



# Minutes

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| Name of meeting | <b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>                                                                                                                                                                    |
| Date and Time   | <b>WEDNESDAY 25 NOVEMBER 2020 COMMENCING AT 10.00 AM</b>                                                                                                                                                       |
| Venue           | <b>VIRTUAL (MS TEAMS)</b>                                                                                                                                                                                      |
| Present         | Cllrs A Axford (Chairman), B Abraham, D Andre, P Brading, V Churchman, A Garratt, G Perks<br><br>Steve Milford (Employee Representative)                                                                       |
| Also Present    | Jo Cooke, Jo Thistlewood, Megan Tuckwell, Chris Ward<br><br>Cllr Reg Barry, Barbara Milton (Board Members), Emma Garrett, David Walker (Hymans Robertson), Geoffrey Day, Michael Lake, Freya Petty (Schroders) |

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## 32. Minutes

RESOLVED:

THAT the Minutes of the meeting held on 28 October 2020 be confirmed, subject to the inclusion of additional wording for clarity in Minute 26.

## 36. Annual Report and Accounts

The Technical Finance Manager advised that at the meeting of the Audit Committee held on 23 November 2020, the external auditors confirmed that they found no significant issues and intended to issue an unqualified opinion on the fund's accounts, and were therefore able to close the audit of the pension fund.

Subsequent to this meeting, confirmation had been received that the external auditors would sign their audit opinions by 27 November 2020. Members were advised that upon receipt of the formally signed audit certificates, the pension fund's annual report and accounts would be published on the fund's website.

RESOLVED:

THAT the update on the approval of the council's statement of accounts, and the pension fund's annual report and accounts, be noted.

## 37. Private Debt Investment Solution Selection

The Technical Finance Manager presented the report which set out the outcome of the selection of an investment solution to deliver the fund's private debt allocation. Members were advised that on 6 November 2020, an investment selection panel was convened to receive presentations from four shortlisted fund managers suitable to deliver the fund's new allocation to private debt.

Following the presentations and moderation, the panel agreed to invest in the Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV fund. Subsequent to this decision, officers had begun work with Hymans Robertson to inform the shortlisted managers of the interim decision and to progress the implementation of these investments. Comments were made with regards to diversity of the investment team and the legal documentation.

It was confirmed that the deadline for finalising the application to the investment solution was mid-December 2020, and officers anticipated that the fund would have an initial investment in this asset class by the end of the financial year. Progress reports would be brought to the committee in due course.

Following discussion, a vote was taken and it was:

RESOLVED:

THAT the committee agrees the selection of the Goldman Sachs Merchant Banking Division Broad Street Local Partners IV fund for the delivery of the fund's private debt allocation.

### 39. **Scheme Updates**

The Technical Finance Manager presented the report which provided members with information regarding the recent legislative changes in respect of restricting local government exit payments and the associated implications for the pension fund. Members were reminded that their focus should be on the proper implementation of the new regulations for the pension fund, rather than the content of the regulations themselves.

In light of the changes, it was confirmed that the council as scheme employer had reviewed its existing restructuring proposals to determine whether there are any immediate cases which could breach the exit cap. Led by the Director of Corporate Resources, a working group had been convened to review the council's existing policies and processes to implement the exit cap. Members were advised that revised LGPS regulations, to facilitate the full implementation of the exit cap, were currently being consulted upon by MHCLG, and the consultation would not close until 18 December 2020. The revised regulations would not therefore become law until the first quarter of 2021. Since publication of the report (and in conjunction with other pension funds in the ACCESS pool), legal advice had been received regarding the implementation of the exit cap in the interim period before the introduction of the new LGPS regulations. It was proposed that the fund should implement the solution suggested by the Scheme Advisory Board, in that any impacted members should be offered the opportunity to take a deferred benefit at normal retirement age (or an

immediate but fully actuarially reduced pension), and it was recommended that scheme employers delay the payment of a cash alternative to impacted members. It was anticipated that members would challenge the proposed treatment, as it was not in compliance with existing LGPS regulations. However, until such time as a challenge be received and resolved through the courts or tribunal, the proposed solution is the “least worst” outcome for pension funds.

Following discussion, a vote was taken and it was:

RESOLVED:

- i) THAT the ongoing developments in respect of the implementation of the exit cap be noted.
- ii) THAT the Isle of Wight Council Pension Fund offers impacted members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5).
- iii) THAT the Isle of Wight Council Pension Fund recommends to scheme employers to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations.

#### 40. **Investment Performance Report to 30 September 2020**

Due to a fire alarm, the Chairman left the meeting and the Vice-Chairman, Cllr Churchman, took the chair.

The Investment Consultant of Hymans Robertson presented the investment performance report for the quarter ended 30 September 2020, which included a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager performance.

RESOLVED:

THAT the update be noted.

At the conclusion of discussion, members adjourned for a 10-minute comfort break.

#### 41. **Investment Manager Presentation**

The Chairman re-entered the meeting and took the Chair.

The Investment Director (Fixed Income) of Schroder Investment Management delivered a presentation (Appendix 1) on the Schroder Sterling Broad Market Bond Fund. This included an overview of the portfolio, and updates on global fixed income, investment themes, and the post-Covid-19 response. Discussion took place regarding the performance summary as at 30 September 2020, 5-year performance, country exposure, and the evolution of non-government sector allocation.

The Real Estate Capital Manager of Schroder Investment Management delivered a presentation (Appendix 2) on the Schroder UK Real Estate Fund. This included a summary of fund performance and an economic recovery forecast. Members noted the funds position and the updates on strategic priorities, new acquisitions, Covid-19 strategy, and tenant engagement.

RESOLVED:

THAT the update be noted.

45. **ACCESS Update**

The Technical Finance Manager provided an update on recent activity within the ACCESS pool since the last committee meeting. Members were invited to confirm their attendance at the next virtual ACCESS joint committee meeting due to be held in January 2021.

RESOLVED:

THAT the update be noted.

46. **Investment Strategy Implementation – Equity Allocation**

The Investment Consultant of Hymans Robertson presented the confidential report which outlined the process by which the fund's allocation to equities would be rebalanced.

It was recommended that the Committee adopt a new equity investment strategy which would provide an optimal blend of equity exposure across a number of factors; and would be the first step in implementing the Committee's environmental and social governance and responsible investment beliefs into the Fund's investment strategy (particularly to address climate change).

Members agreed to adopt the new strategy and requested that a development session be arranged to better understand the current climate change impact of the Fund's investment strategy following the next meeting of the Committee in January 2021.

Following discussion, a vote was taken and it was:

RESOLVED:

- i) THAT the proposed new equity investment strategy be adopted; to provide a more optimal blend of equity exposure across a number of factors and as a first step in implementing the Committee's environmental and social governance and responsible investment beliefs into the Fund's investment strategy, particularly to address climate change. The strategic changes include:
  - Reducing the allocation to Majedie UK equities from 22.5% to 12.5% (initial reduction of 5% to 17.5% pending funding of private debt).

- Reducing the allocation to Newton Global equities from 32.5% to 18.75%.
  - Introducing a new allocation of 18.75% to the UBS Climate Aware fund, funded 5% from Majedie and 13.75% from Newton.
  - Continuing to reduce the overall equity exposure by 5% by seeding the new 5% Private Debt allocation from Majedie UK Equities.
- ii) THAT the Committee agrees to establish more robust environmental and social governance monitoring to better understand the current impact of the Fund's investment strategy, such as carbon foot printing.

CHAIRMAN