

# Minutes

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date and Time	<b>WEDNESDAY 22 NOVEMBER 2023 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Present	Cllrs C Jarman (Chairman), P Brading, P Fuller, N Stuart and I Ward
Also Present	Matthew Collier, Catherine Boulter, Jo Cooke, Jo Thistlewood and Megan Tuckwell
Also Present (Virtual)	Chris King (Hymans Robertson) McKenzie, McKerns (Hymans Robertson), B Milton (Local Pension Board)
Apologies	Cllrs V Churchman and K Lucioni, S Milford

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36. **Apologies and Changes in Membership (If Any)**

Apologies had been received from Cllr Vanessa Churchman, Cllr Karen Lucioni and Steve Milford.

37. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 6 September 2023 be approved.

38. **Declarations of Interest**

Cllr Nick Stuart declared an interest as he had a family investment portfolio in the stock market.

Cllr Paul Fuller declared an interest in Minute item 42, Draft Annual Report and Accounts, as a member of Northwood Parish Council, Cowes Town Council, and Gurnard Parish Council.

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

No public questions were received.

#### 40. **Report from the Local Pension Board**

The committee received the minutes of the meeting of the Local Pension Board held on 13 September 2023. Attention was drawn to the ongoing delays with the external audit and the subsequent impact on the fund's annual reports and accounts. A breakdown of costs recharged from the council would be considered by the Board at its meeting in December 2023.

Concerns were raised regarding the significant ongoing key-person dependency risk, and support was sought from the committee in progressing the structural staffing review of the pensions function without further delay. It was noted that the recruitment to a new Governance Support Officer post was now live.

The committee received an update on the Pensions Administration Team's significant staffing capacity issues and the work underway to address this (including a service redesign and short-term contract with Hymans Robertson to provide support whilst recruitment activities were underway).

The committee received an update on board membership, and it was confirmed that Tonya Jayston had been appointed to fill one of the vacant employer-representative seats. Discussion took place regarding the remaining vacant employer-representative seat which must be filled by an elected member of the council.

RESOLVED:

THAT the update be received and noted.

#### 41. **Policy on Academy Funding**

The Pension Fund Manager presented the report which summarised the fund's policy on the admission of new academies or multi-academy trusts into the fund, including the calculation of any new employer's share of assets and liabilities, and setting the employer contribution rate. Questions were raised regarding the ability to refuse any transferring academies as a result of any future Island-based multi-academy trust consolidation.

RESOLVED:

- i) THAT the policy on academy funding be agreed.
- ii) THAT the statement of principle that the Isle of Wight Pension Fund would not accept transferring academies as a result of Multi Academy Trust consolidation, be agreed.
- iii) THAT the formalisation of the fund's current practices in respect of academy outsourcing contracts be agreed.
- iv) THAT the policy on academy funding be adopted and published on the fund's website.

#### 42. **Draft Annual Report and Accounts**

Consideration was given to the draft annual report for the year ended 31 March 2023. As a result of the ongoing delays with the external audit, it was recommended that the draft be adopted (subject to any final changes arising from the external audit) and to be approved for publication on the fund's website in order to meet the statutory deadline of 1 December 2023. Minor grammatical corrections were suggested. Questions were raised regarding risk mitigation, responsible investment, and a timeline to develop the ESG/RI policy.

RESOLVED:

- i) THAT the draft annual report and accounts for the year ended 31 March 2023 be adopted (subject to any changes from the external audit) and be approved for publication on the fund's website before the deadline of 1 December 2023.
- ii) THAT the committee be notified of the progress of the external audit for both the Pension Fund and the Council.
- iii) THAT authority be delegated to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to produce the outstanding items for the draft annual report, and that this is published by the deadline of 1 December 2023.
- iv) THAT authority be delegated to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and accounts for any changes arising from the audit, and to publish the final annual report and accounts as soon as practical after the Audit and Governance Committee meeting.
- v) THAT the committee and the Local Pension Board be notified of the conclusion of the pension fund's external audit and the publication of the final annual report and accounts, and a report be presented to each body at the first meeting after the conclusion of the process.

#### 43. **Draft Governance Compliance Statement 2022-23**

The committee received the draft Governance Compliance Statement for the year ended 31 March 2023. Attention was drawn to the areas of non-compliance, which were summarised into three key themes; knowledge and understanding, conflicts of interest, and disputes and resolution. Discussion took place regarding the work planned (and underway) to address the areas of non-compliance, and it was confirmed that the Local Pension Board would review the statement and formulate an action plan at its meeting on 13 December 2023. Questions were raised regarding the training plans for members of both the committee and the Local Pension Board.

RESOLVED:

- i) THAT the draft Governance Compliance Statement for the year ended 31 March 2023 be noted.
- ii) THAT the final version of the Governance Compliance Statement be presented to the committee for adoption at its meeting in February 2024.

#### 44. **Investment Performance and Funding Level**

##### 44a **Investment assets as at 30 September 2023**

##### 44b **Quarterly Investment Performance Report**

Consideration was given to the reports for the quarter ended 30 September 2023, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. Discussion took place regarding fund manager performance in respect of responsible investments. Questions were raised in relation to investment fees and charges against investment returns.

RESOLVED:

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

#### 45. **Investment Strategy Implementation**

The committee received the report which presented the outcomes arising from the two selection panels for the increased investment allocation to both private debt and infrastructure (as agreed by the committee at its meeting in September 2023). No comments or questions were raised. The committee received a verbal update on the progress with the transition of the fund's fixed income portfolio into the ACCESS pool. It was anticipated that the transition would be completed by January 2024, and a report confirming the completion would be provided at the next meeting.

RESOLVED:

In relation to private debt:

- i) THAT the decision of the selection panel to appoint Pantheon be agreed.
- ii) THAT the Isle of Wight Pension Fund makes a commitment to the Pantheon – Senior Debt Secondaries III (GBP) fund.
- iii) THAT the Isle of Wight Pension Fund makes a commitment of £65 million to this strategy, based on the updated cash flow analysis to achieve the desired target allocation.
- iv) THAT the progress made towards commissioning a legal review of the fund documentation be noted.

In relation to infrastructure:

- v) THAT the decision of the selection panel to appoint JP Morgan be agreed.

- vi) THAT the Isle of Wight Pension Fund makes a commitment to the JP Morgan Infrastructure Investments Fund.
- vii) THAT the Isle of Wight Pension Fund makes a commitment of £30 million to this strategy in 2024 and considers a further commitment of approximately £40 million in 2028/29 to achieve the desired target allocation, based on updated analysis.
- viii) THAT the Isle of Wight Pension Fund opts for the GBP-hedged share class of the JP Morgan Infrastructure Investments Fund.
- ix) THAT officers be authorised to commission a legal review of the selected fund's documentation and commission taxation advice.
- x) THAT Hymans Robertson be instructed to provide a transition plan and assess the availability of fund units on the secondary market (which sometimes trade at a discount if they are still in the lock-up period).

In relation to fixed income:

- xi) THAT the verbal update on the progress of the transition of the fund's fixed income holdings into the ACCESS Sterling Core Bond Fund (Royal London) be noted.
- xii) THAT a report on the completion of this activity be provided to the next committee meeting.

#### **46. Governance Support Update**

Consideration was given to the report from Hymans Robertson which outlined the governance support work being undertaken, including an update on the progress since September 2023 and the governance outlook for the next period. The committee received an update on the progress with the high-priority workplan items and an indicative 12-month timeline of activities. Discussion took place regarding the Board's role in reviewing the fund's risk register, including a focusing on high (red-rated) risks.

RESOLVED:

- i) THAT the Hymans Robertson report and appendix be noted.
- ii) THAT the committee continues to support the actions and approach to fund governance.
- iii) THAT the committee continues to pursue the conclusion of the Barnett Waddingham structure options report.
- iv) THAT the updates to the high (red-rated) risks be noted.

Following discussion, the committee adjourned for a ten-minute comfort break.

#### **47. Knowledge and Understanding Update**

The committee received a verbal update on committee members' training. The Pension Fund Manager agreed to circulate the link to the Pension Regulators toolkit, and to sign up for the Hymans Robertson knowledge progress assessment exercise for committee and board members to complete. It was agreed that future training could be delivered through both online and face-to-face sessions.

RESOLVED:

THAT the update be noted.

**48. Legislation and Regulation Update**

The Pension Fund Manager provided a verbal update and confirmed that the DLUHC consultation on investment pooling had been submitted, the launch of the Pension Regulators' general code was imminent, and the Good Governance Project (on the standards of governance and improving the governance of the LGPS) was with ministers for consideration. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the update be noted.

**49. Members' Question Time**

No questions were received.

**50. Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

**51. ACCESS Update**

The Pension Fund Manager presented the confidential report which provided updated information about the ACCESS Pool since the last meeting, including updates from the Joint Committee meeting held on 4 September 2023, and planning for the next meeting in December 2023. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the update be noted.

**52. Procurement and Contract Management Update**

The Pension Fund Manager provided a confidential verbal update on procurement and contract management activities since the last meeting. Discussion took place regarding the process and appointment of the selection panel for an actuary.

RESOLVED:

THAT the update be noted.

CHAIRMAN