

# Minutes

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date and Time	<b>WEDNESDAY 14 FEBRUARY 2024 COMMENCING AT 10.00AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Present	Cllrs C Jarman (Chairman), V Churchman (Vice-Chairman), P Brading, P Fuller and N Stuart
Co-opted (Non-Voting)	Steve Milford (Scheme Member Representative)
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell Chris King (Hymans Robertson), Martin Doyle, Barbara Milton, Trevor Ould (Local Pension Board)
Also Present (Virtual)	Susan McKenzie and Andrew McKerns (Hymans Robertson)
Apologies	Cllr I Ward

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

Apologies had been received from Cllr Ian Ward. Cllr Karen Lucioni was absent.

54. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 22 November 2023 be approved.

55. **Declarations of Interest**

No declarations were received at this stage.

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

No public questions were received.

57. **Report from the Local Pension Board**

The committee received the minutes of the meeting of the Local Pension Board held on 13 December 2023. The committee noted the escalating risks associated with the ongoing staffing capacity issues within the Pensions Administration Team and the upcoming departure of the Pension Fund Manager.

Concerns were raised regarding the impact that this was likely to have on both day-to-day activities and the additional upcoming work projected over the next 12 months. The committee expressed disappointment that senior managers within the Isle of Wight Council were not in attendance to outline the plans in place to address these concerns.

RESOLVED:

THAT the update from the Local Pension Board be received and noted.

#### 58. **Governance Compliance Statement and Action Plan**

Consideration was given to the governance compliance statement for 2022-23, and attention was drawn to the identified areas of non-compliance (regarding the knowledge and understanding of board and committee members; complaints and internal dispute resolution policy; and a fund-specific conflicts of interest policy).

The committee noted the proposed action plan in place to address these areas, and as they would not be addressed until May 2024, it was recommended that the governance compliance statement be additionally rolled forward and adopted as it stands for the year ended March 2024.

Attention was drawn to future areas of potential non-compliance as a result of the ongoing staffing capacity issues within the Pensions Administration Team and the upcoming departure of the Pension Fund Manager. Namely, the ability to have adequate arrangements and procedures in place for the administration and management of the fund, the ability to demonstrate accurate and enduring record keeping, and communications with scheme members.

RESOLVED:

- i) THAT the Governance Compliance Statement for the year ended 31 March 2023 be adopted and published on the fund's website.
- ii) THAT the action plan to address the areas of non-compliance be agreed.
- iii) THAT the progress with the action plan be monitored by the Local Pension Board and be reported back to the committee at each future meeting.
- iv) THAT the Governance Compliance Statement for the year ended March 2023 be adopted for the year ended March 2024.

#### 59. **Breaches Log**

The committee received and considered the fund's breaches of the law log. Discussion took place regarding the ongoing failure of the council to fill the employer-representative seat on the Local Pension Board, which had been vacant since May 2023 and must be filled by an elected member of the council, in accordance with the council's constitution.

It was recommended that the Board's terms of reference be amended to read that the employer representative "may" be an elected member of the council, and that

Full Council could delegate authority to the Chief Executive to nominate a member of staff to the Board.

It was agreed that, whilst this seat should be filled by an elected member of the council, the proposed change to the terms of reference would ensure the vacancy was filled and would enable both employers and employees to be equally represented on the Board.

RESOLVED:

- i) THAT the ongoing failure of the Isle of Wight Council to nominate a councillor as employer representative to the Local Pension Board be noted.
- ii) THAT the treatment of the potential breach as proposed by the Local Pension Board at its meeting on 12 December 2023, to not report to the Pensions Regulator and to report in full to the committee, be confirmed.
- iii) THAT a report be prepared for Full Council on 20 March 2024, recommending an amendment to the terms of reference of the Local Pension Board, to read that the employer representative “may be an elected member of the council”.
- iv) THAT the breach will not be reported to the Pensions Regulator, based on the agreed next steps for resolution in the paragraph above.
- v) THAT a report be provided to the Local Pension Board at its meeting on 6 March 2024.

## 60. Risk Register

The Pension Fund Manager presented the report on the revised risk register for the fund, and attention was drawn to the risks regarding resilience (key person risk) and capacity (sufficient resources), which had been scored at the highest risk rating for a number of meetings and should now be considered live issues. It was further noted that risk G1 (failure to have appropriate governance arrangements in place) would be raised to from ‘unlikely’ to ‘likely’ and the impact would remain ‘high’ primarily due to the recent staffing changes.

Questions were raised regarding the plans in place to address these concerns and the committee were referred to the recommendations of the Barnett Waddingham review of the operational structure for the pension fund, as presented to the Director of Finance in April 2023.

Questions were raised regarding the total sum spent on external consultants from Hymans Robertson in supporting the council with activities which should be covered by internal staff. It was noted these costs were paid for by the pension fund which could have an indirect impact on future employer and employee contribution rates.

RESOLVED:

THAT the updated risk register be agreed, including the closure of one risk, the increase in score of four risks, the decrease in score of five risks, the resulting four red risks, and the unchanged score of nineteen risks.

## 61. Pension Fund Recharges

Consideration was given to the report which provided information on the recharges made to the pension fund from Isle of Wight Council in the year ended 31 March 2023. It was noted that further information had been requested from the Finance Team around how the recharges were calculated, however this work had been delayed due to workload pressures arising from the council's budget setting process. Questions were raised regarding the unexplained costs which were not directly staffing related, and the committee requested a further breakdown of how those recharges had been calculated.

RESOLVED:

- i) THAT the recharges made to the pension fund from Isle of Wight Council in the year to 31 March 2023 be noted.
- ii) THAT the committee requests further information on the basis of the recharges, in particular those in relation to corporate support service recharges.

## 62. External Audit Update

The Pension Fund Manager provided a verbal update on the external audit for 2022-23. It was advised that the unaudited annual report and accounts had been drafted and published on the pension fund's website, the audit was substantially complete but could not be concluded until the Isle of Wight Council's audit had been completed. The Pension Fund Manager provided a verbal update on the external audit for 2023-24 and advised that interim work had begun, with fieldwork expected to take place during June 2024.

RESOLVED:

THAT the verbal update on the completion of the external audits be noted.

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

## 63. Investment Strategy Update:

### 63a Investment Strategy Implementation Update

The committee received an update on the implementation of the investment strategy, which included updates on private debt and infrastructure allocations, and the transition of the fixed income portfolio into the ACCESS pool. The committee were informed that the previously-identified secondary market opportunity for the new investment in the JP Morgan Infrastructure Investment Fund would not be followed, so the primary market purchase would continue.

RESOLVED:

- i) THAT the completion of the transfer of the fund's fixed income portfolio be noted.

- ii) THAT the acceptance of the fund's commitment to the Pantheon Senior Debt Secondaries III (GBP) Fund be noted.
- iii) THAT the progress towards the completion of documentation for the fund's investment in the JP Morgan Infrastructure Investment Fund be noted.

#### 63b **Investment Strategy Statement 2024**

Consideration was given to the report which provided updates to the investment strategy statement for the fund, including the changes to the fund's strategic asset allocations (following the results of the 2022 triennial valuation) and a significantly expanded section on ESG and climate change risk. Discussion took place regarding the potential for restarting the committees ESG/RI working group however it was noted that there was not sufficient staffing capacity to support this at the current time.

RESOLVED:

THAT the proposed changes to the Investment Strategy Statement be agreed, and the revised statement be approved for publication on the fund's website.

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

##### 64a **Investment Assets as at 31 December 2023**

##### 64b **Quarterly Investment Performance Report**

Consideration was given to the reports for the quarter ended 31 December 2023, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. Questions were raised and discussion took place regarding UK investments and global politics.

RESOLVED:

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

#### 65. **Governance Support Update**

The committee received the report from Hymans Robertson, which provided an update on support activities since the last meeting for both the governance and administration of the pension fund. Concerns were raised in relation to the upcoming departure of the Pension Fund Manager, alongside the recent loss of administration team members.

RESOLVED:

- i) THAT the contents of the report, including the increased risk to the Fund's compliance, be noted.
- ii) THAT the committee continues to support the actions and approach to fund governance.

- iii) THAT the conclusion of Barnett Waddingham structural options paper be prioritised.
- iv) THAT an action plan for the interim period between new Pension Fund Manager joining the Fund, and decision on Barnett Waddingham structural paper, be requested.

**66. Knowledge and Understanding Update**

The Pension Fund Manager presented the report which outlined the outcomes arising from the Hymans Robertson Knowledge Progress Assessment, and discussion took place regarding the proposed next steps for creating a training strategy and training programme for committee members.

RESOLVED:

THAT the report from the Knowledge Progress Assessment be noted, and the training plan and priorities for development be agreed.

**67. Legislation and Regulation Update**

The Pension Fund Manager provided a verbal update on the Pension Regulator's General Code, which was presented to Parliament in January 2024 and would come into force from 27 March 2024. It was noted various webinars were available and there was an expectation to have a plan in place to ensure full compliance with actions and timelines. It was recommended that the fund considers purchasing the Hymans Robertson self-assessment compliance checker toolkit in order to assess and monitor the progress.

RESOLVED:

THAT the verbal update be noted.

**68. Members' Question Time**

Cllr Vanessa Churchman asked an oral question with regards to the timeline of recruitment activities planned for the appointment of a new Pension Fund Manager.

Cllr Paul Fuller requested that the committee formally asks the Director of Finance to attend future meetings of the committee. The chairman confirmed that he would contact the Director of Finance, the Assistant Director of Finance, and the Chief Executive, expressing the committee's disappointment that they were not in attendance to outline the plans in place to address the ongoing staffing capacity issues within the Pensions Administration Team and the upcoming departure of the Pension Fund Manager.

Members of the committee wished to express their sincere thanks to the Pension Fund Manager for her work undertaken to support the pension fund during her time in post.

**69. Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

70. **ACCESS Update (Confidential)**

The Pension Fund Manager presented the confidential report which provided information on the ACCESS Pool since the last meeting, including updates from the Joint Committee meeting held on 4 December 2023, and the ACCESS business plan and budget for 2024-25. No comments or questions were raised at this stage, and the report was noted.

RESOLVED:

- i) THAT the updates from the ACCESS Joint Committee meeting held in December 2023, and subsequent activity, be noted.
- ii) THAT the ACCESS business plan and budget for 2024-25 be adopted.

71. **Procurement and Contract Management Update (Confidential)**

The Pension Fund Manager presented the confidential report which provided information on the procurement and contract management activities since the last meeting. Discussion took place regarding the process for the re-procurement of the actuarial consultancy contract, and the decision in respect of the investment consultancy contract.

RESOLVED:

- i) THAT the contract management and procurement activity undertaken since the last update in November 2023 be noted.
- ii) THAT the process for the re-procurement of the actuarial consultancy contract be noted, with a decision to be reported back to the committee at its meeting in May 2024.
- iii) THAT the decision to extend the investment consultancy contract for a further 12 months, based on the verbal update at the meeting, be agreed.

CHAIRMAN