

Public Document Pack



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Agenda

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	WEDNESDAY 16 FEBRUARY 2022
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Members of the committee	CLLrs C Jarman (Chairman), C Critchison (Vice-Chairman), D Andre, P Brading, V Churchman, M Oliver, and R Quigley Steve Milford (Non-Voting) Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Minutes** (Pages 7 - 14)

To confirm as a true record the Minutes of the meeting held on 24 November 2021.

2. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.

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

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore the deadline for written questions will be Friday, 11 February 2022.



Details of this and other Council committee meetings can be viewed on the Isle of Wight Council's Committee [website](#). This information may be available in alternative formats on request. Please note the meeting will be audio recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however parents/carers should be aware that the public gallery is not a supervised area.

4. **Pension Board Update** (Pages 15 - 18)

To note the progress towards completing the recruitment, selection and appointment of pension board members, including the report to Full Council on 19 January 2022.

5. **ESG/RI Working Group Update** (Pages 19 - 22)

To receive an update on ESG/RI activities and developments since the last meeting.

6. **Knowledge and Understanding Update** (Pages 23 - 24)

To confirm the record of training and development activities undertaken by committee members since the last meeting, and to receive a verbal update on committee members' completion of the Pension Regulator's online toolkit.

7. **Legislation and Regulation Update**

To receive a verbal update on current issues including the Levelling Up white paper and future consultations.

8. **Investment Performance and Funding Level**

(a) To note the valuation of the fund's investment assets at 31 December 2021 (Pages 25 - 26)

(b) To receive a report on the investment performance for the quarter ended 31 December 2021, and the indicative funding level at that date (Pages 27 - 44)

9. **Fund Manager Presentation**

To receive a presentation from Majedie Asset Management on the UK Equity portfolio.

10. **Items circulated for Members Attention**

To note items circulated to committee members since papers were published for the last committee meeting, for information:

- a) Sent 22-Nov-21: Briefing note for item 19c on November agenda
- b) Sent 25-Nov-21: Highlights from Newton's investment conference
- c) Sent 01-Dec-21: LGPC Bulletin 216
- d) Sent 07-Dec-21: Overview of the LGPS training – January date
- e) Sent 08-Dec-21: Hymans Robertson December issue of The Edit
- f) Sent 22-Dec-21: LGPC Bulletin 218
- g) Sent 06-Jan-22: Revised date for development session (triennial valuation)
- h) Sent 07-Jan-22: ACCESS statement on Scheme Member representation
- i) Sent 11-Jan-22: Webinar invitation: Themes for 2022 valuation
- j) Sent 11-Jan-22: Key priorities for the LGPS in 2022
- k) Sent 14-Jan-22: Webinar invitation: Keeping the LGPS connected
- l) Sent 21-Jan-22: Reminder for development session 26-Jan-22
- m) Sent 21-Jan-22: Reminder for development session 2-Feb-22

- n) Sent 24-Jan-22: Request for information on development activity
- o) Sent 28-Jan-22: Majedie presentation slides from ACCESS meeting
- p) Sent 28-Jan-22: Recording and slides from development session
- q) Sent 01-Feb-22: LGPC Bulletin 219
- r) Sent 02-Feb-22: Recording and slides from development session
- s) Sent 03-Feb-22: ACCESS JC scheme member representation information
- t) Sent 04-Feb-22: LAPFF "Say on Climate" event invitation
- u) Sent 04-Feb-22: All Party Parliamentary Group meeting invitation
- v) Sent 07-Feb-22: Hymans Robertson February issue of The Edit

11. **Members' Question Time**

A question may be asked at the meeting without prior notice but in these circumstances there is no guarantee that a full reply will be given at the meeting. To guarantee a reply to a question, a question must be submitted in writing or by electronic mail to democratic.services@iow.gov.uk no later than 10.00am on Monday 14 February 2022.

12. **Exclusion of the Public and Press**

To consider passing a resolution that, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, namely agenda items 13 to 17 on the grounds that there is likely to be disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. **Equity Rebalancing Completion** (Pages 45 - 48)

To receive a report from the fund's investment consultants on the completion of the equity investment rebalancing, including costs.

14. **ACCESS Update** (Pages 49 - 88)

To receive an update on activity with the ACCESS pool since the last committee meeting.

15. **Risk Register**

To discuss the progress in creating a risk register for the fund, and to agree the process by which risks will be monitored, updated, and reported at future meetings.

16. **Governance Compliance Statement**

To receive a verbal report on the completion of the draft governance compliance statement for the year ended 31 March 2022.

17. **Contract Management** (Pages 89 - 96)

To receive an update on contract management activities.

CHRISTOPHER POTTER
Monitoring Officer
Tuesday, 8 February 2022

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

If you require further information please see the council guide to reporting on council meetings which can be found at <http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note>

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at democratic.services@iow.gov.uk

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Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 24 NOVEMBER 2021 COMMENCING AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs C Jarman (Chairman), C Critchison (Vice-Chairman), V Churchman, W Drew, R Quigley and I Ward
Officers Present	Jo Cooke, Matthew Collier, Jo Thistlewood, Megan Tuckwell Emma Garrett (Hymans Robertson), David Moylett, Paul Markham (Newton Investment Management Limited)
Apologies	Steve Milford (co-opted)

27. **Minutes**

RESOLVED:

THAT the Minutes of the meeting held on 28 July 2021 be confirmed.

28. **Declarations of Interest**

No declarations were received.

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

No public questions were received.

Cllr Quigley asked a question in relation to a recent media article in relation to the Fund's investment in fossil fuels. It was confirmed that information on the matter was not directly held by the Council and the information was being sought from the relevant fund managers when the article was published. A draft response on the matter has been prepared and was with the Chief Executive for review.

30. **Local Pension Board Membership**

Consideration was given to the report presented to the Full Council on 17 November 2021 which approved the Board's revised terms of reference and formally made appointments to it. The Technical Finance Manager provided an update on recruitment activities. It was advised that expressions of interest had been received for both scheme member representatives and the independent chair; details of which had been forwarded to the chairman of the Pension Fund Committee and to the Section 151 Officer for consideration. No external employers had submitted nominations; the Council's Corporate Management Team had been asked to

nominate a senior officer to fulfil the other employer role. Formal appointments would be confirmed at the meeting of the Full Council in January 2022. As a result of this the December 2021 meeting of the Board had been postponed to 2 February 2022 when the membership would be confirmed.

RESOLVED:

THAT the report on Local Pension Board membership be noted.

31. Reports from the Local Pension Board:

31a Minutes of the Local Pension Board - 21 July 2021 (Draft)

The Committee received the draft minutes of the meeting of the Board held on 21 July 2021. No comments were made, and the minutes were noted.

RESOLVED:

THAT the minutes of the meetings of the Local Pension Board held on 21 July 2021 be noted.

31b Approval of the Local Pension Board Annual Report 2020-21

The Committee received the Board's annual report 2020-21. It was advised that the report would form part of the pension funds annual report and accounts. No comments or questions were made at this stage.

RESOLVED:

THAT the Local Pension Board's annual report 2020-21 be approved for inclusion in the Pension Fund's annual report.

32. Annual Report and Accounts:

32a Preliminary External Audit Results Report

Consideration was given to the report for the year ended 31 March 2021, as presented to the Audit Committee on 27 September 2021. Questions were raised and clarification was provided with regards to the progress with completion of the audit and the terminology contained within the report.

RESOLVED:

THAT the preliminary external audit results be noted.

32b Annual Report and Accounts 2020-21

The Technical Finance Manager presented the annual report and accounts for 2021-22, which would form part of the accounts of the Council which were to be presented to the Audit Committee for approval on 6 December 2021. No questions or comments were made at this stage.

RESOLVED:

- i) THAT the pensions fund's annual report and accounts for the year ended 31 March 2021 be approved.
- ii) THAT the annual report and accounts be published on the pension fund website as soon as possible following the completion of the council's external audit.
- iii) THAT the committee be notified when the annual report is published.

33. Decision Making Matrix

The Technical Finance Manager presented the decision-making matrix which had been developed following the output of the development session on held on 7 September 2021. It was proposed that the matrix be adopted as the process to be followed for all future pension fund decisions. It was noted that the report clearly defined the roles, responsibilities, and the process for decision-making for the Board and Committee. Consideration was given to a joint committee and board development session on the matter once the full Board membership was in place.

RESOLVED:

THAT the decision-making matrix be adopted, and that all future decisions in respect of the fund be considered in line with the responsibilities contained therein.

34. Risk Register

The Technical Finance Manager presented the revised risk management policy for the fund. It was advised that the policy was adopted by the committee in December 2019 and the annual review scheduled for December 2020 was delayed due to the Covid-19 pandemic. It was confirmed that a risk register was in development and would be presented to all future meetings of the Board and Committee for consideration. No questions or comments were raised at this stage.

RESOLVED:

THAT the changes to the Risk Management Policy be approved for publication on the fund's website and for inclusion in the fund's annual report and accounts.

35. Investment Performance and Funding Level:

35a Valuation of the Fund's investments as at 30 September 2021

35b Performance of the Fund's investment assets and indicative funding levels as at 30 September 2021

The Investment Consultant of Hymans Robertson presented the investment performance report for the quarter ended 30 September 2021, which included a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager performance. Consideration was given to the valuation of the fund's investments as at 30 September 2021. Questions were raised regarding responsible investment, renewable energy, oil price as an indicator

for global growth, and social investment in the property portfolio. It was emphasised that the Committee's fiduciary duty was to the pension scheme members and that specific investment activities were delegated to fund managers.

RESOLVED:

THAT the updates be noted.

36. **Report from ESG/RI Working Group**

The vice-chairman presented the report which recommended that the terms of reference for the ESG/RI Working Group be agreed, and that the fund joins the Local Authority Pension Fund Forum for the remainder of financial year 2021-22 and for 2022-23. It was confirmed that the working group was not a decision-making body but would make recommendations to the committee for consideration.

RESOLVED:

- i) THAT the notes and actions from the first two ESG/RI working group meetings be noted.
- ii) THAT the terms of reference for the ESG/RI working group be approved.
- iii) THAT the fund's membership of the Local Authority Pension Fund Forum (LAPFF) be approved, and the Technical Finance Manager be authorised to proceed with membership.

37. **Legislation / Regulation Update**

The Technical Finance Manager provided a verbal update on key legislative, regulatory, and other developments in the LGPS. It was advised that a new minister with responsibility for the LGPS had been appointed; however it was unlikely that progress would be made on the pooling consultation or £95k exit cap at this stage due to the backlogs from the former MHCLG. In relation to climate change activity, it was expected that Government would shortly issue a consultation on climate risk and reporting with a view to introduce new regulations from 1 April 2022. No questions or comments were raised at this stage.

RESOLVED:

THAT the update be noted.

38. **Knowledge and Understanding**

The Technical Finance Manager presented the report which summarised the development activities undertaken by committee members and highlighted forthcoming training events. Committee members were asked to provide information on external training events that they have attended, and to confirm their progress in working through the Pension Regulator's online toolkit. Comments were made with regards to technical jargon, and the support available to Committee and Board members was outlined, including the offer of one-to-one discussions with the Technical Finance Manager.

RESOLVED:

THAT the record of development activities be noted.

39. **Contract Management:**

39a **To note the timetable for the review of significant contracts held by the Fund, and to confirm actions.**

The Technical Finance Manager presented the report which summarised the main contracts held by the fund and outlined the actions required to review each contract to determine whether to renew, extend or replace the providers. No questions or comments were raised at this stage.

RESOLVED:

THAT the update and report be noted.

39b **To consider the Annual Compliance Statement in respect of the CMA's Investment Consultancy and Fiduciary Management Market Investigation Order 2019**

The Technical Finance Manager presented the draft annual compliance statement for the period 10 December 2020 to 9 December 2021. The committee was asked to authorise the chairman to sign the compliance statement to enable it to be submitted before the due date of 6 January 2022. No questions or comments were raised at this stage.

RESOLVED:

- i) THAT the current objectives for the fund's investment consultants, be noted.
- ii) THAT the fund's compliance with the requirements of Parts 3 and 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 be confirmed.
- iii) THAT the chairman of the Pension Fund Committee be authorised to sign the annual compliance statement after 9 December 2021.
- iv) THAT a report be brought to the February 2022 committee confirming submission of the compliance statement.

Following discussion, the Committee adjourned for a 5-minute comfort break.

40. **Fund Managers Presentation**

The committee received a presentation from Newton Investment Management Ltd regarding the ACCESS global equity portfolio. This included an overview of long-term trends, the world market background, investment performance, performance attribution, Q3/Q4 transactions, portfolio positioning, and responsible investment. Questions were raised regarding exposure to oil and gas, responsible investments, food production, and water supply. Discussion took place regarding the performance

of the small and mid-cap sector and any hedging strategy with regards to political risk.

RESOLVED:

THAT the fund manager's presentation be noted.

41. **Items circulated for Councillors Attention**

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

RESOLVED:

THAT the items circulated for attention be noted.

42. **Workplan**

Consideration was given to the workplan for the Committee and Board for the year 2021-22. Attention was drawn to the upcoming development sessions.

RESOLVED:

THAT the workplan be noted.

43. **Members' Question Time**

Cllr Ward raised a question with regards to investment rebalancing and the Technical Finance Manager provided a response.

44. **Exclusion of the Public and Press**

RESOLVED:

THAT the public and press be excluded.

45. **ACCESS Update:**

45a **To consider report from the Joint Committee on 6 September 2021 and to note the matters discussed**

The committee received and noted the report from the ACCESS Joint Committee held on 6 September 2021. No comments or questions were made at this stage.

RESOLVED:

THAT the update be noted.

45b **To consider matters arising from the development session held on 10 November 2021.**

No comments were made at this stage.

45c **To discuss the local response to the request from Unison for scheme member representation on the Joint Committee**

The Technical Finance Manager presented the local response to the request from Unison for scheme member representation on the Joint Committee. The committee were asked to support Unison in recommending that the ACCESS joint committee reconsiders the request.

RESOLVED:

THAT the committee and requests that the attending councillor (Cllr Andre) votes in favour of the request the request for scheme member representation on the ACCESS Joint Committee

CHAIRMAN

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Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	16 FEBRUARY 2022
Title	LOCAL PENSION BOARD UPDATES
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report is to update committee members on the recruitment, selection and appointment of Local Pension Board members.
2. The committee is asked to note the progress being made to complete the appointment process.

RECOMMENDATION

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| <ol style="list-style-type: none">3. That the committee note the process followed for the recruitment, selection and appointment of Local Pension Board members. |
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BACKGROUND

4. Under the Public Service Pensions Act 2013 (the act) and the Local Government Pension Scheme (LGPS) Regulations 2013 (the regulations), as updated, the Isle of Wight Council (the council), as administering authority for the Isle of Wight Council Pension Fund (the fund), is required to establish a Local Pension Board (the board).
5. The act and the regulations specify the minimum membership requirements for the board, being an equal number (no less than four in total) of employer representatives and scheme member representatives.
6. The council first established a board in January 2015, with the minimum membership. The terms of reference for the board were published in the council's constitution.
7. In September 2021, it became apparent that the board was no longer properly constituted, as the term of office for one of the scheme member representatives had expired, and no provision had been made for the recruitment of that vacant position.
8. On 7 October 2021, the council self-reported a breach of the law to the Pensions Regulator, noting that it did not have the statutory minimum number of board members, and had not made earlier provision for the recruitment of vacancies.

A plan for the recruitment, selection and appointment of board members was outlined in the breach report.

9. The Pension Regulator responded on 8 October 2021 stating that no action would be taken at the current time for the governance breach,
10. A review of the constitution and operation of the board was undertaken, and the terms of reference were updated to increase the membership numbers to six, being three each of employer representatives and scheme member representatives, as well as to introduce an independent chairman role.
11. The updated terms of reference for the board were adopted at the full council meeting on 17 November 2021.

Membership

12. The terms of reference for the board specify that all board members will be appointed by full council, and will be selected as follows:
 - (a) Scheme member representatives
 - One will be appointed following nominations from representative trade unions.
 - The others shall be appointed from expressions of interests sought from all active, deferred and retired members.
 - (b) Employer representatives
 - One will be an elected member appointed by full council.
 - One will be appointed following nominations by external employers of the fund.
 - The other will be nominated by the council's Corporate Management Team.
 - (c) Independent chairman
 - to be appointed following advertisement and interview.
13. At the full council meeting on 17 November 2021, one scheme member representative, nominated by trade unions, and the elected member employer representative were appointed.
14. At the full council meeting on 19 January 2022, the employer representative nominated by the council's Corporate Management Team was appointed.
15. The 19 January 2022 full council meeting also agreed that authority to make future appointments to the board would be delegated to the Director of Finance.

Scheme member representatives

16. In October 2021, an email was sent to all pension scheme members for whom an email address is held on the pension administration system; in excess of 10,000 emails were sent.
17. In addition, an email was sent to all employers of the fund, including the council, asking them to promote the opportunity to their scheme members through their internal bulletins and/or staff newsletters. This included a message in The Vine (the council's internal staff newsletter) on 28 October 2021.

18. By the deadline in November 2021, five expressions of interest were received for the two remaining scheme member representative positions, one of which was subsequently withdrawn.
19. The remaining expressions of interest were sent to the Director of Finance and the chairman of the pension fund committee for their review and shortlisting. The committee chairman agreed that it should be for the Director of Finance to lead on this selection process.
20. The Director of Finance shortlisted three candidates from the four remaining expressions of interest and invited each to a discussion with himself and the council's Chief Executive. Invitations to these discussions, to be held on Monday 21 February 2022, were issued on 27 January. By 3 February 2022, two candidates had accepted the invitation, with the other requesting an alternate date, which is being arranged.

External employer representative

21. An email was sent to the 30 external employers of the fund in October 2021, seeking nominations for the employer representative. By the deadline set for responses, no nominations were received.
22. A second email was sent in January 2022, reiterating the importance of this role and seeking nominations. The deadline for response to that email was 28 January 2022, by which time no nominations were received. Further discussions are required with the Director of Finance to determine how to proceed with this recruitment.

Independent chairman

23. The newly-created independent chairman position was advertised through the Local Government Association LGPS mailing list in October 2021. In addition two people who had previously expressed interest in such a role were contacted directly.
24. Four applications were received, each from very strong candidates. These were again sent to the Director of Finance and the chairman of the pension fund committee for their review and shortlisting. The committee chairman agreed that it should be for the Director of Finance to lead on this selection process.
25. Two candidates were shortlisted and invited to a discussion with the Director of Finance and the committee chairman, to be held on Monday 7 February 2022. An update on this process will be provided at the committee meeting.
26. It is anticipated that the selection process for each membership category will be agreed, and appointments completed in time for the next scheduled board meeting on 23 March 2022.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

27. The recommendations and actions in this report do not directly impact upon the [Corporate Plan 2021 - 2025](#).
Corporate Aims
28. The latest Corporate Plan 2021 - 2025 with its clear vision to work together openly and with our communities to support and sustain our economy, environment and

people is furthered through making arrangements to establish and maintain a quorate Local Pension Board.

Pension Fund Objectives

29. The recruitment and appointment of Local Pension Board members as set out above contributes to the following objectives of the pension fund:
- (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
 - (b) Ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.

FINANCIAL / BUDGET IMPLICATIONS

30. The costs associated with the Local Pension Board, specifically the remuneration paid to the independent chairman, will be charged directly to the pension fund, and will have no direct impact on the Council's revenue budget.

LEGAL IMPLICATIONS

31. The Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations 2013 require the establishment of a Local Pension Board and mandate the minimum requirements for its membership.

EQUALITY AND DIVERSITY

32. 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.
33. The process followed for the recruitment, selection and appointment of local pension board members has no impact on any of the protected characteristics.

BACKGROUND PAPERS

34. Report on Pension Board Appointments - Full Council 17 November 2021.
<https://iow.moderngov.co.uk/documents/s6222/Local%20Pension%20Board%20-%2017%20Nov%202021%20Full%20Council%20Report%20FINAL.pdf>
35. Local Pension Board Appointments – Full Council 19 January 2022.
<https://iow.moderngov.co.uk/documents/s6932/ITEM%208c%20-%20Report%20on%20Pension%20Board%20Appointments%20-%2019%20January%202022.pdf>

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 CHRIS JARMAN
Chairman of the Pension Fund Committee



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	16 FEBRUARY 2022
Title	ESG/RI UPDATE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report provides an update on activities the fund has undertaken in its consideration of Environmental, Social and Governance (ESG) factors and Responsible Investment (RI) activities since the last committee meeting in November 2021.

RECOMMENDATION

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| 2. That the Committee notes the information contained within this report. |
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ESG/RI WORKING GROUP

3. The ESG/RI working group of this committee has not met since the last committee meeting, other than for the development session held on 26 January 2022, covering the ACCESS pool's draft ESG/RI guidelines.
4. Future meetings of this group have yet to be convened.

LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)

5. Following the committee's approval at its 24 November 2021 meeting, the fund is now a member of LAPFF, and nominated contacts have been given access to the LAPFF secure website for members.
6. Both the vice-chair of the committee and the Technical Finance Manager attended the most recent LAPFF Members Business Meeting held on 26 January 2022. The papers for these meetings are not made public, but are available on the LAPFF secure website.

7. The key items discussed at that meeting were:
 - (a) The conclusion of the LAPFF project on “Mining and human rights” – the report from which will be published in due course.
 - (b) Consideration of a report on LAPFF’s engagement report, which will again be published in due course.
 - (c) Detailed reports on engagement activity over the last quarter, which will ultimately be published in the Quarterly Engagement Report.
 - (d) An update on the Just Transition All Party Parliamentary Group inquiry.
 - (e) Draft LAPFF budget and work plan for 2022-23.
 - (f) Future meeting dates.
8. LAPFF are running a “Say on Climate” event on Wednesday 23 February 2022, which is open to LAPFF members. The next LAPFF members’ business meeting is scheduled for Wednesday 13 April.
9. The fund can nominate other contacts to receive emails and updates from LAPFF, and other committee members may attend business meetings if they wish. Please let the Technical Finance Manager know if you wish to be added to the LAPFF contact database.

SCHEME ADVISORY BOARD: RESPONSIBLE INVESTMENT ADVISORY GROUP

10. The Scheme Advisory Board (SAB) Responsible Investment Advisory Group (RIAG) met on 5 January 2022, with discussions including the letter sent to all chairmen of LGPS pension fund committees on 22 November 2021, from Mr Michael Lynk, the UN Special Rapporteur on the situation of human rights in the Occupied Palestine Territory.
11. The letter sets out a number of requests for actions regarding investments in companies listed in the Office of the United Nations Human Rights Council’s (OHCHR) database of business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestine Territory. These requests included:
 - To conduct enhanced human rights due diligence for all companies that are listed in the OHCHR Database, as well as others beyond the scope of the database that may be involved in the illegal Israeli settlement economy. This should include using leverage to influence investee companies to desist from involvement in the settlement economy, as well as accounting for steps taken by LGPS funds in this regard.
 - To divest LGPS funds of holdings in any of the companies that are listed in the database, if the company cannot give clear assurance that it itself has removed itself entirely from the settlement economy.
 - To ensure that holdings in companies in high-risk, conflict-affected areas (wherever they may be in the world) are a priority for LGPS funds’ ESG strategies, and provisions should be made within the funds’ Investment Strategy Statement.

12. The Chair of the SAB and the chair of the LAPFF met with Mr Lynk on 22 January 2022 to discuss his letter, and it was agreed that a further meeting would be held to continue the dialogue.
13. Further information, including a copy of the letter, notes of the SAB discussions and details of the meeting with Mr Lynk can be found on the SAB website, linked in Background Documents at the end of this report.

LGPS CONSULTATION ON TCFD

14. The RIAG meeting on 5 January 2022 received an update from the Department for Levelling Up, Housing and Communities (DLUHC) in respect of the long awaited consultation on the disclosure requirements from the Taskforce for Climate-related Financial Disclosures (TCFD).
15. The DLUHC representative stated that this matter was considered by Ministers along with broader investment matters but was unable to confirm when the consultation was likely to take place.
16. As a result of the above, it seems unlikely that Regulations will be made in time for the previously stated implementation date of 1 April 2022. Further updates will be provided in due course.

IMPACT INVESTING

17. At the RIAG meeting on 5 January 2022 a representative from the Local Government Association (LGA) reported that there is likely to be central government interest in national LGPS exposure to productive capital and impact investing.
18. The Impact Investing Institute defines impact investments as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”
19. The Technical Finance Manager and Cllr Quigley have recently attended some events organised by Pensions 4 Purpose in conjunction with the Impact Investing Institute to gain information about “place based impact investing”.
20. A discussion with Schroder Asset Management, who currently manage the fund’s property portfolio, is being planned to consider whether they may have opportunities for the fund to increase its social impact through real estate investment.
21. Information is also being provided to Pensions 4 Purpose about the fund’s current strategic asset allocation, with the intention of inviting them to deliver a development session to the committee in due course.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

22. The recommendation and actions in this report do not directly impact on any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

FINANCIAL / BUDGET IMPLICATIONS

23. The costs of the pension fund's ESG/RI activities, including the membership of LAPFF, are borne by the pension fund's budget. There is no direct implication for the council's revenue or capital budget.

LEGAL IMPLICATIONS

24. There no legal implications arising from this update.

EQUALITY AND DIVERSITY

25. 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.
26. The update provided in this report has no implications for any of the protected characteristics.

BACKGROUND PAPERS

27. Scheme Advisory Board website
<https://lgpsboard.org/index.php>
28. Scheme Advisory Board Responsible Investment Project website
<https://lgpsboard.org/index.php/projects/responsible-investment>
29. Impact Investing Institute website: Introduction to impact investing
<https://www.impactinvest.org.uk/modules/introduction-to-impact-investing/>

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 CHRIS JARMAN
*Chairman of the Isle of Wight Pension Fund
Committee*

Isle of Wight Council Pension Fund

v

Development sessions held since 31 October 2021

- 10-Nov-21 1330-1500 ACCESS pooling: past, present and future
- ~~12-Jan-22 1400-1530 Triennial valuation process~~
- 26-Jan-22 1400-1530 ACCESS ESG/RI guidelines
- 02-Feb-22 1400-1530 Triennial valuation process

CJ	CC	DA	VC	WD	PB	RQ	IW	MO	SM	vacancy	sub1	sub2
Chair	Vice-chair	Elected member 1	Elected member 2	Elected member 3.2	Elected member 3.3	Elected member 4	Elected member 5.1	Elected member 5.2	Scheme member rep	Employer rep	WD	SH
-	-	v	v	-		v	v		v			
Cancelled - meeting clash												
v	v	v	v		v	v		v	v		-	-
v	v	v	v		v	v		v	v		-	-

officers advisers
 JMT, JEC, KH, MC D Crum, M Whitby
 JMT, JEC, MC D Crum, M Whitby
 JMT, JEC, MC, KH C Alexander, S Robinson

External development opportunities since 31 October 2021

- 09-Nov-21 LGA fundamentals day 2
- 09-Nov-21 Hymans web COP26 9/11
- 18-Nov-21 Newton investment conf 18/11
- 02-Dec-21 LGA fundamentals day 3
- 06-Dec-21 Place-Based Impact Investing Forum: Impact Investing in UK Housing
- 20-Jan-22 Place-Based Impact Investing Forum - Afternoon Tea with Pensions for Purpose and Schroders
- 27-Jan-22 Hymans keeping the LGPS connected
- 28-Jan-22 Hymans Themes for 2022 valuation - spotlight on climate risk

CJ	CC	DA	VC	WD	PB	RQ	IW	MO	SM	vacancy	sub1	sub2
Chair	Vice-chair	Elected member 1	Elected member 2	Elected member 3.2	Elected member 3.3	Elected member 4	Elected member 5.1	Elected member 5.2	Scheme member rep	Employer rep	WD	SH
-	v	-	v	-		v	-		-			
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officers advisers

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Isle of Wight Pension Fund - Overview Quarter to 31 December 2021

Manager	Asset class	Asset Allocation Proportion of Total Fund %	Market Value Previous Quarter 30/09/2021	Market Value Latest Quarter 31/12/2021	Current Proportion of Total Fund %	Actual Quarterly Performance %	Benchmark Performance	Actual relative to benchmark	Benchmark to Outperform by %
ACCESS	UK Equities	12.5	147,555,921	107,275,121	14.0	3.6	4.2	-0.6	2.0
ACCESS	Global Equities	18.8	268,287,266	183,492,969	24.0	6.8	6.2	0.6	2.0
ACCESS	Diversified Growth Fund	10.0	116,478,533	120,880,989	15.8	4.2	0.9	3.3	1.0
Total ACCESS holdings		41.3	532,321,720	411,649,079	53.8	5.2	4.3	0.9	
Schroder	Bonds	22.0	141,136,107	142,093,916	18.6	1.0	1.4	-0.4	1.0
UBS	Climate Aware Passive	18.8	-	143,141,226	18.7	-1.2	-1.2	0.0	
Total Liquid Assets		82.0	673,457,827	696,884,221	91.0	3.3	2.5	0.7	
Schroder	Property	8.0	40,218,963	42,394,083	5.5	5.2	6.2	-1.0	0.5
Goldman Sachs	Private Debt	5.0	16,667,325	20,380,249	2.7				
Partners	Infrastructure	5.0	3,358,341	5,813,649	0.8				
Total Alternative Funds		18.0	60,244,629	68,587,981	9.0	5.2	6.2	-1.0	
TOTAL FUND		100.0	733,702,456	765,472,202	100.0	3.3	2.6	0.7	

Of which the following are equities:

UK Equities	12.5	147,555,921	107,275,121	14.0	3.6	4.2	-0.6	2.0
Global Equities	18.8	268,287,266	326,634,195	42.7	6.8	6.2	0.6	2.0
Total Equities	31.3	415,843,187	433,909,316	56.7	5.5	5.4	0.1	2.0
Proportion of total fund		56.68%	56.69%					

NOTE 1: Schroder quarterly performance report based on MID price. Monthly reports from November 2010 are based on BID price. BID price is reported above. BID price on Schroder's property portfolio is £569,533 higher than MID price

TOTAL FUND 766,041,735 MID value

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Isle of Wight Council Pension Fund

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Q4 2021 Investment Monitoring Report

Emma Garrett – Investment Consultant
Annabel Preston – Investment Analyst

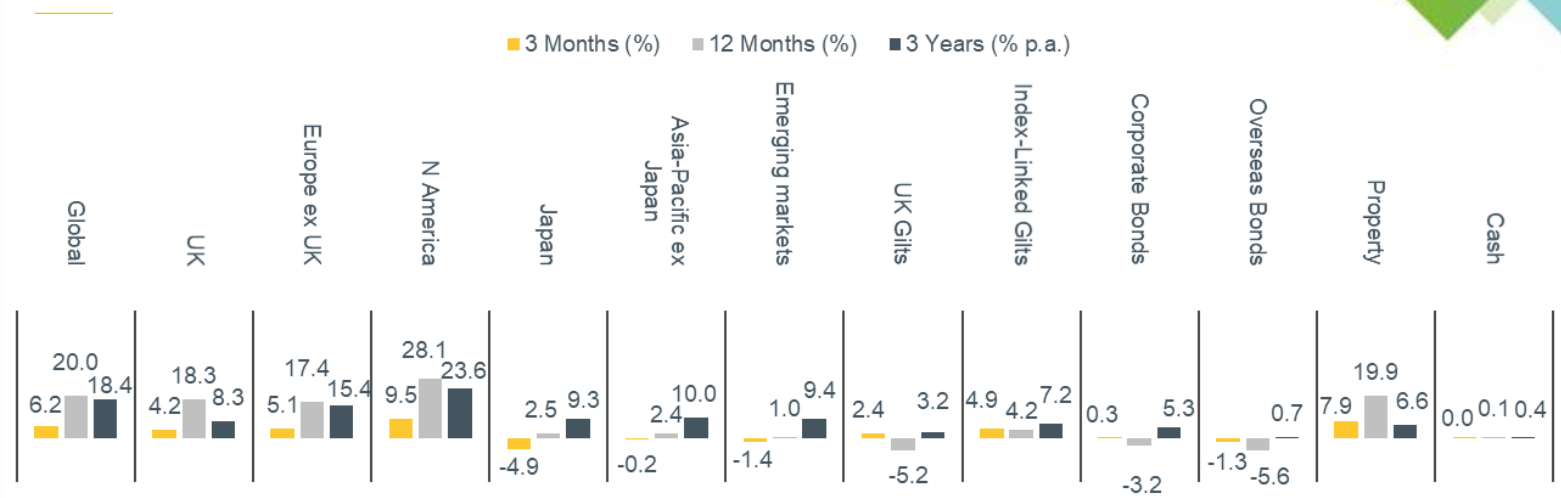
Economic momentum has slowed as rising COVID cases have led to a modest re-imposition of restrictions and increasing social distancing. This is expected to weigh on growth in Q4 2021 and Q1 2022, but we still anticipate above-trend growth in 2022.

There are signs that the strain on supply chains is easing, though the overall rate of price increases remains high. UK headline CPI inflation rose to 5.1% year-on-year in November whilst the equivalent US and eurozone measures rose to 6.8% and 4.9% respectively. In response, the Federal Open Markets Committee (FOMC) announced plans to accelerate the tapering of asset purchases, with the median FOMC member forecasting three rate hikes next year. The Bank of England raised rates to 0.25% p.a., with further rate hikes expected in 2022.

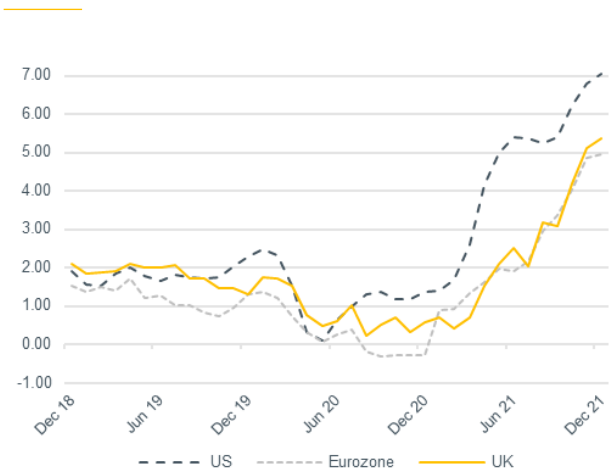
Trade-weighted sterling rose 1.7% through the quarter as markets adjusted for the earlier than expected rate rises. The US dollar rose 0.6% in trade-weighted terms, perhaps reflecting both safe haven appeal and slightly more hawkish messaging from the Federal Reserve.

US and UK bond yield curves flattened with short-term yields rising to reflect expectations of further interest rate hikes. Long-term yields remained largely unchanged. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, ended the quarter a little higher at 3.9% p.a. whilst longer term implied inflation fell. US 10-year implied inflation rose 0.2% p.a. to 2.6% p.a.

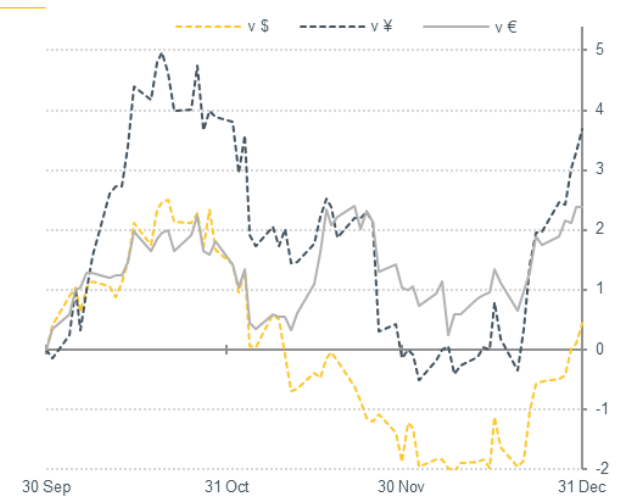
Historic returns for world markets ^[1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. ^[1]Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day.

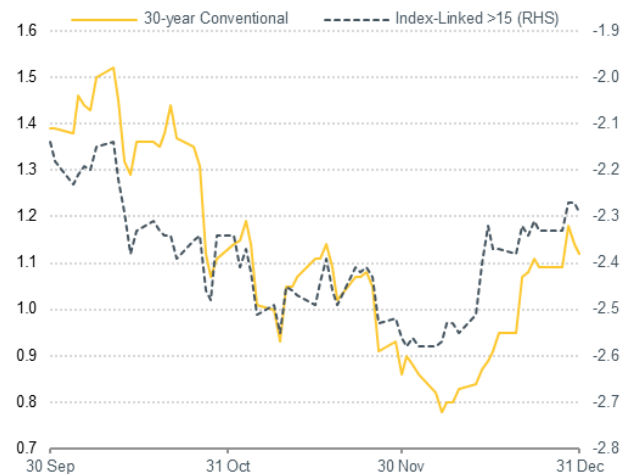
Global investment-grade spreads increased by 0.1% p.a. to 1.0% p.a., whilst speculative-grade spreads ended the quarter broadly in line with end-September levels at 3.7% p.a.

Despite falling in November over Omicron variant concerns, global equities produced a total return of 7.0% in Q4, propelled higher by strong earnings growth. Sterling strength weighed on returns to unhedged UK investors delivering a 6.2% return in sterling terms. All sectors produced positive returns except telecoms. Outside telecoms, energy and financials were the main underperformers, weighed on by demand expectations and flatter yield curves, respectively. Technology was the notable outperformer, bolstered by strong earnings releases and the prospect of further lockdowns spurring demand for tech.

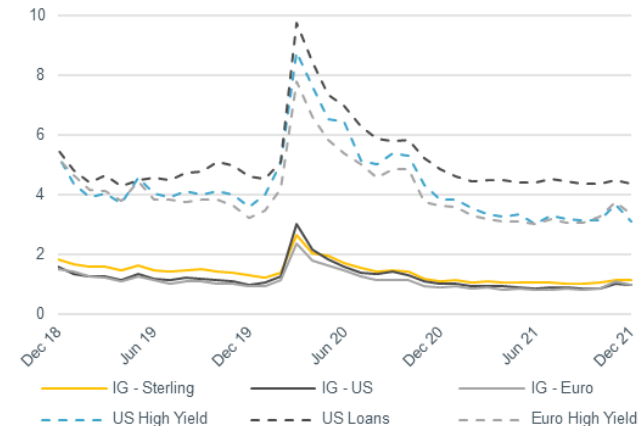
North America posted double digit returns on the back of tech outperformance. Japan, which reintroduced strict border restrictions shortly after the Omicron variant was made public, is at the bottom of the regional performance rankings over the quarter. Asian and emerging markets also continued their underperformance versus developed markets.

UK Monthly Property capital value index rose 10.6% over the 12 months to end December due to a buoyant industrial sector, where capital values have risen 26.7%. Retail capital values have risen by 4.3% over 12 months. There has been a flattening of the declines experienced in the office sector, though over the 12-month period values have fallen by 0.7%. Total return on the index, including income, was 16.5% in the 12 months to end November.

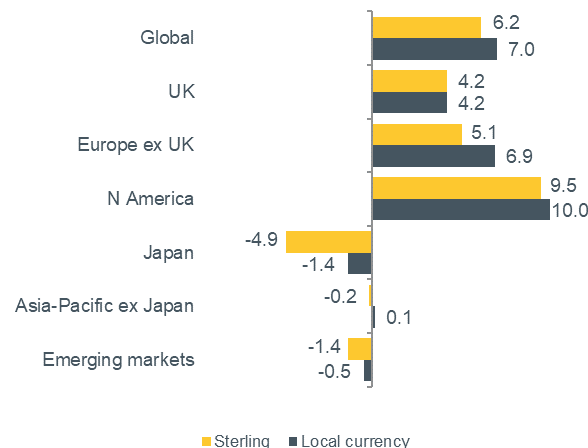
Gilt yields chart (% p.a.)



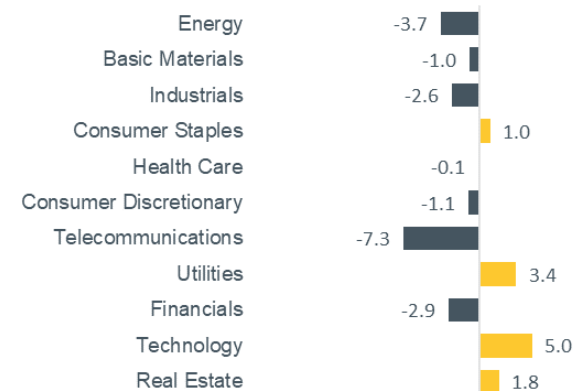
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

Summary of Medium-term Capital Market Views

The page summarises our broad views on the outlook for various markets. The ratings used are Positive, Attractive, Neutral, Cautious and Negative.

The ratings are intended to give a guide to our views on the prospects for markets over a period of around three years; although they are updated quarterly, they are not intended as tactical calls. The ratings reflect our expectations of absolute returns and assume no constraints on investment discretion. In practice, they need to be interpreted in the context of the strategic framework within which individual schemes are managed.

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	September 2021	December 2021	Comment
Index-linked gilts	Cautious	Cautious	Given elevated inflation forecasts, near-term implied inflation is not unreasonable relative to fundamentals. Between 10 and 25 years, implied inflation looks very expensive, where levels of implied inflation could be more impacted by RPI reform. Beyond 25 years, inflation pricing does not look particularly demanding.
Conventional gilts	Neutral to Cautious	Neutral to Cautious	The path of cash rates currently implied by instantaneous forward nominal yields, rising to 1.6% p.a. over the next 10 to 15 years, does not look unreasonable, though the improvement in the UK labour market and above forecast inflation opens up the possibility of a more rapid pace of near-term rate increases. Implied cash rates falling beyond 15 years makes us wary of longer-term forward yields.
Sterling non-government bonds	Cautious	Cautious	Current valuations warrant caution as relatively robust fundamentals are already reflected in spreads whilst future downside risks remain. Not only do current inflationary pressures have scope to increase input costs and squeeze margins, inflation erodes the real value of nominal fixed-interest coupons and long-duration, low spread, investment-grade credit capital values are susceptible to potential rate rises to combat inflation. Our preference is for low duration alternatives.
Private Debt	Neutral to Cautious	Neutral to Cautious	Fundamentals have improved post-COVID, but further lockdowns may prove a further headwind to the struggling retail and travel sectors. Valuations remain neutral, relative to traded loan spreads, but loan spreads well below long-term median levels still gives us cause for caution. That said, we are less cautious on private loan markets versus high yield, in line with our preference for traded loans over high yield bonds in liquid speculative-grade markets.
Equities	Neutral	Neutral to Cautious	Our view on equities is underpinned by above trend growth, which should lend continued support to earnings growth, and negative real interest rates, which are expected to persist for some time even as interest rates gradually rise. Valuations remain high, particularly in the US, with multiples elevated versus historical averages.
Cash Strategies	Neutral	Neutral	While interest rates may be as close to zero as they can get, when focused on risk adjusted returns, this feels like a sensible time to hold more cash than usual, that can be deployed into buying opportunities. Nevertheless, investors may want to look for ways to increase cash returns without taking duration risk. This may increase the attraction of short-duration credit and absolute return bond funds as near-cash alternatives.

The Fund's total assets increased by c£30.9m over the quarter.

Against a backdrop of easing economic momentum and increased volatility following economic concerns surrounding the Omicron variant, global equity markets still delivered positive returns over Q4 2021.

Strong earnings growth drove performance, leading to the outperformance in the technology sector. Due to concerns over economic slowdown, cyclical sectors lagged over the quarter.

The Fund remains slightly overweight to equities as the new Income allocations continue to drawdown capital over time.

Key Actions

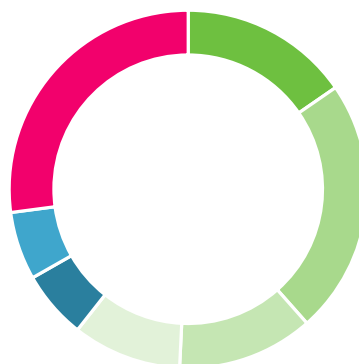
Two capital calls for GSAM took place over Q4 2021, c.£0.9m in October and c.£3.8m in November.

A new investment of £145m in the UBS Global Aware fund was made on 8 December 2021. This was funded by a reduction in the Majedie and Newton mandates (c.5% and c.13.75%, respectively).

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q3 2021	Q4 2021			
Majedie UK Equity Fund	147.6	107.3	14.1%	12.5%	1.6%
Newton Global Equity Fund	268.3	183.5	24.1%	18.75%	5.3%
Baillie Gifford Diversified Growth Fund	116.5	120.9	15.8%	10.0%	5.8%
UBS Climate Aware World Equity Fund	-	143.1	18.8%	18.75%	0.0%
Total Growth	532.3	554.8	72.7%	60.0%	12.7%
Schroders Property Fund	39.7	41.8	5.5%	8.0%	-2.5%
GSAM Broad Street Loan Partners IV Fund	16.1	20.5	2.7%	5.0%	-2.3%
Partners Infrastructure	3.4	4.1	0.5%	5.0%	-4.5%
Total Income	59.2	66.3	8.7%	18.0%	-9.3%
Schroders Fixed Income Fund	140.4	141.7	18.6%	22.0%	-3.4%
Total Protection	140.4	141.7	18.6%	22.0%	-3.4%
Total Scheme	731.9	762.8	100.0%	100.0%	

Asset class exposures



- Majedie UK Equity Fund 14%
- Newton Global Equity Fund 24%
- Baillie Gifford Diversified Growth Fund 16%
- UBS Climate Aware World Equity Fund 19%
- Schroders Property Fund 5%
- GSAM Broad Street Loan Partners IV Fund 3%
- Partners Infrastructure 1%
- Schroders Fixed Income Fund 19%

Over Q4 2021, the total Fund's performance was positive on both absolute and relative terms. The Fund returned 4.5% over the quarter against its benchmark of 3.8%

Over the longer term, the Fund remains ahead of its 12-month benchmark however falls short over the 3-year period by 1.6%.

The Newton Global Equity Fund provided the highest absolute and relative return this quarter due to the fund's weighting in outperforming tech stocks.

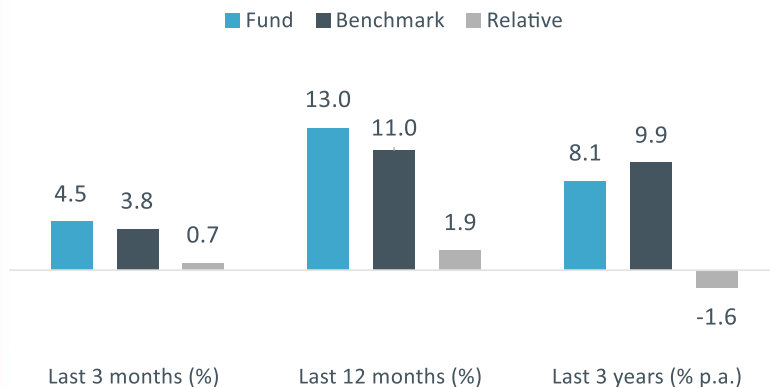
Conversely, Majedie and both of the Schroders mandates were negative in relative terms. The Schroders property mandate had the greatest underperformance as a result of a low allocation to industrial rentals which outperformed.

All of the fund's mandates produced positive absolute returns this quarter with the exception of the newly introduced UBS mandate. UBS 3 months performance is from inception of the fund on 8 December 2021, and performed in line with the benchmark. The total performance for the Fund has been manually adjusted accordingly.

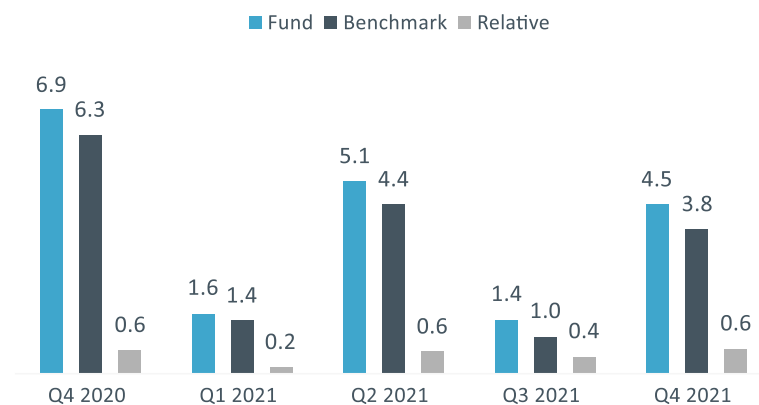
Manager performance (gross of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
Newton Global Equity Fund	6.9	6.2	0.7	20.9	19.6	1.1	19.1	17.9	1.0
Majedie UK Equity Fund	3.7	4.2	-0.5	19.1	18.3	0.6	8.6	8.4	0.2
Baillie Gifford Diversified Growth Fund	3.9	0.9	3.0	9.8	3.6	6.0	8.2	3.9	4.2
UBS Climate Aware World Equity Fund	-1.2	-1.2	0.0	-	-	-	-	-	-
Income									
Schroders Property Fund	5.2	6.2	-0.9	17.0	17.8	-0.8	6.3	5.9	0.4
Protection									
Schroders Fixed Income Fund	1.0	1.4	-0.4	-3.4	-4.1	0.8	5.7	4.0	1.6
Total	4.5	3.8	0.7	13.0	11.0	1.9	8.1	9.9	-1.6

Fund performance vs benchmark/target



Historical quarterly performance summary



Source: Fund performance and valuation data provided by Investment Managers and is gross of fees. Please note UBS Climate Aware fund performance is from inception date – 8 December 2021. Benchmark performance provided by Investment Managers and DataStream.

This page includes details of the current investment manager ratings together with any relevant manager business updates.

This page also shows RI ratings for the current investment managers.

Both of these ratings are further explained in the Appendix on page 13.

Manager ratings

Mandate	Hymans Rating	RI
Newton Global Equity Fund	Suitable	Good
Majedie UK Equity Fund	Suitable	Adequate
Schroders Fixed Income Fund	Positive	Good
Schroders Property Fund	Positive	Good
Baillie Gifford Diversified Growth Fund	Preferred	Good
GSAM Broad Street Loan Partners IV Fund	Preferred	Adequate
Partners Infrastructure	Preferred	Good
UBS Climate Aware World Equity Fund	Preferred	Good

Schroders Fixed Income business update

- Johanna Kyrklund and Rory Bateman have been promoted to Co-Heads of Investment, alongside their existing roles as Group Chief Investment Officer and Global Head of Multi-Asset and Global Head of Equities, respectively. Together they will be responsible for the management, oversight and development of Schroders' investment platform.
- Andrew Howard, Global Head of Sustainable Investment, has joined the Group Management Committee in-line with Schroders' objective to embed sustainability at its core.

Majedie business update

- Over the quarter Majedie announced that they are being acquired by Liontrust an asset manager. The deal is estimated to complete in April 2022 and upon this event the team will change their name to the Liontrust Global Fundamental team.
- We continue to rate Majedie as 'Suitable'.

Newton business update

- Newton announced that Charles French, previously head of the global equity opportunities hub has resigned and will be leaving the firm in June 2022. Paul Markham will now lead the global opportunities team. Paul has been with Newton for 24 years and involved in this strategy since 2011.
- In addition, Newton also announced that Yuko Takano, co-portfolio manager on the Global Sustainable Equity team, is also leaving the firm to take up a new opportunity. The Global Sustainable Equity team will be co-managed by Nick Pope and Paul Markham.
- The key personnel changes at Newton have been ongoing over the last few years and continue to be so with the announcement this week of Charles French and Yuko Takano both leaving the firm. This is disappointing and increases our concerns on the ability of Newton to retain talent and key investment personnel.
- While we rate the Global equity strategy as 'Suitable', we will arrange a manager review meeting with Paul Markham the newly appointed head of the global equity to discuss the changes including those affecting the global sustainable equity strategy and will provide a view following that. For now, Newton has reassured us that these changes will not impact on the investment process of the global equity strategies.

Majedie UK Equity

Over Q4 2021, the Majedie UK Equity fund returned 3.7% in absolute terms, falling short of its FTSE All Share benchmark by 0.5%. Over the longer term, the fund marginally exceeded its 12-month and 3-year target by 0.6% and 0.2%, respectively.

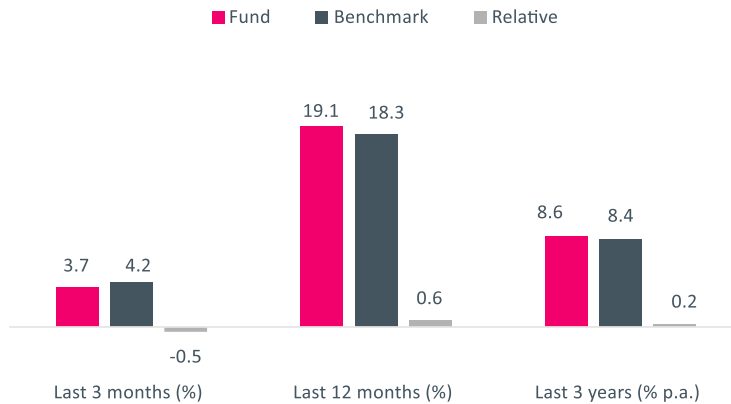
The UK equity market rose over the quarter as news surrounding the Omicron variant appeared less virulent than initially feared. However, cyclical sectors such as financials, energy and industrials struggled to recover from earlier losses. As a result, the fund's overweight position to industrials detracted from performance.

From a stock perspective, holdings in EasyJet detracted from performance as the Omicron variant eased travel momentum. Holdings in Boohoo and QinetiQ were also key detractors.

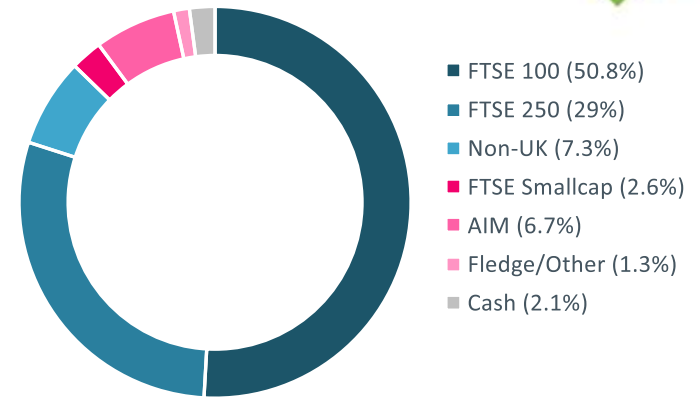
Leading positive performance this quarter was the utilities sector which outperformed amidst a dimming of the economic outlook. Stock selection within the fund was a key factor, with the two utilities holdings, Centrica and National Grid, boosting returns.

Additionally, the fund's underweight positioning to financials and energy positively impacted performance.

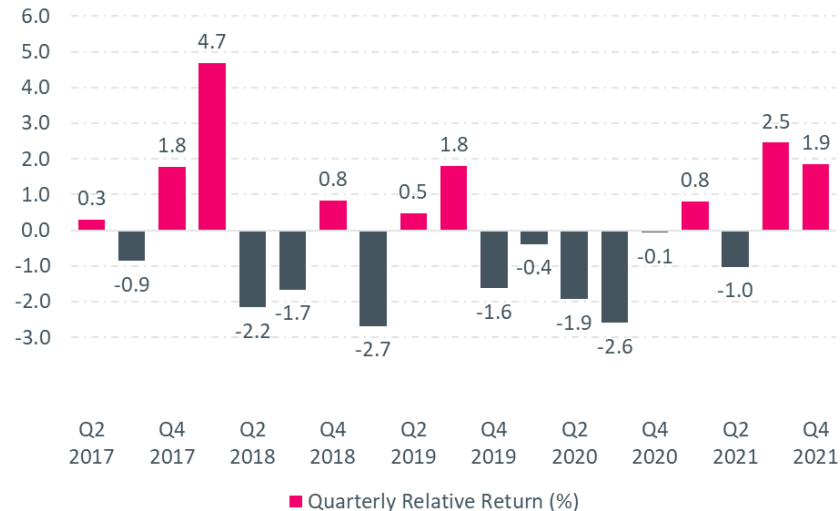
Performance summary



Asset allocation



Performance summary (Gross of Fees)



Source: Data and fund performance provided by Majedie and Link Group and is gross of fees.

Newton Global Equity

The Newton Global Equity Fund outperformed its MSCI ACWI benchmark of 6.2% over the quarter, returning 6.9% in absolute terms. The fund continues to outperform its performance target over the longer term.

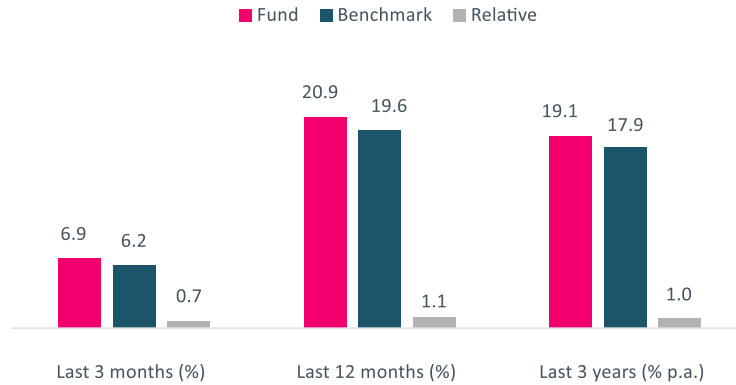
Despite the initial concerns surrounding the Omicron variant, global equity markets rose over the quarter. Driving positive performance was the technology sector with strong earnings growth boosting performance.

As a result, the mandate's holdings in stocks such as Apple and Microsoft were key contributors to performance.

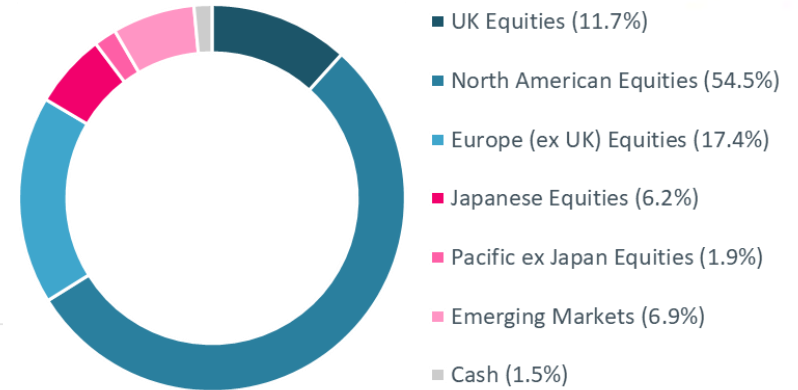
From a regional perspective, North America led relative performance due to the significant weighting to the outperforming technology sector, coupled with the passing of more fiscal stimulus in the US. Japanese equities suffered due to tightening of restrictions, however, this did not negatively affect the fund.

Emerging markets continued to underperform over Q4 2021 due to ongoing fears of a slowdown in Chinese markets and increased political intervention. As a result, Asia Pacific (ex-Japan) was the main regional detractor for the mandate given the economic relationship held with China.

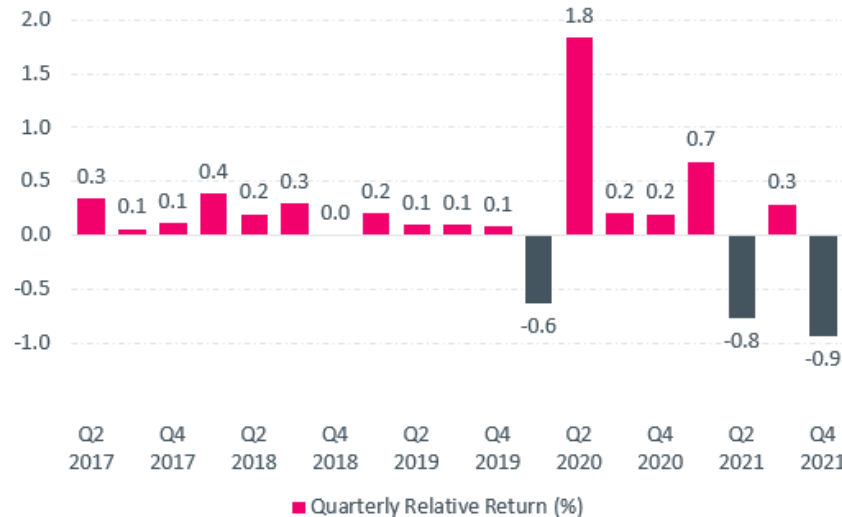
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Newton and Link Group and is gross of fees.

Baillie Gifford Diversified Growth

Over Q4 2021, the Baillie Gifford Diversified Growth fund returned 3.9%, outperforming its benchmark by 3%. The fund remains ahead of its 12-month and 3-year targets by 6.0% and 4.2%, respectively.

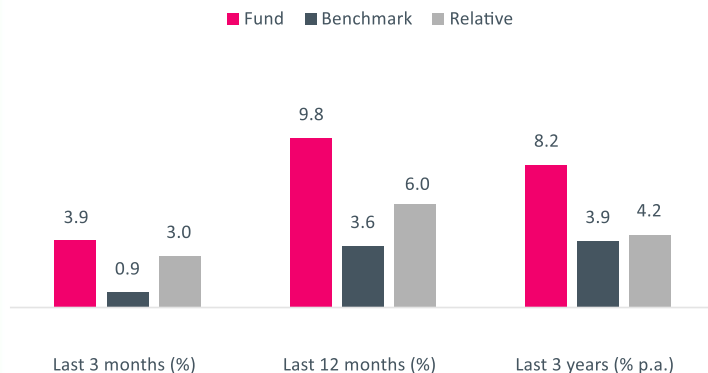
Infrastructure and property were the top contributors to performance this quarter, in particular, assets involved in logistics. Active currency also positively contributed.

Holdings in defensive assets such as absolute return strategies were the key detractor to performance, as expected considering the general negative correlation to equities which rose. Government bonds and high yield credit also detracted.

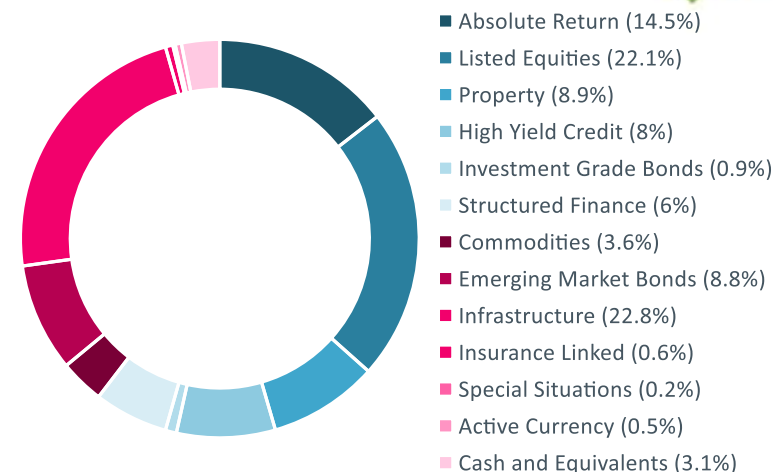
To reduce overall risk within the fund, Baillie Gifford has increased exposure to their oil and volatility strategy (introduced last quarter) and reduced allocations to listed equities.

Following recent turmoil in the Chinese property market, the manager added new allocations to Asian high yield bonds whilst prices were considerably low. As part of the manager's focus on sustainable power, allocations were added to 2 mining companies involved in the production of metals for low-carbon energy sources e.g. wind turbines.

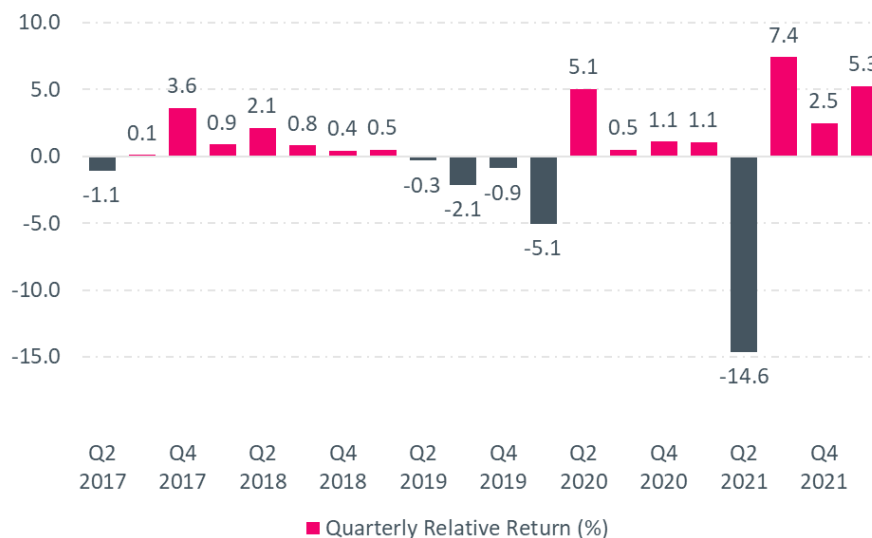
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Baillie Gifford and Link Group and is gross of fees.

Schroder Property

The Schroder's property mandate returned 5.2% over Q4, falling short of benchmark by 0.9%. Relative performance was negative over the last 12-months however remained positive over the 3-year period.

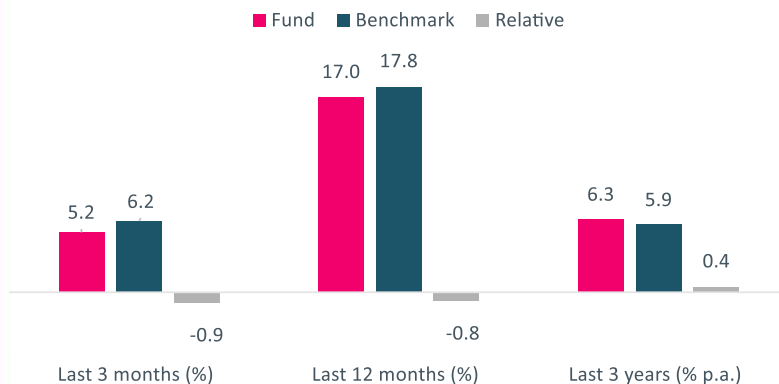
The property market continued to excel over the quarter, particularly in industrial rentals. As a result, the fund's underweight position to industrials resulted in the fund falling short of benchmark.

Positive performance was driven by growth in capital value (c.118m). The office sector continued to stabilise over the quarter and vacancy rates marginally rose. Additionally, retail park rents are expected to stabilise as larger items, such as furniture, have proven more resistant to the transition of online purchasing than stores found in shopping centres.

There were 25 new lettings and lease renewals and 4 rent reviews completed over the quarter. The 4 rent reviews were carried out at Acorn Industrial Estate, along with 5 new lettings, creating c.£330k additional annual rent.

The fund has plans to jointly acquire "The Brewery" with another Schrodgers strategy as part of the fund's strategy to provide long-term opportunities. Completion is expected in Q1 2022 and looks to provide £6.2m in rent per annum.

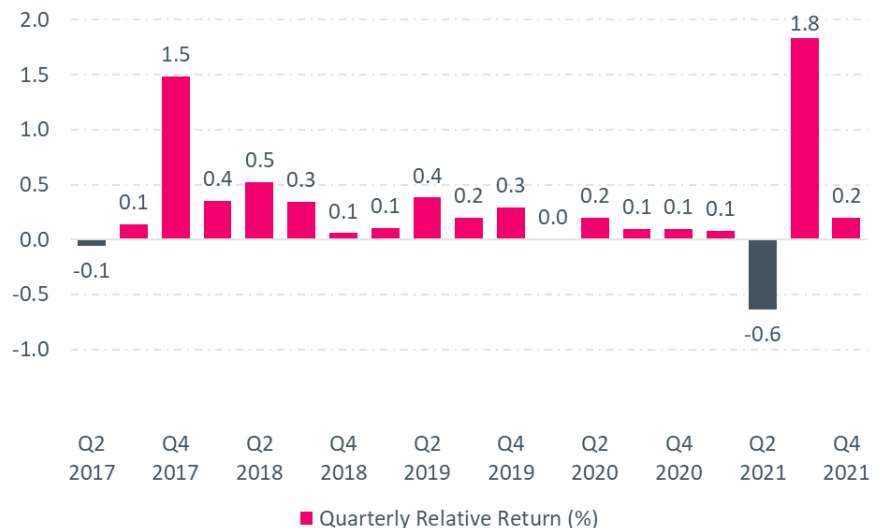
Performance summary



Key statistics

Fund size (gross)	£2,529.6m
Number of holdings	52
Number of tenants	644
Debt (% of NAV)	0.2%
Top 10 holdings as % of portfolio	46.1

Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

Schroders Fixed Income

The Schroders Fixed Income portfolio returned 1.0% in Q4 2021, lagging its benchmark of 1.4%. The fund fell short of its 12-month target however remains ahead of its 3-year target.

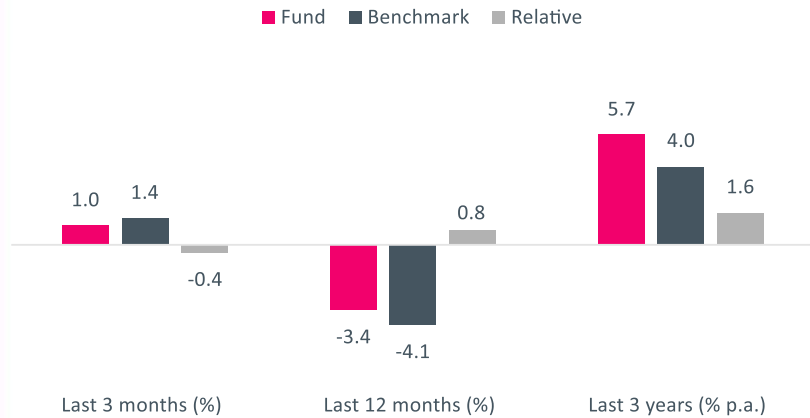
Economic concerns surrounding Omicron and high inflation led to muted returns in Q4. However the easing in supply chain disruptions and oil prices had marginal positive effect.

The fund's underperformance was driven by the purchase of credit default protection. With expectation to perform well as spreads widen (as seen in November), performance was hindered as spreads reversed and tightened once again in December.

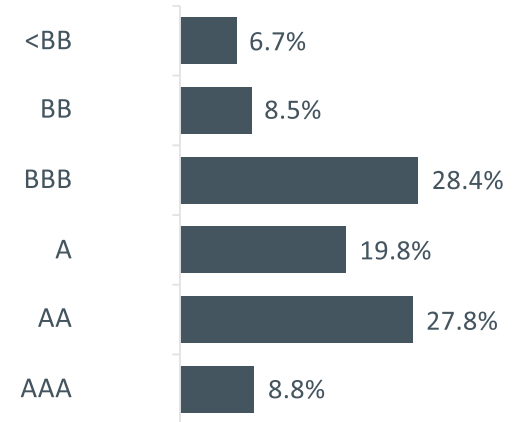
Key driver to performance was the fund's overweight duration to UK as the Bank of England raised interest rates, the first of what is expected to be a series of hikes. Furthermore, the flattening of bond yield curves as short-term yields moved higher proved favourable.

In terms of allocation, the fund decreased US duration due to the resilience seen in US consumers – adding positions to UK and Australia. Exposure to Italy was eliminated due to news of expansionary fiscal policy.

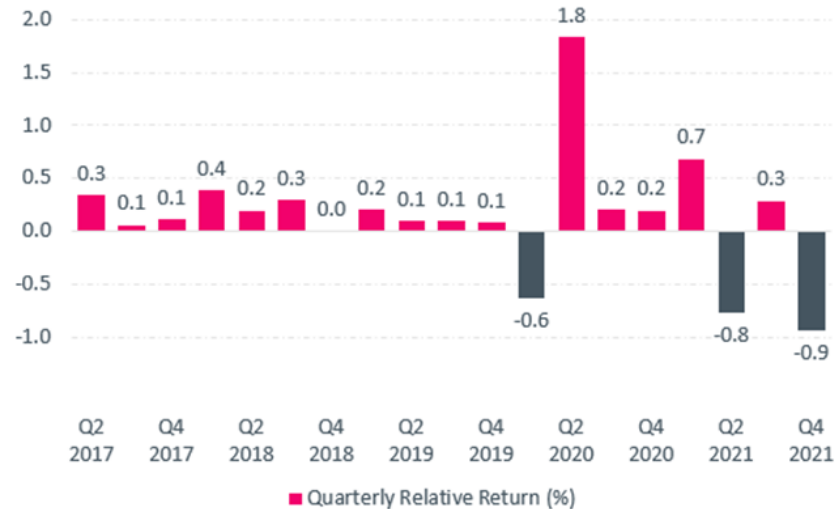
Performance summary



Relative credit allocation



Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

GSAM Broad Street Loan Partners IV Fund

In July 2020, a new 5% allocation to private debt was agreed by the Committee which will be drawn down over time.

The Fund received two capital calls from GSAM over Q4: These were as follows:
 - c.£0.9m on 4 October 2021
 - c.£3.8m on 15 November 2021

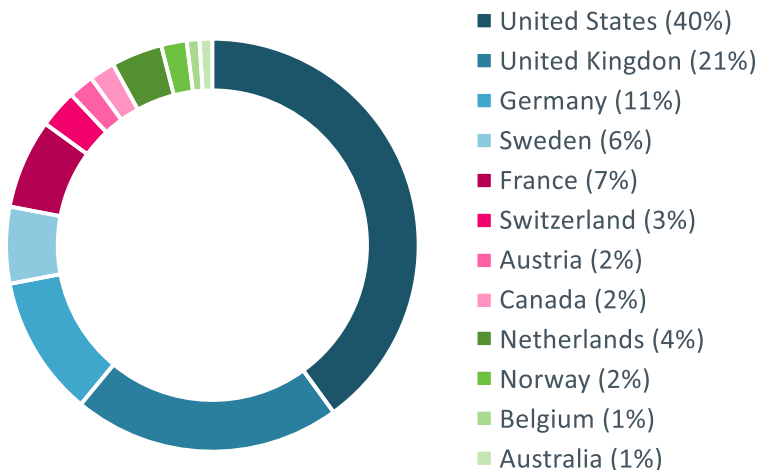
One distribution notice of c.£164k was received from GSAM alongside the capital call issued for 15 November 2021.

Following quarter end, a further \$3.1m was called on 24 January.

First Lien term loans continue to hold the majority weighting, in line with the Fund's target investment profile.

It is too early in the funds lifecycle for performance data however as the Fund's commitment of £29m continues to drawdown, and as the size of the investment increases, performance reporting will develop.

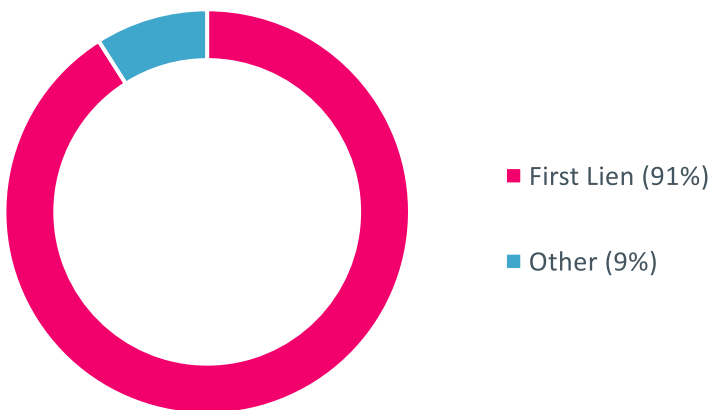
Geography split



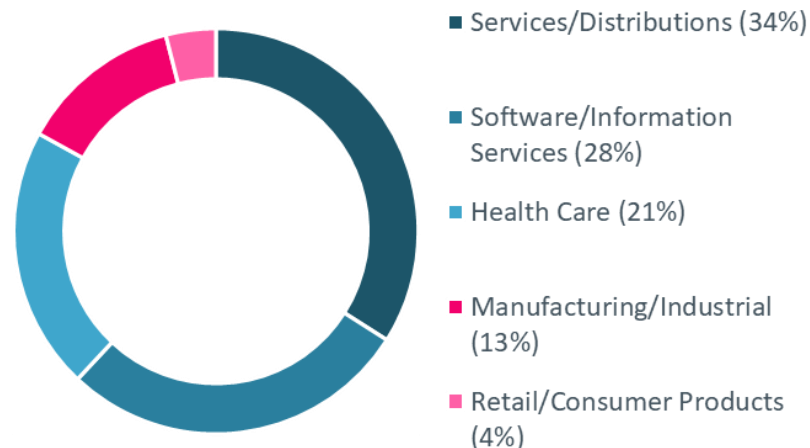
Key statistics (£m)

Commitment	29.0
Capital calls	3.8
Distributions	0.2
Estimated Capital balance	20.5
Estimated Net Income/Loss	0.2

Security/Loan type



Industry split



Partners Direct Infrastructure

In July 2020, a new 5% allocation to infrastructure was agreed by the Committee which will be drawn down over time. The first allocation to Partners Direct Infrastructure Fund was drawn on 10 July 2021.

At the 30 November 2021, the net asset value for the fund was c.£4.1m, an increase of c.£0.7m from Q3 2021.

The fund commitments totalled c.£34.9m as at 30 November 2021 and capital contributions paid to date were c.£4.7m.

Reporting for the fund will evolve over time as the fund establishes.

Key statistics (£m) – 30 November 2021

Commitments	34.9
Capital contributions	4.7
Distributions	0
Net asset value	4.1
Net multiple	too early

Source: Fund data provided by Partners.

UBS Climate Aware World Equity Fund

Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach.

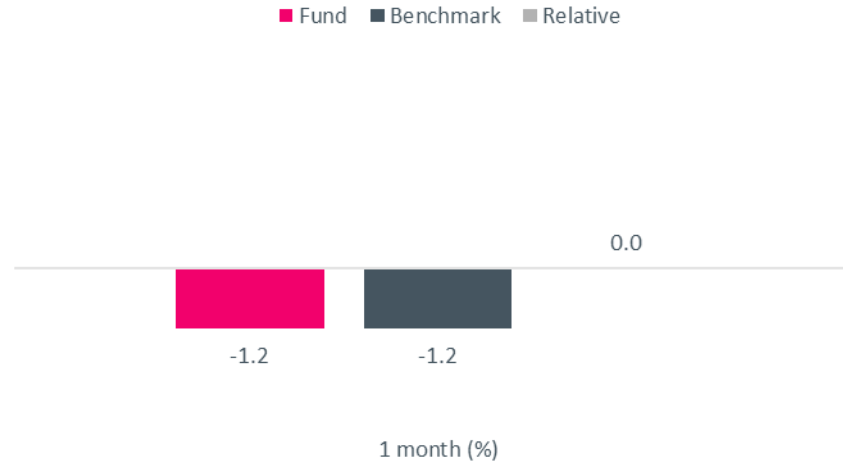
In December 2021, the new allocation of £145m was invested in the UBS Global Aware mandate. The aim of the mandate is to perform broadly in line with the FTSE AW Developed Index, delivering similar performance to standard global equity indices but with less carbon intensive investments.

From investment date 8 December 2021 to 31 December 2021, the fund returned -1.2% in line with the benchmark.

Performance is from inception of the fund on 8 December 2021.

Reporting for the fund will evolve as more reporting data becomes available.

Performance summary



Benchmarks, Targets & Fees

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
Newton Global Equity Fund	25/08/2009	MSCI AC World	+2% p.a. over rolling 5 years
Majedie UK Equity Fund	31/08/2009	FTSE All Share	+2% p.a. over rolling 5 years
Schroders Fixed Income Fund	31/08/2009	50% iBoxx Gilts and 50% iBoxx Non-Gilts Indices	Outperform benchmark by 1% p.a. (net of fees) over a market cycle before fees
Schroders Property Fund	31/08/2009	AREF/MSCI UK Quarterly Property Fund Index All Balanced Funds Median	Outperform benchmark by 0.5% p.a. (net of fees) over 3 year rolling period
Baillie Gifford Diversified Growth Fund	30/10/2013	UK Base Rate +3.5% p.a.	UK Base Rate +3.5% p.a. (net of fees) over 5 year rolling period
GSAM Broad Street Loan Partners IV Fund	25/01/2021	-	8% gross IRR
Partners Infrastructure	10/07/2021	-	8-12% p.a. net of fees
UBS Climate Aware World Equity Fund	08/12/2021	FTSE AW Developed Index	-

Source: Investment Managers

Hymans Ratings

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

This page sets out the benchmark, performance targets, and fees of each mandate.

It also provides descriptions of our ratings and the rationale behind our Hymans research and Responsible Investment ratings.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	16 FEBRUARY 2022
Title	ACCESS POOLING UPDATE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report updates the committee on activity in respect to the ACCESS pool since the last committee meeting on 24 November 2021. It also sets out proposals for future engagement with matters to be discussed at future Joint Committee meetings.
2. Agreeing to the recommendations outlined below will ensure that the Isle of Wight Council continues to have an important role in the governance of the investment pool.

RECOMMENDATION

3. That the committee notes the summary reports from the joint committee meeting held on 6 December 2021.
4. That the committee adopts the ACCESS business plan for 2022-23, and the associated budget, as recommended by the Joint Committee.
5. That the committee agrees to delegate the provision of feedback on the ACCESS ESG/RI guidelines to the Technical Finance Manager, in consultation with the vice-chairman of the committee.
6. That the committee notes the appointment of MJ Hudson as implementation adviser for the pool's illiquid asset solutions.
7. That the committee confirms its response to the proposed solution for the representation of scheme members on the ACCESS joint committee.

CONFIDENTIAL / EXEMPT ITEMS

8. This main body of this report is not considered exempt from disclosure, but some of the appendices are deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs

the public interest in disclosing it. Disclosing the information could place the council at risk of legal challenge from individuals or other bodies identified in the report.

9. The information contained within this report and appendices, where appropriate, was also deemed exempt from disclosure when it was presented to the ACCESS Joint Committee meeting on 6 December 2021.

JOINT COMMITTEE MEETING 6 DECEMBER 2021

10. The ACCESS Joint Committee (JC) meeting was held in London on 6 December 2021, attended by Councillor Andre and the Technical Finance Manager.
11. The agenda for this meeting is attached as appendix 1 to this report, and appendices 2 and 3 (exempt) contain a summary of the discussions at the meeting.

ACCESS BUSINESS PLAN AND BUDGET 2022-23

12. The JC received a report on the proposed business plan for ACCESS activities for the year to 31 March 2023, and the associated budget for the year. The key activities for the pool for the 2022-23 financial year are:
 - (a) Continued active asset migration from investing authorities.
 - (b) The anticipated launch of the first illiquid pooled vehicles.
 - (c) Further developments in the areas of governance, communications and Responsible Investment.
 - (d) Conduct an independent third-party review of the structure and work of the ACCESS Support Unit (ASU).
13. On recommendation from the section 151 officers' group, the JC agreed a budget for the financial year of £1.366 million, resulting in a contribution of approximately £124,000 per authority.
14. The business plan and budget paper presented to the JC is attached to this report as Appendix 4.
15. On recommendation from the JC, the committee is asked to adopt the ACCESS business plan, and confirm the contribution to the ACCESS pool from the fund.

ACCESS ESG/RI GUIDELINES

16. On 26 January 2022, a development session on the draft ACCESS guidelines was delivered to members of the pension fund committee and the local pension board by a representative from Minerva Analytics and an officer from Northamptonshire Pension Fund, within the ACCESS pool.
17. All funds have been asked to provide feedback on the draft guidelines, prior to them being presented to a future JC meeting (most likely June 2022) for adoption and onward recommendation to each investing fund.
18. Following discussion at the development session, it is proposed that the Technical Finance Manager work with the vice-chairman of the committee in developing the

fund's response to the guidelines and provide feedback to the pool for inclusion in the final version.

19. The committee is asked to approve this delegation and request a further report once the guidelines have been presented to the ACCESS joint committee.

POOLING SOLUTIONS FOR ILLIQUID ASSETS

20. Currently there are 31 planned sub-funds managed by Link Fund Solutions on behalf of the ACCESS pool. These cover equity, fixed income and diversified growth fund asset classes, collectively "liquid assets" as there is an open market for these investments.
21. The pool has been working to develop solutions for the pooling of "alternative" or "illiquid" investment classes, including private equity, provide debt, infrastructure and real estate. These are not a straightforward as liquid assets, as they tend to have fixed investment periods, with closed investments, which mean they are less easy to trade.
22. Following a detailed procurement exercise, the pool has appointed MJ Hudson Consulting Limited as implementation adviser, to support the pool and the investing funds in the development and launch of appropriate investment vehicles for these asset classes.
23. Isle of Wight Council Pension Fund currently has investments in private debt (Goldman Sachs Asset Management), infrastructure (Partners Group) and real estate (Schroder Investment Management) which are currently held outside the pool. All of these will be subject to the project being led by MJ Hudson.
24. Initial data on the local strategic and actual allocation to these asset classes has been provided to MJ Hudson, and a meeting is planned for early February 2022 to discuss the way forward.
25. Further information on this project, and proposals for the pooling of these asset classes will be presented to the committee in due course.

SCHEME MEMBER REPRESENTATION ON JOINT COMMITTEE

26. At its meeting on 24 November 2021, this committee agreed to support a recommendation to the JC to allow scheme members to be represented as observers on the ACCESS joint committee. This matter was not included on the agenda for the 6 December 2021 JC meeting.
27. On 17 December 2021, the Scheme Advisory Board (SAB) published the minutes of its December meeting at which it was reported that ACCESS was the only pool not to have scheme member representation on its governing committee.
28. On 10 January 2022, the chairman of the ACCESS Joint Committee issued a briefing note to all funds, attached as appendix 5 to this report, setting out how he proposes that the pool deal with this matter. The appendix is considered exempt from publication as it contains draft documents for discussion at a future JC meeting.

29. The committee is asked to confirm how it wishes the fund's representative at the next JC meeting on 7 March 2022 to respond in respect of the proposals for scheme member representation on the JC.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

30. The recommendations and actions in this report do not directly impact upon the [Corporate Plan 2021 - 2025](#).

Pension Fund Objectives

31. Providing information to the committee on the work of the ACCESS pool and ensuring that the committee is informed of key strategic and operational decisions considered by the Joint Committee fulfils the fund's Investment Governance belief that "the Committee aim to have a good working relationship with the ACCESS pool."
32. Engagement with the development of the ACCESS ESG/RI guidelines ensures the achievement of the Responsible Investment objective that "the fund will work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights."

FINANCIAL / BUDGET IMPLICATIONS

33. The costs of the fund's engagement with the ACCESS pool are borne directly by the pension fund, and have no direct impact on the Council's revenue budget.
34. The Isle of Wight Council Pension Fund pays an equal (1/11th) share of the ACCESS budget, as set out in Appendix 4.
35. Costs associated with the investment sub funds, including investment manager and Link fees, are allocated between the investing authorities based on the value of the assets invested in the sub-fund.

LEGAL IMPLICATIONS

36. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
37. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
38. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
39. The council's monitoring officer and section 151 officer have also been engaged in the project as required.

EQUALITY AND DIVERSITY

40. 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.
41. There are no implications for any of the protected characteristics as a result of participation in the ACCESS pool.

RISK MANAGEMENT

42. A detailed risk register is maintained by the ACCESS Support Unit, and is presented for review at each Officer Working Group meeting and discussed at each joint committee meeting.
43. The business plan and budget recommended for adoption by the committee have been reviewed and agreed collectively by the Section 151 Officers from each ACCESS authority. The Joint Committee agreed the plan and budget based on a recommendation from the Section 151 Officers' group. Progress against the business plan, and performance against the budget are reported at each Joint Committee meeting.
44. There is therefore very little risk to the Isle of Wight Council Pension Fund in adopting the business plan and agreeing the budget.
45. The draft ACCESS ESG/RI guidelines are a combination of the statements already published by each ACCESS authority. Each individual pension fund within ACCESS retains its own policy statement in respect of ESG/RI activities, which are intended to fall within the boundaries of the guidelines.
46. Delegating the response to consultation on those draft guidelines to the Technical Finance Manager, in discussion with the vice-chairman of the committee, will reduce the timetable for response to the Joint Committee, and will ensure that the Isle of Wight Council Pension Fund's position is fairly represented within the guidelines.
47. The risk of the fund agreeing the draft guidelines is minimal. Adoption of the guidelines in due course should assist in enabling the local strategy statements to be enhanced by following other funds' best practice.
48. In agreeing the committee's response to the proposal for scheme member representation at the Joint Committee meetings, the risk that the fund's views are not considered in the discussion of that item is significantly reduced.

APPENDICES ATTACHED

49. Appendix 1: ACCESS Joint Committee meeting Agenda 6 December 2021 (open)
50. Appendix 2: ACCESS Joint Committee meeting 6 December 2021 Part 1 summary update (open)

51. Appendix 3: ACCESS Joint Committee meeting 6 December 2021 Part 2 summary update (exempt)
52. Appendix 4: ACCESS Business Plan and budget 2022-23 (open)
53. Appendix 5: Joint Committee chairman's briefing on scheme member representation (exempt)

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

CHRIS WARD
Director of Finance

COUNCILLOR CHRIS JARMAN
Chairman of Isle of Wight Pension Fund Committee



AGENDA

ACCESS JOINT COMMITTEE

Monday, 6th December, 2021, at 11.00 am

Ask for: **Joel Cook**

**Bevin Hall - 18 Smith Square, LGA Offices,
London**

Telephone **03000 416892**

Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room

Membership

Chair: Cllr Mark Kemp-Gee (Hampshire CC), **Vice-Chair: Cllr Susan Barker** (Essex CC), **Cllr Gerard Fox** (East Sussex CC), **Cllr Jeremy Hunt** (West Sussex CC), **Cllr Chris Jarman** (Isle of Wight), **Cllr Malcolm Longley** (West Northamptonshire), **Cllr Judy Oliver** (Norfolk CC), **Cllr Charlie Simkins** (Kent CC), **Cllr Karen Soons** (Suffolk CC), **Cllr Alison Whelan** (Cambridgeshire CC) and **Cllr Andrew Williams** (Hertfordshire CC)

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Apologies/Substitutes
2. Declaration of interests in items on the agenda
3. Minutes of the meeting held on 6 September 2021 (Pages 1 - 6)
4. Chair's remarks
5. Business plan, budget and risk summary (Pages 7 - 26)
6. Communications update (Pages 27 - 32)
7. Motion to Exclude the Press and Public

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(During these items the meeting is likely to not be open to the public)

- | | | |
|------------|---|-------------------|
| 8. | Draft RI Guidelines and governance next steps | (Pages 33 - 80) |
| 9. | Implementation Adviser procurement | (Pages 81 - 88) |
| 10. | Performance Report | (Pages 89 - 116) |
| 11. | Response to EM review: Protocol for new sub-funds | (Pages 117 - 132) |
| 12. | Sub-fund implementation | (Pages 133 - 144) |
| 13. | Contract Management | (Pages 145 - 164) |
| 14. | Risk Management | (Pages 165 - 168) |
| 15. | BAU evaluation next steps | (Pages 169 - 196) |
| 16. | Date of next meeting - Monday 7 March 2022 | |

Joel Cook
Clerk to the Joint Committee
03000 416892

Friday, 26 November 2021

SUMMARY UPDATE (Part I)
ACCESS Joint Committee (JC):
6 December 2021



Eight ACCESS Authorities were represented. The key matters considered are described below.

Part I Item	Details
Minutes of meeting 6 September 2021	Minutes of the Joint Committee meeting of 6 September 2021 were agreed.
Chairman's remarks	<p>Cllr Kemp-Gee (Chairman) welcomed all Members to the meeting of the Joint Committee.</p> <p>Cllr Kemp-Gee underlined the need for Councillors to arrange a substitute if they are unable to attend future Committee meetings, to both maximise representation and ensure that meeting attendance remains above the level required for a quorum. Whilst it was noted that two Cllrs who were unable to attend in person but had joined the meeting virtually, could not under present legislation be recorded as officially present.</p> <p>The Chairman also noted that Vice Chairman (Cllr Barker) had made representations on the matter of enabling Council meetings to take place virtually, to the Hon. Kemi Badenoch M.P. who had been appointed as Minister of State for Levelling Up & Communities in September. It is understood that a significant number of similar representations have been made, however the matter would require legislation and, therefore, appropriate scheduled parliamentary time.</p>
Business plan, budget and risk summary	<p>The Committee were asked to note the 2020/21 outturn that had been shared at the virtual JC briefing in June 2021.</p> <p>The Committee received an update on the activities undertaken since the last JC. Further build out of more detail in future would be welcomed. It was noted that many of the key workstreams within the current Business Plan were the subject of specific items elsewhere on the agenda.</p> <p>In relation to the research into the experience of overseas pooling, commissioned by ACCESS alongside six other LGPS Pools, a summary of the key findings was presented to Officer Working Group (OWG) in September</p> <p>Details of the anticipated outturn against the current year's budget were highlighted.</p>

	<p>The Committee noted:</p> <ul style="list-style-type: none"> • the 2020/21 outturn; • the Business Plan update; • the 2021/22 budget update; and • summary risk register. <p>The proposed 2022/23 Business Plan and budget was considered. The Business Plan continues many current themes including active asset migration from Authorities into the ACS, the anticipated launch of the first illiquid pooled vehicles along with further developments in the areas of governance, communications and Responsible Investment. Furthermore, an independent third-party review of the ASU will be conducted. To support this, a budget of £1.366m was recommended by the s151 Officers. The individual contribution by each Authority in respect of the 2022/23 budget is therefore £124k.</p> <p>The Committee approved the proposed business plan and budget for 2022/23 and</p> <ul style="list-style-type: none"> • recommended the 2022/23 business plan to the ACCESS Authorities; and • accepted the recommendation of the s151 Officers from ACCESS Authorities to determine the 2022/23 budget totalling £1.366m to support the proposed business plan.
Communications update	<p>The Committee received an update that media training had been completed with Engine MHP for the ACCESS Elected member spokespeople. Work continued with updating the ACCESS website, with conversations in progress with Creative Sponge (website suppliers) and Engine MHP - initial findings will be shared with the OWG. Plans are in hand for a Progress Report. A review of the first full year of activity undertaken by Engine MHP will be an agenda item at the next JC in March 2022.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the report.
Part II Item	Details
Draft RI Guidelines and governance next steps	<p>The Committee received an update on progress on the ACCESS Responsible Investment (RI) guidelines and were formally presented with the latest draft of the document. It was highlighted that, whilst all Authorities were expected to have considered the draft Guidelines prior to the next meeting of the Joint Committee, this may not necessarily allow for a final draft to be available for the March JC meeting.</p> <p>It was agreed that inter-authority communication would be delegated to the OWG and a final document would come to the June 2022 meeting. A workshop or webinar may be held between March – June 2022 allowing for further discussion on the draft.</p> <p>It was noted that work on requisite changes to the Inter Authority Agreement was in hand.</p>

	<p>The Committee:</p> <ul style="list-style-type: none"> • noted the update on the ACCESS RI Guidelines project; and • agreed to provide feedback on the latest draft ACCESS RI Guidelines.
Implementation Adviser procurement	<p>The Committee received an update on matters following the outcome of the procurement process of the Implementation Adviser.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the matters highlighted in the report.
Performance Report	<p>The Committee were updated on the progress of pooling assets, the performance of sub-funds against benchmark, the income generated by stock lending and voting by Investment Managers.</p> <p>The Committee noted the Investment Performance report as at 30 September 2021. The pooled aligned assets total was £32.915bn, an increase of £0.312bn from the June 2021 quarter end. Subscriptions in the quarter totalled £0.613bn which included £0.294bn into the new UK Select Fund. Redemptions totalled £0.127bn during the quarter.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the report.
Response to EM Review: Protocol for new-sub-funds	<p>The Committee received a report outlining the status of responses to the recommendations from the Emerging Markets review, following discussions with s151 Officers and OWG.</p> <p>The Committee agreed:</p> <ul style="list-style-type: none"> • that the sub-fund criteria proposed by OWG in August 2021 (paragraphs 3.6-3.9) be adopted, not as criteria, but as guiding principles; • that the revised protocol flowchart be adopted; and • that the impact of the guiding principles and the protocol of ACCESS sub-funds is monitored by the OWG and ASU, kept under review at s151 meetings and be subject to a formal review by s151 Officers at a meeting in November 2022.
Sub-fund implementation	<p>The Committee received a report updating on the progress of launching the ACS, the sub-funds that will be created within it and continuing engagement between ACCESS and Link to improve the process of launching sub-funds. The Committee were advised of the successful launch of the M&G Global Alpha fund, that was launched on 1 December, after the JC agenda pack had been dispatched and the Committee was requested to approve the creation of two emerging market equity-sub funds.</p>

	<p>The Committee:</p> <ul style="list-style-type: none"> • noted the report; and • approved the creation to two emerging market equity sub-funds, reflecting growth and value investment styles.
Contract and Supplier Relationship Management	<p>The Members received the regular report covering a number of aspects of Contract and Supplier Relationship management.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the report.
Risk Management	<p>The Committee were updated on ACCESS risks.</p> <p>Three risks had been raised in severity since the meeting in September. These were in respect of delays to sub-fund launches (two risks) and transitions. One risk had been closed and a new risk raised.</p> <p>It is proposed to include fuller commentary on the mitigation for elevated risks in future JC reports.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the report.
Business as Usual (BAU) next steps	<p>The Committee received an update on this matter.</p> <p>The Committee:</p> <ul style="list-style-type: none"> • noted the report.
Next meeting date	7 March 2022

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2022/23

Business Plan
& Budget

Introduction

ACCESS has its origins in 2016 when eleven Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government’s agenda for pooling LGPS investments.

The following strategic objectives are in place:

- enable participating Authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible;
- provide a range of asset types necessary to enable Authorities to execute their locally-determined investment strategies as far as possible;
- enable participating Authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the participating Authorities have established a set of governing principles. Furthermore, the Joint Committee recommends an annual business plan to the ACCESS Authorities.

The governing principles are set out below, and the annual business plan for 2022/23 is on the following pages.

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

Implicit within the above principles is the democratic accountability and fiduciary duty of LGPS Authorities.

The Joint Committee recommends an annual strategic business plan to the Councils, following recommendations from Section 151 Officers and following input from the ACCESS Support Unit (ASU).

Context

During 2021/22 further progress continued in pooling active listed assets, and the foundation of the pool's approach to illiquid assets was put in place. In partnership with Minerva, the pool's Responsible Investment Adviser, work was undertaken on updating Environmental, Social and Governance / Responsible Investment guidelines.

Alongside appointed partner Engine MHP, work was undertaken to develop ACCESS's approach to communications.

It is anticipated that 2022/23 will see key activities within the following themes:

Actively managed listed assets: further pooling active listed assets within the Authorised Contractual Scheme (ACS).

Alternative / non-listed assets: the first full year's activity on the implementation of pooled alternative assets.

Passive assets: ongoing monitoring and engagement with UBS.

Governance: the continued application of appropriate forms of governance throughout ACCESS.

ACCESS Support Unit (ASU): an external review of the ASU.

Business Plan

The Business Plan is proposed each year to the ACCESS Authorities by the Joint Committee on the basis of recommendations from the s151 Officer Group. The Joint Committee, on advice from the s151 Officer Group, determine a budget in order to deliver the annual Business Plan. Workstreams for the ASU are identified and monitored at the Officer Working Group (OWG) where key ACCESS business plan activity and deliverables for the fiscal year are considered.

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS's objectives means that a number of the 2022/23 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

The *Joint Committee* will receive updates on the milestones at each meeting.

Budget

A budget totalling **£1.366m** to support the business plan is included at the end of this paper.

Theme	Milestone	2022/23 activity
Actively managed listed assets	Launch of Tranche 5b	Anticipated 2022/23
	Launch of Tranche 5c	Anticipated 2022/23
	Determine, approval & launch of Tranche 6	Anticipated 2022/23
	Scheduled BAU evaluation	Continued implementation outcomes of Scheduled BAU evaluation including the commencement of an IAA review in September 2022
Alternative / non-listed assets	Initial implementation of approach to pool illiquid assets <i>Following the appointment of the pool's Implementation Adviser in 2021/23</i>	The first pooled illiquid vehicles will be launched
Passively managed assets	Ongoing monitoring of assets managed on a passive basis	Further engagement with UBS will continue throughout the year
Governance	Meetings and oversight	Arrangements will be made to support meetings of the Joint Committee (usually each quarter) Meetings of s151 Officers will also be held

Theme	Milestone	2022/23 activity
	<p data-bbox="424 427 759 465">Operational protocols</p> <p data-bbox="424 566 882 741">Engagement with HM Government Department for Levelling UP, Communities & Housing (DLUCH)</p> <p data-bbox="424 1155 807 1193">Joint Policies & guidelines</p>	<p data-bbox="986 248 1437 376">Where required training will be provided, this may involve third party providers</p> <p data-bbox="986 427 1414 510">The implementation of the revised Governance Manual</p> <p data-bbox="986 566 1385 694">ACCESS will liaise with the Scheme Advisory Board as appropriate</p> <p data-bbox="986 745 1337 873">Periodic reports will be provided to DLUCH as required</p> <p data-bbox="986 925 1417 1097">The Pool will actively participate with any Cabinet Officer / DLUCH pooling-related consultations</p> <p data-bbox="986 1155 1445 1373">Continued activity will take place on implementing the Communications plan. A procurement will take place for Communications support</p> <p data-bbox="986 1424 1437 1693">The implementation of revised ESG / RI guidelines on ESG / RI. A procurement will be completed for RI reporting support</p>
ACCESS Support Unit (ASU)	ACCESS Support Unit	A third-party review of the ASU will be undertaken

A separate risk register measures the risk of the strategic objectives and milestones not being achieved and the resultant impact.

Budget 2022/23

The budget for 2022/23 is detailed below.

	Budget 2021/2022 £	Joint Cttee 6 Dec '21 £	Budget 2022/2023 £
ASU			
ASU Salaries (incl. on cost)	460,261	419,494	465,000
ASU Operational	20,580	14,865	23,000
ASU Host Authority Recharge	64,087	30,000	35,000
Technical Lead Recharge Costs	40,000	38,752	45,000
ASU Total	584,928	503,111	568,000
Professional Costs			
<i>Internal Professional Costs</i>			
JC Secretariat	21,761	16,500	22,000
Procurement	45,000	27,000	60,000
<i>Internal Professional Costs</i>	66,761	43,500	82,000
<i>External Professional Costs</i>			
Strategic & Technical	433,000	348,167	546,000
Technical			
Legal & Governance	162,330	160,000	170,000
Project Management	-		-
<i>External Professional Costs</i>	595,330	508,167	716,000
Professional Costs Total	662,091	551,667	798,000
Total Costs per 2020/2021	1,247,019	1,054,778	1,366,000
Cost Per Authority	113,365	95,889	124,182

The key assumptions contained within the budget are outlined below:

Key budget assumptions

A full year effect on the ASU comprising five full time officers.

The continued level of Technical Lead support.

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2021/22.

Expenditure for a Procurement lead Authority to deliver the following:

- procurement support for the provision of pooled illiquid / non-listed assets;
- the procurement of communications support;
- the completion of procurement for reporting arrangements for Responsible Investment.

External professional costs cover a range of matters including:

- ongoing advice and project management support in relation to the Scheduled BAU evaluation;
- the required reporting associated with Responsible Investment guidance;
- pool communications and communications strategy;
- ongoing advice in support of operational pool activity.

External legal advice.

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