

Isle of Wight Pension Fund Agreed objectives 2019-20

INVESTMENT BELIEFS

Governance

1. A clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions.
2. Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
3. The Committee supports medium to long term investing as a means of enhancing returns and believe investment decisions should be assessed over an appropriate time scale.
4. The Committee view long-term as typically being greater than 15 years, medium-term typically being between 3-15 years and short-term being less than 3 years.
5. Pooling presents an opportunity to access best in class investments at a lower cost. Such opportunities should always be assessed alongside the strategic asset allocation of the fund for suitability.
6. Committee members and staff at the ACCESS pool must have the correct level of skills and investment knowledge to understand the level of risk in the investment portfolio.
7. Manager selection should be delegated to the ACCESS pool and the Committee aim to have a good working relationship with the ACCESS pool.
8. External advice from parties such as an investment consultant helps planning, risk management and decision making.

Strategy

1. The strategic benchmark should be consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.
2. Strategic asset allocation is the most important component of decision making and it is here that the optimum risk and return profile should be designed and monitored regularly, ensuring managers and mandates remain appropriate for the Fund.
3. The Fund's high-level investment strategy and asset allocation should be set by using asset liability modelling in conjunction with each triennial actuarial valuation.
4. Fees and costs incurred within investment manager mandates are important though the focus is on achieving the best returns net of fees.

5. Investors are rewarded for illiquidity in private markets. Future liquidity needs must be assessed at each review of asset allocation combined with cash flow projections from the fund actuary.
6. High conviction active management can improve value over the long-term net of fees, but it is not guaranteed.
7. Global markets are likely to outperform domestic markets in the long term.

Risk management

1. Adopt a strategy to generate sufficient returns to keep the cost of new benefits accruing reasonable and maintain a balance of stable employer contributions and investment risk.
2. Risk should be employed efficiently with a view to generating a required level of risk adjusted return. While risk should be rewarded in the long-term current market conditions should also be a consideration.
3. Appropriate diversification reduces the overall level of dependence on any particular market or asset class and helps manage volatility, particularly in respect of equity markets.
4. The Committee believes that it is appropriate to be aware of potential downside risks and consider the role of low risk matching assets within the strategy
5. Foreign currency exposure is part of managing a global portfolio of investments. There is no strategic hedging of currency exposure from volatile asset classes such as equities as the Fund believes this to be of limited benefit to long term investment returns.
6. Pooling represents significant risk to the Fund and decisions made should aim to minimise this risk where possible.
7. Transitions between managers and asset classes can result in considerable transaction costs and market risks. It is important such transitions are carefully managed the Fund aims to have this managed by the ACCESS pool.

Responsible Investment

1. The Pension Fund is a long-term investor and the investments should be able to generate sustainable returns to pay pensions for scheme members. Environmental, Social and Governance (“ESG”) issues can have a material impact on the long-term performance of its investments.
2. The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations carry the same weight as non-financial considerations.
3. Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.

4. Responsible ownership of companies benefits long term asset owners. Companies with a clear responsible investment policy are expected to outperform companies without a responsible investment policy, over the longer term.
5. Once pooled the Fund will work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights.

ADMINISTRATION AND GOVERNANCE OBJECTIVES

Governance

1. Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
2. Ensure Fund is managed and its services provided by people with the appropriate knowledge and understanding.
3. Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
4. Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.
5. Understand and monitor risk and compliance.
6. Continually measure and monitor success against objectives.

Administration

1. Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and scheme employers at the point of need.
2. Provide pension and lump sum benefits for all members, in accordance with LGPS Regulations.
3. Clearly establish levels of performance and measure the performance of both the Fund and scheme employers against them.
4. Develop successful partnership working between the Fund and its employers.
5. Data is protected to ensure security and authorised use only.