 million, driven primarily by a significant (9.9 per cent) fall in both UK and global equities, in which the fund is overweight against its strategic asset allocation.
8. Hymans have provided a summary report showing the overall performance of financial markets in the quarter ended 31 December 2018, which is attached as Appendix 4 to this report.
9. In addition, the fund subscribes to the PIRC investment performance benchmarking service, which shows the relative performance of the Isle of Wight Pension fund's investments against 61 other funds that also subscribe to this service. Although too early to provide comparative data (league tables), PIRC have provided a summary of all funds' performance for the quarter ended 31 December 2018, which is attached at Appendix 5 to this report.
10. More detailed updates on investment performance in the last quarter of 2018 will be provided at the meeting.
11. Representatives from Schroder Investment Management Limited will also be attending the meeting, to present an overview of the performance of the fixed income (bonds) and property portfolios. The Schroder quarterly investment reports are presented as a separate paper on this agenda

INTERIM FUNDING LEVEL

12. The interim funding level for the fund had increased to 97.9 per cent at 30 September 2018, compared to 91.5 per cent at the last formal valuation at 31 March 2016, resulting in a reduction in the funding deficit of £31 million to £13 million. Members should be aware that the changes in investment performance since 1 October 2018 will have had an impact on the interim funding level.
13. The interim funding report from Hymans Robertson, at 30 September 2018, is attached as Appendix 6.
14. Members are reminded that this is an estimation of the funding level at 30 September 2018, based on market movements since the last valuation. The report does not necessarily reflect the position of the fund at the next formal valuation, which will be as at 31 March 2019, as the underlying actuarial assumptions have not been updated to since 2016.

STRATEGIC CONTEXT

15. The key objectives of the fund are:
 - (a) to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulation and statutory provisions;

- (b) to ensure sufficient assets are held to meet the assessed cost of the benefits; and
- (c) to maintain an appropriate balance between stable, affordable employer contributions and investment risk.

EQUALITY AND DIVERSITY

- 16. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 17. There are no implications on any of the protected characteristics arising from this report.

RECOMMENDATION

- 18. The committee is asked to note this report, and the presentation from Hymans Robertson.

APPENDICES ATTACHED

- 19. [Appendix 1: Investment assets overview at 30 September 2018 and 31 December 2018.](#)
- 20. [Appendix 2: Hymans Robertson investment report at 30 September 2018.](#)
- 21. [Appendix 3: Majedie Asset Management portfolio update.](#)
- 22. [Appendix 4: Hymans Robertson Flash Stats Q4 2018](#)
- 23. [Appendix 5: PIRC local authority pension performance initial indicators to December 2018.](#)
- 24. [Appendix 6: Hymans Robertson funding update at 30 September 2018.](#)

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000
e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
Director of Finance
and Section 151 Officer

COUNCILLOR ADRIAN AXFORD
Chairman of Pension Fund Committee