

Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 22 MAY 2024 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs C Jarman (Chairman), V Churchman, P Brading, N Stuart and I Ward
Co-opted	Steve Milford (Scheme Member Representative) (Non-Voting)
Also Present	Sharon Betts, Matthew Collier, Jo Cooke, Louisa Richards, Megan Tuckwell and Chris Ward
Also Present (Virtual)	Kevin MacDonald (ACCESS), David Walker (Hymans Robertson), Cllr P Fuller and Martin Doyle (Local Pension Board)
Also Present (Virtual)	Tonya Jayston, Barbara Milton and Trevor Ould (Local Pension Board)
Apologies	Cllr K Lucioni

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

Apologies had been received from Cllr Karen Lucioni.

2. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 14 February 2024 be approved.

3. **Declarations of Interest**

No declarations were received at this stage.

4. **Election of a Vice Chairman**

The committee were required to elect a vice-chairman as a matter of urgent business, following the annual meeting of the Full Council on 15 May 2024. Cllr Vanessa Churchman was nominated, it was duly accepted, seconded, and following a vote, it was:

RESOLVED:

THAT Cllr Vanessa Churchman be elected as vice-chairman of the Isle of Wight Pension Fund Committee.

5. Public Question Time - 15 Minutes Maximum

No public questions were received.

6. Pension Operational Update

The Director of Finance and Section 151 Officer was in attendance to provide an update on recent operational activities. Attention was drawn to the updates on administration and governance (including performance, staffing vacancies, new roles and job redesign, recruitment, and the use of external support).

The committee received an update on the funding and investment position. The recent procurement activities were also noted, including the award of the nine-year actuarial consultancy contract to Hymans Robertson, the extension of the investment consultancy contract, and the award a twelve-month contract with Hymans Robertson for governance consultancy services.

Discussion took place regarding the recent government engagement on national policy changes. It was advised that a series of roundtables were being held to consider how the fund would complete the process of pension asset pooling to deliver the benefits of scale (pooling listed assets, investment consultancy costs and governance structures), and how to ensure that the fund was being efficiently run (including consideration of the benefits of greater scale with reference to mergers and the creation of larger pensions authorities).

Questions were raised regarding the time taken to recruit for the position previously held by the Pension Fund Manager. The Director of Finance and Section 151 Officer outlined the work that had been undertaken to redesign and reevaluate the job role (whilst ensuring adherence to the council's robust employment contract processes). The committee welcomed the update but expressed that they would have appreciated an update earlier in the process.

Concerns were raised regarding the total sum being spent on external consultants at Hymans Robertson LLP in supporting the council with activities at the expense of the pension fund instead of these being covered by internal staff.

The committee were advised that Hymans Robertson LLP were supporting the team and were a mitigation for the fund against capacity and resilience risks, and it was agreed that ongoing monitoring was required as well as understanding the risk appetite of the committee with regards to governance arrangements and the risk mitigations in place.

Comments were made regarding the considerations of separation of the fund from the council, and key-person risk management. Discussion took place regarding the development of a localisation investment policy.

The Director of Finance and Section 151 Officer highlighted existing assurance processes in place regarding the separation of the pension funds from the council and that these processes were regularly audited. When considering localism, due diligence processes needed to be followed and the committee would need to be mindful of its primary duty which was its fiduciary duty to its members. It was agreed that discussions around the topics raised should continue at the next meeting of the Committee in July 2024.

Questions were raised regarding the existing capacity of the in-house pension team and if this could be increased through training individuals to fill roles. The Director of Corporate Services agreed that this was the preference and reminded the committee that there had been three trainee positions in the previous year however all the of the individuals had left at the end of the year. The Director of Corporate Services provided information on training programmes and market supplements to recruit and retain staff.

Questions were raised regarding the government consultation on fund mergers, particularly whether this would be extended to include trade unions and scheme members. Following discussion, it was agreed that an item would be added to the next agenda to provide the committee with an update on the roundtables discussions.

RESOLVED:

THAT the update be received and noted.

7. Report from the Local Pension Board:

7a **Draft Minutes – 6 March 2024**

7b **Annual Report 2023-24**

The chairman of the Local Pension Board was in attendance to present the draft minutes of the meeting of the Board held on 6 March 2024, and the Board's annual report for 2023-24. Attention was drawn to updated internal dispute resolution procedure and the new conflicts of interest policy that were being recommended to the committee by the Board for approval. Attention was also drawn to the escalating risks on the register across previous years and the capacity and bandwidth of the team. Discussion took place regarding virtual attendance at meetings and the Board's terms of reference.

RESOLVED:

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

8. Investment Strategy (2022) Implementation

Consideration was given to the report which provided an update on the progress with implementing the agreed transitions. The Investment Consultant from Hymans Robertson highlighted the steps undertaken to implement the private debt and infrastructure allocations, and the actions taken to divest from the diversified growth fund and to invest those proceeds to rebalance the allocation to protection assets.

Questions were raised regarding diversified growth funds and whether this was a favourable option.

RESOLVED:

- i) THAT the steps taken following the latest strategy review regarding private debt and infrastructure implementation, be noted.
- ii) THAT the actions taken to divest from the WS ACCESS Diversified Growth Fund and the investment of those proceeds to rebalance its allocation to protection assets in line with target, be noted.

9. **Investment Performance and Funding Level**

9a **Investment Assets as at March 2024**

9b **Quarterly Investment Performance Report**

The Investment Consultant from Hymans Robertson presented the reports for the quarter ended 31 March 2024, which included an overview of investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis.

RESOLVED:

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

10. **Draft Financial Results 2023-24**

The Pension Fund and Treasury Management Accountant provided a verbal update on the draft financial results 2023-24. It was advised that the initial draft accounts had been produced, awaiting valuation reports from two investment managers, GSAM (Private Debt) and Partners (Infrastructure), which were due to be received in June 2024. It was confirmed that the final report would be presented to the committee when available.

RESOLVED:

THAT the verbal update be received and noted.

11. **External Audit Update**

The Pension Fund and Treasury Management Accountant provided a verbal update on the external audit. It was confirmed that the interim external audit for 2023-24 had been undertaken with the final audit due to start on 3 June 2024.

With regards to the external audit for 2022-23, it was advised that the results had been presented to the Audit and Governance Committee on 18 March 2024. 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 2022-23 had been signed off. Questions were raised regarding the timeline for the 2022-23 audit, and whether the fund was at risk of any breach as a result of the national delays with local government audits.

The Pension Fund and Treasury Management Accountant advised that the pension fund had published a draft set of accounts on the pension fund website by the deadline and was therefore compliant with the regulations. The draft accounts would be replaced with the final accounts once the Council's accounts for 2022-23 had been signed off.

RESOLVED:

THAT the verbal update be received and noted.

12. **Conflicts of Interest Policy**

The Pension Governance Compliance Officer presented the new policy on conflicts of interest, which incorporated all individuals (not only councillors), involved in managing, overseeing, or advising the fund which may have professional or personal obligations which could give rise to a perceived or actual conflict of interest. Discussion took place regarding the examples of declarable interests at meetings and the process for publishing declarations online.

RESOLVED:

- i) THAT the responsibility for the maintenance and publication of the registers of interest for Board and Committee members (section 5.1 of the policy) be assigned to Democratic Services, supported by the Pension Governance Compliance Officer.
- ii) THAT the treatment of potential conflicts identified during meetings be consistent for councillors and other members of the Committee and Board, as set out in section 5.3 of the policy.
- iii) THAT the management of potential conflicts of interest with the council (in its dual role as an employer and as administering authority for the fund) as set out in section 5.6 of the policy, be agreed.
- iv) THAT the proposed register of interests at Appendix 2 be agreed.
- v) THAT the policy be agreed and adopted to become effective on 1 June 2024.

13. **Complaints and Internal Dispute Resolution Procedure**

The Pension Governance Compliance Officer presented the updated Complaints and Internal Dispute Resolution Procedure for the fund. The committee received the report and questions were raised around the number of complaints received. The refreshed policy was welcomed.

RESOLVED:

THAT the revised Complaints and Internal Dispute Resolution Procedure be adopted.

14. **Risk Register**

Consideration was given to the report on the revised risk register for the fund, as at February 2024. It was advised that the risks would be updated and to reflect mitigations in place to address red-rated risks, and the report was noted.

RESOLVED:

THAT the updated risk register be agreed, including the increase in score of five risks, the unchanged score of twenty-three risks, the resulting six red risks, and the inclusion of a future trend statement for each risk.

15. **Knowledge and Understanding Update**

The Pension Governance Compliance Officer provided a verbal update on knowledge and understanding. It was advised that an informal meeting would be arranged, to identify the most efficient and effective way to deliver training programme and to consider topics training sessions.

RESOLVED:

THAT the update be received and noted.

16. **Legislation and Regulation Update**

The Pension Governance Compliance Officer provided a verbal update on the latest legislation and regulation updates and highlighted the Pension Regulator's General Code, which came into force on 27 March 2024. The fund had purchased the Hymans Robertson self-assessment compliance checker toolkit and update regarding compliance would be provided in the future.

RESOLVED:

THAT the update be received and noted.

17. **Members' Question Time**

No member's questions were received.

Cllr Chris Jarman advised that he had enquired whether there would be any changes to the committee as a result of the decision by the Full Council to move to a committee-system of governance from May 2025.

18. **Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

19. **ACCESS Update**

The ACCESS Programme Director was in attendance to deliver a confidential presentation which provided background information on the origins and structure of

the ACCESS Pool, and an update on the business plan activities (including listed assets, responsible investment, and governance).

RESOLVED:

THAT the update be noted.

20. **ACCESS CBRE Property Fund Considerations**

The Investment Consultant from Hymans Robertson presented the confidential report on ACCESS UK property fund considerations managed by CBRE.

RESOLVED:

- i) THAT the preliminary view expressed by Hymans Robertson, based on currently available data on the ACCESS UK Property Fund managed by CBRE, be noted.
- ii) THAT the committee appetite for a potential commitment to a global property mandate, be noted.
- iii) THAT the committee submits its initial interest to the newly established ACCESS UK Property solution through a 2% initial commitment (amounting to c.£15m), with the aim to bring the allocation to property closer to its target level (8%).
- iv) THAT the gradual transition of the non-pooled property assets (managed by Schroders) into the ACCESS solution, via regular redemption requests over the next 2-3 years, be agreed.

21. **Procurement and Contract Management Update**

This item was discussed under Minute item 6 (Pension Operational Update).

CHAIRMAN