



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 27 JULY 2022 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs C Jarman (Chairman), A Garratt (Vice-Chairman), D Andre, P Brading, V Churchman and I Ward
Co-opted	S Milford
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood, Megan Tuckwell and Sarah Philipsborn
	Luke Chappell, Gavin Lewis (Black Rock), Neil Cain, Barbara Milton and Trevor Ould (Local Pension Board)
Also Present (Virtual)	Emma Garrett (Hymans Robertson) and Martin Doyle (Local Pension Board)
Apologies	Cllr C Critchison

20. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 25 May 2022 be approved.

21. **Declarations of Interest**

No declarations were received.

22. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

23. **Pension Board Updates**

23a **Minutes of the meeting held on 15 June 2022 (Draft)**

The committee received the draft minutes of the meeting of the Local Pension Board on 15 June 2022. The board chairman reported that the board had received a briefing on the valuation process, and that no concerns were raised.

RESOLVED:

THAT the minutes from the Local Pension Board be noted.

23b **Risk Register**

The Pension Board reviewed the risk register at its meeting in June 2022 and it was confirmed that there had been no scoring changes since the last report of the Pension Fund Committee. It was stated that there were 9 risks rated red, with the key person risk having a very high-risk score. A discussion ensued regarding this issue and what steps could be taken to mitigate this risk. It was explained that the finance team resource restructure was complete, and that an independent review was being commissioned to determine the appropriate size and structure of the resource needed to operate the pension fund. At present, the greatest concern was that, outside the administration team, the fund was running on 1.2 FTES. Questions were raised about whether the Council was paying enough to attract the right calibre of people. It was explained that there were other issues linked to this problem as the Pension Fund recruitment was bound by the Council's grading and evaluation pay scales and it was very difficult to fit pension fund staffing into the Council structure. It is hoped that the independent review would reflect on the broader national experience, and recommend changes to the staffing structure, with consideration of salary and recruitment issues. It was stated that the desired outcome of the review was to ensure that the operational structure was suitable for current requirements and to meet the future needs of the fund. Cyber risk was highlighted as an ongoing item of concern. In response it was stated that there would be training on this issue for both the Pension Board and the Pension Fund Committee members.

RESOLVED:

THAT the report from the Pensions Board on the updated risk register be noted.

24. **Legislation and Regulation Update**

The Pension Fund Manager provided a verbal update on current issues, including an update on Government consultations. It was advised that the DLUHC consultation was likely to be further delayed with changes in Government including the Minister responsible for LGPS. It was explained that it was likely to end up as a split consultation, with the TCFD/ climate related element being issued in the autumn, ahead of the main consultation, which would include pooling, levelling up, boycotts and governance. In respect of the levelling up agenda, confirmation had been received that the only compulsory requirement would be for the Pension Fund to publish of a plan on how it was going to arrive at the 5% local investment. It was confirmed that the 5% allocation could include existing assets. It was explained that the DLUHC response to its consultation on the McCloud remedy for the LGPS had now been delayed until the autumn. This was frustrating as any changes that needed to be implemented had to be in force by October 2023. The Pensions Manager reported that the fund was in a good position with its data collection for the McCloud project, with 90% of data collated and 80% of that data ready to be looked at. The Pensions Dashboards Programme was brought to the attention of the committee, with a local workshop for scheduled for 9 November which would set out the goals on standards, and how much progress had been made in achieving them.

RESOLVED:

THAT the update on Legislation and Regulation be noted

25. Knowledge and Understanding Update

The Pension Fund Manager presented the update on training and development activities undertaken by committee members since the last meeting. Members were reminded that, although there was no statutory obligation to complete training on the TPR modules, it was beneficial to do so, as it increased understanding of the fund and committee's role within the governance structure. In addition to online learning, local development sessions were to take place. The Committee agreed to active participation in the Hymans Robertson National Knowledge Assessment 2022, which was likely to be launched in September. Pension Board members would also be expected to complete the assessment. The outcome from the activity would be a report on fund-level knowledge and understanding, benchmarked against other LGPS funds, as well as analysis to support the development of a local training plan. Discussion took place on whether Pension Fund Committee and Pension Board members should have an enhanced DBS check, but at present it remained optional.

RESOLVED:

- i) THAT the training offered be noted
- ii) THAT the Pension Fund Committee agree their active participation in the National Knowledge Assessment.

26. Annual Report and Accounts 2021-22 (Draft)

26a Draft Pension Fund Accounts 2021-22

The Pension Fund Manager presented the Draft Pension Fund Accounts for 2021-22. It was stated that the accounts were presented in statutory format, but there was still some missing information in the draft concerning disclosures on analysis of investments and risks. An updated draft had been provided to the Council for inclusion in the Council's Draft Statement of Accounts which was to be published on the website by the end of July.

RESOLVED:

THAT the Draft Pension Fund Accounts for 2021-22 be noted

26b External Audit Planning Report 2021-22

The committee considered the External Audit Planning Report for 2021-22, as presented to the Audit Committee on 25 July 2022. The Pension Fund Manager repeated the key points from the External Audit Planning Report that were highlighted to the Audit Committee in July. It was noted that the Pension Fund audit would not be completed in time to meet statutory publication deadlines. The resulting breach of the law had been brought to the attention of the necessary bodies. The External Auditors anticipate that the pension fund's audit would be completed by March 2023. The ongoing impact of the late completion of the 2021-22 audit on future years was raised; it was explained that planning couldn't start on

the next audit until the current audit had been completed, so this was a significant concern.

RESOLVED:

THAT the External Audit Planning Report be noted.

27. Triennial Valuation

The Pensions Manager presented the update on progress with the triennial valuation. It was stated that the full membership data for the Triennial Valuation had been submitted on the 20 July 2022, ahead of the deadline of 30 July 2022.

RESOLVED:

THAT the progress be noted.

28. Investment Performance and Funding Level

The investment consultant from Hymans Robertson gave an overview from the fund's investment consultants which included a summary of the investment market performance for the quarter ending 30 June 2022. It was explained that the markets across equities and bonds were extremely volatile and that there were high levels of inflation coupled with supply chain disruption, high energy prices and the cost of living crisis. There was a lot of nervousness in the market particularly concerning the huge surge in energy prices. The US had increased their interest rates before the UK which had impacted on the value of Sterling. Due to the overall market experience, the fund's investment assets had reduced in value by £49.3m (about 6.8%) in the quarter to 30 June 2022. The valuation of assets had fallen but importantly, the fall in liabilities was greater than the fall in assets. Questions were asked about Majedie's performance and it was advised that Majedie had persistently underperformed not just in investment management, but also on other indicators, to the extent that it was quite unlike the firm first appointed by the Pension Fund.

RESOLVED:

THAT the update given by the Investment Consultants on the Fund's investment performance be noted.

29. Items circulated for Members Attention

The committee noted the items circulated for information since the last meeting. No questions were raised at this stage.

RESOLVED:

THAT the items circulated for attention be noted.

30. Workplan 2022-23

To receive and note the workplan for the Isle of Wight Pension Fund Committee and Local Pension Board for the 2022-23 financial year. It was affirmed that Full Council had nominated Cllr Churchman to attend JC meetings, and there was a new development session on 9 November 2022 covering the Pensions Dashboard project.

RESOLVED:

THAT the workplan be noted.

31. **Members' Question Time**

No member's questions were received.

32. **Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

33. **UK Equity Allocation**

The investment consultant from Hymans Robertson presented their report on options for the fund's UK equity allocation, and highlighted areas for the committee to focus on during the alternative fund manager's presentation.

RESOLVED:

THAT the committee note the comments on the UK Equity Allocation portfolio and discuss on how they wish to proceed regarding the Access Pool fund management.

34. **Fund Manager Presentation**

The committee received a confidential presentation from Black Rock on the LF ACCESS UK Select Fund. The presentation focused on their experience with the LGPS, their process for embedding ESG consideration in their investment decisions, and how they engaged with the companies in which they invest.

RESOLVED:

- i) THAT the committee note the representation from Black Rock.
- ii) THAT further investigations be undertaken before any decision to change in investment manager is made.

35. **ACCESS Update**

The Pension Fund Manager presented the report on recent ACCESS pool activities since the last meeting.

RESOLVED:

THAT the ACCESS update be noted.

36. **Procurement / Contract Management Update**

The Pension Fund Manager presented the confidential update on procurement and contract management activities since the last meeting.

RESOLVED:

THAT the Procurement and Contract Management update be noted.

CHAIRMAN