



Minutes

Name of meeting	LOCAL PENSION BOARD
Date and Time	WEDNESDAY 21 JULY 2021 COMMENCING AT 10.00 AM
Venue	VIRTUAL (MS TEAMS)
Board Members	T Bull (Chairman), B Milton and T Ould
Also Present	Cllr C Jarman
	Matt Collier, Chris Potter, Jo Thistlewood, Megan Tuckwell, Chris Ward
	Ian Colvin (Hymans Robertson)

6. Minutes

6.1) Approval of Minutes of the meeting held on 7 July 2021

RESOLVED:

THAT the Minutes of the meeting held on 7 July 2021 be confirmed as a true record.

6.2) Matters Arising from the Minutes of the meeting held on 7 July 2021

Consideration was given to any matters arising from the minutes of the meeting 7 July 2021, and the following points were raised:

- a) With regards to Minute item 1.1(i), it was suggested that the Board may require refresher training to clarify their role regarding investment decisions. The Governance Advisor of Hymans Robertson suggested considering the following areas; was the decision made by the body with the appropriate delegated authority, did the committee receive professional advice, was the decision in line with the Fund's investment strategy, and was the decision in line with LGPS regulations and other legal requirements, and was a compliant manager appointment process followed.
- b) With regards to Minute item 1.1(ii), the Technical Finance Manager provided information regarding the appointment of UBS and confirmed that they were not selected solely as they were an ESG fund. It was clarified that the selection was made as part of the strategic asset allocation to rebalance the global equity portfolio, reducing performance risk by including both active and passive management.

- c) With regards to Minute item 3(c), the Board expressed the view that the current Investment Strategy Statement was out of line with current thinking particularly with regards to ESG/RI. The Board were not satisfied that the matter was being addressed quickly enough and expressed concern that there was no specific action plan in place to address what they believed to be the greatest financial risk facing the fund. It was confirmed that work on this area was underway and Hymans Robertson had been commissioned to establish the carbon footprint of the fund, to identify a starting position and highlight areas for future action. The Board confirmed they were satisfied with the workplan but were concerned with the pace. It was suggested that future reporting could include wider context and a comparison to other funds. It was advised that, in the Hymans Robertson carbon footprint baseline report, Baillie Gifford were identified as the fund manager with the highest contribution to the fund's carbon footprint. As a result they had been invited to deliver a presentation to the Committee at its meeting on 28 July 2021 to explain how they incorporate ESG/RI considerations into their portfolio selection, and to an extent justify their investment in those companies with a high carbon output.
- d) With regards to Minute item 5(a), Board Expenditure, the Technical Finance Manager provided clarification on the £1,250 cost of a development session ran in September 2020. This was a workshop held before the meeting on 23 September 2020, facilitated by Hymans Robertson on breaches of the law. Board members acknowledged this training event.

7. Declarations of Interest

No declarations were received at this stage.

8. Minutes of Pension Fund Committee meetings

The Technical Finance Manager presented the minutes of the meetings of the Pension Fund Committee held on 28 April 2021 and 2 June 2021. No comments were made at this stage and the minutes were noted.

RESOLVED:

THAT the minutes of the meetings of the Pension Fund Committee held on 28 April 2021 and 2 June 2021 be noted.

9. Board Operation

The Technical Finance Manager presented the documentation and welcomed discussion on the governance arrangements of the Board; including the composition of Board minutes, the availability of documentation, the Terms of Reference, and the process by which board members' concerns should be escalated. The Board agreed to meet informally to discuss these areas in depth before bringing this item back for formal consideration.

Concerns were raised in relation to the Board's terms of reference, as it was apparent that some comments made by the Board had not been included in the final version. This included concerns around terminology, particularly where the Board was referred to as 'the Local Pension Board of the Isle of Wight Council'.

Confirmation was sought with regards to the body responsible for defining the constitution of the Board, and the process for reviewing and changing that remit. The Monitoring Officer and the Governance Advisor of Hymans Robertson confirmed that the Isle of Wight Council was the legal entity responsible for constituting the Board, and as the administering authority, was responsible for developing the Board's terms of reference in line with legislative requirements. It was confirmed that if the Board identifies additional areas that would help them to fulfil their role then these should be considered for inclusion by the administering authority.

Board members commented that it was the responsibility of the Council to ensure that a Board was in place, although operationally the Board acts independently of the scheme manager and the administering authority. The independence of the Board was recognised, and it was agreed that the relationship between the committee and Board should be collaborative. The Board noted that the previous meeting (where the Board had set its own agenda) had worked well.

Questions were raised in relation to the process for recruiting additional board members. It had been suggested that the appointment of the scheme member representatives be alternated between the scheme manager and the trade unions, however this suggestion was not included in the final draft. Clarification was provided around the legislative framework on appointments, and the Governance Advisor of Hymans Robertson confirmed that the appointment process was determined by the administering authority.

RESOLVED:

THAT the Board meet informally to discuss the operation of the Board in depth before bringing this item back for formal consideration.

10. Governance Updates

The Technical Finance Manager provided a verbal update on the progress with the recruitment of a Governance Compliance Officer for the pension fund. It was advised that a job description had been developed in accordance with the Council's job evaluation process and had been approved by the Section 151 Officer. The next step was to advertise the position.

The process for recruitment and selection of an independent chair and additional board members was considered, and the Board reviewed the role profiles for board members and an independent chair. It was advised that the documents had been drafted in consultation with governance advisors at Hymans Robertson and had been circulated to the Board in advance for information.

Clarification was sought with regards to Paragraph 17 of the report which stated that the independent chairman must not be a member of the LGPS. It was confirmed that this would be corrected to specify the Isle of Wight LGPS, rather than the LGPS in general.

Clarification was sought with regards Section 5 of the Role Profile which stated that a member of the Board was not permitted to have a conflict of interest. It was confirmed that the terminology was taken directly from legislation and the practical solution would be to identify any potential conflicts and manage them as

appropriate. It was noted that the development of a Conflict of Interest Policy for board members was on the workplan, as the current policy was that of the Council which was not always relevant to Board members as they were not necessarily employees of the Council or councillors.

A number of comments on the role profiles had been submitted to the Technical Finance Manager ahead of the meeting and it was agreed that the Board would meet informally to go through these concerns. It was noted that to defer the agreement of the role profiles to the next meeting (September 2021) would in-turn delay the recruitment process.

RESOLVED:

- i) THAT the process for recruitment and selection of an independent chair and additional board members be noted.
- ii) THAT the role profile for the independent chairman be amended to specify that they must not be a member of the Isle of Wight LGPS (rather than the LGPS in general).
- iii) THAT the role profiles for the independent chair and additional board members be agreed, subject to further informal discussions with the Technical Finance Manager to consider the series of comments raised by the Board.

11. Pension Board Annual Report

The Chairman presented the Board's annual report for the year ended 31 March 2021. Since publication, the report had been amended to incorporate additional comments from board members. The Board were satisfied with the amended version of the report and it was agreed that the updated version would be provided to the Democratic Services Officer. Discussion took place regarding the annual report's presentation to the Committee at its meeting on 28 July 2021, and it was agreed that the amended version would be presented to the committee.

RESOLVED:

- i) THAT the updated version of the pension board's annual report (for the year ended 31 March 2021) be circulated by the Chairman.
- ii) THAT the updated version of the pension board's annual report (for the year ended 31 March 2021) be adopted and recommended to the Pension Fund Committee.

12. Investment Strategy Statement (ISS)

Consideration was given to the process by which the Investment Strategy Statement (ISS) was updated, and the process by which the fund's investment objectives (including those for ESG/RI) are reviewed and updated. The Technical Finance Manager advised that work would be done in terms of improving the statements around ESG/RI matters, and it was advised that preparation for the triennial valuation of the fund at 31 March 2022 was underway, which included a review of

the ISS. Clarification was sought on the timeline for this review and it was confirmed that the ISS would be reviewed as part of the valuation exercise in 2022.

RESOLVED:

THAT the update be noted.

13. **Draft Financial Results**

The Board considered the draft financial results for the year ended 31 March 2021, including a breakdown of expenditure. Questions were raised in relation to the adjustment in respect of the audit fee, and the Pension Fund and Treasury Management Accountant clarified this adjustment was for disclosure purposes, in accordance with the requirement to separately disclose external audit costs in the fund's accounts.

Questions were raised in relation to the internal recharges, and whether this was a standard fee as there had been no adjustment from the previous year. Clarification was provided around the separation of oversight and governance costs and administration costs for disclosure purposes.

The Board noted an increase in the investment management expenses and sought further information around this. It was confirmed that this related to significant discount on transaction fees incurred on the global equities mandate in the previous year, which had not been replicated in the current year. It was noted that the full copy of the draft financial results would be presented to the Pension Fund Committee at its meeting 28 July 2021.

RESOLVED:

THAT the draft financial results for the year ended 31 March 2021 be noted.

14. **LGA and Legislation Update**

The Technical Finance Manager presented the report which provided an overview of recent developments in the LGPS. No comments were raised, and the update was noted.

RESOLVED:

THAT the LGA and legislation update be noted.

15. **Report from the Pensions Administration Team**

The Pensions Manager presented the report on administration statistics, employer compliance with end of month reporting, payment deadlines, complaints, and potential breaches of the law identified since the last meeting. Attention was drawn to the updates on membership numbers, McCloud, KPIs, i-Connect, and GMP reconciliation.

Board members were advised of issues in relation to the fund's Additional Voluntary Contributions (AVC) provider's (Prudential) upgraded administration system which had impacted the allocation of AVC pension contributions and the paying out of

retirement benefits. The Board were reassured that the situation was under constant review and communications had been issued to all AVC members. It was reported that Prudential had self-reported the issue to the Pensions Regulator.

RESOLVED:

THAT the report from the Pensions Administration Team be noted.

16. Workplan

Consideration was given to the work programme for forthcoming meetings of the Committee and Board. The Technical Finance Manager advised that it was a working document which would be updated as necessary, and it was confirmed that future workshops (including ESG/RI) would be incorporated into the workplan. It was suggested that regular meetings between the chairman of the Board and the chairman of the Committee would be reintroduced to rebuild on the relationship between the two bodies. No further comments were made at this stage and the workplan was noted.

RESOLVED:

THAT the workplan be noted.

17. Items circulated for Members Attention

Consideration was given to the items circulated to board members since the last meeting. It was advised that information on the LGPS Conference in January 2022 organised by the LGA would be circulated in due course. No comments were made at this stage and the items were noted.

RESOLVED:

- i) THAT the items circulated for members' attention be noted.
- ii) THAT details on the LGPS Governance Conference to be held in January 2022 be circulated.

18. Other matters for the Board's attention

Board members were invited to raise any other matters.

- It was suggested that the recording of the LPSA ESG Conference Webinar (on achieving net zero emissions without compromising financial objectives) may be beneficial for Committee members. It was agreed that the link to the recording would be forwarded to staff for circulation.
- It was confirmed that future meetings of the Board would be held face-to-face, however the approach could be flexible due to the introduction of equipment which could facilitate hybrid meetings.

RESOLVED:

THAT the recording of the LPSA ESG Conference Webinar be forwarded to staff, for wider circulation to members of the Pension Fund Committee.

CHAIRMAN