



# Minutes

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date and Time	<b>WEDNESDAY 6 SEPTEMBER 2023 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Present	Cllrs C Jarman (Chairman), V Churchman (Vice-Chairman), D Andre, P Brading and I Ward
Co-opted (Non-Voting)	Steve Milford (Scheme Member Representative)
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell
	Martin Doyle (Local Pension Board), Robert-Jan Bakker, Robert Evans and Henriette Topel (Partner's Group), David Walker (Hymans Robertson)
Also Present (Virtual)	Susan McKenzie and Andrew McKerns (Hymans Robertson)
Apologies	Cllrs C Critchison and K Lucioni

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## 21. **Apologies and Changes in Membership (If Any)**

Apologies were received from Cllr Claire Critchison and Cllr Karen Lucioni.

## 22. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 24 May 2023 be approved.

Cllr Paul Brading requested a response to his question raised at the last meeting regarding the eligibility of Isle of Wight Council staff benefits and whether this should be extended to former members of staff who are also members of the pension scheme. The chairman agreed to contact Human Resources for a response.

## 23. **Declarations of Interest**

No declarations were received at this stage.

## 24. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

## 25. **Reports from the Local Pension Board**

Consideration was given to the activity of the Board since the last meeting, and the chairman of the Local Pension Board presented the notes of the informal meeting held on 24 July 2023, highlighting the key topics discussed. Attention was drawn to the concerns around the significant key person dependency risk and sought support from the committee in progressing the structural staffing review of the pensions function. The committee received an update on board membership and the Pension Fund Manager outlined the work underway to fill the two vacant employer-representative board seats.

The committee received an update on the Pensions Administration Team's staffing capacity issues and the work underway to address this. Questions and concerns were raised regarding recruitment, retention, and mainland pay disparity.

RESOLVED:

THAT the update be received and noted.

## 26. **Annual Report and Accounts:**

### 26a **2021-22**

The Pension Fund Manager provided a verbal update on the progress towards the completion of the 2021-22 annual report and accounts. It was confirmed that the draft had been published (subject to the conclusion of the external audit) and the final report would be published once the Council's accounts for 2021-22 had been signed off.

RESOLVED:

THAT the verbal update be received and noted.

### 26b **2022-23**

The Pension Fund Manager presented an extract of the draft financial results for the year ended 31 March 2023 and the committee were asked to note the timetable for the completion of the annual report and accounts and the external audit programme. It was confirmed the draft financial results had been published as part of the Isle of Wight Council's draft accounts, however the commencement date of the external audit for 2022-23 was unknown at this stage. Discussion took place regarding the increase in active scheme members and the automatic re-enrolment process.

RESOLVED:

THAT the update be received and noted.

## 27. **Workplan**

### 27a **Governance Support**

#### 27b **Workplan**

The committee received the report and a presentation from Hymans Robertson on the fund's governance outlook (including work priorities, risks, dependencies, and actions). Questions were raised in relation any compensation available to address the additional pressures that the fund, as one of the smallest LGPS funds in England and Wales, faces in meeting the same level of regulatory governance requirements as larger funds which have greater resources. It was confirmed that although the administrative burden was relatively smaller, given lower membership numbers, the standards and expectations of the Pensions Regulator and other external authorities remained the same regardless of size. Discussion took place regarding the investment and governance benefits of being part of the ACCESS pool. The committee received the draft workplan for the financial years 2023-2025, and it was confirmed that this would be updated following the outcome of the above work.

#### RESOLVED:

- i) THAT the report and appendices from Hymans Robertson be noted.
- ii) THAT the working assumptions on which the report is based be agreed.
- iii) THAT the actions to deliver quick wins be agreed and supported.
- iv) THAT the next steps as outlined in the report be approved.

## 28. **Recording and Reporting Breaches of the Law Policy**

The Pension Fund Manager presented the updated Recording and Reporting Breaches of the Law policy for the fund, on recommendation from the Local Pension Board. Clarity was sought regarding those who had a responsibility for reporting breaches, and it was confirmed that the policy would be circulated to all parties (with an offer of a briefing session to introduce and explain the policy). The Pension Fund Manager was thanked and it was confirmed that the breaches log would be monitored and reviewed by the Local Pension Board going forward.

#### RESOLVED:

- i) THAT the Policy for Recording and Reporting Breaches of the Law be adopted, and its publication on the fund's website be agreed.
- ii) THAT the policy be circulated to those parties identified as having responsibility for reporting breaches, including an offer of a briefing session to introduce and explain the policy.
- iii) THAT the breaches log (containing all identified potential breaches, their assessment, mitigation and reporting status) be presented to each meeting of the Local Pension Board for monitoring and review.

29. **Investment Performance and Funding Level**

29a **Investment Assets as at 30 June 2023**

29b **Quarterly Investment Performance Report**

Consideration was given to the reports for the quarter ended 30 June 2023, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. No comments or questions were raised at this stage.

RESOLVED:

THAT the updates on investment performance and funding level be noted.

30. **Members' Question Time**

No questions were received.

31. **Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

32. **Fund Manager Presentation (Confidential)**

The committee received a presentation from Partners Group on the fund's infrastructure portfolio. Questions were raised regarding the development and future expansion of pan-Nordic data centres, storage and data processing, investments in road or rail infrastructure and windfarms, the asset strategy, and the natural termination of arrangements.

RESOLVED:

THAT the fund manager presentation be received and noted.

33. **DLUHC consultation: Local Government Pension Scheme (England and Wales): Next steps on investments**

Consideration was given to the report which summarised the key themes of the government consultation on investments (including pooling and levelling up), and the key issues which should be considered in framing the fund's response. The Pension Fund Manager presented the proposed process for the completion of the response and sought contributions from the committee on matters to be included. Comments were raised in relation to pooling fees and the driving forces behind the consultation. Following discussion, it was:

RESOLVED:

- i) THAT the consultation from the Department for Levelling Up, Housing and Communities, and the initial thoughts of the Pension Fund Manager on the themes in the consultation, be noted.

- ii) THAT the Pension Fund Manager, following review by the Director of Finance and the Chairman and Vice-Chairman of the Isle of Wight Pension Fund Committee, be authorised to submit the fund's final response by the consultation deadline of 2 October 2023.
- iii) THAT the final response to the consultation be published on the fund's website after it has been submitted.

#### 34. **Investment Strategy 2023 (Confidential)**

##### 34a **UK Equity Tobacco Considerations (Confidential)**

Consideration was given to the confidential report which provided an update on the investigations by Hymans Robertson into the fund's exposure to tobacco, following the committee's review of the fund's strategic asset allocation at its meeting in May 2023. Comments were made regarding the committee's obligations to scheme members in relation to investment returns and the Environmental, Social and Governance Policy. Following discussion, it was:

RESOLVED:

THAT the fund remains invested in the existing LF ACCESS UK Select Fund (BlackRock) sub-fund, with no exclusion of tobacco stocks, and continues to engage with the ACCESS Pool and investment managers in accordance with its existing Environmental, Social and Governance Policy.

##### 34b **Fixed Income Transition to ACCESS Pool (Confidential)**

Consideration was given to the confidential report from Hymans Robertson which presented the final report on the commissioning of a product assurance review of the LF ACCESS Sterling Core Bond fund within the ACCESS pool, to support the pooling of the fund's liquid assets, following the committee's review of the fund's strategic asset allocation at its meeting in May 2023. Following discussion, it was:

RESOLVED:

- i) THAT the report from Hymans Robertson be noted.
- ii) THAT the fund transitions its fixed income portfolio from Schroders to the LF ACCESS Sterling Core Bond Fund (Royal London).
- iii) THAT fund officers work with advisers, investment managers and the global custodian, to support a timely and cost-efficient transfer.

##### 34c **Manager selection process for increased Private Debt and Infrastructure Allocations (Confidential)**

Consideration was given to the confidential report which provided an update on the fund manager selection process and cash flow projections for private debt and infrastructure. No comments or questions were raised, and it was:

RESOLVED:

- i) THAT the report from Hymans Robertson be noted.
- ii) THAT the additional commitment to private debt of £51.5 million be agreed in principle, subject to final confirmation from the selected manager.
- iii) THAT the additional commitment to infrastructure of between £40 million and £50 million be agreed in principle, subject to the type of fund invested in and final confirmation from the selected manager.
- iv) THAT the selection process for each asset class, the composition of the selection panels for each selection day, be agreed.
- v) THAT the decision on the preferred manager be made on the day of the selection process, to be formally ratified at the meeting of the committee on 22 November 2023.

35. **ACCESS Update (Confidential)**

Consideration was given to the confidential report on ACCESS pool activities since the last meeting, and the committee noted the key updates arising from the meeting of the ACCESS Joint Committee meeting held on 4 September 2023.

RESOLVED:

THAT the update be received and noted.

CHAIRMAN