

ANNUAL REPORT AND ACCOUNTS

ISLE OF WIGHT COUNCIL PENSION FUND 2021-22

Registration number with the Registrar of Occupational and Personal Pensions Schemes 49/22

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Isle of Wight Pension Fund Annual Report 2021/22

Foreword

As the Chairman of the Pension Fund Committee, I am pleased to introduce the annual report and accounts of the Isle of Wight Council Pension Fund for the year ended 31 March 2022, setting out the overall financial activity of the fund.

Despite significant market turmoil at the end of the financial year, following the invasion of Ukraine by Russian forces, the fund's investment assets continued to grow, reaching a value of £723.8 million at 31 March 2022, compared to £695.4 million at 31 March 2021 – an increase of £28.4 million in the financial year.

Market volatility has continued since the end of the year as the crisis in Ukraine has impacted financial markets globally, largely due to the impact of utility prices. Coupled with the impact of policy changes in central government, increasing inflation and bank interest rates, the compounding effect on markets and market confidence has brought widespread downward pressure. The impact of all this uncertainty and downward pressure has been a decline in the value of the fund's investments, with the value at 30 September 2022 being £648.3 million.

Following a change in overall control of the council after the local elections in May 2021, a virtually new committee was formed, with only two members returning from the previous administration at that time. Membership of the committee changed a number of times during the financial year.

The committee recommenced in-person meetings from June 2021, holding five meetings (one under the former administration and four under the new), with each meeting covering all aspects of pension fund business. During the year the committee:

- Received an induction briefing from the Pension Fund Manager, and a number of development sessions facilitated by the fund's advisers.
- Completed the first investment into the fund's Infrastructure asset allocation; by 31 March 2022 £7.7 million had been invested in this asset class.
- Completed the transition of £145 million from its active equity allocation into the UBS passively managed climate aware fund, under a jointly procured arrangement with other authorities in the ACCESS pool.
- Continued its engagement with the ACCESS pool, with officers and councillors attending meetings throughout the year. No additional actively managed assets were transitioned into the pool during the year; at 31 March 2022 69.4 per cent of the fund's investments were under pooled management (a reduction from the proportion at the previous year end, due to market conditions).
- Reviewed the governance decision making framework for the fund, and adopted a decision making matrix, in compliance with which all future decisions will be made.
- Agreed and adopted a comprehensive risk register for the fund, which is monitored at all pension board and committee meetings.
- Received regular updates on the developments in administration of the fund.

During 2021-22, the constitution and membership of the pension board was reviewed and revised, following end of the term of office for most members in September 2021, leaving only one scheme member representative. As a result, board meetings were suspended, and the Pensions Regulator was informed of the situation.

Following the review, the size of the board was increased from four to six, and a new independent chair position was introduced. Recruitment activity during the second half of the financial year resulted in the appointment of five new representatives (three employer and two scheme member representatives), and an independent chair.

The newly constituted board met for the first time in April 2022; accordingly no board annual report for 2021-22 is presented.

2022-23 has been a very busy year to date and continues to be, with the following key areas being covered by both committee and board:

- Undertaking the triennial valuation at 31 March 2022, including briefings from the fund's actuaries and engagement with fund employers.
- Completion of the Hymans Robertson National Knowledge Assessment, with a view to developing a fund-specific training and development policy.
- Review of the fund's statutory documentation, including the communication policy, governance compliance statement, reporting breaches of the law policy, complaints and disputes procedures, and the pension administration strategy.
- Continued engagement with the ACCESS pool, including the development of investment solutions for illiquid assets.
- Response to the government's consultations on climate risk reporting and consideration of the fund's own ESG/RI policy.
- Preparation for the procurement of the fund's administration software system, and other consultancy contracts.
- Continued review and improvements in the operation of the fund's governance and administration activities, including the commissioning of an external review.

Councillor Chris Jarman – Chairman – Isle of Wight Pension Fund Committee

Financial Summary

Analytical review

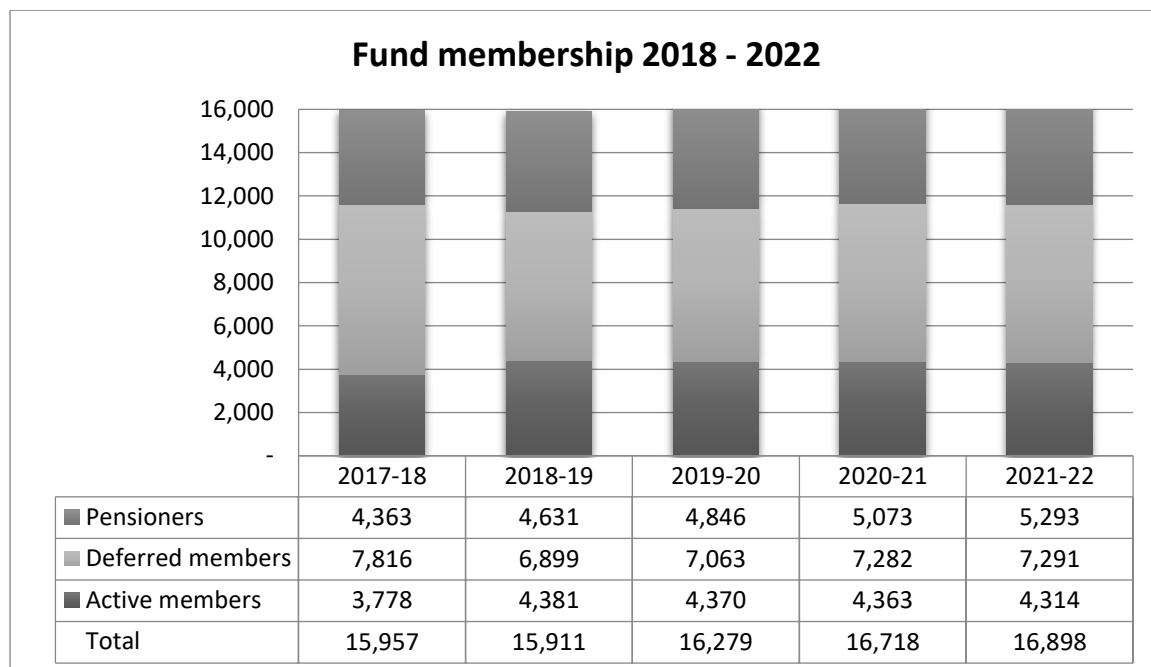
Fund account	2021-22 £000	2020-21 £000	Notes
Net withdrawals from dealings with members	(2,979)	(2,104)	Increase in basic contributions; increase in transfers in; inflationary increases in benefits paid & increase in number of pensioners; increased payments to leavers and on death
Management expenses	(5,674)	(7,166)	Prior Year included large initial investment cost re transfer of assets into ACCESS Pool
Net return on investments	46,276	138,262	Decrease in value of holdings especially UK & Global Equities
Net decrease in net assets	37,623	128,992	

Net Assets Statement	2021-22 £000	2020-21 £000	Notes
Pooled Investment Vehicles	633,779	648,719	UK & Global Equities partial disinvestment to fund investment into Private Debt and Infrastructure, with balance in Direct Cash holdings
Property	44,453	37,459	
Private Debt	23,605	9,186	Increased direct Investment into fund during year
Infrastructure	7,949	-	Commenced investing into fund during 2021/22
Cash deposits	14,003	-	Cash held for future investment into Private Debt and Infrastructure funds
Other net assets / (liabilities)	4,531	(4,667)	Reduction in short-term borrowing partially offset by reduction in operating cash balance
Total net assets	728,320	690,697	

Further detail can be found in the financial statements and notes on pages 216 to 248.

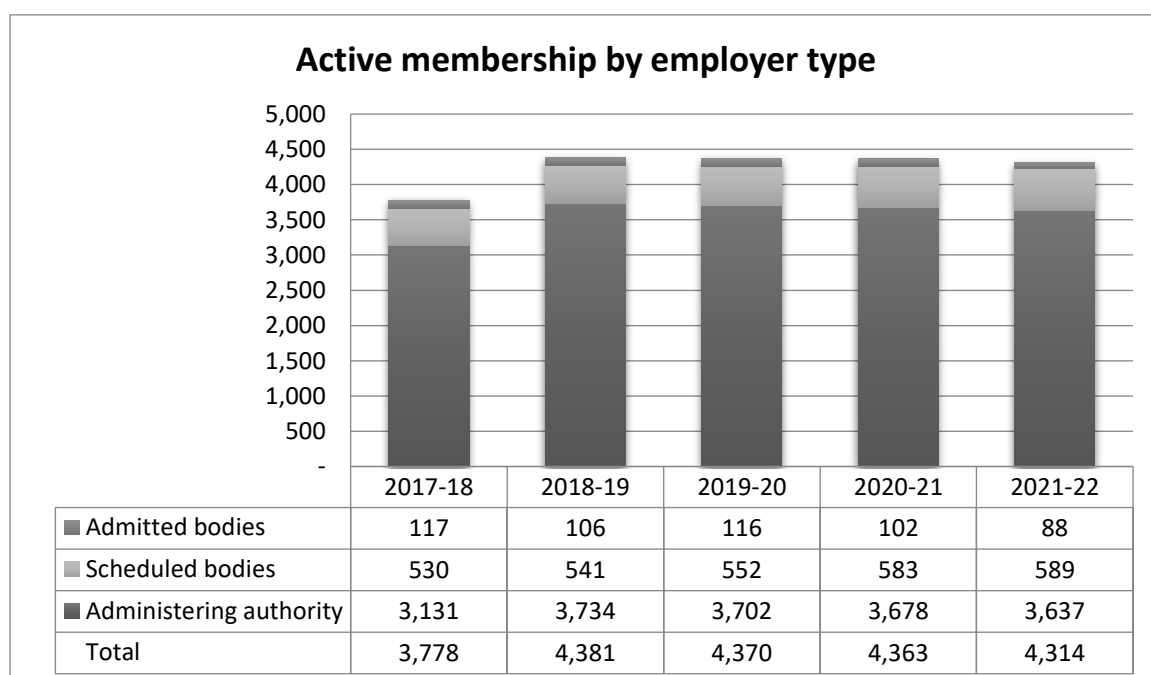
Membership data

Total membership of the fund continues to increase year on year, although active membership has fallen slightly compared to last year. The profile of membership numbers from 2018 to 2022 is shown below:



Details of the changes in the composition of the employers in the fund can be found below on pages 218 to 219.

The Isle of Wight Council remains the largest employer in the fund, and its share of the active members has continued to decline in real numbers during 2021/22. Despite this the proportion of the active members in the Isle of Wight Council has increased from 82.9% in 2017/18 to 84.3% in 2021/22. The composition of active membership numbers is shown below:



Contributions analysis

The table below sets out the employers of the fund, including the number of active members, the basic employees and employers' contributions received in the year, and the number of times (and percentage value) of late paid contributions during the year. The LGPS Regulations specify that contributions must be received by the 19th of the following month.

No interest was charged on any of the instances of late payment.

Administering Authority	Active members at 31-Mar-	Employee basic conts £000	Employer basic conts £000	Instances payment late	Instances return late
Isle of Wight Council	3,637	3,627	13,609	-	-
	3,637	3,627	13,609	-	-
Scheduled Bodies					
Isle of Wight College	240	204	802	-	-
Ryde Academy	68	49	192	-	1
Lanesend Academy	67	38	143	-	-
Cowes Enterprise College	51	59	228	-	1
Northwood Primary	37	18	70	-	-
Island Free School	35	38	128	-	-
St Francis Primary	35	14	72	1	1
St Blasius Academy	29	13	64	-	1
Ryde Town Council	12	20	76	-	-
Newport and Carisbrooke Community Council	6	9	33	-	-
Shanklin Town Council	3	4	16	-	-
Cowes Town Council	2	2	9	1	-
Gurnard Parish Council	1	1	3	-	-
Northwood Parish Council	1	1	2	-	-
Sandown Town Council	1	2	7	-	-
Wootton Parish Council	1	1	4	-	-
	589	473	1,849	2	4
Admitted Bodies					
Southern Housing	26	8	36	-	-
Island Roads	22	52	-	-	-
Accomplish ¹	10	19	77	-	-
Barnardo's ²	7	10	40	-	-
CleanTEC ³	6	2	10	1	2
Southern Vectis	6	4	8	-	-
Sovereign Housing	3	66	272	1	-
Yarmouth Harbour Commissioners	2	4	14	-	-
Caterlink Limited	1	1	4	-	-
Cowes Harbour Commissioners	1	3	8	-	-
RM Ltd	1	2	8	-	-
Solutions 4 Health	1	1	6	-	-
Top Mops	1	-	2	-	-
Ventnor Botanic Gardens	1	2	-	-	-
Nviro ⁴	0	2	7	-	-
Trustees of Carisbrooke Castle Museum ⁵	0	-	1	-	-
St Catherine's School ⁶	0	-	-	-	-
	88	176	493	2	2
TOTAL	4,314	4,276	15,951	4	6

The level of contributions from both employers and employees can be found with in the financial statements, which are included within this report, on page 225.

- 1 Accomplish entered into a revised contract with the Council from December 2021.
- 2 Barnardo's commenced a new contract with the Council on 1 April 2021.
- 3 CleanTEC joined the fund in September 2021, following an outsourcing from Ryde Academy.
- 4 Nviro ceased participation in the fund in August 2021, following the termination of their contract with Ryde Academy.
- 5 The last active member from Carisbrooke Castle Museum retired in October 2021.
- 6 St Catherine's School have rejoined the fund with effect from 1 April 2022.

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Isle of Wight Council Pension Fund 2021/22

Scheme management and advisers

Members of the Isle of Wight Council Pension Fund Committee are appointed following the annual meeting of the Full Council. The members during the period were:

			Joined	Resigned
Councillor C Jarman	Ind	Chair	26 May 2021	
Councillor D Andre	Ind		26 May 2021	
Councillor P Brading	Con		19 Jan 2022	
Councillor V Churchman	Con		26 May 2021	
Councillor C Critchison	Green	Vice-chair (Resigned 18 May 2022)	26 May 2021	
Councillor W Drew	Con		21 July 2021	19 Jan 2022
Councillor A Garratt	Lib/Dem	Vice-chair (from 18 May 2022)	18 May 2022	
Councillor M Oliver	Con		19 Jan 2022	7 July 2022
Councillor R Quigley	Lab		21 July 2021	18 May 2022
Councillor J Robertson	Con		26 May 2021	21 July 2021
Councillor I Ward	Con		26 May 2021	19 Jan 2022
Councillor I Ward (reappointed)	Con		20 July 2022	

The Committee is advised by:

Mr C Ward, Director of Finance and section 151 officer

Mr D Walker, Investment Consultant – Hymans Robertson LLP

Mrs J Thistlewood, Pension Fund Manager

In addition, a non-voting representative of both the admitted/scheduled bodies and staff union attend the Pension Fund Committee meetings

ACCESS Pool Operator

Link Asset Services,
LF ACCESS Pool Authorised Contractual
Scheme
Sunderland SR43 4AT

Investment Managers through Pool

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Liontrust Investment Partners LLP
2 Savoy Court
London
WC2R 0EZ

Newton Investment Management Ltd
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Direct Investment Managers

Goldman Sachs Asset Management
International
Plumtree Court
25 Shoe Lane
London EC4A 4AU

Partners Group (UK) Ltd

14th Floor
110 Bishopsgate
London EC2N 4AY

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Actuarial Services

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

AVC Provider

Prudential
AVC Customer Services
Stirling FK9 4UE

Bankers

Lloyds Bank
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Southampton
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Scheme Administrator

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UBS Asset Management
5 Broadgate
London EC2M 2QS

Investment Consultants

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20 Waterloo Street
Glasgow G2 6DB

Custodian

Northern Trust
50 Bank Street
London E14 5NT

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton SO14 3QB

In addition, the Isle of Wight Pension Fund is a member of the Pensions and Lifetime Savings Association (PLSA).

Investment Policy and Performance Report

Report and Accounts for the period ending 31 March 2022

Introduction

The Fund's investments have been managed during the year under review by Liontrust Asset Management, Newton Investment Management, UBS, Baillie Gifford, Goldman Sachs Merchant Banking Division, Partners Group and Schroders. The Liontrust, Newton and Baillie Gifford funds are accessed through the ACCESS pool.

The strategic benchmark allocation as at 31 March 2022 was:

Manager	Mandate	Allocation	Control ranges	Benchmark
Liontrust (ACCESS)	UK Equities	12.5%	10.5% – 14.5%	FTSE All-Share Index
Newton (ACCESS)	Global Equities	18.75%	16.75% – 20.75%	MSCI AC (All Countries) World Index (Net dividends re-invested)
Baillie Gifford (ACCESS)	Diversified Growth	10.0%	6.0% – 14.0%	UK Base Rate + 3.5%
UBS	Global Equities	18.75%	16.75% – 20.75%	FTSE All-World Developed Index
Partners	Infrastructure	5.0%	N/A	Not managed to a benchmark
Schroders	UK Bonds	22.0%	18.0% – 26.0%	50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts
Schroders	UK Property	8.0%	4.0% – 12.0%	IPD Pooled Property Fund indices All Balanced Funds Median
Goldman Sachs	Private Debt	5.0%	N/A	Not managed to a benchmark
Total		100.0%	-	

Source: Investment Strategy Statement

Summary of strategic changes

Following the review of the 2019 actuarial valuation, the Committee agreed to several strategic changes in order to achieve its long-term target of being fully funded within the next 20 years.

In July 2020, the Committee agreed a new 5% allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the Fund committed the 5% private debt allocation to Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV. This investment has continued to be drawn down throughout the year and as at 31 March 2022 represented 3.3% of the Fund's assets. In July 2021, the first allocation to Partners Direct Infrastructure Fund was drawn and 1.1% of the Fund's assets were invested in the mandate as at 31 March 2022. These allocations will continue to be built up over time.

Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach. In December 2021, a new allocation of £145m was invested in the UBS Global Aware mandate. The agreed benchmark for the new passive global equity mandate was 18.75%. To achieve the redistribution, the target allocations in the Liontrust and Newton mandates were reduced from 17.5% to 12.5% and 32.5% to 18.75%, respectively.

The asset allocation at the start and end of the year is shown in the table below.

Asset Allocation

Manager/Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£'000)	End of Year (£'000)	Start of Year (%)	End of Year (%)	
Liontrust – UK Equity (ACCESS)	144,137	99,534	20.7	13.7	12.5
Newton – Global Equity (ACCESS)	249,157	149,384	35.9	20.6	18.75
Baillie Gifford – Diversified Growth (ACCESS)	114,515	113,532	16.5	15.7	10.0
UBS – Global Equity	-	139,377	-	19.3	18.75
Partners - Infrastructure	-	7,975	-	1.1	5.0
Schroders – UK Bonds	139,879	131,508	20.1	18.2	22.0
Schroders – UK Property	37,904	45,100	5.5	6.2	8.0
Goldman Sachs – Private Debt	9,067	23,571	1.3	3.3	5.0
Cash	-	14,000	-	1.9	-
Total	694,660	723,982	100.0	100.0	100.0

Note: UBS, Partners and Cash were not reported for the period ending 31 March 2021, thus values are only provided for 31 March 2022.

Source: Investment Managers

Figures may not sum to total due to rounding.

Reasons for variance from Benchmark

The Fund is slightly overweight to UK Equities, Global Equities and Diversified Growth, relative to strategic benchmark and correspondingly underweight to Corporate Bonds, Property and Private Debt. The new Infrastructure and Private Debt allocations continue to draw down capital.

All portfolios were within their target ranges as at 31 March 2022, except for Diversified Growth mandate which marginally exceeded target.

Market Background**Investment Markets**

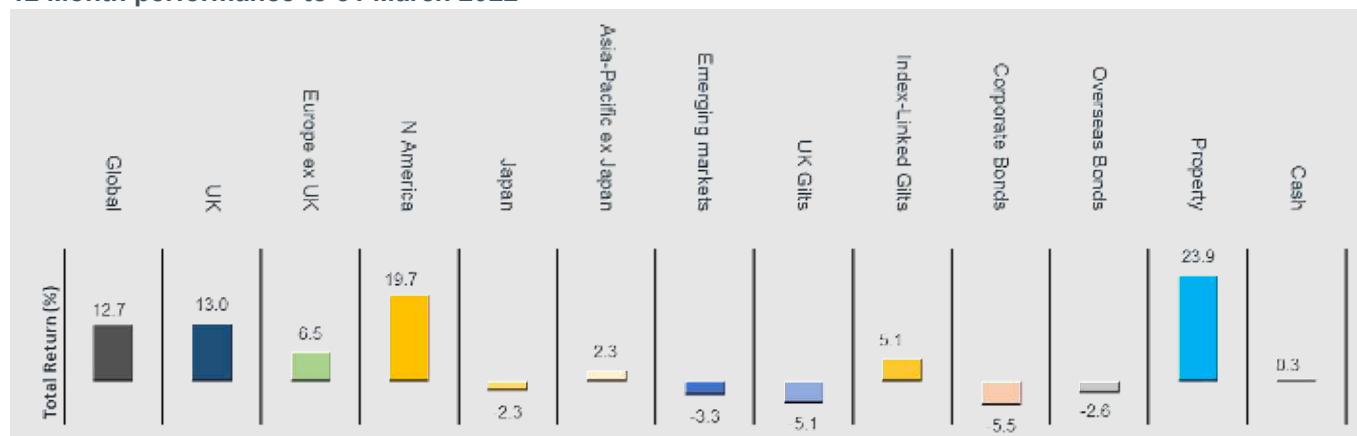
Global GDP has risen rapidly as major economies moved towards a more permanent easing of pandemic restrictions; however, momentum has started to ease in recent months. Physical disruptions and sanctions caused by the Russia-Ukraine conflict have triggered broad commodity price rises which, alongside existing inflationary pressures, are increasing input costs and weighing on consumer's real incomes. As a result, CPI forecasts have reached new highs while consensus forecasts for global growth have been revised downwards, but still point to a robust pace of growth over 2022 and 2023 by post-GFC standards.

Soaring energy costs pushed headline inflation higher, but core inflation, which excludes volatile energy and food costs, also rose and is running at a 30-year high. UK and US headline CPI inflation increased to 7.0% and 8.5% year-on-year, respectively in March.

The inflation backdrop has seen central banks turn more hawkish this year, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1, to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Fed noted plans to reduce the size of its balance sheet.

Government bond yields rose in line with the recovery in growth and inflation expectations, with UK 10-year government bonds rising 0.8% p.a., to 1.6% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose from 3.7% p.a. to 4.4% p.a.

12 Month performance to 31 March 2022



Equities

Despite a weakening outlook towards the end of the period, the ongoing economic and earnings recovery supported a 12.7% return from global equities. Amid surging oil and gas prices, the energy sector notably outperformed whilst commodity price rises also benefitted basic materials. Rising yields benefitted the financial sector whilst rising input costs and a squeeze on real incomes weighed on the industrial and consumer discretionary sectors, respectively.

The UK was the top performing region, benefitting from above-average exposure to energy, metals, and miners. Emerging Market equities have been the worst performing region, pulled lower by weak performance from China, where announcements of tighter regulation have been compounded by a slowdown in Chinese property and manufacturing sectors, and high energy prices.

Bonds

Global investment-grade credit spreads rose 0.3% p.a. and European high yield bond spreads rose 0.9% p.a., while their US counterparts were little changed: the larger rise in European credit spreads perhaps reflecting expectations of a larger negative impact from the Russia-Ukraine conflict. Rises in underlying yields had a larger negative impact on total returns in longer-duration investment-grade credit markets.

Property

An 18.0% rise in the MSCI UK AREF capital value index over the 12 months to the end of March is largely attributable to a 36.8% rise in industrial capital values. Return on the all-property index, including income, was 23.9% in the 12 months to end-March.

Investment Performance

The Fund marginally underperformed its strategic benchmark over 12 months by 0.4%. The main laggard to 12-month performance were holdings in Liontrust due to poor stock selection and the sell-off in equity markets following the outbreak of the Russia/Ukraine war seen in Q1 2022. The fixed income mandate also lagged performance due to rising yields and expectations of further increases in interest rates.

The Fund is ahead of its benchmark over 3 years returning 7.6% against a benchmark of 7.0%, particularly due to the outperformance in the Schroders mandates.

The newly implemented Private Debt and Infrastructure mandates' performance are not included in the below table as it is too early for these investments to have a meaningful performance figure.

The table below provides the 12-month and 3-year performance of the Fund as at 31 March 2022.

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Liontrust – UK Equity (ACCESS)	6.2	13.0	3.8	5.3
Newton – Global Equity (ACCESS)	11.1	12.4	14.1	13.4
Baillie Gifford – Diversified Growth (ACCESS)	3.8	3.6	3.9	3.8
UBS ¹	-3.8	-3.6	-	-
Schroders – UK Bonds	-5.9	-5.2	1.7	0.4
Schroders – UK Property	19.6	19.9	8.0	7.2
Total	6.9	7.3	7.6	7.0

¹UBS performance is for the period since inception (i.e., December 2021)

Figures shown are based on performance provided by the investment managers. Performance figures are gross of fees.

Linking the Investment Strategy with the Funding Strategy

The Committee regularly reviews the investment strategy to ensure that it remains appropriate for the Fund's liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every 3 years or after every actuarial valuation. The Committee reviewed the Fund's investment strategy following the results of the 2019 Actuarial Valuation and agreed to make strategic allocations to Infrastructure and Private Debt and to restructure the Fund's equities. As at 31 March 2022, the Committee have made allocations to investment solutions for both Private Debt and Infrastructure. The Private Debt solution started to draw down capital in January 2021 and the Infrastructure solution started to draw down capital in July 2021.

The Committee believes that the investment strategy provides the Fund with the necessary potential for future returns to meet future benefits whilst also minimising the risks being taken. The majority of the Fund's investments can be considered liquid, ensuring that pensions can be paid as they fall due.

Custodial Arrangements

Manager	Custodian
Liontrust (ACCESS)	Northern Trust
Newton (ACCESS)	Northern Trust
Baillie Gifford (ACCESS)	Northern Trust
UBS	JP Morgan
Partners Group	JP Morgan
Schroders	Northern Trust
Goldman Sachs	Goldman Sachs & Co.

Source: Investment Managers

Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investments managers.

The Committee is responsible for ensuring the Fund's assets continue to be securely held. The Committee reviews the custodian arrangements from time to time and the Fund auditor is authorised to make whatever investigations it deems are necessary as part of the annual audit procedure.

Environmental, Social and Governance considerations

The Committee have developed a defined set of investment beliefs that include their views on Environmental, Social and Governance ("ESG") issues. The Committee believes that long-term sustainable investment returns are an important consideration, and ESG issues can have a material impact on the long-term performance of its investments.

The Committee recognises that ESG considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention, or sale. Each of the investment managers has produced a statement setting out its policy in this regard. The investment managers have been delegated by the Committee to act accordingly.

The Fund has committed the UK Stewardship Code 2012 as published by the Financial Reporting Council. An enhanced UK Stewardship Code 2020 took effect on 1 January 2020. The Committee are yet to consider becoming a signatory to the new code and aims to work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights.

In May 2021, the Committee undertook climate risk scenario analysis and commissioned an ESG and carbon report for the Fund's assets. This aimed to illustrate how the Fund's mandates perform from an ESG perspective and the carbon intensity of the Fund's investments. The Committee consider the ESG implications of any strategic investment decisions they make.

In line with the new LGPS regulations which will come into effect by April 2023, the Fund will work towards becoming compliant with the Taskforce for Climate-related Financial Disclosures ("TCFD") framework and will seek to report against the four key areas of governance, strategy, risk management, and metrics and targets.

The Myners Review and Code of Best Practice

The Myners principles codify best practice in investment decision making. While they are voluntary, pension fund trustees are expected to consider their applicability to their own fund and report on a 'comply or explain' basis how they have used them.

The principles continue to emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Investment Strategy Statement and report periodically to members on the discharge of these responsibilities.

The Committee monitors their investment policies against Myners to ensure that their implementation is in keeping with the revised principles for the Fund. The following table is an extract taken from the Fund's latest Investment Strategy Statement and provides an update on the Fund's compliance with each of the 6 Myners Principles.

Principle	Response on Adherence
<p>Principle 1 Effective Decision Making: Administering authorities should ensure:</p> <ul style="list-style-type: none"> • That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<p>Compliant Decisions are taken by the Committee which is responsible for the management of the Fund. The Committee has support from council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions. The Committee is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</p>
<p>Principle 2 Clear objectives: An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</p>	<p>Compliant The Committee has established objectives for the Fund which takes account of the nature of fund liabilities and the contribution strategy. This involved discussions with the actuary to enable the Committee to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers. There is dialogue with admitted bodies within the fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p>Principle 3 Risk and liabilities:</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p>Compliant The investment strategy is considered in the light of the nature of the fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity. The Committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</p>
<p>Principle 4 Performance assessment:</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment 	<p>Partially Compliant The performance of the Fund and its individual managers are monitored on a regular basis. The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender.</p>

of their own effectiveness as a decision-making body and report on this to scheme members.	The Committee is developing formal processes to measure its own effectiveness.
Principle 5 Responsible Ownership: Administering authorities should <ul style="list-style-type: none"> • Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. • Include a statement of their policy on responsible ownership in the Statement of Investment Principles or Investment Strategy Statement. • Report periodically to scheme members on the discharge of such responsibilities. 	Partially Compliant The Committee encourages its investment managers to adopt the ISC Statement of Principles on the responsibilities of shareholders and agents on the Fund's behalf. The Investment Strategy Statement includes a statement on the fund's policy on responsible ownership. The Committee needs to consider the implications of the new enhanced UK Stewardship Code issued in January 2021 and the extent to which it is compliant with the new requirements.
Principle 6 Transparency and Reporting: Administering authorities should <ul style="list-style-type: none"> • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Should provide regular communication to scheme members in the form they consider most appropriate. 	Compliant The Committee maintains minutes of meetings which are available on the council website. The Committee holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. An Admitted Bodies representative and a Member representative attend Committee meetings. The Investment Strategy Statement is published on the council website and is available to members on request. Other information on the scheme is available to members on the dedicated pension fund website.

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For and on behalf of Hymans Robertson LLP

Isle of Wight Council Pension Fund Investment Strategy Statement

February 2021

1. Document Information

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3. Introduction

- 3.1. This is the Investment Strategy Statement (“ISS”) of the Isle of Wight Council Pension Fund (“the Fund”) which is administered by Isle of Wight Council (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the 2016 Regulations”).
- 3.2. The ISS has been prepared by the Isle of Wight Pension Fund Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.
- 3.3. This ISS has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.
- 3.4. This statement will be reviewed by the Committee at least triennially or more frequently and without delay should any significant change occur. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.
- 3.5. The Committee seeks to invest, in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund.

4. Investment Beliefs and Objectives

- 4.1. The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (“LGPS”) regulations and statutory provisions.
- 4.2. The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
- 4.3. In order to best achieve these objectives, the Committee has developed a set of investment beliefs which help to inform the investment strategy derived from the decision-making process. The latest investment beliefs, agreed in 2019, are included in Appendix A and are reviewed on a regular basis.

5. Investment strategy and the process for ensuring suitability of investment

- 5.1. As noted above, the Fund's objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the investment strategy is focused on achieving returns in excess of gilts, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.
- 5.2. The Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under constant review; noting that strategic changes are an evolutionary process.
- 5.3. The triennial review looks at both qualitative and quantitative analysis, covering:
 - The required level of return that will mean the Fund can meet its future benefit obligations as they fall due.
 - The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
 - An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined.
 - The desire for diversification across asset class, region, sector, and type of security.
- 5.4. In 2019, the Fund carried out an asset liability modelling exercise in conjunction with the 2019 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of contributions and investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.
- 5.5. The Committee assessed the likelihood of achieving the Fund's long-term funding target – which has been defined as achieving a fully funded position within the next 20 years. It also considered the level of downside risk associated with different strategies by identifying the low funding levels which might emerge in the event of adverse experience.
- 5.6. Following this review it was agreed to make new strategic allocations to infrastructure and private debt (outlined in the Asset Classes section below). Product selection exercises were undertaken for each new asset class in November and December 2020. Allocations to infrastructure and private debt will be implemented throughout 2021 and beyond, funded from the Fund's previous allocations to UK equities and diversified growth.
- 5.7. The Committee also undertook a detailed review of the Fund's equity allocation in November 2020 with a view to implementing a more balanced blend of regional, sector and style exposures, including introducing a new allocation to passive global equities. Changes to the Fund's equity allocation are expected to be implemented in 2021.

Asset classes

- 5.8. The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, infrastructure, alternative debt and commodities either directly or through pooled funds.

The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

- 5.9. The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.
- 5.10. The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. The asset allocation, along with an overview of the role each asset plays in achieving the Fund's objectives is set out in the table below.

Table 1:

Asset class	Allocation %	Allowable ranges %	Role(s) within the strategy
Equity	50.0	+/-6%	Long term growth in excess of inflation.
Diversified Growth	10.0	+/-4%	Diversification and long term growth in excess of inflation. Active tactical asset allocation
Property	8.0	+/-4%	Diversification and regular investment income. Returns expected to be inflation-sensitive. Exposure to Illiquidity premium
Fixed Income	22.0	+/-4%	Diversified source of return from a range of sources. Some duration exposure. Not specifically income generating
Infrastructure	5.0	n/a	Returns expected to be inflation-sensitive. Diversified source of return and regular income. Exposure to Illiquidity premium
Private Debt	5.0	n/a	Diversified source of return and regular income. Exposure to Illiquidity premium

Restrictions on investment

- 5.11. In line with the 2016 Regulations, the Fund's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the administering authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.
- 5.12. The 2016 Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various

risks involved. Therefore, it is not felt necessary to set additional restrictions on investments.

Investment Managers

5.13. The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

5.14. The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each investment manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the investment managers will maintain diversified portfolios through direct investment or pooled vehicles.

5.15. The individual investment manager mandates in which the Fund assets are currently invested (February 2021) are as follows:

Table 2:

Investment Manager	Asset Class	Investment style
Link Fund Solutions (ACCESS pool)	UK Equity	Active
Link Fund Solutions (ACCESS pool)	Global Equity	Active
Link Fund Solutions (ACCESS pool)	Diversified Growth	Active
Schroders	Property	Active
Schroders	Fixed Income	Active
Goldman Sachs	Private Debt	Active

5.16. The Committee has also agreed to make investments to infrastructure with Partners Group and passive global equity with UBS, but at the time of writing there were no investments yet made to these funds.

6. Risk measurement and management

6.1. The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial investment strategy review. Risks are considered, understood and then prioritised accordingly. The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where

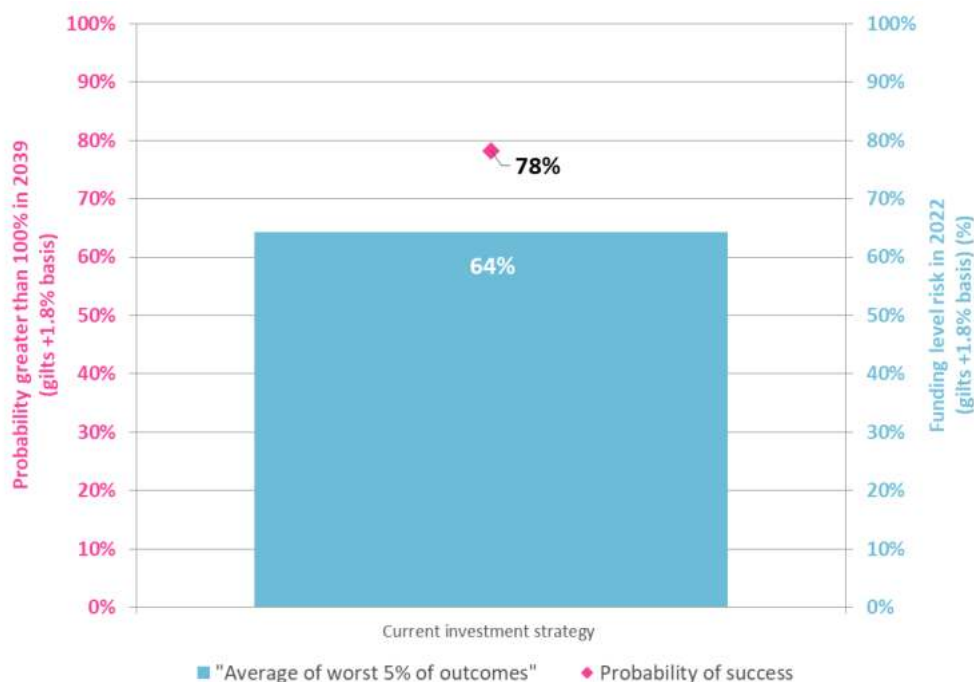
possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

- 6.2. The principal risks affecting the Fund are set out below; we also discuss the Fund's approach to managing these risks and the contingency plans that are in place.

A Investment risks

- 6.3. The Committee uses an integrated risk management based approach for considering investment risk and setting the investment strategy. Analysis is carried out at a whole fund level and the Fund currently offers a single investment strategy for all employers.
- 6.4. These risks are analysed using Asset Liability Modelling ("ALM") where assets and liabilities are projected forward under the 5000 simulations. For each of the scenario modelled, the chances of meeting the Fund's funding objective are assessed – shown as a pink diamond and read from the left hand scale in chart 1 below.
- 6.5. This probability of success is then measured against the possible downside risk – the funding level at the next valuation in the event of a 'poor outcome', defined as the average of the worst 5% of outcomes – shown by a blue bar and read from the right hand scale in chart 1 below.
- 6.6. The Committee seeks to take sufficient investment risk such that the probability of meeting the Fund's funding objective remains above 2/3rds, whilst trying to maximise the Fund funding level in the worst 5% of modelled outcomes.

Chart 1



B Funding Risks

- 6.7. Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- 6.8. Changing demographics – The risk that longevity improves, and other demographic factors change, increasing the cost of Fund benefits.
- 6.9. Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities.
- 6.10. The Committee measures and manages financial mismatch by setting a strategic asset allocation benchmark for the Fund. This will be revisited as part of the 2022 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.
- 6.11. The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.
- 6.12. The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

C Asset risks

- 6.13. Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- 6.14. Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- 6.15. Market risk - the risk that the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and alternatives, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.
- 6.16. Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- 6.17. Environmental, social and governance (“ESG”) – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- 6.18. Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- 6.19. Manager underperformance - The failure by the investment managers to achieve the rate of investment return assumed in setting their mandates.
- 6.20. The Committee measure and manage asset risks as follows:
- 6.21. The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.
- 6.22. The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund’s currency risk during their risk analysis.
- 6.23. Details of the Fund’s approach to managing ESG risks is set out later in this document.
- 6.24. The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager. The Committee assess the Fund’s investment managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.
- 6.25. Investment managers are appointed to manage the Fund’s investments on its behalf. This risk is small relative to other risks; however, the Fund still addresses this risk.

Extensive due diligence is used before managers are selected, with a number of different managers chosen to prevent concentration risk. The investment managers are also monitored regularly by the Committee, officers and by the Fund's advisors.

- 6.26. One of the largest risks that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives. The Fund is a long-term investor but does require income over and above contributions received in order to pay pensions.
- 6.27. The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property, diversified growth, private debt and infrastructure. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long-term alternatives will provide returns that compensate for the risks being run. Additionally, the level of diversification the assets provide helps to reduce the Fund's reliance on returns from equities. Illiquid assets such as property, infrastructure and private debt are also a valuable source of income.

D Other Provider Risks

- 6.28. Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- 6.29. Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- 6.30. Credit default - The possibility of default of a counterparty in meeting its obligations.
- 6.31. Stock-lending – The possibility of default and loss of economic rights to Fund assets.
- 6.32. The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

E Demographic Risks

- 6.33. The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions

and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

F Cashflow Management Risks

- 6.34. As noted above, the Fund is marginally cash flow positive after taking investment income into account. However, this position will be reviewed regularly and is a factor that is incorporated into the Fund's investment strategy reviews in order that a portfolio of income generating assets is built up over time.

G Governance Risks

- 6.35. The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks being missed, and have a detrimental effect on the funding level and deficit.
- 6.36. Details of the Fund's governance structure can be found in the Governance Compliance Statement in the Fund's annual report and accounts.

H Environmental, Social and Governance ("ESG") Risks

- 6.37. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:
- 6.38. Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance factors on its investments.
- 6.39. Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.
- 6.40. The Committee recognises that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. Each of the investment managers has produced a statement setting out its policy in this regard. The investment managers have been delegated by the Committee to act accordingly.
- 6.41. The Committee takes ESG matters, including climate change, seriously and regularly reviews its policies in this area and its investment managers' approach to ESG. The Committee have established a formal set of responsible investment ("RI") beliefs which are included in the appendix to this statement.
- 6.42. In 2021, the Committee undertook dedicated training sessions on the risks climate change poses to the Fund. This included climate change scenario modelling which aimed to illustrate how the Fund's funding position could be impacted in the future by climate and ESG risks under a variety of scenarios.

- 6.43. The Fund aims to take further action with regards to ESG governance and oversight. Work is expected to include further training, ESG reporting, and setting measurable metrics and targets for driving change.
- 6.44. The Fund does not hold any assets which it deems to be social investments.

7. Approach to asset pooling

- 7.1. Isle of Wight Council Pension Fund is a member of the ACCESS pool along with the following ten other pension funds:
- East Sussex
 - Essex
 - Hampshire
 - Hertfordshire
 - Cambridgeshire
 - Kent
 - Norfolk
 - Northamptonshire
 - Suffolk
 - West Sussex
- 7.2. All 11 funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter Authority Agreement to underpin their partnership. ACCESS is working to a project plan in order to create the appropriate means to pool investments.
- 7.3. The ACCESS funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared is set out in the submission made to the Government in July 2016, which is available on the ACCESS website <http://www.accesspool.org/>
- 7.4. All 11 ACCESS funds are working in the expectation that all investments will be pooled apart from a minority of investments where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Assets to be invested in the Pool

- 7.5. The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. The key criteria for assessment of Pool solutions will be as follows:
- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
 - That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.
- 7.6. At the time of preparing this statement the Fund has approximately 73% of its assets invested via the ACCESS Pool.

- 7.7. Mandates invested via the ACCESS Pool include: Majedie UK Equity, Newton Global Equity, and Baillie Gifford Diversified Growth.

8. Voting Rights

- 8.1. The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the investment managers have produced written guidelines of their process and practice in this regard. Copies of the investment managers' latest corporate governance reports are available from the Technical Finance Manager. The investment managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

9. Environmental, Social and Corporate Governance policy and policy of the exercise of rights (including voting rights) attaching to investments

- 9.1. The Committee must act with the best financial interests of the beneficiaries, present and future, in mind. The Committee believes that companies should be aware of the potential risks associated with adopting practices that are socially, environmentally or ethically unacceptable. As part of the investment decision-making process, investment managers are required to consider such practices and assess the extent to which this will detract from company performance and returns to shareholders.
- 9.2. Investment managers are required to exercise voting rights on behalf of the Fund when it is in the best interests of the Fund. The quarterly report from investment managers should include details of voting activity.
- 9.3. The Fund has never sought to implement a policy that explicitly excludes certain types of investments, companies or sectors except where they are barred by UK law. The Fund believes that its influence as a shareholder is better deployed by engaging with companies, in order to influence behaviour and enhance shareholder value. The Fund believes that this influence would be lost through a divestment or screening approach. The Fund actively engages with companies through its investment managers.
- 9.4. Ultimately the Fund will always retain the right to disinvest from certain companies or sectors in the event that all other approaches are unsuccessful and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk.
- 9.5. The Committee plans to establish an ESG policy during 2021. This policy will be measured against the current legal and best practice framework, in particular on climate change risk.
- 9.6. The Fund was committed the UK Stewardship Code 2012 as published by the Financial Reporting Council. An enhanced UK Stewardship Code 2020 took effect on 1 January

2020. The Committee is yet to consider becoming a signatory to the new code, and will work to align their commitments with ACCESS and other partner funds.

10. Myners Principles

- 10.1. Although not specifically referenced in the 2016 Regulations, the Committee feels that assessment of compliance with the Myners Principles is a valuable governance tool. A copy of the Fund's Myners Compliance Statement can be found in Appendix B.

11. Advice taken

- 11.1. In creating this statement, the Fund has taken advice from its Investment Consultant, Hymans Robertson LLP. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant and the Scheme Actuary, also Hymans Robertson LLP. In providing investment advice, Hymans Robertson is regulated by the Financial Conduct Authority.

Appendix A - Investment Beliefs

Governance

- A clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions.
- Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
- The Committee supports medium to long term investing as a means of enhancing returns, and believe investment decisions should be assessed over an appropriate time scale.
- The Committee view long-term as typically being greater than 15 years, medium-term typically being between 3-15 years and short-term being less than 3 years.
- Pooling presents an opportunity to access best in class investments at a lower cost. Such opportunities should always be assessed alongside the strategic asset allocation of the fund for suitability.
- Committee members and staff at the ACCESS pool must have the correct level of skills and investment knowledge to understand the level of risk in the investment portfolio.
- Manager selection should be delegated to the ACCESS pool and the Committee aim to have a good working relationship with the ACCESS pool.
- External advice from parties such as an investment consultant helps planning, risk management and decision making.

Strategy

- The strategic benchmark should be consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.
- Strategic asset allocation is the most important component of decision making and it is here that the optimum risk and return profile should be designed and monitored regularly, ensuring managers and mandates remain appropriate for the Fund.
- The Fund's high-level investment strategy and asset allocation should be set by using asset liability modelling in conjunction with each triennial actuarial valuation.
- Fees and costs incurred within investment manager mandates are important though the focus is on achieving the best returns net of fees.
- Investors are rewarded for illiquidity in private markets. Future liquidity needs must be assessed at each review of asset allocation combined with cash flow projections from the fund actuary.
- High conviction active management can improve value over the long-term net of fees, but it is not guaranteed.
- Global markets are likely to outperform domestic markets in the long term.

Risk

- Adopt a strategy to generate sufficient returns to keep the cost of new benefits accruing reasonable and maintain a balance of stable employer contributions and investment risk.
- Risk should be employed efficiently with a view to generating a required level of risk adjusted return. While risk should be rewarded in the long term current market conditions should also be a consideration.
- Appropriate diversification reduces the overall level of dependence on any particular market or asset class and helps manage volatility, particularly in respect of equity markets.
- The Committee believes that it is appropriate to be aware of potential downside risks and consider the role of low risk matching assets within the strategy
- Foreign currency exposure is part of managing a global portfolio of investments. There is no strategic hedging of currency exposure from volatile asset classes such as equities as the Fund believes this to be of limited benefit to long term investment returns.
- Pooling represents significant risk to the Fund and decisions made should aim to minimise this risk where possible.
- Transitions between managers and asset classes can result in considerable transaction costs and market risks. It is important such transitions are carefully managed the Fund aims to have this managed by the ACCESS pool.

Responsible Investment

- The Fund is a long-term investor and the investments should be able to generate sustainable returns to pay pensions for scheme members. Environmental, Social and Governance (“ESG”) issues can have a material impact on the long-term performance of its investments.
- The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations carry the same weight as non-financial considerations.
- Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.
- Responsible ownership of companies benefits long term asset owners. Companies with a clear responsible investment policy are expected to outperform companies without a responsible investment policy, over the longer term.
- The Fund aims to work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights.

Appendix B – Myners Principles compliance statement

Principle

Principle 1 Effective Decision Making:

Administering authorities should ensure:

- That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Principle 2 Clear objectives:

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.

Principle 3 Risk and liabilities:

- In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.
- These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Principle 4 Performance assessment:

- Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.

Response on Adherence

Compliant

Decisions are taken by the Committee which is responsible for the management of the Fund. The Committee has support from council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions.

The Committee is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.

Compliant

The Committee has established objectives for the Fund which takes account of the nature of fund liabilities and the contribution strategy. This involved discussions with the actuary to enable the Committee to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers.

There is dialogue with admitted bodies within the fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.

Compliant

The investment strategy is considered in the light of the nature of the fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity.

The Committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.

Partially Compliant

The performance of the Fund and its individual managers are monitored on a regular basis.

Principle

- Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Principle 5 Responsible Ownership:

Administering authorities should

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the Statement of Investment Principles or Investment Strategy Statement.
- Report periodically to scheme members on the discharge of such responsibilities.

Principle 6 Transparency and Reporting:

Administering authorities should

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Should provide regular communication to scheme members in the form they consider most appropriate.

Response on Adherence

The quality of advisers is assessed on a qualitative basis, and is formally measured on an annual basis. Advisers are subject to periodic re-tender. The Committee is developing formal processes to measure its own effectiveness.

Partially Compliant

The Committee encourages its investment managers to adopt the ISC Statement of Principles on the responsibilities of shareholders and agents on the Fund's behalf

The Investment Strategy Statement includes a statement on the fund's policy on responsible ownership.

The Committee needs to consider the implications of the new enhanced UK Stewardship Code issued in January 2021 and the extent to which it is compliant with the new requirements.

Compliant

The Committee maintains minutes of meetings which are available on the council website.

The Committee meets periodically with sponsoring employer bodies. An Employer representative and a Member representative attend all Committee meetings.

The Investment Strategy Statement is published on the pension fund's website. Other information on the scheme is also available to members on the dedicated pension fund website.

Isle of Wight Pension Fund (“the Fund”)

Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- not to restrain unnecessarily the Investment Strategy of the Pension Fund so that the Administering Authority can seek to maximise investment returns (and hence meet the costs of benefits) for an appropriate level of risk;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 80% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £596 million, were sufficient to meet 95% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £32 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.4%
Salary increase assumption	3.1%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners*	22.4 years	25.2 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Craig Alexander FFA

17 May 2022

For and on behalf of Hymans Robertson LLP

Isle of Wight Council Pension Fund

Funding Strategy Statement

March 2020

HYMANS  ROBERTSON



As Administering Authority for
Isle of Wight Council Pension Fund

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Isle of Wight Council Pension Fund (“the Fund”), which is administered by Isle of Wight Council (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 1 April 2020.

1.2 What is the Isle of Wight Council Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Isle of Wight Council Pension Fund, in effect the LGPS for the Isle of Wight area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

1.3 Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions;
- transparency of processes;
- stability of employers’ contributions; and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund’s approach to funding its liabilities, and this includes reference to the Fund’s other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's practices regarding admissions, cessations and bulk transfers (were the Fund's practices to change during the period of the FSS, the appropriate stakeholders would be communicated with accordingly);
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see [Section 4](#))

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full.
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund.
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money.
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- not to restrain unnecessarily the Investment Strategy of the Pension Fund so that the Administering Authority can seek to maximise investment returns (and hence meet the costs of benefits) for an appropriate level of risk;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed.
- B. who is responsible for what.
- C. what issues the Fund needs to monitor, and how it manages its risks.
- D. some more details about the actuarial calculations required.
- E. the assumptions which the Fund actuary currently makes about the future.
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact Jo Thistlewood, Technical Finance Manager, in the first instance at e-mail address jo.thistlewood@iow.gov.uk or on telephone number 01983 821000 extension 6371.

2 Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target.
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details.
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies' legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as "admission bodies". These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements of the Fund's admission practices are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term "admission bodies"; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the calculated contribution rate vary for different employers?

All three steps, see [2.1](#) above, are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a shorter time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non-ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

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2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death.
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees.
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund.

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates.
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result.
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques to apply to any given employer, the Fund will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc. This helps the Fund establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where an employer is considered relatively low risk then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, an employer whose risk assessment indicates a less strong covenant will generally be required to pay higher contributions (for instance, with a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target). This is because of the higher probability that at some point it will fail or be unable to meet its pension contributions, with its deficit in the Fund then falling to other Fund employers.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see [Appendix A](#).

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required, and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board \(SAB\) issued advice to LGPS funds in May 2019](#). As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

Separately, the Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this is achieved by incorporating higher likelihood requirements.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a [consultation](#) seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future market conditions. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

On request from an employer, the Administering Authority may permit an employer to pay contributions at a lower level than is assessed for the employer using the three-step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than the measured contribution rate. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf ([3.3](#)) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	Local Authority	Academies	Colleges	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to “gilts exit basis” - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	15 years	15 years	15 years	As per letting employer
Secondary rate – Note (d)	% of payroll or monetary amount	% of payroll	% of payroll	% of payroll or monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority				Reduce contributions by spreading the surplus over the remaining contract term
Minimum likelihood of achieving target – Note (e)	80%	80%	80%	80%	80%	As per letting employer
Phasing of contribution changes	Covered by stabilisation arrangement	At the discretion of the Administering Authority. May be 3 years.				None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	Note (g)	n/a	Note (h)		Notes (h) & (i)

Type of employer	Scheduled Bodies	Community Admission Bodies and Designating Employers	Transferee Admission Bodies*
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j) .	Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j) .	Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate may be derived differently - this could be in line with methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer (normally with no crystallisation of any deficit or surplus). Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach to other “weaker” employers even if there is no immediate expectation that they will leave the Fund.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers’ rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been “stabilised” (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

The eligibility of employers and detail of the stabilisation mechanism for those who are eligible (starting point, criteria and limits) are reviewed at each and every formal valuation.

Such a review took place as part of the 2019 valuation exercise. The modelling undertaken to inform this review captured the development of employers since the stabilisation mechanism was introduced. As a result of this review, the following default maximum and minimum increases to contribution rates were agreed and short term patterns of contributions until the next valuation were also agreed.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the stabilised details are as follows:

Type of employer	Council
Maximum contribution increase	+1% of pay
Maximum contribution decrease	-1% of pay

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood "bar" will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers;
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

At the 2019 valuation, the likelihoods of achieving target were increased as an explicit response to the uncertainty around the benefit structure created by the McCloud judgement.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT.
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status.
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion.
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above.
- v. As an alternative to (iv), the academy will have the option to elect to pay the same rate as the Isle of Wight Council. However, this election will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own allocated assets and liabilities.
- vi. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or Department for Education (DfE) guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on a regular basis. See [Note \(i\)](#) below.

Community admission bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, a scheme employer is guaranteeing their liabilities and/or the new body is providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. In return, the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass through” to the letting employer.

The Administering Authority’s preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority’s primary rate on the contract start date. Upon cessation the contractor’s assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

However, the Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Admission Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14 May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see [note \(i\)](#) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government’s loss of the right to appeal the McCloud and other similar court cases. The Fund has considered

how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an adjustment of 1% to the ceasing employer's active and deferred liabilities, as an estimate of the possible impact of resulting benefit changes.

The Fund actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases, the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);
- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee or look to the security itself as a means of full or partial payment.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each

formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time the Administering Authority, with the advice of the actuary, may set up pools for smaller employers with similar or complementary characteristics to pool their contributions as a way of smoothing out changes to contribution rates. This will always be in line with its broader funding strategy. At the present time the only pool in operation is the Council pool, which includes various legacy bodies and employers associated with the Council.

Academies will be regarded as separate employers in their own right and will not be pooled with other employers in the Fund, the only possible exception being when the Academy is part of a Multi-Academy Trust (MAT).

3.5 Academy contribution rates

The Administering Authority permits an academy to elect to pay a contribution rate in line with that paid by the Isle of Wight Council. An academy electing for this option will be paying contributions that may be more or less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. An academy electing to pay a lower contribution rate than their individually assessed rate should note the comments made in 3.2 above.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. These contributions may, at the absolute discretion of Administering Authority, be spread over an appropriate period of time to be advised by the Administering Authority. In any event the spread period cannot exceed the period to the member's normal retirement date.

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance.

3.8 External ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3, Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of three situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.11 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in [Appendix E](#)) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see [Appendix A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pension Fund Committee meetings.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department (GAD) must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions is set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**;*
and

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish an FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

This consultation is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers on 23 December 2019 for comment;
- b) Comments were requested by 31 January 2020;
- c) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.isleofwightpensionfund.org;
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy or link included in the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three-year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications;
- amendments affecting only one class of employer would be consulted with those employers;
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Isle of Wight Council Pension Fund Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Policy and Communications Policy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.isleofwightpensionfund.org.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain an FSS and an ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

financial;

demographic;

regulatory; and

governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure four key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p> <p>If deemed to be worthwhile, the possibilities of mortality hedging may be investigated.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than percentage of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions</p>

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations.</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

Risk	Summary of Control Mechanisms
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors (Transferee Admission Bodies) to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>
An employer ceasing to exist resulting in an exit credit being payable	<p>The Administering Authority regularly monitors admission bodies coming up to cessation.</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in [Section 2](#), the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in [3.3 Note \(e\)](#) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer’s funding target assumptions (see [Appendix E](#)).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below),
- at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details),
- with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer’s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A "cashflow approach" in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the "analysis of surplus" approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as calculated by the Fund actuary based on data provided by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

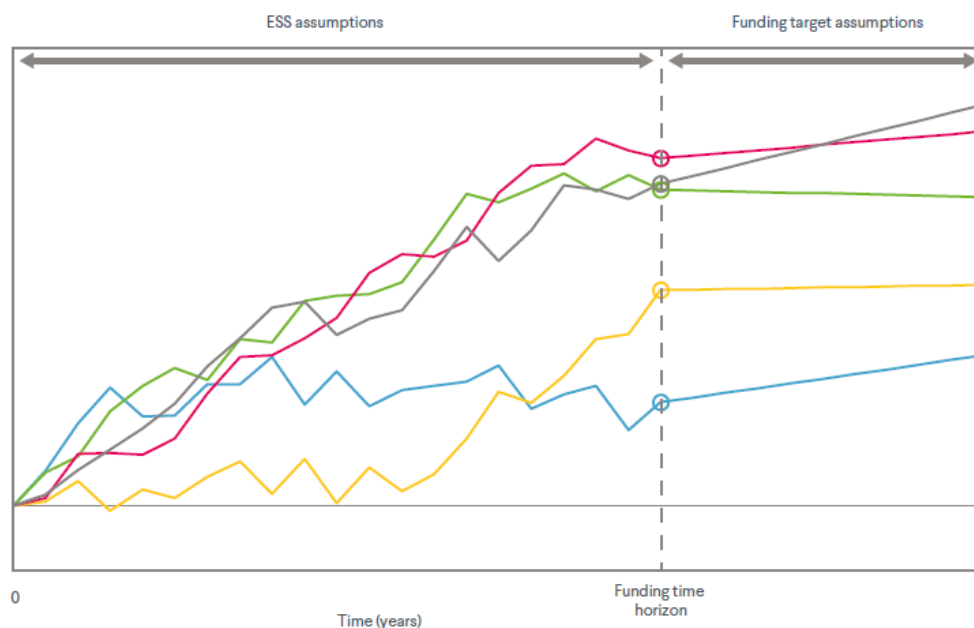
These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 3.1% p.a. until 31 March 2021, then 2.5% for the next three years followed by
2. retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of RPI less 0.2%. This is a change from the previous valuation, which assumed a blended assumption of RPI less 0.6% per annum. The change has led to an increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the Primary and Secondary contribution rates , and other statutory information for a Fund, and usually individual employers too.

Breakdown of New Pensioners in 2021/22

The new pensioners that arose during 2021/22 can be broken down as follows:

Redundancy	10
Ill-Health	5
Early Retirement	52
Flexible Retirees	7
Normal Retirement	1
Total New Pensioners	75

Net operating expenses of Pension Administration

The majority of the costs of operating the pensions administration team are initially incurred by the Isle of Wight Council, as the administering authority, and are then recharged to the Pension Fund. There are also costs that are incurred directly by the pension fund.

The actual costs incurred are:

	Year ended 31/03/2022			Year ended 31/03/2021		
	Recharged by IWC	Incurred Directly	Total	Recharged by IWC	Incurred Directly	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	241	-	241	227	-	227
IT expenses	29	219	248	22	178	200
Professional Subscriptions	10	7	17	9	2	11
Professional Fees	-	-	-	-	-	-
Premises Expenses	47	-	47	49	-	49
Sundry Office Expenses	1	1	2	2	1	3
Total	328	227	555	309	181	490

IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Aggregate membership statistics @ 30 April 2022 for rolling 12 month period

MEMBERSHIP NUMBERS BY STATUS	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Actives	4,338	4,353	4,305	4,296	4,240	4,313	4,317	4,316	4,301	4,330	4,314	4,321
Frozen Refund	813	939	962	1,028	1,038	1,017	1,007	979	962	964	947	952
Deferreds (including undecided)	6,461	6,233	6,248	6,221	6,209	6,282	6,250	6,269	6,280	6,308	6,344	6,310
Pensioners	5,111	5,135	5,137	5,146	5,166	5,196	5,213	5,229	5,245	5,267	5,293	5,311
TOTALS	16,723	16,660	16,652	16,691	16,653	16,808	16,787	16,793	16,788	16,869	16,898	16,894

% MEMBERSHIP BY STATUS	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Actives	26%	26%	26%	26%	25%	26%	26%	26%	26%	26%	26%	26%
Frozen Refund	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Deferreds (including undecided)	39%	37%	38%	37%	37%	37%	37%	37%	37%	37%	38%	37%
Pensioners	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
TOTALS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

HISTORIC MEMBERSHIP NUMBERS BY STATUS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Active members	3,807	3,753	3,778	4,381	4,370	4,364	4,314
Deferred members	6,777	7,176	7,816	6,899	7,063	7,238	7,291
Pensioners	4,036	4,192	4,363	4,631	4,846	4,967	5,293
TOTALS	14,620	15,121	15,957	15,911	16,279	16,569	16,898
Change in membership numbers		501	836	-46	368	290	329
% change in membership numbers		3.4%	5.5%	-0.3%	2.3%	1.8%	2.0%

% HISTORIC MEMBERSHIP BY STATUS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-22
Active members	26%	25%	24%	28%	27%	26%	26%
Deferred members	46%	47%	49%	43%	43%	44%	43%
Pensioners	28%	28%	27%	29%	30%	30%	31%
TOTALS	100%	100%	100%	100%	100%	100%	100%

Historic membership data extracted from *Pension Fund Annual Report*

LOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 31 March 2022

Category	TASK	Detail	Days to complete	2020/21 achieved	Target	Current average	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Payment of Benefits	SETUPPAY	Set up of new pension and lump sum within 10 working days of receipt of all documents	20		100%	95.32%	72%	71%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	29	7	34	18	21	35	36	23	25	24	24
						Within target	21	5	34	18	21	35	36	23	25	24	24
Benefits Estimates Members	MEMQUOTE	Estimates of benefits to Members within 20 working days	20		100%	100.00%	100%	#DIV/0!	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	2	0	4	13	20	9	6	26	13	29	16
						Within target	2	0	4	13	20	9	6	26	13	29	16
Benefits Estimates Employers	ERSQUOTE	Estimate of benefits to Employers within 5 working days	10		100%	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	100%	#DIV/0!	100%	100%	100%	100%	100%	100%
						Processed	0	0	0	9	0	6	4	10	1	9	4
						Within target	0	0	0	9	0	6	4	10	1	9	4
Annual Benefit Statements - active members		Produce the required standard to statutory timescale by 31 st August each year		Published 10 Aug 2021	100%	99.07%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	99.07%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
						Members					4106						
						Processed					4068						
Annual Benefit Statements - deferred members		Produce the required standard to statutory timescale by 31 st August each year		Published 04 Aug 2021	100%	99.70%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	99.70%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
						Members					5911						
						Processed					5893						
Transfers In Payments	TVIN	Payment made within 5 working days of receipt of all documentation	20		100%	100.00%	#DIV/0!	#DIV/0!	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	0	0	23	15	8	6	3	4	7	4	1
						Within target	0	0	23	15	8	6	3	4	7	4	1
Transfers in Quotes	TRANINQ	Issued within 20 working days of notification and all information required to produce a quote	20		100%	100.00%	#DIV/0!	#DIV/0!	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	0	0	40	15	6	11	9	23	22	10	10
						Within target	0	0	40	15	6	11	9	23	22	10	10
Transfers Out Payments	TVOUT	Payment made within 5 working days of receipt of all documentation	20		100%	90.91%	#DIV/0!	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	0	1	13	7	3	6	6	9	10	9	5
						Within target	0	0	13	7	3	6	6	9	10	9	5

LOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 31 March 2022

Category	TASK	Detail	Days to complete	2020/21 achieved	Target	Current average	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Transfers Out Quotes	TRANOUTQ	Issued within 20 working days of notification and all information required to produce a quote	20		100%	100.00%	#DIV/0!	#DIV/0!	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	0	0	12	9	6	4	16	17	24	16	6
						Within target	0	0	12	9	6	4	16	17	24	16	6
Deaths	DEATHS	Payment of Death Grant and set up Widow pension within 10 working days	10		100%	98.33%	100%	80%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	13	5	7	10	38	12	12	26	14	20	10
						Within target	13	4	7	10	38	12	12	26	14	20	10
Pensioner Payroll		Payment of pension benefits to member by last working day of month			100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Date completed	21/04/2021	19/05/2021	23/06/2021	21/07/2021	24/08/2021	21/09/2021	20/10/2021	23/11/2021	14/12/2021	19/01/2022	22/02/2022
						Processed	5,625	5,642	5,664	5,685	5,710	5,726	5,747	5,779	5,786	5,799	5,827
						Starters	30	25	26	25	35	30	35	37	21	32	37
						Variations	36	30	33	31	37	26	38	50	26	16	0
Statutory Reports		Statutory reports, finance reports etc.			95%		-	-	-	-	-	-	-	-	-	-	-
						Report Date completed											

Isle of Wight Pension Fund Administration Strategy Statement

November 2018

1. Document Information

Title:	Isle of Wight Pension Fund Administration Strategy Statement
Status:	FINAL
Current Version:	V1.6
Author:	Jo Thistlewood Financial Services Jo.Thistlewood@iow.gov.uk 01983 821000 x 6371
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Consultation:	Financial Services Pensions Legal Governance consultants (Hymans Robertson LLP) Employers (including schools) Pension Fund Committee Pension Board
Approved by:	Pension Fund Committee
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Version Control

Version	Date	
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1.1	10 August 2018	First review IWC
1.2	07 September 2018	Following internal comments
1.3	19 September 2018	Following Hymans review
1.3.1	3 October 2018	For external consultation
1.4	24 October 2018	Following LPB 23/10
1.5 FINAL	09 November 2018	Recommendation to Pension Committee
1.6	23 November 2018	ADOPTED

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3. Introduction

- 3.1. Isle of Wight Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Isle of Wight Pension Fund (the fund). The LGPS is governed by statutory regulations.

- 3.2. The fund provides a high-quality pension service to members and employers, to ensure members receive their correct entitlements when they fall due. This is best achieved where the fund and the employers are clear about their roles and responsibilities and work in partnership.
- 3.3. This strategy statement sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration service. In particular, it sets out:
- The roles and responsibilities of both the fund and the employers within the fund.
 - The level of services the fund and the employers will provide to each other.
 - The performance measures used to evaluate the level of service.
- 3.4. Following consultation this administration strategy statement is an agreement between the fund and the employers.

4. Definitions

- 4.1. For the purpose of this Administration Agreement:
- **“Administering Authority”** for the Isle of Wight Pension Fund (the fund) means Isle of Wight Council;
 - **“Employing authority”** or **“employer”** means an employer within the Isle of Wight Pension Fund;
 - **“Scheduled Body”** means an employer which is listed in the [Local Government Pension Scheme \(Administration\) Regulations 2008](#) (Schedule 2, Part 1) and include county councils and district councils. Scheduled bodies belong to LGPS schemes as a legal right.
 - **“Admitted Body”** or **“transferee admission body”** means an employer including those from the voluntary and charitable sectors and contractors, whose staff can become members of an LGPS fund by virtue of an admission agreement between the administering authority and the relevant body.
 - **“Scheme”** means the Local Government Pension Scheme (LGPS);
 - **“Committee”** means the Isle of Wight Pension Fund Committee;
 - **“Board”** means the Isle of Wight Local Pension Board

5. Pension Administration Strategy

- 5.1. All parties commit to the following principles:
- To provide accurate and timely information, in the format specified by this document.

- To provide a high quality and value for money pension service to members.
 - To continually develop efficient working arrangements.
 - To meet the fund's service standards.
- 5.2. This strategy statement was produced by the fund in consultation with the employers and is effective from 1 December 2018. It is hereby agreed that each of the parties as defined in this agreement and the scheme regulations, shall abide by the requirements of this agreement.
- 5.3. The fund shall monitor the requirements of this agreement and report its findings to the Isle of Wight Pension Fund Committee and the Isle of Wight Pension Board.
- 5.4. Changes are subject to consultation with the employers.
- 5.5. This strategy will be maintained by the Isle of Wight Pension Fund and will be published on the fund's website.

6. Roles and responsibilities

- 6.1. The quality of service to members depends on the supply of accurate and timely information from employers and their outsourced service providers, and sound administrative practices by the administering authority.
- 6.2. The administering authority and scheme employers will ensure that all functions/ tasks are carried out to agreed quality standards. In this respect the standards to be met are:
- work to be completed and submitted in the required format and/or on the appropriate forms;
 - information to be legible and accurate;
 - communications to be in a plain language style;
 - information provided to be checked for accuracy by an appropriately trained member of staff and appropriately authorised before submission; and
 - actions to be carried out, or information provided, within the timescales set out in this document.
- 6.3. Employer duties, responsibilities and discretions are listed in Appendix A to this agreement.
- 6.4. The fund's duties and responsibilities are listed in Appendix B to this agreement.

7. The Regulations – effect on strategy

- 7.1. This strategy sets out certain duties and responsibilities.

- It does not override any provision or requirement in the Regulations or any overriding legislation.
- The intentions of the Regulations in their application to current members, potential members, deferred members and retired members must be complied with.

7.2. This agreement is based on:

- Current regulations:
 - the Local Government Pension Scheme Regulations 2013, and any amendments;
 - the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, and any amendments;
- Any earlier LGPS regulations as they continue to apply
- Overriding legislation including, but not limited to,
 - the Public Service Pension Act 2013
 - the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006
 - Occupation and Personal Pension Scheme (Disclosure of Information) Regulations 2013

8. Communication

- 8.1. The fund's Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers.
- 8.2. The fund routinely provides information and resources for employers using its website, <http://www.isleofwightpensionfund.org/> with an employers' section
- 8.3. The fund will make available to the employer an up to date list of LGPS publications which will be available from the fund website or as otherwise indicated.
- 8.4. The fund will communicate to the employer on an ad hoc basis and as required in respect of matters relating to the LGPS.
- 8.5. The fund will ensure that sufficient information is issued to satisfy the requirements of The Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations 2013.
- 8.6. The fund will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the fund website.
- 8.7. The fund will issue electronic forms and such other materials as are necessary in the administration of the LGPS, for members and the employers.
- 8.8. Employers should provide contact details at least annually, and whenever a named contact changes.
- 8.9. Employers may provide information about members to the fund in a variety of ways, including electronic and paper forms. The fund will maintain the forms, and will make the current versions available via the fund website.

9. Performance measurement and reporting

- 9.1. The Technical Finance Manager will monitor, measure and report compliance with the agreed service standards. This information, as set out in Appendix C, will be reported to the Committee and the Board, and improvement plans put in place if necessary.
- 9.2. Where this information reveals problems in employers meeting the standards, the fund will consult and work with the relevant employers to improve compliance and performance levels by providing appropriate support, guidance, and training.
- 9.3. Where as part of the annual return process or any other monitoring activity, there are concerns about the accuracy of an employer data, the employer will be required to undertake a data cleanse exercise and make a declaration that they have fulfilled all of their requirements to notify the fund of changes. Details of the data cleanse requirements will be provided as part of the annual returns process.
- 9.4. Failure by any employer, or the fund, to comply with the requirements of this strategy will be recorded as a breach, in accordance with the fund's *Reporting Breaches of the Law to the Pensions Regulator* policy, and where material, will be reported to the Pensions Regulator.

10. Costs

- 10.1. The Fund Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.
- 10.2. The costs of the standard administration service, including actuarial fees for the triennial valuation, are charged directly to the fund. These administration costs are taken into account by the Fund Actuary when assessing the employers' contribution rates.
- 10.3. Where the fund incurs additional administration costs due to the pension implications of an employer restructuring (including but not limited to outsourcing, creation of a company, change of legal status) a separate additional administration charge will be made. The charge will be based on estimated staff time and will be notified to the employer before any work is carried out.
- 10.4. Where additional actuarial or legal services are required by, or result from the decisions and actions of, the employer, the employer will be required to reimburse the fund for the costs involved. Where appropriate, an estimate of these costs will be provided, and the employer's agreement obtained before proceeding to instruct the service provider.
- 10.5. If the fund incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum and any related pension benefit.
- 10.6. Employers may also be required to pay for additional work, including estimates which are in addition to the agreed allocation, or for requesting work to be completed faster than the normal service standards. The employer's agreement to the charge will be obtained prior to the work being carried out.

11. Penalties

- 11.1. Commitment to the principles of this statement (see 5.1) should mean that any non-compliance is addressed promptly, with no need to resort to a penalty. However, the following actions are possible:
 - Where payment over of employee and employer contributions is late more than once in any rolling 12-month period, the fund will issue the employer with a written notice of unsatisfactory performance and may charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%.
 - Failure by any employer, or the fund, to comply with the requirements of this strategy will be recorded as a breach, in accordance with the fund's *Reporting Breaches of the Law to the Pensions Regulator* policy, and where material, will be reported to the Pensions Regulator.
 - Where the employer fails to comply with their scheme duties, including failure to pay contributions due, the fund reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
 - If additional and disproportionate resources are deployed by the fund because of an employer's poor performance, the cost of the additional resources may be

re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in the fund's opinion, was contravened.

- Where orders or instructions issued by the Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by the fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- Where, as a result of the employer's failure to notify the fund of the final retirement details in a timely manner or failure to provide accurate information, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, the fund may issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.
- Where it is proven that the employer is not responsible for any fine or penalty imposed by the Pensions Regulator or any other statutory body as a result of non-compliance of this Administration Strategy, any such charge will automatically default to the fund.
- From time to time, the fund offers training and support to employers through 'Employer Days' and workshops. There is no charge made to an employer for attending these events, however the fund reserves the right to charge a late cancellation fee of £50 + VAT per attendee, where at least one week's notice has not been given of non-attendance.

12. Isle of Wight Pension Fund contacts

Member and general employer queries and end of year reporting
<p>Pension administration team 01983 823626</p> <p>pensions@iow.gov.uk Website http://www.isleofwightpensionfund.org/</p>
Technical employer enquiries and accounting information
<p>Technical Finance Manager 01983 821000 ext. 6371 Jo.thistlewood@iow.gov.uk</p> <p>Pension Fund and Treasury Management Accountant 01983 821000 ext. 6397 Jo.cooke1@iow.gov.uk</p>

Appendix A - Employer Responsibilities

The main duties of the employers as set out in the Regulations are set out in the table below, together with timescales for completion where appropriate.

Please note, should any specified date fall on a weekend or public holiday, information is required to be received by the fund on the previous working day.

Employer responsibility	Timescale
Contact details	
Provide the fund with the name, email address and telephone number for primary contacts for both payroll and wider pensions contacts.	At the start of the employer's engagement with the fund, or within 10 working days of a request being received.
Notify the fund of a change of payroll provider by completing a 'Employer Change of payroll provider' form.	As soon as possible but no later than 20 working days before change.
New Starters	
Decide who is eligible to become a member of the LGPS and the date from which membership of the LGPS starts. Notify the fund of the new member details.	Within 10 working days following the end of the month in which the employee joined the LGPS.
Provide employee with details of the pension scheme, including opt-out information.	As part of recruitment package, or at start of employment at very latest.
Determine the rate of employee contributions to be deducted from the employee's pensionable pay and, where the employee holds more than one post, the rate that should be applied to each post. This should be reviewed at least annually or more often where employer policy states.	For the first pay period in which the employee joins the LGPS.
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required.
Membership changes	
Move employees into the 50:50 section or the full scheme, as appropriate.	From the next pay period after receiving the employee's request.
Provide an amendment form to the Fund to advise of change to/from 50:50 section.	Within 10 working days following the change.
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership.	From the next pay period after receiving the employee's request to opt out.
Notify the fund of opt out and refund through payroll by providing a copy of the opt out form.	Within 10 working days following the end of the month in which the employee left the scheme.
Contributions	

Employer responsibility	Timescale
Collect and pay to the fund the correct rate of pension contributions payable by the employee and the employer, including any additional employee contributions of any kind.	Payment over to the fund by 12 th of the month following month of deduction.
Pay over to the fund any funding strain contributions required from the employer.	Within 14 days of the date of the relevant invoice.
Provide monthly return containing required detail of the contributions payment.	To be returned to administration team by 7 th of the month following month of deduction.
Collect and pay over AVC contributions to the fund, for onward payment to specified AVC provider.	Data to be returned to administration team by 7 th of month following month of deduction. Payment over the fund by 12 th of month following month of deduction.
Notify the fund of a member's election to pay, vary or cease AVCs.	By 7 th of the month following the change.
Leavers	
Leavers (excluding retirements/casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the fund, supplying timely and accurate information to the fund so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month in which the employee was last paid.
Leavers (casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the fund, supplying timely and accurate information to the fund so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month the employer is aware they have left or were last paid.
Retirements When an employee's LGPS membership ends on the grounds of retirement, determine the reason for retirement and entitlement to benefit and notify the fund, supplying timely and accurate information to the fund so that benefits payable from the LGPS are calculated correctly.	Within 10 working days after an employee's retirement date.
Notify the fund of a member's death and next of kin's details, following a death in service.	Within five working days of the member's death.
Supply details required for completion of an estimate.	Within 10 working days of the member's request.
General	
Use an independent registered medical practitioner qualified in occupational health medicine when considering requests for ill health retirement.	As required.
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion. Provide a copy of the discretions policy to the fund on entry to the fund and following any change to the policy.	In accordance with regulations and then regular review. Notify the fund and members of any changes to those policies within one

Employer responsibility	Timescale
	month of setting a policy and the changes taking effect.
Appoint a person to consider applications from members regarding decisions, acts or omissions and to decide on those applications. Notify the fund of the appointment, and any changes to the appointment.	On entry to the fund and review as required, or when the appointed person changes.
Consider, at the discretion of the employer, the extent to which any proposed employee contractual changes or changes to terms and conditions may affect current employees with regard to their pension rights. As best practice it is recommended that employers: <ul style="list-style-type: none"> • Confirm whether any proposed changes will affect existing members' pensions rights with the Fund's pension team, and • Advise members of the impact of any proposed changes, highlighting the need to obtain independent professional advice regarding changes where appropriate. 	As soon as possible, ideally while the change is being consulted upon.
Record keeping	
The employer will maintain employment records for each member for the purposes of determining membership and entitlement to benefits. The employer must keep a full pay history for all periods of membership until the member leaves the scheme.	As required
Notify all active members of the publication of annual benefit statements and any other notifications on the member self-service portal, as requested by the fund.	Within 20 working days of instruction.
Transfers in/out	
Notify the fund of any TUPE transfer.	Notify the fund of the transfer as soon as possible in advance of the transfer date.
Complete TUPE forms for each member transferring.	Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place.
Notify the fund of any outsourcing arrangements which impact on employees eligible to the LGPS.	As soon as possible but no later than 20 working days before change.
Where an admission agreement is required, the employer should complete an 'Outsourcing data capture' form, transferring 'staff data capture' form and 'Undertaking of costs' form.	As soon as possible but no later than 20 working days before change.
Ensure admission agreement is finalised.	No later than date of transfer.

Employer responsibility	Timescale
Provide individual TUPE forms for transferring staff to the fund.	Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place.
Submit individual 'Change of payroll provider' forms to the fund for all transferring employees.	Within 20 working days post transfer.
Provide notification of new payroll numbers (if applicable) to the fund.	Within 20 working days post transfer.
Complete a mid-year return if date of change is not 1 April.	Within 40 working days post transfer.
Year End process	
Provide annual information to the fund with full details of the contributions paid by members in the year.	By 30 April each year.
Respond to queries on the annual return raised by the fund.	Within 10 working days of receipt.

Appendix B – Isle of Wight Pension Fund Responsibilities

The overriding responsibility of the Isle of Wight Pension Fund is to maintain the fund in accordance with the regulations.

The fund will provide the following within the timescales shown. A reduced timescale may be agreed in exceptional cases at an employer's request.

Isle of Wight Pension Fund responsibility	Timescales
Administration strategy	
To keep the pension administration strategy under review and revise where appropriate.	Annual review.
To consult with employers and other stakeholders on any amendments to this policy.	As required.
To publish this strategy on the fund's website, and notify employers of any updates.	Within 10 working days of publication.
To provide an annual report of performance against this strategy and publish on fund's website.	Presented to board and committee meeting annually.
Investment	
Invest pension contributions and account for and manage the Pension Fund's assets.	Daily.
Accounting	
Allocate all contributions submitted by the employer to their respective income codes and reconcile the total contributions paid on a yearly basis.	Monthly.
Appoint Additional Voluntary Contributions provider(s).	As required.
Funding	
Appoint an actuary for the purposes of the triennial valuation of the fund and to provide periodical actuarial advice when required.	As required, in line with procurement provisions.
Provide accurate, timely data to the fund actuary.	As required.
Correspond with and commission any information required of the Fund Actuary on behalf of the employer.	As required.
Arrange for the triennial valuation of the fund and provide each employer with a copy of the valuation report	Every three years.
Arrange for the annual accounting report to be provided to all employers requiring such a report.	Annually.
Statutory documents	
Publish and review the Pension Fund's Policies and Funding Strategy Statement and prepare annual report and accounts.	Annual review and publication.
Notify the employers of any significant changes to: <ul style="list-style-type: none"> Regulations that might affect members in their employ; policies made by the administering authority under the Regulations; or Procedures adopted by it in accordance with this strategy. Advice will be given to the employers in respect of matters arising from the interpretation and implementation of the Regulations.	As required.
Maintain a complaints procedure including the appointment of a specified person to act as a local referee at Stage 2 of the dispute process.	As required.

Isle of Wight Pension Fund responsibility	Timescales
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify employers and members of any changes to those policies within 30 working days of the changes taking effect.
Administration	
Answer enquiries made by members.	Within 5 working days or sooner where possible. Where an enquiry will take longer than 5 days to resolve, the fund will notify the member and keep the member updated regularly.
Set up a record for each new member.	Within 20 working days from when notified of their membership.
Amend a member's record.	Within 15 working days from when the change was notified.
Calculate benefits due when a member leaves employment and send details to the member.	Within 20 working days for retirements, or within 40 working days for deferred benefits, on receipt of all information needed to make the final calculation.
Pay retirement lump sums.	Within 10 working days of receipt of all information from the member.
Calculate and process transfers of members' pension rights inwards and outwards.	Within 20 working days of receipt of all information.
Acknowledge in writing the death of a member.	Within 5 working days of being notified of the death.
Supply survivor beneficiaries with notification of their entitlements including the method of calculation.	Within 10 working days of all the information being received.
Pay any death grant due.	Within 10 working days of receipt of all required information.
Set up dependant on pensioner payroll.	Within 10 working days of receipt of all required information.
Apply pensions increases annually to the relevant pensions in payment and deferred pensions retained in the fund in accordance with the Pensions Increase (Review) Order issued by the Government.	Annually.
Issue annual benefit statements on member self-service to active members.	By 31 August after relevant annual return

Isle of Wight Pension Fund responsibility	Timescales
	information from the employer is received and uploaded.
Provide pensions savings statement to relevant members.	By 6 October each year.
Issue annual benefit statement on member self service to all deferred members showing the accrued benefits to the date of leaving and the other options available to them in accordance with the Regulations.	Annually by 31 August.
Provide an estimate of pension benefits on request from the employer, and details of any capital costs to be paid by them.	Within 10 working days of receipt of all relevant information.
Provide details of the final capital costs to be paid by the employer into the fund.	Within 10 working days of completing the calculation.
Year-end responsibilities	
To prepare annual accounts for the pension fund for inclusion in the Isle of Wight Council Annual Statement of Accounts, in accordance with CIPFA/LASAAC guidance.	Annually by 31 May.
To prepare and publish an Annual Report and Accounts for the fund, in accordance with CIPFA guidance.	Annually by 31 July.
Review and maintenance of all fund forms and documents	
To publish all forms and documents on the fund's website, and ensure most recent version of each is always available.	As required.

Appendix C – Performance monitoring and reporting

1. At each meeting of the pension board, the fund will report on its own performance against the service standards set out in Appendix B, and the performance of each employer against their responsibilities set out in Appendix A.
2. The format and content of the reporting will be reviewed and revised periodically, but the current expectation of information to be reported is set out below.
3. **Membership numbers** – by employer type (scheduled body, admitted body) and by membership category (active, deferred, retired).
4. For example, as reported in the annual report and accounts of the fund for the year ended 31 March 2018:

	<i>Administering authority</i>	<i>Scheduled bodies</i>	<i>Admitted bodies</i>	<i>TOTAL</i>
<i>number of employers with active members</i>	<i>1</i>	<i>16</i>	<i>13</i>	<i>30</i>
<i>Number of contributors (Actives)</i>	<i>3,131</i>	<i>530</i>	<i>117</i>	<i>3,778</i>
<i>Number of Frozen refunds</i>	<i>597</i>	<i>11</i>	<i>4</i>	<i>612</i>
<i>Number of Deferred</i>	<i>6,407</i>	<i>668</i>	<i>129</i>	<i>7,204</i>
<i>Number of Pensioners</i>	<i>3,956</i>	<i>235</i>	<i>172</i>	<i>4,363</i>
	<i>14,091</i>	<i>1,444</i>	<i>422</i>	<i>15,957</i>

5. **Employer performance** – timeliness of monthly data returns and monthly contribution payments; any communication issues in terms of responses to requests for information.
6. For example, as reported to the pension committee at its meeting in May 2018:

<i>Employer</i>	<i>Active members</i>	<i>Instances late</i>	<i>% value late</i>
<i>Administering Authority</i>			
<i>Isle of Wight Council</i>	<i>3,131</i>	<i>0</i>	<i>0</i>
<i>Scheduled body</i>			
<i>Employer 1</i>	<i>250</i>	<i>0</i>	<i>0</i>
<i>Employer 2</i>	<i>45</i>	<i>2</i>	<i>17.5%</i>
<i>Admitted body</i>			
<i>Employer 3</i>	<i>30</i>	<i>1</i>	<i>9.2%</i>
<i>Employer 4</i>	<i>29</i>	<i>0</i>	<i>0</i>

7. **Administration performance** – number of actions, and timeliness of processing, in respect of starters, transfers in and out, retirements, leavers, and deaths.
8. For example, as reported to the pension board at its meeting in June 2018:

	Detail	2017/18 achieved	Target	April 2018
Payment of Benefits	Set up of new pension and lump sum within 10 working days of receipt of all documents	98.23%	100	92.9% (24/26)
Benefits Estimates	Estimates of benefits to members and Employers within 10 working days	96.9%	100	100% (31/31)

9. Information will be provided on the cost of the service per member, based on information available from both SF3 (central government data return) and CIPFA benchmarking sources. The relative performance of the Isle of Wight Fund against other similar sized local authority pension funds will be reported.
10. Periodically, internal and external audit reports will be provided to the board and the committee, including any action plans arising for those reports.

Appendix D – Administering Authority discretions and delegated authority for approval

The table below sets out how the Isle of Wight Pension Fund (the fund) choses to exercise its discretions under the LGPS regulations, together with the delegated authority for approval where a further decision exists.

	Discretion	Regulation	Policy	Delegated authority for approval
	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority, Care Quality Commission or any other body applying to be an admission body	R4(2)(b), R5(5) & RSch 2, Part 3, para 1	The fund will enter into an admission agreement where the requirements that it has set down and issued to prospective bodies are met.	Technical Finance Manager
	Whether to terminate a transferee admission agreement in the event of: Insolvency, winding up or liquidation of the body Breach by that body of its obligations under the admission agreement Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	RSch 2, Part 3, para 9(d)	The fund will decide any case on its merits.	Director of Finance
	Define what is meant by 'employed in connection with'	RSch 2, Part 3, para12(a)	The fund admission agreements specify this as the employee spending at least 50% of their time employed by the admission body carrying out duties relevant to the provision of the services.	N/A
	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	R16(1)	The fund has not set a minimum payment threshold.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC	R16(10)	The fund does not require those applying to take out an APC to pass a medical.	N/A
	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)	The fund will turn down an application if there are sound reasons to believe the applicant is not in good health	Technical Finance Manager
	Whether to charge member for provision of an estimate of additional pension that would be provided by the Scheme in return for transfer in of in house AVC /SCAVC funds (where AVC / SCAVC arrangement was entered into before 1 / 4/ 14)	TP15(1)d & A28(2)	The fund charges for estimates in accordance with its estimates policy.	N/A
	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	The fund will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.	Employment Services Lead Officer (For more complex cases, a specially convened group of senior managers)
	Pension account may be kept in such form as considered appropriate	R22(3)(c)	The fund will decide the form in which pension accounts are kept based on any published guidance, best practice and in an efficient manner.	N/A
	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	TP10(9)	The fund will aggregate with the earliest remaining employment.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	If an Employer has become defunct, the administering authority is required to make decisions on ill health and early payment of benefits. Including whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement or on benefits which a member voluntarily draws before normal pension age.	R30(8) TP12(6) R38(3) R38(6) B30(2) B30(5) B30A(3) B30A(5) B31(4) B31(7)	The fund will exercise this discretion in accordance with, and to the extent of (if any) the policy and practice of the former employer. If no policy exists, the fund will not waive any reduction. The fund will assess ill health retirement decisions, including the use of 2008 certificates, on a case by case basis.	Technical Finance Manager
	Whether to require any strain on Fund costs to be paid 'up front' by employing authority following payment of benefits under: flexible retirement; redundancy / business efficiency; the waiver (in whole or in part) of any actuarial reduction that would have otherwise been applied to benefits which a member voluntarily draws before normal pension age; release of benefits before age 60.	R68(2) TPSch 2, para 2(3) L80(5) B30 or B30A	The fund requires employers to make upfront payment of strain charges following any decision to allow early payment of benefits (other than ill health).	N/A
	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	No extension will be granted, unless appropriate to the individual circumstances of a case.	Technical Finance Manager
	Decide whether to commute small pension	R34(1) B39 T14(3) L49 & L156	The fund will not allow commutation of small pension pots.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Approve medical advisors used by employers (for ill health benefits)	R36(3) L97(10)	The fund requires employers to provide details of medical advisors used for assessing entitlement to ill health benefits and will liaise with any employer who is using a medical advisor of which the fund does not approve.	Technical Finance Manager
	Decide to whom death grant is paid	TP17(5) to (8) R40(2) R43(2) R46(2) B23(2) & B32(2) B35(2) TSch1 L155(4) L38(1) L155(4) E8	The fund will decide each case on its merits, after assessing all potential beneficiaries, but will take into account the member's valid expression of wish form.	Technical Finance Manager
	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	R49(1)(c) B42(1)(c)	The fund will choose the benefit entitlement that yields the highest level of benefits for the member.	Employment Services Lead Officer
	Whether to set up a separate admission agreement fund	R54(1)	The fund has decided not to set up a separate admission agreement fund.	Director of Finance
	Maintain a governance policy which contains the information set out in the regulations	R55	The fund has a written governance policy which contains the required information and is regularly reviewed.	Pension Fund Committee

	Discretion	Regulation	Policy	Delegated authority for approval
	Decide on Funding Strategy for inclusion in funding strategy statement	R58	The fund has a funding strategy which is included in the funding strategy statement.	Pension Fund Committee
	Whether to have a written pensions administration strategy and if so, the matters it should include	R59(1) and (2)	The fund has a written pensions administration strategy.	Pension Fund Committee
	Maintain a communication policy which contains the information set out in the regulations	R61	The fund has a written communication policy which contains the required information and is regularly reviewed.	Pension Fund Committee
	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	R64(4)	The fund will decide each case on its merits, with advice from the Fund Actuary.	Director of Finance
	Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under R63	R65	The fund will make this decision as it arises, with advice from the Fund Actuary.	Director of Finance
	Decide the frequency of payments to be made over to the Fund by employers and whether to make an admin charge	R69(1) L81(1) L12(5)	Employer contribution payments are due monthly by 19th of the month following deduction. Administration costs are taken into account by the actuary when setting employer contribution rates.	Technical Finance Manager
	Decide the form and frequency of information to accompany payments to the Fund	R69(4) L81(5)	Employers are required to complete a monthly return with their payment showing a breakdown of contributions.	Technical Finance Manager

	Discretion	Regulation	Policy	Delegated authority for approval
	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 and TP22(2)	The fund will work with employers to improve performance but if additional and disproportionate resources are deployed by the fund because of an employer's poor performance, the cost of the additional resources may be re-charged.	Technical Finance Manager
	Whether to charge interest on payments by employers which are overdue	R71(1) L82(1)	The fund will charge interest on payments which are more than one month overdue.	Technical Finance Manager
	Decide whether to extend six-month period to lodge a stage one IDRPs to be heard by the administering authority	R74(4)	The fund will not extend the six-month period, unless the circumstances of the individual case warrant an extension.	Technical Finance Manager
	Decide procedure to be followed when exercising its IDRPs functions and decide the manner in which those functions are to be exercised	R74(6) R76(4) L99	The fund has a documented and compliant IDRPs process.	N/A
	Whether admin authority should appeal against employer decision (or lack of a decision)	R79(2) L105(1)	The fund would take the decision to appeal based on the merits of the individual case.	Technical Finance Manager
	Specify information to be supplied by employers to enable admin. authority to discharge its functions	R80(1)(b) & TP22(1)	The fund provides employers with full guidance as to the information they must supply.	N/A
	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) L95	The fund will pay death grants that are under the amount specified in the Administration of Estates (Small Payments) Act 1965 without the need for grant of probate / letters of administration.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83 A52A	The fund will decide who should receive payment of benefits, based on the circumstances of the individual case.	Employment Services Lead Officer (For more complex cases, a specially convened group of senior managers)
	Date to which benefits shown on annual benefit statement are calculated.	R89(5) L106A(5)	The fund uses 31 March, but will revise this if regulatory requirements, administrative efficiency or best practice demand it.	N/A
	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	R100(68)	The fund will not extend the 12-month limit, except if warranted by the individual circumstances of the case.	Technical Finance Manager
	Allow transfer of pension rights into the Fund.	R100(7)	The fund will allow transfers into the Fund.	N/A
	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member. Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.).	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a) , TP17(2)(b) TSch 1 L23(9) B10(2)	The fund will choose the pay figure that would yield the highest overall level of benefits for beneficiaries.	Employment Services Lead Officer
	Decide to treat child as being in continuous education or vocational training despite a break.	RSch 1 & TP17(9) B39 T14(3)	The fund will treat a child as being in continuous education or vocational training despite a break.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch 1 & TP17(9)(b) B25	The fund will decide the evidence required to determine financial dependence, based on guidance and best practice. For most cases, utility bills, bank statements or mortgage documentation in joint names will be accepted.	Employment Services Lead Officer (For more complex cases, a specially convened group of senior managers)
	Decide policy on abatement of pensions following re-employment, including the pre-April 14 element for post 14 leavers.	TP3(13) & A70(1)* & A71(4)(c) T12 L109 L110(4)b	The fund will not abate pension for any re-employment starting after 1 April 2014. Pensions already abated at this date will continue to be abated until the re-employment ends.	N/A
	Extend time period for capitalisation of added years contract	TP15(1)(c) & TSch1 & L83(5)	The fund will not extend the time limit for applications to pay off added years contracts.	N/A
	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3) L89(3)	The fund will usually recover as a deduction from benefits.	Technical Finance Manager
	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	B27(5) L47(2) G11(2)	All pensions due to children under 16 will be paid to another person for the benefit of the child. After age 16, the fund will normally pay to the child, unless the circumstances of the individual case mean that the payments should continue to be made to another person.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Extend normal 12-month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service.	L17(4),(7),(8), & L89(4) & Sch 1	The fund will not extend the 12-month period.	N/A
	Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.).	L22(7)	The fund will choose the appropriate pay period that would yield the highest overall level of benefits for beneficiaries.	Employment Services Lead Officer
	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98 / pre 1.4.08. leavers).	L47(1) G11(1)	The fund will apportion children's pension equally amongst eligible children.	N/A
	Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members).	L50 and L157	The fund will commute benefits due to exceptional ill health, provided regulatory conditions are met.	N/A
	Whether acceptance of AVC election is subject to a minimum payment (councillors only).	L60(5)	The fund does not set a minimum payment threshold for AVCs	N/A
	Timing of pension increase payments by employers to fund (pre 1.4.08. leavers).	L91(6)	Employer payments are paid monthly on account, with an annual balancing charge after the year end.	N/A
	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers).	L118	CEP will be paid with transfers out rather than being retained in the Fund.	N/A
	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members).	L147	The fund will discharge its liability by conferring pension credit rights on the person entitled to the pension credit.	N/A

	Discretion	Regulation	Policy	Delegated authority for approval
	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation).	F7	The fund will pay spouse's LGPS pensions for life.	N/A
	Agree to pay annual compensation on behalf of employer and recharge payments to employer.	DC31(2)	The fund will pay compensation on behalf of an employer, subject to acceptable recharge arrangements.	Technical Finance Manager

Key to regulations:

Prefix	Regulation
R	Local Government Pension Scheme Regulations 2013
TP	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
A	Local Government Pension Scheme (Administration) Regulations 2008
B	Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
T	Local Government Pension Scheme (Transitional Provisions) Regulations 2008
L	Local Government Pension Scheme Regulations 1997 (as amended)
None	Local Government Pension Scheme Regulations 1995
DC	Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000

Isle of Wight Council Pension Fund

Governance Policy

2020

1. Document Information

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2. Contents

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3. Purpose of Policy

This policy, and the related Governance Compliance Statement, outlines the governance arrangements for the Isle of Wight Council Pension Fund (the fund), as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (the regulations)

Under that provision all Local Government Pension Scheme (LGPS) funds in England and Wales are required to produce a Governance Compliance Statement, keep it under review, revise it following any material change in its delegation arrangements and publish it, following such consultation as it considers appropriate. The statement is required to set out:

- a) whether the administering authority delegates its functions or part of its functions under the regulations to a committee, a sub-committee or an officer of the authority;
- b) if the authority does so
 - i) the terms, structure and operational procedures of the delegation;
 - ii) the frequency of any committee or sub-committee meetings;
 - iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
- c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- d) details of the terms, structure and operational procedures relating to the local pension board established under the regulations.

Each administering authority is required to:

- a) keep the statement under review;
- b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned, above; and
- c) if revisions are made, publish the statement as revised.

In reviewing and revising the statement, the authority must consult such persons as it considers appropriate.

4. Legislation

The Public Services Pensions Act 2013 (the act) introduced a new framework for the governance and administration of public service pension schemes. The act has had a material impact on previous governance arrangements in the Local Government Pension Scheme (LGPS), which are enforced by changes to the regulations.

As a result of the act, the Pensions Regulator has introduced codes of practice covering specific areas relating to public sector pension schemes. The changes to the LGPS regulations and introduction of the Pensions Regulator's code of practice 14 are reflected in this policy and the council's constitution.

As administering authority, Isle of Wight Council is the designated statutory body responsible for administering the Isle of Wight Council Pension Fund (the fund) on behalf of the constituent scheduled and admitted bodies in the relevant area. The regulations specify that, in investing the fund's money, regard must be given to the need for diversification and for proper advice obtained at reasonable intervals.

5. Policy Statement

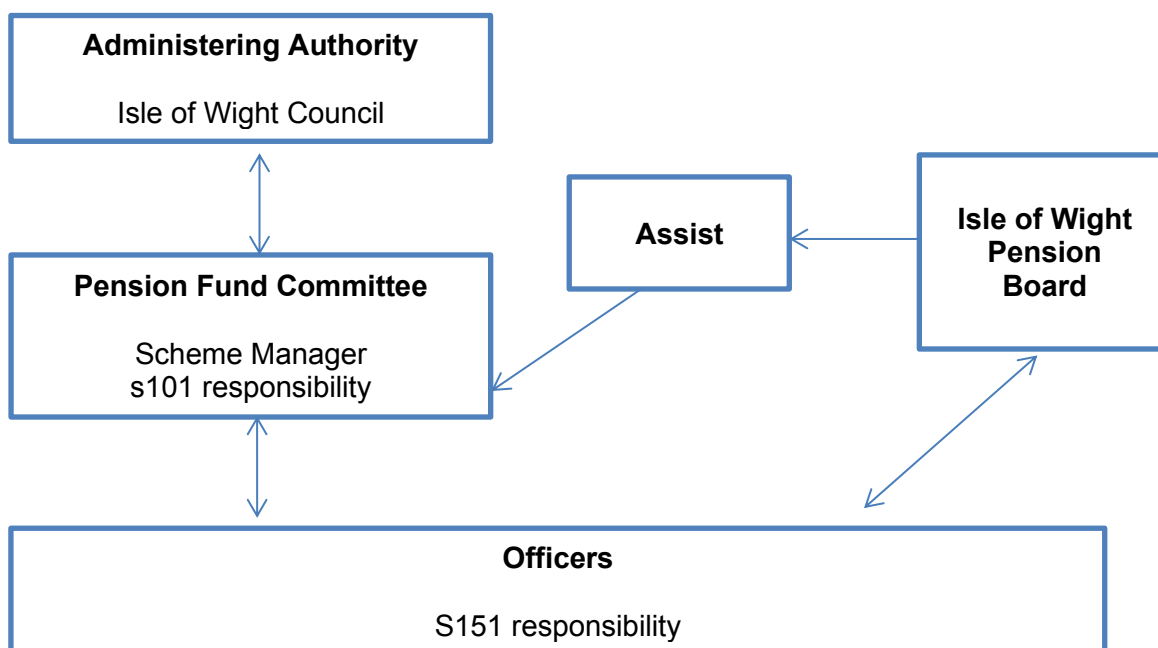
5.1 About the Isle of Wight Council Pension Fund

Under the Local Government Pension Scheme Regulations 2013 (the regulations), Isle of Wight Council (the council) is required to maintain a pension fund for its employees and those of other scheme employers within its area.

As at 31 March 2020, the council administers the Isle of Wight Council Pension Fund (the fund) for its own employees and those of 16 scheduled bodies and 14 admitted bodies.

5.2 Governance Structure

The Isle of Wight Council Pension Fund governance structure is illustrated below. This structure relates to the administering authority responsibilities only. Isle of Wight Council is also an employer within the fund. A separate governance structure and scheme of delegation is in place in relation to the council's employer responsibilities (included within the council's [pay policy](#))



5.3 Role of the Pension Fund Committee

Under the terms of its constitution the council, as the administering authority of the fund, has delegated its functions with regard to the fund to its pension fund committee (the committee). This is in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The committee oversees the proper administration and management of the fund. It is responsible for:

- a) Maintaining appropriate accounting records:

- i) collecting and accounting for employer/employee contributions and transfer values.
 - ii) paying and accounting for pension benefits and transfer values.
 - iii) investing monies not required for payment benefits, transfers and administration costs.
 - iv) monitoring budgets for the fund ensuring there is adequate budgetary control.
- b) Maintaining member records:
 - i) setting up, administering and managing individual member records.
 - ii) regularly evaluating the completeness and accuracy of these records.
- c) Managing the fund valuation process:
 - i) reviewing and acting on actuarial valuations.
 - ii) ensuring cash is available to meet the fund's future liabilities.
- d) Managing the investment strategy of the fund:
 - i) agreeing asset allocation strategies following asset liability modelling and a policy for investment in different assets with the investment managers.
 - ii) agreeing a rebalancing strategy between different portfolios (where appropriate) when asset allocations change due to different market movements of different sectors.
 - iii) regularly reviewing investment managers' performance and expertise against agreed benchmarks and determining any action required.
 - iv) ensuring that the fund investments are sufficiently diversified and that the fund is investing in suitable investments.
 - v) ensuring all investment activity complies with the requirements of current regulations and best practice.
- e) Preparing and maintaining the statutory statements, including:
 - i) investment strategy statement.
 - ii) funding strategy statement.
 - iii) communications policy.
 - iv) governance policy.
- f) Managing communications with employers, members and pensioners:
 - i) ensuring communications are accurate, clear and accessible.
 - ii) ensuring employers understand the information they are required to provide.
 - iii) providing accurate and timely information to members to inform options for retirement planning.
 - iv) providing annual benefit statements within the statutory timetable.
 - v) providing assistance to employers on the pension implications of outsourcing services and on dealing with bulk transfers of pension rights.
- g) Monitoring and managing all aspects of the fund's performance:
 - i) appointing and regularly monitoring the performance of investment managers, a fund actuary, custodian and professional advisors.
 - ii) appointing an additional voluntary contribution provider.

- iii) agreeing and monitoring key performance indicators for all areas of fund administration, management and governance.
- h) Establishing and operating internal controls to administer and manage the scheme in accordance with the scheme rules, the law and the Pensions Regulator's Code of Practice.

The committee is required to meet formally four times a year. Since 2018-19, the committee has been meeting formally eight times each year, with alternate meetings considering either investment and funding issues, or administration and governance issues, together with any other business matters that require attention.

As well as these formal meetings, ad hoc sessions are arranged as required.

The committee is constituted to reflect the views of the council as administering authority and the largest employer within the fund with 85% of the contributing membership.

The committee consists of:

- seven elected members, on a politically proportionate basis, with voting rights.
- one representative of the other scheme employers in an observer capacity.
- one representative of the scheme members, nominated by UNISON, in an observer capacity.

5.4 Role of Officers

Officers of the council have certain statutory and formal responsibilities. Executive powers are delegated to the officers where appropriate under the council's scheme of delegations, which sets the parameters within which the officers can implement committee decisions and operate the day-to-day business of the Isle of Wight Council Pension Fund.

5.5 Role of Local Pension Board

Following changes made to the LGPS Governance Regulations by the Public Service Pensions Act 2013, a local pension board was established by the administering authority and operates independently of the pension fund committee.

The board is not a committee constituted under section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the council's constitution, standing orders or scheme of delegation apply to the board unless expressly provided.

The board is accountable to the scheme manager and the Pensions Regulator.

The role of the board is to:

- a) Assist, advise and hold to account the Isle of Wight Council as administering authority and the Pension Fund Committee as scheme manager:
 - i) to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS.
 - ii) to secure compliance with requirements of the Pensions Regulator.

- iii) to secure the effective and efficient governance and administration of the LGPS for the Isle of Wight Council Pension Fund.
 - iv) in any other matters specified in the LGPS regulations.
- b) Ensure that the LGPS is managed and administered effectively and efficiently and the administering authority complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- c) Regularly review the performances of its appointed advisers.

The board is constituted with an equal number of employer and scheme member representatives, with a minimum total membership of four and a maximum of eight. Membership currently comprises two employer representatives and two scheme member representatives.

The terms of reference for the local pension board can be found at Article 11 of the council's constitution: <https://www.iwight.com/Council/how-it-works/Democratic-Services/Constitution1>

Revisions to the board's terms of reference will be presented to the September 2020 meeting of Isle of Wight Council as part of the review of the council's constitution. These revisions include allowance for an independent chairperson to be appointed to the board.

6 Investment Pooling

The fund is one of eleven LGPS funds participating in the ACCESS pool. The fund is represented on the Joint Committee (JC) by the chair of the pension fund committee. Each participating authority has signed the inter authority agreement (IAA) which determines the governance and operation of the pool.

The ACCESS pool has established the following strategic objectives:

- To enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- To provide a range of asset types necessary to enable authorities to execute their locally determined investment strategies as far as possible.
- To enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

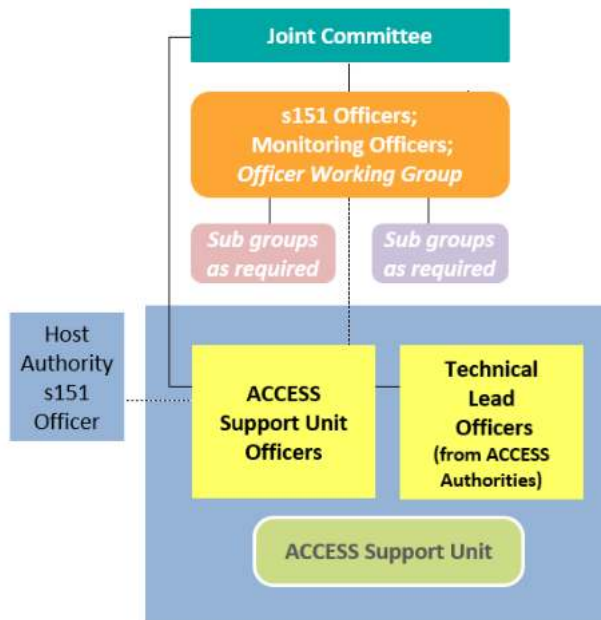
In order to achieve these objectives, the participating authorities have established a set of governing principles, summarised below:

- Collaborative.
- Risk Management.
- Objective, evidence-based decisions.
- Equitable voice in governance.
- Professionalism.
- Equitable cost sharing.
- No unnecessary complexity.
- Evolution and innovation.
- Value for money.

Implicit within the above principles is the democratic accountability and fiduciary duty of LGPS authorities.

The Joint Committee is supported by the ACCESS Support Unit (ASU), hosted by Essex County Council, and is advised by the section 151 officers from each authority and by an Officer Working Group (OWG) on which each of the administering authorities are represented.

The ACCESS pool governance structure is illustrated below:



7 Review

This policy statement will be reviewed annually, and will be revised and re-published following any material change in the above arrangements.

Terms of Reference of Pension Fund Committee

Extracted from the council's Constitution August 2022

The Isle of Wight Council is the Administering Authority of the Isle of Wight Council Pension Fund under the Local Government Pension Scheme (LGPS) Regulations and ss.7, 12 and 24 of the Superannuation Act 1972.

The Isle of Wight Pension Fund Committee carries out the council's statutory functions as Scheme Manager of the Isle of Wight Council Pension Fund under the above regulations. This includes responsibility for setting the strategic direction of the Isle of Wight Pension Fund, its implementation and its delivery, including:

- (a) Maintaining appropriate accounting records, including:
 - (i) collecting and accounting for employer/employee contributions and transfer values
 - (ii) paying and accounting for pension benefits and transfer values.
 - (iii) investing monies not required for payment benefits, transfers and administration costs
 - (iv) monitoring budgets for the fund ensuring there is adequate budgetary control
- (b) Maintaining member records, including:
 - (i) setting up, administering and managing individual member records
 - (ii) regularly evaluating the completeness and accuracy of these records
- (c) Managing the fund valuation process, including:
 - (i) reviewing and acting on actuarial valuations
 - (ii) ensuring cash is available to meet the fund's future liabilities
- (d) Managing the investment strategy of the fund, including:
 - (i) agreeing asset allocation strategies following asset liability modelling and a policy for investment in different assets with the investment managers
 - (ii) agreeing a rebalancing strategy between different portfolios when asset allocations change due to different market movements of different sectors
 - (iii) regularly reviewing investment managers' performance and expertise against agreed benchmarks and determining any action required
 - (iv) ensuring that the fund investments are sufficiently diversified and that the fund is investing in suitable investments
 - (v) ensuring all investment activity complies with the requirements of current regulations and best practice
- (e) Preparing and maintaining the statutory statements, including:
 - (i) investment strategy statement
 - (ii) funding strategy statement
 - (iii) communications strategy
 - (iv) governance policy
- (f) Managing communications with employers, members and pensioners, including:
 - (i) ensuring communications are accurate, clear and accessible
 - (ii) ensuring employers understand the information they are required to provide
 - (iii) providing accurate and timely information to members to inform options for retirement planning
 - (iv) providing annual benefit statements within the statutory timetable
 - (v) providing assistance to employers on the pension implications of outsourcing

- services and on dealing with bulk transfers of pension rights
- (g) Monitoring and managing all aspects of the fund's performance, including:
 - (i) appointing and regularly monitoring the performance of investment managers, a fund actuary, custodian and professional advisors
 - (ii) appointing an additional voluntary contribution provider
 - (iii) agreeing and monitoring key performance indicators for all areas of fund administration, management and governance
 - (h) Establishing and operating internal controls to administer and manage the scheme in accordance with the scheme rules, the law and the Pensions Regulator's Code of Practice on Governance and Administration of Public Service Pension Schemes
 - (i) Exercising all discretionary functions as Scheme Manager for the local government pension scheme.
 - (j) Additional functions include:
 - (i) providing the Pensions Regulator with an annual return of the fund's registerable information and keeping that information up to date
 - (ii) establishing and operating adequate internal controls to allow risks to be identified, evaluated and managed
 - (iii) ensuring that Pension Board members do not have a conflict of interest
 - (iv) operating arrangements which comply with legal requirements resolving internal disputes with members and others
 - (v) establishing adequate procedures that enable breaches to be considered and reported
 - (k) Arranging the necessary training for members of both the Pension Fund Committee and the Local Pension Board to acquire and maintain the appropriate level of expertise, knowledge and skills as set out in the CIPFA Pensions Finance Knowledge and Skills Framework, including:
 - (i) pensions legislative and governance framework
 - (ii) pensions accounting and auditing standards
 - (iii) financial services procurement and relationship management
 - (iv) investment performance and risk management
 - (v) financial markets and product knowledge
 - (vi) actuarial methods, standards and practices
 - (l) Developing, in conjunction with the Isle of Wight Pension Board, a work programme for both Pension Fund Committee and the Pension Board, to ensure the appropriate standards of governance and administration of the scheme are maintained
 - (m) Publishing information about the Pension Board, including:
 - (i) who the Board members are, their employment and job title, who they represent and their specific roles and responsibilities.
 - (ii) the Board appointment process
 - (iii) the Board's terms of reference
 - (iv) Board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 1998)

The above list may be changed at any time should the underlying regulations be amended.

The committee comprises seven elected members. In addition, there is one non-voting employee

representative nominated by a recognised trades union and one non-voting representative nominated by external employers of the fund.

The committee meets quarterly, but additional formal meetings may be arranged with the approval of the chairman, if required. Informal meetings may be held for training and development purposes, to which members of the Isle of Wight Local Pension Board, and the Chief Finance Officer will be invited.

Committee members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Committee.

Terms of Reference of Local Pension Board

Extracted from the council's Constitution August 2022

The Isle of Wight Council is the Administering Authority and Scheme Manager for the Isle of Wight Council Pension Fund, part of the Local Government Pension Scheme, as defined in s.4 of the Public Service Pensions Act 2013 ('the Act'). It has established the Local Pension Board ('the Board') under s.5 of the Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended), and the Board operates independently of the Pension Fund Committee.

The Board is not a committee constituted under s.102 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided. The Board is accountable to the Scheme Manager and the Pensions Regulator.

The responsibility of the Board, as defined by sections 5(1) and (2) of the Act, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- (a) securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- (b) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator, and
- (c) such other matters as the LGPS regulations may specify.

The Administering Authority retains ultimate responsibility for the administration and governance of the scheme.

The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

In its role, the Board will have oversight of the administration and governance of the Fund including:

- (a) the direction of the Fund and its overall objectives
- (b) the administration of benefits and contributions.

The activity of the Board can also include:

- (a) reviewing the Fund's governance and policy documents, for adoption by pension committee
- (b) reviewing compliance with the Fund's governance and policy documents
- (c) reviewing the administrative programme of the Fund as part of the Fund's annual report
- (d) reviewing ACCESS pooling as part of the Fund's annual report
- (e) reviewing the ongoing arrangements for the training of Board members
- (f) reviewing the Fund's Risk Register, for approval by pension committee
- (g) reviewing audit and assurance reports, and
- (h) reviewing the Fund's website and other communication methods.

Membership, Eligibility, Nominations, and Appointments

The Administering Authority shall determine its membership.

Minimum and Maximum Numbers and Types of Board membership

The Board shall consist of a minimum of four members and a maximum of eight members plus an independent chairman

No substitute members are permitted.

It is constituted with an equal number of employer representatives and scheme member representatives as follows:

- (a) Minimum of two, maximum of four, employer representatives
- (b) Minimum of two, maximum of four, scheme member representatives

Employer representatives

For the minimum membership size of four members (plus an independent chairman), one of the employer representatives shall be an elected member of the council. The other employer representative will be selected for nomination by the other employers of the Fund using the following process:

- (a) the Scheme Manager will seek nominations from all external employers
- (b) candidates will provide short biographies
- (c) employers will be asked to select their preferred candidate
- (d) the Administering Authority shall determine which candidate to appoint.

Should the total number of members increase, additional employer representatives will initially be sought from the council but may also be sought from the external employers of the Fund.

The Administering Authority must be satisfied that a person to be appointed to the Local Pension Board as an employer representative has the capacity to represent all employers.

No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board. Board representatives must therefore not be members of the Pension Fund Committee.

Where an employer representative vacancy occurs, the Administering Authority shall seek to appoint a replacement as soon as practicable.

Scheme representatives

One of the scheme member representatives shall be nominated by a recognised trades union, which is responsible for arranging its own nomination of a suitable candidate, representing both active and retired members. If more than one nomination is received from two or more recognised trade unions, all such nominations shall be put forward for the Administering Authority to determine who to appoint to such a vacancy.

For all other scheme member representatives, the council will undertake a selection process by requesting expressions of interest from all active, deferred and retired members, with nominations put forward for the Administering Authority to determine who to appoint.

The Administering Authority must be satisfied that a person to be appointed to the Local Pension Board as a scheme member representative has the capacity to represent all scheme members.

Where a scheme representative vacancy occurs, the Administering Authority shall seek to appoint a replacement as soon as practicable.

Independent chairman

There shall also be an independent chairman, appointed by the Administering Authority.

The chairman must have no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer, nor be a member of the Isle of Wight Council Pension Fund. Such a chairman has no right to vote.

Where a vacancy occurs for the independent chairman position, the Administering Authority shall seek to appoint a replacement as soon as practicable.

Vice-chairman

The Board may appoint a vice-chairman on an annual basis from amongst its own number or in year should a vacancy arise.

In the event that neither the chairman nor the vice-chairman are present, the Board members present may appoint one of their number to preside for the particular meeting.

Conflict of interests

No one may be appointed to the Board who has a conflict of interest that is considered by the Administering Authority to be prejudicial to the exercise of their functions as a Board member.

It is the responsibility of the Board member to provide any information required by the Administering Authority in order to determine whether such a conflict exists (see also 4 below 'Register of Interests and Code of Conduct').

A conflict arises where a financial or other interest is likely to prejudice a person's exercise of functions as a Board member (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

Duty to comply with role profile and to attend arranged training

All Board members, whether scheme member or employer representatives, will be expected to comply with the role profile for Board members, published on the Pension Fund's website.

The Board shall establish and maintain a policy and framework to address the knowledge and skills requirements that apply to Board members under the Act and regulations. That policy and framework shall set out the degree of knowledge and skills required as well as how knowledge and skills are acquired, reviewed and updated.

Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the knowledge and skills policy and framework. Where Board members attend external training, they will be required to provide a report back to the Board in order to share the knowledge gained with other Board members.

Following appointment, each member of the Board should be conversant with the legislation and associated guidance of the LGPS and any other document recording policy about the administration of the LGPS which is for the time being adopted.

Length of term of office and removal from office

The Chairman, each employer representative and each scheme member representative so appointed shall serve initially for a fixed four-year period from the date their appointment takes effect, which may be extended by decision of the Administering Authority for further four year terms, subject to remaining eligible, re-nomination and re-selection.

Any Board member can be removed by the Administering Authority for good cause. Without prejudice to the generality, it includes removal on the grounds of the employer representative appointed due to being a councillor ceasing to be an elected councillor for the Isle of Wight Council, the nominating body withdrawing their representative, a conflict of interest that cannot be managed, non-attendance, breach of code of conduct and non-participation in training.

Each Board member should endeavour to attend all Board meetings during the year and shall be required to attend at least two of the scheduled meetings each financial year. In the event of any Board member failing to do so, or other persistent non-attendance, (including failure to attend training sessions without reasonable cause) then the tenure of office of that member shall be reviewed by the Administering Authority.

Other than by ceasing to be eligible, a Board member may only be removed from office during their term of office by the Administering Authority.

Register of Interests and Code of Conduct

A register of interests is maintained by the Board to record and monitor its members interests and responsibilities.

The register of interests is reviewed annually by the Board and published on the scheme's website.

The principles included in the Isle of Wight Council Members' Code of Conduct shall apply to all members of the Board. Likewise, all other relevant Isle of Wight Council policies shall apply to members of the Board.

All Board members must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest that might arise as a result of their position on the Board and complete a register of interests.

Where a conflict is identified, the Board and the Scheme Manager shall manage it by applying the principles contained within the Isle of Wight Council Members Code of Conduct (see Part 5 Section 3).

Where it is deemed impossible to manage a conflict, the Board member may be required by the Administering Authority to stand aside in relation to any specific issue being considered or, if necessary, resign their position on the Board or be removed by the Administering Authority.

Meetings

Frequency

There will be at least four Board meetings a year. Other meetings may be convened by the chairman with due notice as the Board determines.

Notice

The Administering Authority shall give reasonable advance notice to all Board members of every meeting of the Board which shall normally be at least 5 clear working days.

The agenda and supporting papers shall be distributed to members of the Board normally at least five clear working days prior to the meeting.

Any member of the Board may request that an item be added to the agenda for consideration, subject to that matter being relevant to the remit of the Board as set out in these terms of reference. Any items considered outside of the remit will be discussed with the chairman of the Board and the requestor notified of the outcome and rationale.

Subject to the requested item being valid, the Administering Authority will schedule the item of business for the next appropriate Board meeting, taking into account items already scheduled and the level of preparation. Note – if the next meeting of the Board is to be held within 28 days of receipt of the request, the item of business is unlikely to be scheduled before the following meeting.

Quorum

The Board has a quorum of three, requiring at least one employer representative and at least one scheme member representative to be present.

Holding of meeting

The Board's meetings will be open to the general public, unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public (see, for example, the Data Protection Act 2018). Meetings may be held either in person or remotely or a hybrid of the two methods at the discretion of the Board.

Voting

No member of the Board shall have a right to vote on any question unless that member is an employer representative or a scheme member representative. It is expected the Board will, as far as possible, reach a consensus, but where a deadlock has been reached on any matter under consideration which has been the subject of a tied vote the matter shall be referred to the Pension Fund Committee and/or Administering Authority together with the views of the members on the matter.

Minutes

The Administering Authority shall ensure that a formal record of Board proceedings is maintained, whether in electronic format or in writing.

The draft minutes shall be circulated to all Board members, who will be given 21 days to comment, after which time the draft minutes will be published.

The accuracy of the final minutes shall be agreed at the next suitable meeting of the Board.

Publication

The Board's public papers including agendas and minutes of meetings will be published on the Council's website subject to the rules on access to information and the Data Protection Act 2018.

Advisers

The Board may be supported in its role and responsibilities by the appointment of advisers and shall, subject to any applicable regulation and other legislative provision, consult with such advisers to the Board to help perform its duties.

Any cost associated with the use of advisers to the Board must first be agreed with the Administering Authority.

Powers of the Board

The Board only has those powers granted to it under statutory provision and so only has a very defined and limited jurisdiction.

The Board has the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its statutory functions.

But, for the avoidance of any doubt whatsoever, and subject to 7.4 below, it is for the Administering Authority (and not for the Board) to determine the procedures applicable to the Board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.

No member of the Board shall have the right to vote on any question unless that member is an employer representative or a scheme member representative (see.5.8 above).

Reporting Duty of the Board

The Board shall provide an annual report to the Pension Fund Committee. The report shall include information on the business conducted by the Pension Board with any risks or concerns identified and mitigation steps proposed.

The annual report will also be published on the Pension Fund's website.

Any concerns requiring reporting outside the annual process should be raised with the Pension Fund Committee.

Budget and Expenses

The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund.

The Board shall seek the prior approval from the Administering Authority's Section 151 Officer for any expenditure to be made.

The expenses of the Board are to be regarded as part of the costs of administration of the fund held by the Administering Authority.

The Pension Fund may meet reasonable expenses of the Board. Such expenses will be met by the Fund and have regard to the Administering Authority's Members' Allowance Scheme.

But for the avoidance of any doubt, other than the independent chairman, Board members shall not receive an annual allowance of any kind in respect of being a member of the Board.

Accountability

The Board shall be collectively and individually accountable to the Scheme Manager.

Review of terms of reference

These terms of reference shall be reviewed on each material change to those parts of the regulations covering local pension boards and at least every four years.

These terms of reference were adopted on 17 November 2021.

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Isle of Wight Council Pension Fund Governance Compliance Statement Updated **31 August 2022**




Isle of Wight Council Pension Fund | [Hymans Robertson LLP](#)

The Isle of Wight Council Pension Fund has published a [Governance Policy](#) outlining the governance arrangements for the fund, in accordance with the Local Government Pension Scheme Regulations 2013.



Regulation 55 requires that a statement is prepared which confirms the governance arrangements for the fund, that such a statement be regularly reviewed and updated, consulted upon where appropriate and be published as part of the fund's annual report and accounts.



The compliance statement below is presented in a format provided by the fund's governance advisers, Hymans Robertson LLP. It has been prepared by the Pension Fund Manager, in consultation with other officers of the pension fund and the council, as administering authority. It has been reviewed by the Local Pension Board and adopted by the Pension Fund Committee.


The compliance statement should be read in the context of the fund's published governance policy, which can be found [here](#).



Key	Last report dated:	09 October 2020
	Improvement in level of compliance since last reported	
	Maintain level of compliance since last reported	
	Deterioration in level of compliance since last reported	

Establishment of the local pension board


Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/ Non)	Statement of Compliance
E1	Local pension board to be established by 1 April 2015	Local Pension Board terms of reference agreed and approved by the Council	Full compliance 	<p><i>Enter here the committee and date the terms of reference were agreed and link or reference to where this can be found</i></p> <p>The Isle of Wight Council Local Pension Board was established at the full council meeting in January 2015, including adoption of terms of reference for the board.</p> <p>https://www.iow.gov.uk/Meetings/committees/mod-council/21-1-15/Paper%20D.pdf</p> <p>The first board meeting was held on 14 August 2015.</p> <p>The terms of reference have been reviewed and amended several times since the original adoption, the most recent amendment being adopted by full council in November 2021.</p> <p>https://iow.moderngov.co.uk/documents/s6222/Local%20Pension%20Board%20-%202017%20Nov%202021%20Full%20Council%20Report%20FINAL.pdf</p> <p>The terms of reference for the Local Pension Board are published in the Council's Constitution Part 3, Section 6</p>
E2	All pension board members to have a personalised training plan in place that is regularly monitored and updated	The administering authority should have a person designated to take responsibility for ensuring training plans are followed and regularly review the members training requirements and keep appropriate records of their learning activities and the board as a whole	Non-compliance 	<p><i>Enter here whether individual training plans have been completed and where it can be found</i></p> <p>The pension fund committee agreed at its July 2022 meeting that the fund will participate in the Hymans Robertson National Knowledge Assessment 2022, encouraging both committee and board members to complete the assessment.</p> <p>The output from this assessment will support the development of a fund-specific knowledge and understanding policy and individual learning plans for both pension fund committee and pension board members.</p> <p>There remains a need to develop and implement a comprehensive induction programme for both board and committee members.</p> <p>The role profile for pension board members includes a requirement that all modules of the Pension Regulator's online toolkit be completed within 6 months of joining the board.</p> <p>There is also a recommendation that all committee members complete the online toolkit.</p> <p>Progress towards completion of the required modules is reported at each committee and board meeting.</p>




Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E3	Expenses of the local pension board to be part of the expenses of administration of the pension fund	Provision has been made in the accounting procedures to identify the costs incurred in the establishment and operational costs of the local pension board	Partial compliance 	<i>Enter here how the costs are being identified</i> All cost of administering and operating the pension board are charged separately to the pension fund accounts within the Council's accounting system (SAP). There is no specific budget set for the costs incurred by the pension fund (other than the staffing budget within the council's accounts which is subsequently recharged), or for expenses of the pension board, although reasonable costs agreed with the Director of Finance and section 151 officer are borne by the fund. Adoption of a detailed budget is a recognised priority within the development programme.
E4	Local Pension Board to have equal number of scheme member representatives and employer representatives which is no fewer than 4 in total.	The terms of reference will provide for an equal number of scheme member representatives and employer representatives which is no less than 4 in total	Full compliance 	<i>Enter here the number of scheme member and employer representatives</i> The terms of reference for the Local Pension Board, published in the Council's Constitution Part 3, Section 6 , provide for total membership of between 4 and 8, in equal numbers of scheme member and employer representatives, with the addition of an independent chairman. Following a recruitment process undertaken between September 2021 and March 2022, the current membership of the board is 7, as follows: <ul style="list-style-type: none"> • Three scheme member representatives • Three employer representatives • One independent chair (non-voting)



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E5	Determine the manner and terms by which members of the local pension board are appointed.	The manner and terms by which members of the local pension board are clearly set out.	Full compliance 	<p><i>Enter here where the manner and terms by which members of the local pension board are clearly set out.</i></p> <p>The terms of reference for the Local Pension Board, published in the Council's Constitution Part 3, Section 6, specify the process by which board members will be recruited, selected and appointed:</p> <p><u>Scheme member representatives:</u></p> <ul style="list-style-type: none"> • One to be selected from nominations sought from all trade unions. • Two to be selected from expressions of interest sought from all active, deferred and pensioner members of the scheme. <p><u>Employer representatives:</u></p> <ul style="list-style-type: none"> • One to be an elected councillor of Isle of Wight Council, appointed by full council. • One to be a senior council officer, nominated by the Council's Corporate Management Team. • One to be selection from nominations sought from other employers within the fund. <p><u>Independent chairman:</u></p> <ul style="list-style-type: none"> • External advertisement. <p>Applications/nominations received will be reviewed by the Pension Fund Manager, the Director of Finance and the Chairman of the Pension Fund Committee, and final appointment will be approved by Full Council.</p> <p>All board members, including the independent chairman, are appointed for a period of four years, following which a new recruitment process will be followed.</p> <p>There is nothing to prohibit members being reappointed for additional terms.</p>



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E6	The administering authority to be satisfied that persons appointed to the local pension board do not have a conflict of interest.	The administering authority will have a conflict of interest policy and procedure in order to identify and manage actual and potential conflicts of interest	Partial compliance 	<p><i>Enter here whether a conflicts of interest policy has been adopted, where it can be found and the review procedure.</i></p> <p><i>Is it to be a regular feature on the local pension board agenda?</i></p> <p><i>Is there a register of interests? Who is responsible for maintaining it?</i></p> <p><i>Are local pension board members aware of what could be considered a conflict of interest? (i.e. included in induction training)</i></p> <p>Pension Board members are subject to a conflict of interest policy based on upon the Council's Code of Conduct contained within the constitution. Following the change in board membership between September 2021 and March 2022, board members (other than those who are elected members of the council or are employed by the council) have not yet been asked to complete a declaration of interest on appointment.</p> <p>The current declaration form is the same as that required for all elected members, much of which is irrelevant for the pension board member role. As part of the development of a new conflicts of interest policy, a new declaration of interest form will be developed for completion.</p> <p>Board members are invited to declare any interests they may have on agenda items at the start of each board meeting.</p> <p>Board members are encouraged to complete the Pension Regulator's online toolkit module dealing with conflicts of interest within 6 months of their joining the board.</p>
E7	The administering authority to have regard to guidance issued by the Secretary of State	The administering authority will have knowledge and access of the LGPS Advisory Board website (http://www.lgpsboard.org) and regularly check for updates and alerts.	Full compliance 	<p><i>Enter here the post title of the officer(s) responsible for regularly checking the LGPS Advisory Board website and any other methods by which the Fund is kept informed of any guidance issued.</i></p> <p>The task of regularly checking the LGPS Advisory Board website is not specifically allocated to an individual officer but falls within the remit of the Pension Fund Manager (formerly the Technical Finance Manager). Other methods of update include CIPFA and LGA bulletins, emails and networking events and Pension Regulator updates.</p> <p>Updates are provided at all committee and board meetings, with additional information circulated to committee and board members in between meetings.</p>



The Pensions Regulator's Code of Practice



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P1	Knowledge and Understanding			
P1.1	A member of the local pension board must be conversant with the scheme rules and any document recording policy about the administration of the scheme adopted by the administering authority	A training strategy has been adopted and a training plan drafted in which there is provision for informing local pension board members of the LGPS rules, regulations and the Fund's documents and recording policy.	Partial compliance 	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p>The role profile for pension board members includes a requirement that all 7 modules of the Pension Regulator's online toolkit be completed within 6 months of joining the board. By 30 June 2022, only 2 members had provided evidence that they had completed the required modules.</p> <p>Board members have been enrolled on the Hymans Robertson Aspire LGPS Online Learning Academy and are encouraged to complete all 6 modules. By 31 July 2022, only 1 member had completed all modules, and another had completed 5 modules.</p> <p>The pension fund committee agreed at its July 2022 meeting that the fund will participate in the Hymans Robertson National Knowledge Assessment 2022, encouraging both committee and board members to complete the assessment. The output from this assessment will support the development of a fund-specific knowledge and understanding policy and individual learning plans for both pension fund committee and pension board members.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.2	A process should be in place to ensure a member of the local pension board has the knowledge and understanding required of the law relating to pensions and other matters which are prescribed in the Regulations which is sufficient to enable them to perform their duties	A training strategy has been adopted and a training plan drafted in which there is provision for informing local pension board members of the law relating to pensions and matters prescribed in regulations.	Partial compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> The pension fund committee agreed at its July 2022 meeting that the fund will participate in the Hymans Robertson National Knowledge Assessment 2022, encouraging both committee and board members to complete the assessment. The output from this assessment will support the development of a fund-specific knowledge and understanding policy and individual learning plans for both pension fund committee and pension board members. A report on the completion of the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules is presented at each board meeting.
P1.3	The administering authority should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding	A training strategy has been adopted and a training plan drafted to establish the arrangements for local pension board members to acquire and retain knowledge and understanding.	Partial compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> The pension fund committee agreed at its July 2022 meeting that the fund will participate in the Hymans Robertson National Knowledge Assessment 2022, encouraging both committee and board members to complete the assessment. The output from this assessment will support the development of a fund-specific knowledge and understanding policy and individual learning plans for both pension fund committee and pension board members.
P1.4	The administering authority should designate a person to take responsibility for ensuring that a training framework is developed and implemented.	A training strategy has been adopted that contains details of the person designated to take responsibility for ensuring that a framework is developed and implemented	Partial compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> <i>Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented</i> The fund publishes CIPFA Knowledge and Skills Framework compliance statements in its annual report and accounts, which designates the Section 151 officer as having responsibility for ensuring the framework is implemented.



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P1.5	The members of the pension board should be familiar with the AVC options offered by the Fund, including the choice of investments offered to members and the relative performance of those.	Information of the AVC options is provided to the local pension board members	Non Compliance 	<i>Enter here how information of the AVC options are provided to the local pension board members (e.g. induction training, contained in the training plan, provided with an information pack)</i> No information has been provided to board members on this matter.
P1.6	The administering authority to prepare and keep an updated list of the documents with which they consider pension board members need to be conversant, including the scheme rules and relevant Fund specific documentation.	An updated list of documents is maintained	Full compliance 	<i>Enter here whether a list is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it and notifying local pension board members of updates.</i> A list of key documents, based on current requirements and including new items arising from the Scheme Advisory Board's Good Governance Project, was presented to the pension board at the 15 June 2022 meeting This list includes where each document can be found and when it is due for review. ITEM 11b - Documentation List.pdf (moderngov.co.uk) The pension board work programme includes items for the review of all documents as they become due. It is currently the responsibility of the Pension Fund Manager for maintaining this list and ensuring documents are kept up to date.



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.7	The roles and responsibilities of pension board members to be clearly documented.	The terms of reference of the pension board should clearly set out the role, responsibility and duties of the pension board members	Full compliance 	<i>Enter here whether a policy has been adopted, where it is available and the post title(s) of the person(s) responsible for maintaining it</i> The terms of reference for the Local Pension Board are published in the Council's Constitution Part 3, Section 6 The role profile for pension board members, covering both employer and scheme member representatives, is published on the pension fund website. This sets out the responsibilities and expectations of board members. Employer and Scheme Member Representatives on the Local Pension Board Isle of Wight Pension Fund The role profile for the independent chair of the board is also published on the fund's website. Independent Chair of the Local Pension Board Role Description Isle of Wight Pension Fund
P1.8	Local pension board members to be aware of their personal responsibilities in terms of knowledge and understanding	Local pension board members should have personalised training plans in place, making them aware of their personal responsibilities in terms of knowledge and understanding	Partial compliance 	<i>Enter here how this awareness is communicated (e.g. at induction training, contained within the training strategy, personal training plans, regular agenda item, monitoring by person designated to take responsibility for ensuring that a framework is developed and implemented)</i> The role profile for pension board members, covering both employer and scheme member representatives, is published on the pension fund website. This includes the knowledge and understanding requirements and expectations for board members. Employer and Scheme Member Representatives on the Local Pension Board Isle of Wight Pension Fund A report on members' progress in completing the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules is presented at each board meeting.


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.9	The administering authority to assist individual local pension board members to determine the degree of knowledge and understanding to effectively carry out their role as a pension board member (including pre-appointment training and mentoring if appropriate)	A monitoring system / procedure should be contained in the training strategy and in place in order to assist the local pension board member to attain the level of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member	Partial compliance 	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p><i>Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented and how this is achieved</i></p> <p>The output from the Hymans Robertson National Knowledge Assessment 2022 will support the development of a fund-specific knowledge and understanding policy and individual learning plans for pension board members.</p> <p>The Pension Fund Manager is the lead support officer for, and a key participant in, pension board meetings and plays a key role in identifying and procuring training needs.</p> <p>The fund publishes CIPFA Knowledge and Skills Framework compliance statements in its annual report and accounts, which designates the Section 151 officer as having responsibility for ensuring the framework is implemented.</p>
P1.10	The administering authority to maintain individual training plans for local pension board members	Individual training records are kept and maintained of the learning activities of the local pension board members.	Partial compliance 	<p><i>Enter here the post title or name of the person designated to take responsibility for maintaining the individual training records of the local pension board members.</i></p> <p><i>Are these regularly reported to the board / individual?</i></p> <p>The output from the Hymans Robertson National Knowledge Assessment 2022 will support the development of a fund-specific knowledge and understanding policy and individual learning plans for pension board members.</p> <p>A report on members' progress in completing the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules is presented at each board meeting.</p> <p>This information is maintained by the Pension Fund Manager.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.11	Local pension board members to invest sufficient time in their learning and development alongside their other responsibilities.	There is provision in the individual training plans to monitor and record attendance at training events and whether sufficient time is being invested in learning and development.	Partial compliance 	<p><i>Enter here the post title or name of the person designated to take responsibility for maintaining the individual training records of the local pension board members.</i></p> <p><i>Are these regularly reported to the board / individual?</i></p> <p><i>When / how?</i></p> <p>Board members are encouraged to attend development sessions provided by the fund, normally held virtually outside of the formal meeting schedule. They are also supported to attend regional and national training event.</p> <p>A report on members' progress in completing the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules is presented at each board meeting, along with reports from attendees at external training events.</p> <p>The record of development activities is maintained by the Pension Fund Manager.</p> <p>The output from the Hymans Robertson National Knowledge Assessment 2022 will support the development of a fund-specific knowledge and understanding policy and individual learning plans for pension board members.</p>
P1.12	Pension board members complete tPR's e-learning programme	Local pension board members are required to complete the Pensions Regulator's e-learning programme, but this is not in isolation and is supplemented by specific LGPS and related Fund learning activities	Partial compliance 	<p><i>Enter here whether the training strategy sets out the requirement or method by which local pension board members complete the Pensions Regulator's e-learning programme and how this is recorded and monitored</i></p> <p>The role profile for pension board members includes a requirement that all 7 modules of the Pension Regulator's online toolkit be completed within 6 months of joining the board.</p> <p>A report on members' progress in completing the Pension Regulator's online toolkit modules is presented at each board meeting.</p> <p>By 30 June 2022, only 2 members had provided evidence that they had completed the required modules.</p>




	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P2	Conflicts of Interest			
P2.1	The administering authority should have in place an appropriate conflicts of interest policy, clearly identifying individual roles in identifying and reporting potential conflicts of interest and to whom any potential conflict should be reported	Administering authorities should ensure that there is an agreed and documented conflicts policy & procedure, which includes identifying, monitoring & managing potential conflicts of interest.	Partial compliance 	<p><i>Enter here whether a conflicts policy is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p>Pension Board members are subject to a conflict of interest policy based on upon the Council's Code of Conduct contained within the constitution, as are all committee members.</p> <p>It has been identified that there needs to be a new conflicts of interest policy specific to the pension board, with a register of interest form relevant to board members.</p> <p>As part of formulation of new policy and declaration process, development session with board and committee members to understand what is or could be a conflict of interest, how those can be identified and how they should be reported/managed. This is overdue for completion.</p>
P2.2	The conflicts of interest policy has a regular review date incorporated into it	Regular review date specified within the policy.	Partial compliance 	<p><i>Enter here if a regular review date has been implemented</i></p> <p>The council's constitution is subject to regular review.</p> <p>The new board-specific policy will contain a review date, but as yet no policy has been created.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P2.3	The administering authority to maintain a register of all conflicts (and potential conflicts) that are raised, reviewing them appropriately	The administering authority should retain and regular review a register of all conflicts (and potential conflicts) that have been raised. Conflicts should be reviewed, and any action taken forward.	Non compliance 	<p><i>Enter here whether a register of conflicts exists, where it can be found and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p><i>Details of the review process and action taken should be clearly documented</i></p> <p>The current declaration form is the same as that required for all elected members, much of which is irrelevant for the pension board member role.</p> <p>Following the change in board membership between September 2021 and March 2022, board members (other than those who are elected members of the council or are employed by the council) have not yet been asked to complete a declaration of interest on appointment.</p> <p>As part of development of new conflicts of interest policy, a new declaration form to be developed and completed.</p> <p>These forms will be maintained by the council's democratic services team.</p>
P2.4	Declaration of conflicts (or potential conflicts) of interest to be disclosed on appointment and at regular intervals (inc. as a standing item at all meetings)	The administering authority should retain a 'register of interest'. This is a simple and effective means of recording and monitoring dual interests and responsibilities of the Pension Board members.	Partial compliance 	<p><i>Enter here whether a register of conflicts exists, where it can be found and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p><i>This should include initially disclosed conflicts of interest and any additional thereafter.</i></p> <p>Following the change in board membership between September 2021 and March 2022, board members (other than those who are elected members of the council or are employed by the council) have not yet been asked to complete a declaration of interest on appointment.</p> <p>Board members are invited to declare any interests they may have on agenda items at the start of each board meeting.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P3	Publishing information about schemes			
P3.1	The administering authority must publish information about the local pension board and keep that information up to date	Provision is made on the Council website or Fund website that is available for all scheme members to view and should include: - Name - Representative role - Employment and job title (where relevant) - The appointment process to the pension board	Full compliance 	<i>Enter here where the information about the local pension board is published and the post title of the person(s) responsible for its maintenance</i> <i>Add link to webpage</i> The pension fund website includes a page dedicated to the pension board: Local Pension Board Isle of Wight Pension Fund This includes the names, representative role and nomination process, appointment date and term of office. The names of the pension board members are also published on the council's democratic web pages, but this does not include their representation category. Committee details - Local Pension Board - Modern Council (moderngov.co.uk) The process by which each category of board members appointed is covered in the terms of reference for the board included within the council's constitution Part 3, Section 6 The pension fund website also includes role profiles for both employer and scheme member representatives and the independent chair. Employer and Scheme Member Representatives on the Local Pension Board Isle of Wight Pension Fund Independent Chair of the Local Pension Board Role Description Isle of Wight Pension Fund
P3.2	The administering authority should publish information about the local pension board's business	All board papers, agendas and minutes of meetings are available on the Council website or Fund website for all scheme members to view	Full compliance 	<i>Enter here where the board paper, agendas and minutes of meetings can be viewed.</i> <i>Add link to webpage</i> All board meeting agendas, papers and minutes are published on the council's democratic web pages Browse meetings - Local Pension Board - Modern Council (moderngov.co.uk)


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P3.3	The administering authority should consider any requests for additional information to be published to encourage scheme member engagement and promote a culture of transparency	There will be details on the Council website or Fund website informing scheme members who to contact if they wish to make any requests for further information to be published. There will be a procedure in place for determining what scheme member requests will be agreed and how the decision is communicated to the scheme member	Full compliance 	<i>Enter here where the details can be found.</i> <i>Confirm if there is a procedure in place for determining requests for further information to be published</i> Governance information is published on the democratic web pages for both committee Committee details - Isle of Wight Pension Fund Committee - Modern Council (moderngov.co.uk) and pension board Committee details - Local Pension Board - Modern Council (moderngov.co.uk) The pension fund website provides a wide variety of regulatory, statutory and local information and which is accessible to all members (active, deferred and retired) and employers of the fund. Home Isle of Wight Pension Fund The fund's communications policy is published on the website. Communications Policy - February 2019 Isle of Wight Pension Fund It is scheduled for review and update by November 2022.


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P4	Managing Risks			
P4.1	The administering authority is required to have in place internal controls that include adequate systems, arrangements and procedures for the administration and management of the Fund (including external service providers and third parties)	There are in place systems, arrangements and procedures to ensure that the scheme is being run in accordance with the scheme rules as set out in regulations. This will include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme.	Partial compliance 	<p><i>Enter here details of hierarchy and reporting</i> <i>The existence of a risk register and its review frequency</i> <i>The auditing arrangements of the fund administration.</i> <i>If outsourced or shared service how the service provider is monitored against service levels</i></p> <p>The administration of the pension fund is undertaken by Pensions Services, which is part of the Council's Business Centre.</p> <p>Accounting, governance including support for committee and pension board, and oversight of funding and investment is undertaken by the Technical Finance Team, within the Finance department.</p> <p>High level risk that there is not sufficient resource in the technical finance team to cover all requirements, and a significant reliance on a single officer. There are also concerns that the volume of "projects" for the administration team (including McCloud, dashboards, etc) will put pressure on the delivery of business as usual activities.</p> <p>An independent review is being commissioned to identify the optimal organisational structure and establishment size for the fund.</p> <p>The pension fund's risk management policy was reviewed and updated in December 2021. It is published on the fund's website. Risk Management Policy Isle of Wight Pension Fund</p> <p>The fund's risk register was adopted by the pension fund committee in May 2022 ITEM 19 Risk Register 1.pdf (moderngov.co.uk)</p> <p>The pension board is responsible for maintaining oversight of the risk management framework and risk register; the board reviews the risks at each meeting.</p> <p>Pension administration is subject to internal audit and was last reviewed in full in 2019-20 (reasonable assurance). Follow-up reviews have been undertaken in each year since then, each returning reasonable assurance.</p> <p>The council's Key Financial Systems are reviewed annually by internal audit; all controls in place for the council's own accounting processes are replicated for the pension fund.</p> <p>Internal audit reports are presented to the pension fund committee and pension board for review and monitoring of actions</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P4.2	The administering authority should have in place a risk register to record all risks and actions taken, which is reviewed regularly	An appropriate risk register is produced, recording all identified risks and action taken. This should be a standing item at all Pension Board meetings.	Full compliance 	<i>Enter where (if) the risk register is available and the person responsible for maintaining it.</i> The fund's risk register was adopted by the pension fund committee in May 2022 ITEM 19 Risk Register 1.pdf (moderngov.co.uk) The pension board is responsible for maintaining oversight of the risk management framework and risk register. This has been a standing item on each board meeting since April 2022, and action is reported to each subsequent committee meeting. A full review of the pension fund risk register is scheduled for Summer 2022, led by the Pension Fund Manager.
P4.3	The administering authority should regularly review the effectiveness of its risk management and internal control processes	Scheduled review dates should be included within the business remit of the Administering Authority. A review report should be produced detailing the effectiveness and any adjustments required with the Schemes risk management and internal controls	Full compliance 	<i>Enter here if there are scheduled review dates and their frequency.</i> Internal control processes for the pension fund mirror those for the administering authority, which are subject to review periodically by the council's internal audit team. The pension fund's risk management policy was reviewed and updated in December 2021. The policy has an annual review date. The fund's funding strategy statement is being reviewed and updated as part of the March 2022 triennial valuation process. The fund will also review its investment strategy statement during that process, to ensure both strategies are consistent.
P4.4	Risk management and internal controls should be a standing item on the Pension Committee and pension board agendas	Risk Management and internal controls included as an agenda item with the Pension Committee and pension board agendas.	Full compliance 	<i>Enter here whether risk management and internal controls have been added to the agenda.</i> The pension board reviewed the first draft of the pension fund risk register at its meeting on 6 April 2022 ITEM 8 Draft risk register.pdf (moderngov.co.uk) and recommended it for adoption by the committee at their meeting on 25 May 2022 ITEM 19 Risk Register 1.pdf (moderngov.co.uk) . All subsequent meetings of both board and committee have considered the risk register. The matter remains a standing item on both meeting agendas, as demonstrated by the workplan ITEM 11 Workplan 2022-23.pdf (moderngov.co.uk)



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P5	Scheme record keeping			
P5.1	The administering authority must be able to demonstrate that they keep accurate, up to date and enduring records to be able to govern and administer the LGPS effectively	There is in place a reliable pension administration software system for the purpose of keeping accurate and up to date scheme member data.	Full compliance 	<p><i>Enter here the system operated and its industry acceptance</i> <i>If outsourced or shared service how the data is monitored for accuracy or how member information is kept up to date and notified to the service provider</i></p> <p>The Isle of Wight Council continue to use the Heywood Pension Technologies (HPT) <i>Altair</i> system which is a well-known database enabling the administration of pensions. The system is externally hosted, which ensures that all system updates are actioned on a timely basis, and system and data issues can be investigated promptly.</p> <p>A procurement exercise completed in June 2022 has renewed the contract for this system for the next 10 years.</p> <p>There is regular attendance at HPT user group CLASS meetings to discuss any issues and seek resolutions to any difficulties.</p> <p>Pensions Services team members attend training sessions to keep them abreast of any system updates to ensure that records are maintained accurately.</p> <p>As of 30 June 2022, 82% of employers within the fund are using the i-connect portal for the submission of monthly membership data returns – only one payroll provider, which covers 20 maintained schools and 5 academies, is not using the system. This appears to be an issue nationally with this payroll provider; local engagement with the payroll provider is ongoing. In addition, the fund is working directly with the schools and academies concerned to resolve this issue.</p>




	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.2	The administering authority must ensure that scheme member data across all membership categories specified in the Record Keeping Regulations is complete and accurate and the data is subject to regular data evaluation	There is in place a procedure for all membership categories to pass on information with regard to changes in their own circumstances There is in place a procedure for scheme employers to advise of changes in circumstances of their scheme members	Full compliance 	<i>Enter here whether such procedures exist to notify changes in scheme member data</i> All members are encouraged to notify the pension administration team of any changes in their circumstances. The preferred method of notification is via the member self-service (MSS) portal which is a secure method of making changes to their member records. In addition, copies of change forms are available on the pension web pages. Members can also write or email in their changes. The use of the i-connect portal for monthly data submissions by 82% of scheme employers has significantly improved the timeliness of notification of changes to members' circumstances.
P5.3	The administering authority must keep specific data which will enable it to uniquely identify a scheme member and calculate pension benefits correctly	Scheme members have a unique identifier on the pension administration software system.	Full compliance 	<i>Enter here what identifier is used (e.g. NI number, payroll number, scheme reference number)</i> <i>Enter also whether or not scheme members can be identified by searching by surname or alternative if unique number not yet allocated or unavailable</i> All members have their NI number recorded. All active members have a payroll number provided by their provider. This would be unique to their role. If a unique reference has not been provided by a payroll provider or employer a member would be able to be identified by name date of birth and address. Each employer within the fund is allocated a unique scheme reference number. A unique pensioner number is assigned when a member becomes a pensioner.


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.4	The administering authority should require participating employers to provide them with timely and accurate data	Processes are established which facilitates the transmission of complete and accurate data. Employers are aware of the importance of accurate and timely submission of data and have access to expertise in order to resolve queries.	Full compliance 	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i></p> <p><i>Is there a pension administration strategy in place?</i></p> <p><i>Is there information for employers on the website?</i></p> <p><i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>With the exception of one payroll provider, all employers within the fund use the i-connect portal for the monthly submission of membership data. All new employers are set up on i-connect from the commencement of their engagement with the fund.</p> <p>The Administration Strategy is published on the fund's website. Administration Strategy Statement - November 2018 Isle of Wight Pension Fund</p> <p>The strategy contains provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data. The strategy will be updated before March 2023 to reflect the requirement for employers to use the i-connect portal for monthly data submissions.</p> <p>There is not currently a dedicated employer section on the fund's website, but this is under consideration. In the meantime, a timetable and guidance on the requirements for providing data (including copy forms) is provided to each employer and payroll provider at the start of each year.</p> <p>During the year ended 31 March 2022, there were only 6 instances (5 employers) of late submission of data; one new employer was recorded as late twice due to the non-completion of the admission agreement. There were 4 instances (4 employers) of late payment of contributions, 2 of which related to the late submission of data. No fines or penalties were issued during the year.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P5.5	The administering authority should seek to ensure that employers understand the main events which require information about members to be communicated	<p>Processes are in place for employers to inform the administering authority in the event there is an event affecting a scheme member, such as –</p> <ul style="list-style-type: none"> • Joins or leaves the scheme • Changes their rate of contributions • Changes their name, address or salary • Changes their membership status • Transfers employment between scheme employers • Strike days or breaks in service • 50/50 membership <p>(This list is not exhaustive)</p>	<p>Full compliance</p> 	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i></p> <p><i>Is there a pension administration strategy in place?</i></p> <p><i>Is there information for employers on the website?</i></p> <p><i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>The use of the i-connect portal by the vast majority of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events.</p> <p>There is not currently a dedicated employer section on the fund's website, but this is under consideration. In the meantime, a timetable and guidance on the requirements for providing data (including copy forms) is provided to each employer and payroll provider at the start of each year.</p> <p>All members are encouraged to notify the pension administration team of any changes in their circumstances. The preferred method of notification is via the member self-service (MSS) portal which is a secure method of making changes to their member records.</p> <p>In addition, copies of change forms are available on the pension web pages. Members can also write or email in their changes.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.6	The administering authority should have policies and procedures in place for the regular monitoring of data	Scheme managers must establish and operate adequate internal controls, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.	Full compliance 	<p><i>Enter here whether there are policies and procedures in place, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p>The use of the i-connect portal by the vast majority of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events.</p> <p>The Administration Strategy is published on the fund's website. Administration Strategy Statement - November 2018 Isle of Wight Pension Fund</p> <p>Full clean membership data for the 2022 triennial valuation of the fund was submitted ahead of schedule on 20 July 2022. The fund's actuary has confirmed that there are no data quality issues at a whole fund level.</p> <p>As part of an ongoing process of data quality monitoring, the fund uses the Hymans Robertson data portal (as used for each triennial valuation) to identify any further issues for data accuracy.</p>
P5.7	The administering authority should carry out regular (at least annually) data reviews	Administering authorities establish twice yearly dates to review the data quality held for the scheme. Internal process completed to investigate quality.	Full Compliance 	<p><i>Enter here confirmation details of the data reviews</i></p> <p>Data quality scores are measured using the HPT software. The most recent evaluation was completed in September 2021 (next review September 2022) and resulted in the following scores: Common data Sep-21: 94% (Sep-20: 95%) Scheme specific data Sep-21: 94% (Sep-20: 96%)</p> <p>NB: data scores for September 2020 included the Firefighters Pension Schemes, which are no longer administered by Isle of Wight Council.</p> <p>The Pensions Regulator now requires more data to be reviewed than previous years, hence a slight reduction in the data quality scores above. The administration team have identified the data to be further evaluated from the reports and have started to cleanse this through 2022 scheme valuation and data improvement plan.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.8	The administering authority should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes	Processes are established which details the timely transmission of complete and accurate data	Full compliance 	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i></p> <p><i>Is there a pension administration strategy in place?</i></p> <p><i>Is there information for employers on the website?</i></p> <p><i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>The use of the i-connect portal by 82% of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The monthly uploads create tasks within the administration system and are automatically allocated to the team members to review and complete.</p> <p>The Administration Strategy is published on the fund's website. Administration Strategy Statement - November 2018 Isle of Wight Pension Fund</p> <p>This document will be updated before March 2023 to reflect the changes in procedures arising from the use of the i-connect portal, along with other relevant updates.</p>
P5.9	The administering authority should be able to trace the flow of funds into and out of the scheme, reconcile these and keep records of transactions	There are audited processes in place that record transactions into and out of the Fund	Full compliance 	<p><i>Enter here confirmation that regular audits take place on the processes in accounting and reconciling monies into and out of the fund</i></p> <p>The fund uses the Logotech Public Sector Treasury Management System to record and monitor cash flows in and out of the fund, recording the anticipated contributions (timing and estimated values) and the actual amounts received, as well as forecast benefit payments against those actually paid. If funds are not received on the expected date, the administration team chase the missing information. This information is used to forecast the levels of operational cash maintained by the fund.</p> <p>The fund uses the SAP accounting system to record all financial transactions for the fund, and to produce regular accounting information for the pension fund committee and local pension board as well as the annual report and accounts. The treasury management processes for the fund are covered by the council's internal audit universe and are reviewed annually by the internal audit provider. The financial statements for the fund are audited annually by the fund's external auditors, Ernst & Young,</p> <p>Reports from both sets of auditors are presented to the pension fund committee and local pension board.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.10	The administering authority must keep records of pension board meetings and discussions and records of decisions made other than at a local pension board meeting that is later ratified.	Records are available that show decisions made and discussions at local pension board meetings and those that take place outside and are later ratified at a local pension board meeting	Full compliance 	<i>Enter here where the records are available</i> <i>Add link to webpage</i> All board meeting agendas, papers and minutes are published on the council's democratic web pages Committee details - Local Pension Board - Modern Council (moderngov.co.uk)
P5.11	The administering authority should retain records for as long as they are needed and have in place an adequate system and process for record retention	A policy on document retention is in place that includes the retention of local pension board papers and documents	Full compliance 	<i>Enter here whether there is a policy document in place that includes the retention of local pension board papers and documents</i> <i>Add the retention time limit</i> <i>Add link to webpage</i> The fund's data retention policy follows that of the Isle of Wight Council, which was last updated in 2019. https://www.iow.gov.uk/documentlibrary/download/retention-policy-2011 The policy states that in accordance with Part VA of the Local Government Act 1972, documents which form part of the agenda for all council meetings must be available for inspection by members of the public for a period of 6 years from the date of the meeting.
P5.12	Where the administering authority has identified poor quality or missing data there should be a data improvement plan in place	A data improvement plan is in place which contains measures for the administering authority to monitor and a timeframe for attaining accurate data	Full compliance 	<i>Enter here whether a data improvement plan is in place with timescales for data improvement or what measures will be taken where inaccurate data is discovered</i> The administration team have identified a number of key projects which will continue to improve the quality of the fund's data. These include the finalisation of the GMP reconciliation and rectification project; implementation of the McCloud remedy (in due course); onboarding the remaining payroll provider to the i-connect system; the use of the tracing service to confirm addresses and mortality screening; and the review of the most recent data quality score reports. A data improvement plan will be formalised and reported to the pension board.



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.13	The administering authority should reconcile member records with the relevant employers and be able to identify those scheme members who are approaching retirement, those who are active members and those that are deferred members	Scheme member records are reconciled with the relevant employers at least on an annual basis. Pension Administration software systems can identify scheme members approaching retirement, active members and deferred members.	Partial Compliance 	<p><i>Enter here when and how scheme member records are reconciled with their relevant employers.</i></p> <p><i>Confirm that the pension administration software system can identify scheme members approaching retirement, active members and deferred members.</i></p> <p>A manual report for deferred members is run monthly to enable information on pension options to be provided ahead of retirement.</p> <p>Information from active members wishing to retire is received via the payroll /HR teams.</p> <p>There remains no current process to regularly review the age profile of the fund's active members, particularly those approaching retirement.</p> <p>Member tracing service has now been procured and contract will commence 1st September 2022. This will look at:</p> <ul style="list-style-type: none"> • Address Tracing and Correction Services for both UK and overseas members • Mortality Screening Services for both UK and overseas members <p>Members are encouraged to use the member self-service portal to keep their personal information up to date.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.14	The administering authority must ensure that processes created to manage scheme member data are compliant with the General Data Protection Regulation (GDPR) 2018, in association with the Data Protection Act 2018 and the data protection principles.	GDPR and Data Protection Act are complied with and all relevant persons are aware of their responsibilities	Partial compliance 	<p><i>Enter here how this awareness is communicated</i></p> <p><i>Officers – internal</i></p> <p><i>Committee/LPB members –induction / info packs</i></p> <p>The council continues to require all staff and elected members to complete online learning modules in respect of Data Protection Awareness, Information Security Awareness and Cyber Security Awareness. Completion of these courses is monitored at 121 meetings with supervisor.</p> <p>At the July 2022 pension committee meeting, committee members were asked to complete these modules to demonstrate their awareness.</p> <p>Progress on completion of these modules will be reported at each committee meeting.</p> <p>The council's online courses are not yet available to the pension board – this will be reviewed before March 2023.</p> <p>All members of the committee and board have been encouraged to complete the Pension Regulator's online toolkit module on maintaining accurate member data.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.15	The administering authority should be able to demonstrate that records are kept in accordance with other relevant legislation	<p>Evidence that key requirements are set out where applicable under the following legislation –</p> <ul style="list-style-type: none"> • Pensions Act 1995 and 2004 • Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010 • Occupational Pension Schemes (Scheme Administration) Regulations 1996 • Registered Pension Schemes (Provision of Information) Regulations 2006 • General Data Protection Regulation (GDPR) 2018 • Data Protection Act 1998 • Freedom of Information Act 2000 	<p>Full compliance</p> 	<p><i>Enter here some evidence or statement that the relevant pieces of legislation are complied with in relation to the Fund's record keeping</i></p> <p>The fund uses the Heywood Pensions Technologies <i>Altair</i> system to maintain its membership data. That system is compliant in keeping records in accordance with all required rules and regulations.</p> <p>The day to day operation of the fund is supported by process notes and system guidance which ensure appropriate use of the system's controls.</p> <p>Pension fund staff operate within the council's policies in respect of Data Protection and Freedom of Information.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P6	Maintaining Contributions			
P6.1	The administering authority should ensure there are effective policies and procedures in place to identify payment failures and assess the materiality of any failures identified	All employers are aware of the payment deadlines Procedures and processes are in place to monitor the payment of contributions, record payments of contributions to the Fund, manage overdue contributions and identified payment failures are reported to a senior officer.	Full compliance 	<p><i>Enter here how employers are made aware of their responsibilities to meet contribution payment deadlines (Pension Administration Strategy, Admission Agreement)</i></p> <p><i>Confirmation that procedures are in place to monitor and record payments of contributions to the</i></p> <p><i>The action taken when a payment failure is identified and the reporting responsibilities</i></p> <p>The Administration Strategy, published on the fund's website, sets out the requirements for all employers, including the provision for the application of sanctions (including financial penalties where appropriate) for late payment of contributions. Administration Strategy Statement - November 2018 Isle of Wight Pension Fund</p> <p>All employers now pay their contributions on a monthly basis by electronic bank transfer, with the exception of one parish council who still pay by cheque.</p> <p>A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer, with continued non-compliance reported to management.</p> <p>The receipt of contributions is monitored by both the pension administration team and the Council's treasury management team.</p> <p>Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting. During the year ended 31 March 2022, there were only 4 instances (4 employers) of late payment of contributions. No fines or penalties were issued during the year.</p> <p>Employer compliance is also reported in the fund's annual report and accounts.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P6.2	Employers should be provided with the necessary guidance to ensure they provide the required information to enable contributions to be monitored	Employers are provided with the necessary scheme documents and training requirements to fulfil their obligations within the Scheme. - Contribution templates - Fund liaison contact for contributions	Full compliance 	<p><i>Enter here where the employer contribution documents are held and the person responsible for maintaining them.</i></p> <p><i>Detail the Fund's contact for contribution pay over.</i></p> <p>At the start of each financial year, guidance is provided to all employers including the employer contribution rate for the forthcoming year, and the timetable for submission of data and contributions.</p> <p>Following each triennial valuation, employers received detailed communications about their funding level and required contribution rates. Meetings are offered with the fund's actuary to discuss and agree the contribution rate.</p> <p>The funding strategy statement for each valuation (2019 valuation linked below) is then published on the fund's website – this contains the rates and adjustment certificate setting out contribution rates for the three years following the valuation. 161220 Isle of Wight Council Pension Fund - DRAFT Funding Strategy Statement 2016 (isleofwightpensionfund.org)</p> <p>A generic address is provided for employer queries: pensions@iow.gov.uk</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P6.3	Where the administering authority identify a payment failure, they should follow a process to resolve issues quickly (e.g. monthly monitoring of employer payments to ensure contributions paid on time and in full) and maintain a record of investigations and communications in relation to such failures	Records are maintained of investigations and communications (and outcomes) in relation to payment failures, together with communication with the employer	Full compliance 	<p><i>Enter here confirmation that a procedure and process is in place to resolve issues where there is a payment failure by an employer</i></p> <p>The Administration Strategy, published on the fund's website, sets out the requirements for all employers, including the provision for the application of sanctions (including financial penalties where appropriate) for late payment of contributions. Administration Strategy Statement - November 2018 Isle of Wight Pension Fund</p> <p>A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer, with continued non-compliance reported to management.</p> <p>Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting.</p>
P6.4	The administering authority should review processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.	This will be identified on the fund's risk register A regular review of processes to detect fraud is undertaken	Full compliance 	<p><i>Enter here confirmation the process to detect situations where fraud may take place is recorded on the risk register (enter reference)</i></p> <p><i>Confirm that regular reviews of the process to detect fraud are undertaken (date of last review / date of next review)</i></p> <p>The use of the i-connect portal by the vast majority of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events. It also ensures that the correct contribution rates are applied relative to the member's salary.</p> <p>The council participates in the National Fraud Initiative (NFI) exercise to match data and ensure consistency.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P6.5	The administering authority must report payment failures which are likely to be of material significance to the Regulator.	Responsible officers are aware of the requirement and there is a procedure in place for reporting payment failures to the regulator in accordance with the code of practice	Full compliance 	<p><i>Enter here where the procedure is documented (reporting policy)</i></p> <p>The <i>Reporting breaches of the law to the Pensions Regulator</i> policy is published on the fund's website. This document is overdue for review. Reporting Breaches of the Law to the Pensions Regulator Policy Isle of Wight Pension Fund</p> <p>Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting. Due to the size of the employers within the fund, it is unlikely that any failure to report and pay will be of material significance to the Pensions Regulator. However, all incidents will be included on the breaches log, with an assessment of significance.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P7	Member communication			
P7.1	Administering authority to provide an annual benefit statement to all active, deferred and pension credit members containing certain legal information and to ensure all AVC members are provided with a similar statement from their AVC provider	Annual benefit statements are issued to each active, deferred pensioner and pension credit member. Statements must be issued no later than 5 months after the end of the Scheme year to which it relates The Administering Authority will have liaised with the Schemes AVC provider and ensured an appropriate timetabled production of the members AVC statement is produced.	Full compliance 	<i>Enter here the date annual benefit statements were issued to active, deferred and pension credit members and the relevant Scheme year to which it relates</i> <i>Enter here the Administering Authorities AVC provider and the agreement details for the member's annual benefit statement production.</i> Annual Benefits Statements (ABS) for all active, deferred and pension credit members are issued by 31 August in line with statutory deadlines, via the Member Self Service (MSS) portal. Performance against the statutory deadline is reported to the pension board as part of the administration report at each meeting. The fund's AVC provider, Prudential, issue confirmation to individual members their ABS has been uploaded to their portal and provide instructions to the member to support access. The fund receives confirmation from Prudential that the statements have been distributed (2021-22 received 29 June 2022).
P7.2	The administering authority must provide scheme members with basic scheme information, meeting minimum legal requirements	The fund will have in place a communication policy which contains details of what information is provided to scheme members and the communication media.	Full compliance 	<i>Enter here confirmation that a communication policy is in place (link to webpage) which sets out what information is provided to scheme members and how it is communicated (scheme booklet, dedicated fund website, council webpage)</i> The Communications policy is published on the fund's website. Communications Policy - February 2019 Isle of Wight Pension Fund It is scheduled for review in summer 2022, to be represented to the pension board meeting in October 2022, for onward recommendation to the committee in November 2022. Recruitment material for all council vacancies includes reference to the Local Government Pension Scheme. New employees are provided with information in their contract of employment and access to the Member Self Service portal which holds individual data. A representative of the Pensions Services team delivers information about the LGPS at each council corporate induction event. The pension fund website Home Isle of Wight Pension Fund provides up to date local information on the scheme to prospective and existing members, including links to the National LGPS website


	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P7.3	Disclosure regulations make provision for scheme members and others to receive information that is relevant to their pension rights and scheme entitlements and provided within certain legal timescales	<p>The fund will have in place a communication policy that sets out how and when it will communicate with any of the following “relevant persons” within the prescribed legal timescales.</p> <ul style="list-style-type: none"> • Active members • Deferred members • Pensioner members • Prospective members • Spouses, civil partners of members or prospective members • Other beneficiaries • Recognised trade unions 	<p>Full compliance</p> 	<p><i>Enter here confirmation that a communication policy is in place (link to webpage) which sets out what information is provided to scheme members and how it is communicated (scheme booklet, dedicated fund website, council webpage)</i></p> <p>The Communications policy is published on the fund’s website. Communications Policy - February 2019 Isle of Wight Pension Fund</p> <p>The policy sets out the proposed methods and frequency of communications with scheme members and employers.</p> <p>2020-21 Annual Benefit Statements (ABS) for all active, deferred and pensioner credit members were published on the Member Self Service portal in advance of the 31 August 2021 statutory deadline. 2020-21 Pension Saving Statements for impacted members were issued individually in advance of the 6 October 2021 deadline.</p> <p>A report on performance against service key performance indicators (KPIs) is provided to each pension board meeting, demonstrating the level of compliance with key activities against prescribed service standards. The report for the year ended 31 March 2022 was presented to the June 2022 board meeting. Pension KPIs 2021-22.xlsx (moderngov.co.uk)</p> <p>The pension fund website Home Isle of Wight Pension Fund provides up to date local information on the scheme to prospective and existing members, including links to the National LGPS website</p>
P7.4	Where information is provided electronically it should comply with legal requirements	Administering authority ensuring that all electronically produced information complies with the legal requirement	<p>Full compliance</p> 	<p><i>Enter here whether or not the administering authority has complied with the legal requirements.</i></p> <p>Annual Benefit Statements for active and deferred members are primarily published on the Member Self Service (MSS) portal.</p> <p>All active members have been informed of the MSS portal via internal communication at the council, and emails to school business partners and nominated payroll contacts at external employers.</p> <p>All deferred members have received a letter and Newsletter confirming their ABS is on the portal and how to register.</p>

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P7.5	The administering authority should attempt to make contact with their scheme members and where contact is not possible carry out a tracing exercise to locate scheme members.	A tracing service has been engaged to trace scheme members where contact details are considered incorrect	Partial compliance 	<i>Enter here whether or not a tracing service is used and the circumstances in which it is used.</i> The fund has completed a procurement exercise to carry out address tracing and mortality screening services for UK and overseas deferred members and pensioner members of the fund. The contract is due to commence 1 st September 2022.
P7.6	Requests for information should be acknowledged if information requested cannot be immediately provided.	A customer service standard is in place that requires a written response to be provided within a specified timescale and where that response cannot be provided that a letter of acknowledgement is sent with an indicative response time.	Full compliance 	<i>Enter here to confirm that a customer service standard is in place and what the response timescales</i> The Communications policy, published on the fund's website, establishes timescales for responses to various requests for information. Communications Policy - February 2019 Isle of Wight Pension Fund For communication received via the pension team generic e-mail account (pensions@iow.gov.uk), an automatic acknowledgement is delivered advising a response will be made within 5 working days. Members are also referred to the member self-service portal where some information is readily available. Key performance indicators of compliance with agreed service standards are reported to each meeting of the pension board.

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P8	Internal Dispute Resolution Procedure			
P8.1	The administering authority has in place an Internal Dispute Resolution Procedure	An Internal Dispute Resolution Procedure is in place in accordance with the LGPS regulations and it clearly states the procedure and process to apply for a dispute to be resolved including – - Who it applies to - Who the adjudicator is (stage 1) - Who to contact with a dispute - The information that an applicant must include - How the final decision is reached - How the dispute can be escalated if dis-satisfied - The appropriate timescales	Full compliance 	<i>Enter here confirmation that there is an Internal Dispute Resolution Procedure in place in accordance with the LGPS regulations and the required information included in correspondence where required (inc. website, booklets, etc.)</i> <i>Link to webpage</i> The <i>Complaints and Internal Disputes Resolution Procedure</i> (adopted in November 2017) is published on the fund's website: IDRP Guide Isle of Wight Pension Fund This document is overdue for review.
P8.2	The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes	A 'specified person' has been nominated by the scheme employer. The appropriate timescales known by the scheme employer for their reply.	Non-compliance 	<i>Enter here if a list of the 'specified person' for each employer is in existence, where it is held and who maintains it.</i> Unknown: as part of the approval process for the updated Internal Dispute Resolution Procedure, contact will be made with all scheme employers to determine and record their internal processes. No progress has been made on this issue since the last reporting period.

	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P8.3	The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (inc. the employer processes at stage 1)	The administering authority to complete an annual review of its dispute process. Ongoing and completed disputes to be logged appropriately. Timescales for completion of dispute cases reviewed.	Non-compliance 	<i>Enter here the details of the annual review, where it is held and the post title(s) of the person(s) responsible for maintaining it.</i> <i>Is this accessible on the Fund's website?</i> The published Complaints and Internal Disputes Resolution Procedure is overdue for review.

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P9	Breaches of the Law			
P9.1	The administering authority should be satisfied that those responsible for reporting breaches of the law are made aware of their legal requirements and the Pensions Regulator's guidance.	Those responsible for reporting breaches are made aware of the legal requirements and the regulator code of practice. Relevant training should be provided to those responsible for reporting breaches. Sign off required on completion of training and understanding. All those that are responsible to report breaches, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligation.	Non compliance 	<p><i>Enter here the details of all training provided and the corresponding training documentation.</i></p> <p><i>-Include the procedures used</i></p> <p><i>-List of names and roles that should report breaches within the Fund</i></p> <p><i>-Training list document</i></p> <p><i>-Annual review of post holders involved</i></p> <p>Board members are encouraged to complete the Pension Regulator's online toolkit module dealing with reporting breaches of the law within 6 months of their joining the board.</p> <p>Further improvements are required in the level of understanding of officers, committee and board members in terms of what constitutes a breach, and what should be included on the breaches log.</p>
P9.2	The administering authority should have a breaches of the law policy in place	Breaches of the law policy detailed within the Fund's annual governance statement	Partial compliance 	<p><i>Enter here whether a policy is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p>The <i>Reporting breaches of the law to the Pensions Regulator</i> policy is published on the fund's website. This document is overdue for review.</p> <p>Reporting Breaches of the Law to the Pensions Regulator Policy Isle of Wight Pension Fund</p> <p>The Pension Fund Manager is responsible for reviewing and updating the policy.</p>

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P9.3	The administering authority should maintain a breaches log and have identified a person responsible for maintaining the breaches of the law policy, logging, reporting and recording processes	Named person detailed within the Funds annual governance statement. Breaches log established, updated and maintained. Confirmation of the reporting of breaches.	Partial compliance 	<i>Enter here the post title(s) of the person(s) responsible.</i> The published policy requires updating to confirm the persons responsible for receiving reports or breaches, and the person responsible for maintaining the breaches log. The administration report to each pension board meeting includes reference to breaches of the law, although no breaches log is presented.

Knowledge and Skills Framework Compliance Statements

Dated: 13 December 2022

Policy statements

1. This organisation adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
2. This organisation recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly, this organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
5. This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.
6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Director of Finance and Section 151 Officer, who will act in accordance with the organisation's policy statement, and, where he is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

Member and officer training report

Following local elections in May 2021, a virtually new committee was returned, with only two members remaining following the change in administration. In addition, the local pension board was dissolved in September 2021, following the end of terms of office for two members; the board was reconstituted in April 2022.

Despite the return to in-person committee and board meetings, most training and development workshops continued to be delivered virtually, outside of the normal committee meeting cycle. Members of both committee and board were invited to attend all events held.

The development and training workshops held in 2021-22 covered the following topics:

- 02 June 2021: induction meeting for new committee members.
- 21 June 2021: Asset classes and Responsible Investment/Environmental, Governance and Social risks, including Climate change
- 07 September 2021: Decision making framework
- 06 October 2021: Risk management framework
- 29 October 2021: Introduction to LAPFF
- 10 November 2021: Introduction to ACCESS and investment pooling
- 21 January 2022: ACCESS Responsible Investment guidelines
- 02 February 2022: Triennial valuation

These workshops were facilitated by the fund's external advisers, with the exception of the LAPFF and ACCESS workshops which were delivered by officers from those organisations.

Table 1: development attendance

		02-Jun-21	29-Jun-21	07-Sep-21	06-Oct-21	29-Oct-21	10-Nov-21	26-Jan-22	02-Feb-22		
committee	Chair	x	√	√	x	√	x	√	√	63%	
	Vice-chair	√	x	x	√	√	x	√	√	63%	
	Elected member 1	√	x	x	x	x	√	√	√	50%	
	Elected member 2	√	√	√	x	√	√	√	√	88%	
	Elected member 3.1	√	x							50%	
	Elected member 3.2			√	x	x	x			25%	
	Elected member 3.3								√	√	100%
	Elected member 4			x	x	√	√	√	√	67%	
	Elected member 5.1	x	√	√	x	√	√			67%	
	Elected member 5.2							√	√	100%	
	Scheme member rep	x	√	√	√	x	√	√	√	75%	
	Employer rep										n/a
board	Chair (Employer 1)	x	√	√							67%
	Employer 2			x	x	x	x	x	x	0%	
	Employer 3							x	√	50%	
	Scheme member 1	x	√	√						67%	
	Scheme member 2	x	√	√				√	√	√	83%
	Scheme member 3										n/a
Committee Total		50%	50%	63%	25%	63%	63%	100%	100%	73%	
Board Total		0%	100%	75%	n/a	n/a	n/a	n/a	n/a	n/a	

In addition to the above workshops, during the year the committee received presentations from three of the fund's seven investment managers in respect of the performance of their portfolios, and relevant issues impacting the financial markets.

Many advisers and investment managers for the LGPS held virtual development events throughout the year. Members of both committee and board were encouraged to attend these webinars.

During the year, the committee's nominated elected member, together with the Pension Fund Manager, attended four joint committee meetings of the ACCESS group, in respect of pooling of investments.

Isle of Wight Council Pension Fund Risk Management Policy

November 2021

1. Document information

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2. Contents

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3. Introduction

- 3.1. This risk management policy has been prepared by Isle of Wight Council (the Administering Authority, or "we") in its capacity as the administering authority of the Isle of Wight Council Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS)
- 3.2. This policy sets out the Fund's approach to identifying and managing risk, including:
- its attitude to, and appetite for, risk;
 - the procedures that are adopted in the Fund's risk management process;
 - roles and responsibilities in implementing this policy; and
 - the key internal controls operated by the Administering Authority and other parties responsible for the management and administration of the Fund.
- 3.3. This policy forms a key part of the internal controls and governance arrangements for the fund, along with other key documents listed under section 11 Related documents below.

4. Aims and Objectives

- 4.1. In understanding and monitoring risks, the aims and objectives of this policy are to:
- integrate risk management into the procedures and the day-to-day activities and processes of the Fund.
 - raise awareness of the need for risk management by all those connected with the management and administration of the Fund, including advisers.
 - improve the financial management of the Fund.
 - minimise threats and the probability of negative outcomes for the Fund.
 - establish and maintain a robust framework and procedures for identification, assessment and management of risks, together with their reporting.
 - ensure consistent application of risk management across all Fund activities, including funding, investments, administration and governance.

5. Scope

- 5.1. This Risk Management Policy applies to:
- all members of the Isle of Wight Pension Fund Committee and the Isle of Wight Local Pension Board, including scheme member and employer representatives.
 - senior officers involved in the management of the Fund, including the Section 151 Officer.
- 5.2. Scheme employers, advisers and suppliers to the Fund are also expected to be aware of this policy and assist those mentioned above in meeting its objectives.

6. Appetite for risk

- 6.1. It is recognised that not all risks can be eliminated. It is also recognised that, while some risks can be mitigated by putting in place simple controls, others will still remain high regardless of the mitigations in place. Accepting and actively managing risk, therefore, is key to the risk management policy for the Fund.
- 6.2. In considering its appetite for risk, therefore, the Administering Authority will consider the extent to which individual risks:
- are aligned to the overarching objectives of the Fund.
 - demonstrate an improved management of the Fund.
 - enable better management of any change programmes or major projects;
 - identify and maximise opportunities that might arise.
 - are fully understood and taken into account in making decisions linked to any new areas of activity (new investment strategies, joint working, framework agreements etc.).
 - minimise threats.
- 6.3. In managing risk, the Administering Authority will:
- ensure that there is a proper balance between risk taking and the opportunities to be gained.
 - adopt a system that will enable the Fund to anticipate and respond positively to emerging risks and opportunities.
 - minimise loss and damage to the Fund and to other stakeholders.

7. Risk Management Process

- 7.1. Risk management is a continual and evolving process, looking systematically at the Fund's risk. This should involve lessons learned from the past as well as managing those in the present and anticipating those that might occur in the future. The main elements of this process are summarised below.

Identification

- 7.2. Various methods have been adopted by the Fund in order to identify risks, including:
- risk assessment awareness exercises provided to the Pension Fund Committee, Local Pension Board and senior Fund officers.
 - reviewing the Fund's Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).
 - reviewing the Fund's Governance Compliance Statement.
 - reviewing the Fund's administration policy.
 - reviewing the Fund's communication policy.
 - assessment against the Fund's agreed objectives and business plan.
 - consideration by senior Fund officers.
- 7.3. Additionally, risks will be identified via:
- findings from internal and external audit reports.
 - informal meetings of senior officers or other staff involved in the management and administration of the Fund.
 - "horizon scanning" which involves analysis of future trends and emerging issues.
 - liaison with other organisations and professional advisers.
 - feedback from members of the Pension Fund Committee and Pension Board.
- 7.4. Risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of those risks.

Analysis and evaluation

- 7.5. Identified risks are then considered and scored against both their likelihood of occurring and their impact if they did. This exercise is carried out before consideration of any mitigations that may be put in place in order to give an inherent score. Following the consideration of any mitigations that may be appropriate risks will be further assessed to provide a target score.
- 7.6. The gradings for likelihood and impact are combined to determine the overall risk rating for each risk, using the scoring grid below.

Likelihood / Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 VERY HIGH
	3 Likely	4 Low	8 Medium	12 High	15 VERY HIGH
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
		1 Low	2 Medium	3 High	4 Major
Impact / Severity					

15-16	Red	Very High Risk
12-14	Red	High Risk
7-11	Amber	Medium Risk
1-6	Green	Low Risk

- 7.7. Each risk is then allocated a current score based on the progress between the inherent and target scores according to the success of the any mitigations put in place.
- 7.8. Each risk will also be assigned to an owner who is responsible for ensuring any identified mitigations are put in place and regularly monitored and reported.
- 7.9. Where considered necessary, specific Fund risks will also be included on the Isle of Wight Council's Corporate Risk Register, reflecting the wider impact they may have on the local community.

Classification

- 7.10. The Administering Authority has agreed broad classifications determining action required as follows:
- **Low (Acceptable):** it is considered that any action to further reduce the level of risk would be inefficient, i.e. the cost in time or resource outweighs any potential impact of the risk materialising. Such risks include infrequent events with low impact. These risks are being effectively managed and are scored as 1 - 6.
 - **Medium (Manageable):** it is considered the impact of these risks can be reduced within a reasonable timescale or in a cost-effective manner. Any mitigating actions must be monitored and recorded and are scored as 7 - 11.
 - **High (Serious):** these risks could have a serious impact, and detrimental effect on the achievement of objectives. Agreed actions should be

developed to reduce the level of residual risk and reviewed periodically. Serious risks are scored as 12 – 14.

- **Very High (Very severe):** these are risks which could have a potentially disastrous effect on the Fund without immediate comprehensive action to reduce the level of risk. Such risks could result in major service disruption, major financial losses and significant adverse media coverage and possibly external interventions. Very severe risks are those scored as 15 or more.

7.11. As well measuring the impact of any identified risks we also consider the likelihood of the event occurring. The classifications are:

- **Remote:** only expected to occur in exceptional circumstance (< 10 % chance of happening)
- **Unlikely:** not necessarily expected to happen, but may do at some point (between 10% and 40% chance)
- **Likely:** Highly likely to occur and/or there is a past history of such, or similar, occurrences (between 40% and 75% chance)
- **Very likely:** There is a history of past occurrences and the event is expected to occur (greater than 75% chance)

Control

7.12. Senior fund officers will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. The Fund's Section 151 Officer is ultimately responsible for ensuring all required actions are taken and for reporting progress to the Pension Fund Committee. Before any action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place.

7.13. The result of any change to the internal controls could result in any of the following:

- **Risk elimination** - for example, ceasing an activity or course of action that would give rise to the risk.
- **Risk reduction** - for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises to reduce the impact.
- **Risk toleration** - for example, where the risk is unavoidable, or more tolerable than alternatives, or where the impact is assessed to be minimal.
- **Risk transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

7.14. The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's Action Plan in relation to any agreed action as a result of an identified risk.

Monitoring

7.15. In monitoring risk management activity consideration will be given to whether:

- the mitigations taken achieved the desired outcomes;
- the procedures adopted, and information gathered for undertaking the risk assessment, were appropriate;
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk; and
- what lessons are to be learned for the future assessment and management of risks.

8. Reporting

- 8.1. Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be a standing item on Pension Fund Committee and Local Pension Board agendas and updates provided on a quarterly basis.
- 8.2. The Pension Fund Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 5 or more) or new serious risks (for example, scored 12 or more).
- 8.3. As a matter of course, the Local Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.
- 8.4. The Pension Fund Committee and Local Pension Board may request updates on any aspect of the risk register at any time.
- 8.5. In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this policy on a quarterly basis taking into consideration any feedback from the Pension Fund Committee and Local Pension Board.

9. Risks to success of policy

9.1. It is important to recognise that risks can exist that can impact the success of this policy, together with the risk register itself. These include:

- risk management not being embodied into the day to day management of the Fund;
- key person risk, through changes to senior officers, Pension Fund Committee and Pension Board members leading to a lack of ongoing knowledge or understanding and inappropriate levels of risk being taken without proper controls;
- insufficient resources available to satisfactorily assess or take appropriate action in relation to identified risks;
- lack of engagement or awareness of external factors resulting in risks not being identified;
- conflicts of interest or other factors leading to a failure to identify or assess risks appropriately; and
- risk register is not monitored appropriately to ensure actions have been taken or new risks identified and recorded, monitored or carried out.

10. Approval and review

10.1. This policy will be reviewed and updated by the Isle of Wight Pension Board and the Isle of Wight Pension Fund Committee at least annually, or more frequently if required.

11. Related documents

- [Isle of Wight Council Risk Management Framework](#)
- [Isle of Wight Council Pension Fund objectives 2018](#)
- [Isle of Wight Council Pension Fund Funding Strategy Statement](#)
- [Isle of Wight Council Pension Fund Investment Strategy Statement](#)
- [Isle of Wight Council Pension Fund Governance Policy](#)
- [Isle of Wight Council Pension Fund Governance Compliance Statement](#)
- [Isle of Wight Council Pension Fund Administration Strategy](#)
- [Isle of Wight Council Pension Fund Communications Policy](#)

Appendix 1: Scoring Criteria

1 Likelihood / Probability criteria.

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily / weekly / monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has rarely/never happened before

2 Impact / Severity criteria

Factor	Scale	Effect on Service	Embarrassment / reputation	Personal privacy infringement	Failure to provide statutory duties / meet legal obligations	Financial	Effect on Project Objectives / Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	All personal details compromised/ revealed	Litigation/claims/fines from: Departmental £250k + Corporate £500k +	Operational: Costing over £500,000 Investments: in excess of 10% of investment assets value	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Many individual personal details compromised/revealed	Litigation/claims/fines from: Departmental £50k to £125k Corporate £100k to £250k	Operational: Costing between £50,000 and £500,000 Investments: between 5% and 10% of investment assets value	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity/local public opinion aware Statutory prosecution of a non-serious nature	Some individual personal compromised/ details revealed	Litigation/claims/fines from: Departmental £25k to £50k Corporate £50k to £100k	Operational: Costing between £5,000 and £50,000 Investments: between 1% and 5% of investment assets value	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Isolated individual personal compromised/ detail revealed	Litigation/claims/fines from: Departmental £12k to £25k Corporate £25k to £50k	Operational: Costing less than £5,000 Investments: less than 1% of investment assets value	Minimal impact to project/ slight delay less than 2 weeks

Isle of Wight Council Pension Fund Communications Policy

November 2022

1. Document Information

Title:	Isle of Wight Council Pension Fund Communications Policy
Status:	FINAL
Current Version:	V2.1
Author:	Jo Thistlewood Financial Services Jo.Thistlewood@iow.gov.uk 01983 821000 x 6371
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1.0	21 September 2018	First draft from Hymans Robertson LLP
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2.1	22 October 2022	Local Pension Board review
2.1	09 November 2022	For committee approval
2.1 FINAL	23 November 2022	For publication

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3. Introduction

- 3.1. Isle of Wight Council is the administering authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Isle of Wight Council Pension Fund (the fund). The LGPS is governed by statutory regulations.
- 3.2. Everyone with an interest in the fund should have ready access to the information they need. Effective communication between the Isle of Wight Council (the Council), the scheme members, and the employers within the Isle of Wight Council Pension Fund (the fund) is essential to the proper management of the fund on a transparent and accountable basis.
- 3.3. To communicate effectively, we use different methods according to the need and the target audience. This document sets out how we achieve this.
- 3.4. This Communication Policy is effective from November 2022 and will be reviewed every three years, or more frequently, should changes be required.

4. Definitions

- 4.1. For the purpose of this Communications Policy:

- **“Administering Authority”** for the Isle of Wight Council Pension Fund (the fund) means Isle of Wight Council.
- **“Employing authority”** or **“employer”** means an employer within the Isle of Wight Council Pension Fund.
- **“Scheduled Body”** means an employer which is listed in the [Local Government Pension Scheme \(Administration\) Regulations 2008](#) (Schedule 2, Part 1) and include county councils and district councils. Scheduled bodies belong to LGPS schemes as a legal right.
- **“Admitted Body”** or **“transferee admission body”** means an employer including those from the voluntary and charitable sectors and contractors, whose staff can become members of an LGPS fund by virtue of an admission agreement between the administering authority and the relevant body.
- **“Scheme”** means the Local Government Pension Scheme (LGPS).
- **“Committee”** means the Isle of Wight Pension Fund Committee.
- **“Board”** means the Isle of Wight Local Pension Board.

5. Our audience

5.1. We have a varied audience with whom we communicate, including:

- Scheme members (active/deferred/pensioner).
- Prospective scheme members.
- Scheme employers.
- Pension fund staff.
- Other bodies, for example Pension Fund Committee and Local Pension Board.

5.2. In addition, there are a number of other stakeholders with whom we communicate on a regular basis, such as His Majesty's Revenue and Customs (HMRC), the Department for Levelling Up, Housing and Communities (DLUHC), the Scheme Advisory Board (SAB), the Pensions Regulator (TPR), solicitors (internal/external), the Pensions Advisory Service, and other pension providers.

6. Our objectives

6.1. Our key objective is to ensure that our communications foster an improved understanding of the Local Government Pension Scheme (LGPS) and the running of the fund, ensuring our audience is best placed, where necessary, to make informed decisions.

6.2. To achieve these objectives, we will:

- Ensure all our communications are clear and easy to understand; and
- Tailor communications to meet the specific needs of our audience.

7. How we communicate

7.1. We want to ensure that all members can access our services, whatever their needs. We are committed to increasing digital access and delivery of services. Increasingly, therefore, we are using electronic forms of communication, through our fund website, emails, online forms or our online Member Self-Service (MSS) portal. We will, however, continue to offer our audience the opportunity to receive communications via more traditional methods if required (e.g. hard-copy, post and telephone).

7.2. All print and electronic communications are designed with consideration for those with additional needs. If you have difficulty in understanding these documents, please contact us on 01983 823626 and we will do our best to help you.

7.3. We continually review all of our communication. We work to ensure that it is fit for purpose and adapt our approach, where appropriate, in light of feedback from our stakeholder groups.

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- 7.4. Where necessary our communications are also designed to support scheme employers in the attraction and retention of employees.
- 7.5. As the fund is administered by the Council, all literature and communications will conform to the branding of the Council.

8. Methods

- 8.1. We employ a number of different methods in order to communicate with our audience. These are summarised below.

Website

- 8.2. We provide access to an extensive range of information for active, deferred and pensioner scheme members, prospective members and scheme employers on our website www.isleofwightpensionfund.org. The website is the prime source of information on the pension scheme and ensures timely, up-to-date and easy-to-access information for all our audiences. It contains links to other relevant organisations and is regularly updated with all new legislation and relevant information.
- 8.3. As well as an information resource on the LGPS, the website contains downloadable forms and factsheets for members on a range of topics, including the fund's annual report and accounts, policy statements, Additional Voluntary Contributions (AVCs), newsletters etc. It is also used as the gateway for our online Member Self-Service portal.
- 8.4. Additionally, information relating to the business of both the Isle of Wight Pension Fund Committee and Local Pension Board can be found on the main Council website at:
- [Isle of Wight Pension Fund Committee](#)
 - [Local Pension Board](#)

Member Self-Service

- 8.5. This facility enables members to securely view their own pension record via our Member Self-Service online portal: iwcpensions.co.uk
- 8.6. Once they have registered, the portal enables members to:
- View their own pension details.
 - Amend their personal details, such as home address, nomination details.
 - Perform their own pension calculations and "what if" scenarios.
 - View Annual Benefit statements (when available).
 - Request and receive information by email.
 - Update their personal details.
 - Perform pension calculations.
 - Pensioners can view monthly online pay advices and P60s when available.

9. Fund contact

- 9.1. The fund has a generic email address for all enquiries: pensions@iow.gov.uk
- 9.2. The fund has a dedicated telephone number 01983 823626.
- 9.3. You can write to us at LGPS Pension Services, County Hall, Newport, Isle of Wight PO30 1UD
- 9.4. Our office hours are Monday to Thursday: 8.30 am – 5.00 pm, Friday: 8.30 am – 4.30 pm.
- 9.5. As well as the general communications mentioned above, we also provide specific communications to each of our audiences, which are described in more detail in the following sections.

10. Communication with active scheme members

- 10.1. The following methods are used to communicate with our active scheme members:
- 10.2. *Scheme literature* - A range of Scheme literature is produced by the fund and is provided to employing bodies and Scheme members directly. Copies of scheme guides, factsheets and policies are available on the fund's website.
- 10.3. *Newsletters* - A newsletter for current members of the fund is published on the fund's website at least once a year and uploaded to the members online record, covering current pension topics within the LGPS and the pensions industry in general plus important repeated messages.
- 10.4. *Annual benefit statements* – We provide a personalised statement each year, summarising each member's pension account balance as at 31 March, together with a projection of entitlement to their normal pension age. These statements are published to the Member Self-Service portal, in advance of the statutory deadline of 31 August each year.
- 10.5. *Correspondence* – this is by via email, telephone, Member Self- Service, or in writing, as circumstances dictate.
- 10.6. *Briefings and presentations* – we are able to provide educational sessions to scheme members, for example where there are major changes planned to the rules of the scheme or where an employer is going through a major restructuring and there are pension related implications (e.g. redundancy/flexible retirement). These sessions can be delivered either face-to-face or virtual. We are working together with the council's Learning and Development Team to develop pension modules to increase pensions knowledge and we attend and present at every corporate induction.

11. Deferred members

- 11.1. The following methods are used to communicate with deferred scheme members:
- 11.2. *Scheme literature* - A range of scheme literature is produced by the fund. Copies of the scheme guides, factsheets and policies are available on the fund's website.
- 11.3. *Newsletters* - A newsletter for deferred member of the fund is published at least once a year on the fund's website and uploaded to the members online record, the newsletter contains current pension topics within the LGPS and the pensions industry in general plus important repeated messages.
- 11.4. *Annual benefit statements* – we provide a personalised statement each year, providing a current value of the scheme member's pension entitlements. These statements are published to the Member Self-Service portal, in advance of the statutory deadline of 31 August each year.
- 11.5. *Correspondence* – this is by email, telephone, Member Self Service or in writing, as circumstances dictate.

12. Pensioner members

- 12.1. The following methods are used to communicate with pensioner scheme members (including those in receipt of survivor benefits):
- 12.2. *Pay advice / P60* – Pay advices are published online on Member Self-Service and we email members each month to notify them their new advice is available to view/download. P60s are also published online in respect of the pension received in the previous financial year. Pensioner members can elect to receive hard copy versions of their P60. We notify pensioner members of the percentage rate by which their LGPS pension will increase from the first Monday of the new tax year in time for their April payment. We also issue pay advices where there has been a variation in the net monthly pension of £50.
- 12.3. *Pre-retirement sessions* – we are also able to participate in pre-retirement sessions run by our scheme employers, explaining the decisions scheme members will need to take in the run up to retirement and the processes we will follow in calculating and paying their pension benefits to them.
- 12.4. *Correspondence* – this is by via email, telephone, Member Self Service or in writing, as circumstances dictate.

13. Prospective scheme members

- 13.1. The following methods are used to communicate with prospective scheme members:
- 13.2. *New starter pack* – All prospective scheme members must be given basic information about the Scheme. We contact new members once their record is active with an introductory overview of the scheme and links to the scheme website for further information and the guides and factsheets resource.
- 13.3. *Scheme literature* - A range of scheme guides, factsheets and policies are produced and relevant links to the fund's website are provided to employing bodies and scheme members directly. Copies of the scheme literature is available on the fund's website.
- 13.4. *Correspondence* – this will be via email, telephone, Member Self Service or in writing, as circumstances dictate.
- 13.5. *Briefings and presentations* – prospective scheme members are free to attend any educational sessions organised for scheme members - for example where there are major changes planned to the rules of the scheme or where an employer is going through a major restructuring and there are pension related implications (e.g. redundancy/flexible retirement). We also offer briefing sessions for corporate induction sessions for all relevant employers to promote membership of the LGPS to new staff.

14. Scheme employers

- 14.1. Communications with our scheme employers range from those employers who are already participating in the fund to prospective scheme employers who are looking to join it (e.g. maintained schools converting to academies or private sector employers providing outsourced services). Our communications are aimed to educate them in their roles and responsibilities as well supporting them in the attraction and retention of employees. With these aims in mind the following methods are used to communicate with scheme employers (including prospective scheme employers):
- 14.2. *Employer training and workshops* – Where required (or requested) we are able to provide training to scheme employers on all elements of the administration of the scheme. These sessions can be provided either at the employer's premises or as part of a wider training event hosted by the fund.
- 14.3. *Employer liaison* – Additional to any training, we also provide regular liaison with scheme employers, where we are able to support employers with any specific concerns or issues they may have.
- 14.4. *Employer forums* – Employer forums will be held if required. These forums will focus on administration and funding aspects of the fund and any developments in the scheme including identifying the likely impact of scheme changes, consulting on changes to fund policies, major projects such as the three-yearly funding valuation.

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- 14.5. *Representation* – As part of the governance of the fund an employer representative sits on the Pension Fund Committee, as a non-voting member. The Local Pension Board, established in 2015, comprises an equal number of both scheme member and employer representatives, currently three of each. The role of the board is to assist the Isle of Wight Council Pension Fund in complying with all their legislative requirements, making sure the scheme is being effectively and efficiently governed and managed.

15. Pension staff

- 15.1. It is important to ensure that our staff have access to the relevant information and technical knowledge to enable them to perform their duties. This is achieved via use of email, internal meetings, internal and external training events on specific topics.

16. Pension Fund Committee

- 16.1. The Pension Fund Committee has delegated responsibility for the management and administration of the fund.
- 16.2. We work closely with the Pension Fund Committee, ensuring they can fulfil their duties and responsibilities, including the provision of relevant member training.
- 16.3. Committee meeting agendas, reports and minutes can be accessed on the [Council website](#).

17. Local Pension Board

- 17.1. The Local Pension Board was established in April 2015 (in accordance with the Public Services Pensions Act 2013) to assist the Isle of Wight Council in its role as the administering authority in complying with scheme governance and administration and complying with the requirements of the Pensions Regulator's code of practice.
- 17.2. We work closely with the Local Pension Board, ensuring they can fulfil their duties and responsibilities, including the provision of relevant training.
- 17.3. Board agendas, reports and minutes can be accessed on the [Council website](#).

Appendix – Schedule of fund communication material to key audience

Document	Format		Available to					Published	Reviewed
	Paper	Online	Prospective members	Active members	Deferred members	Pensioners	Employers		
Website	x	✓	✓	✓	✓	✓	✓	Always available	As regulations change
Member self-service	x	✓	x	✓	✓	✓	x	Always available	As required
Report & Accounts	x	✓	✓	✓	✓	✓	✓	Annually	Annually
Guides & factsheets	✓	✓	✓	✓	✓	x	✓	Always available	As regulations change
Newsletters	x	✓	x	✓	✓	in development	in development	Annually	Annually
Benefit statements	✓ (on request)	✓	x	✓	✓	x	x	Annually	Annually
Presentation	✓	✓	✓	✓	x	x	✓	Always available	As required
Pay advice / P60	✓ (on request)	✓	x	x	x	✓	x	Annually	Annually
Pre-retirement seminars	x	✓	x	✓	✓	✓	x	Always available	As required
New starter pack	✓	✓	✓	x	x	x	x	Always available	As regulations change
Training	x	✓	x	✓	x	x	✓	Always available	As regulations change and dependent on requirements

ACCESS

Annual Report

2021/22

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Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures. All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.



Cllr Mark Kemp-Gee

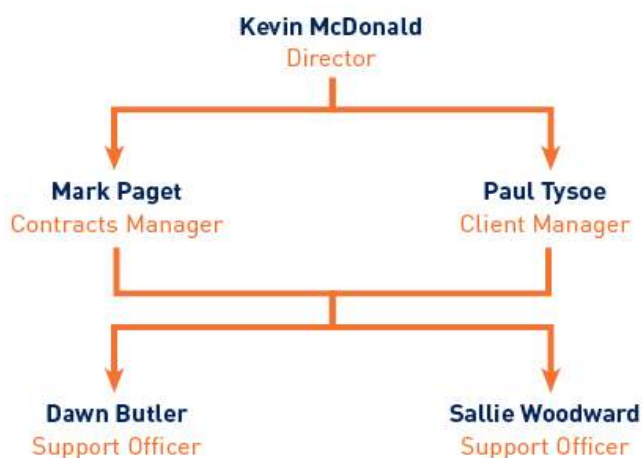
Chairman of the ACCESS Joint Committee

Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.



Kevin McDonald

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1** Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

- 2** Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.

- 3** Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

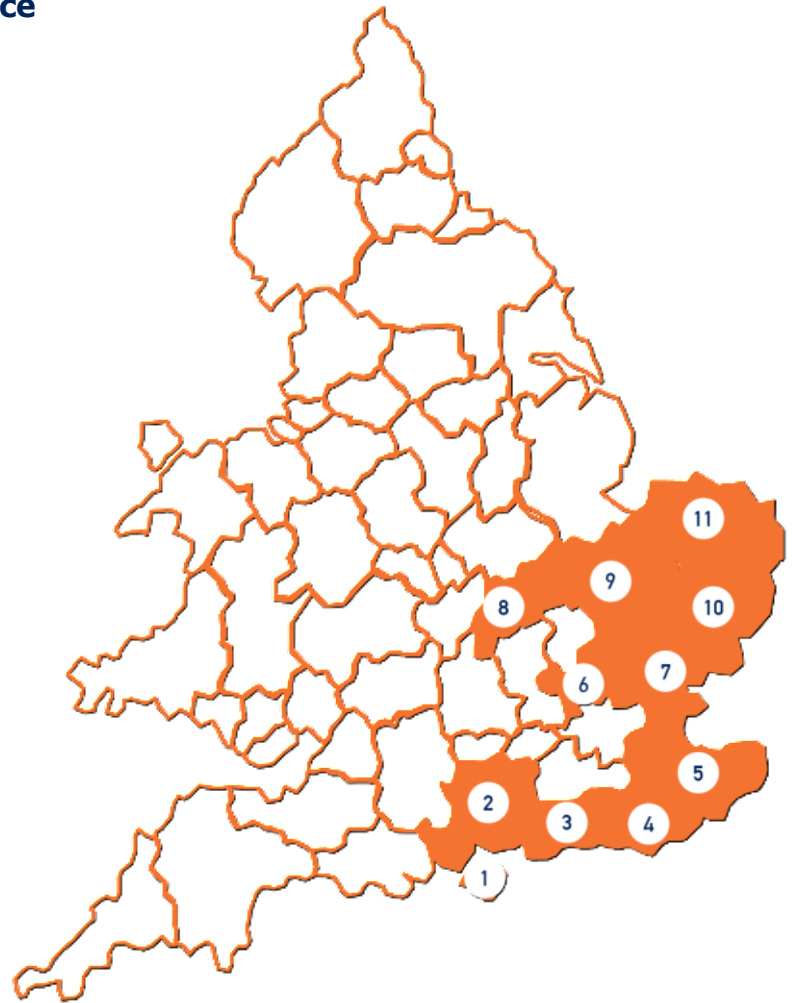
The governing principles are summarised below:

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities

An overview of the Pool's governance structure is outlined below.



3,500 Employers
1.1 million Members
310,000 Pensioners



Key Performance

Pooled Assets
As at March 2022

ACS (26 sub-funds)

£23.9_{bn}

Costs & Savings
As at March 2022

Gross Savings

£70.3_m

UBS (1 jointly procured provider)

£11.2_{bn}

Costs

£21.4_m

Pooling Progress

59%

Net Savings

£48.9_m

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021– 2022		2021 – 2022	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative	Cumulative
	£'000	£'000	to date	to date
			£'000	£'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator & Depositary Costs	4,845	4,787	12,149	11,364
Total Costs	8,555	10,442	21,428	24,466
Pool Fee Savings	28,038	15,700	70,300	47,750
Net Savings Realised	19,483	5,258	48,872	23,284

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2021/22 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the original submission to Government whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

2021-2022 Business Plan Milestones

The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.

Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

Alternative/non-listed assets:

In January 2022, following a procurement via the National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.

2022-2023 Business Plan

The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:

Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the Authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meeting on 32,834 resolutions.

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

For any enquiries, please contact the Access Support Unit (ASU) on ASU@accesspool.co.uk

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The council's responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance and Section 151 officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

The Director of Finance and Section 151 officer's responsibilities

The Director of Finance and Section 151 officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance and Section 151 officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- complied with the local authority code.

The Director of Finance and Section 151 officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts for the year ended 31 March 2022 gives a true and fair view of the financial position of the Isle of Wight Council at the 31 March 2022 and its income and expenditure for the year then ended.



Chris Ward
Director of Finance and Section 151 officer

Date: 25 September 2023

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts were approved by the Audit & Governance Committee on 20 March 2023. An update was provided to the Chair of the Audit & Governance Committee in September 2023



Chair of Audit Committee

Date: 25 September 2023

ISLE OF WIGHT COUNCIL PENSION FUND

2020-21 £000	FUND ACCOUNT	Notes	2021-22 £000
	Dealings with members, employers and others directly involved in the fund		
20,357	Contributions	7	21,015
585	Transfers in from other pension funds	8	953
10	Other income	9	15
20,952			21,983
(22,369)	Benefits	10	(24,067)
(687)	Payments to and on account of leavers	11	(895)
(23,056)			(24,962)
(2,104)			(2,979)
(7,166)	Management expenses	12	(5,674)
	Returns on investments		
19,112	Investment income	13	14,156
(14)	Taxes on income	14	-
119,220	Profit and losses on disposal of investments and changes in the value of investments	17A	32,125
(56)	Interest payable	16	(5)
138,262	Net returns on investments		46,276
128,992	Net increase/(decrease) in the net assets available for benefits during the year		37,623
561,705	Opening Net Assets of the Scheme		690,697
690,697	Closing Net Assets of the Scheme		728,320

ISLE OF WIGHT COUNCIL PENSION FUND

2021 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2022 £000
695,385	Investment assets	17	709,786
-	Cash deposits	17	14,003
695,385			723,789
-	Investment liabilities	17	-
(5,500)	Short-term borrowings	19A	-
155	Long-term assets	23	183
1,138	Current assets	24	4,935
(481)	Current liabilities	25	(587)
690,697	Net assets of the fund available to fund benefits at the period end		728,320

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 22.

ISLE OF WIGHT COUNCIL PENSION FUND

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

The Isle of Wight Council Pension Fund ("the fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Isle of Wight Council ("the council"). The council is the reporting entity for this pension fund.

The following description of the fund is a summary. For more detail, reference should be made to the Isle of Wight Council Pension Fund Annual Report 2021-22 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

a) General

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Isle of Wight Council to provide pensions and other benefits for pensionable employees of Isle of Wight Council, and a range of other scheduled and admitted bodies on the Isle of Wight. Teachers, police officers and fire-fighters are not included as they come within other national pension schemes.

The fund is overseen by the Isle of Wight Pension Fund Committee ("the committee"), which is a committee of Isle of Wight Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Isle of Wight Council Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations or private contractors undertaking a local authority function following outsourcing to the private sector.

The scheduled bodies of the fund with active members at 31 March 2022 are:

Cowes Town Council	Northwood Primary Academy
Cowes Enterprise College, an Ormiston Academy	Ryde Academy
Gurnard Parish Council	Ryde Town Council
Isle of Wight College	Sandown Town Council
Isle of Wight Free School	Shanklin Town Council
Lanesend Primary Academy	St Blasius Primary Academy
Newport and Carisbrooke Community Council	St Francis Academy
Northwood Parish Council	Wootton Bridge Parish Council

The admitted bodies of the fund with active members at 31 March 2022 are:

Accomplish Group Ltd	Solutions 4 Health
Barnados	Southern Housing Limited
Caterlink	Southern Vectis
CleanTEC (new)	Sovereign Housing Limited
Cowes Harbour Commissioners	Top Mops Ltd
Island Roads Limited	Ventnor Botanic Gardens
RM Ltd	Yarmouth (IW) Harbour Commissioners

The membership of the scheme is shown below:

Year ended 31 March 2022

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	16	14	31
Number of contributors (Active members)	3,637	589	88	4,314
Number of frozen refunds 1	840	103	4	947
Number of deferred pensioners 2	5,575	646	123	6,344
Number of pensioners/ widows/dependant pensioners	4,719	360	214	5,293
	14,771	1,698	429	16,898

Year ended 31 March 2021

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	16	15	32
Number of contributors (Active members)	3,678	583	102	4,363
Number of frozen refunds 1	520	12	4	536
Number of deferred pensioners 2	5,911	707	128	6,746
Number of pensioners/ widows/dependant pensioners	4,541	328	204	5,073
	14,650	1,630	438	16,718

¹ Frozen refunds are former employees who do not have any pension entitlement apart from a return of the contributions paid into the Fund during their employment but have not yet claimed the refund.

² A deferred pensioner is a former employee who has accrued pension rights within the Fund but has not yet reached retirement age to enable them to access their benefits or transferred their accrued rights to another Fund/provider.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013.

The pay bands and rates applicable for the year ended 31 March 2022 are detailed below.

Range (Actual pensionable pay)	Contribution rate
Up to £14,600	5.50%
More than £14,601 and up to £22,900	5.80%
More than £22,901 and up to £37,200	6.50%
More than £37,201 and up to £47,100	6.80%
More than £47,101 and up to £65,900	8.50%
More than £65,901 and up to £93,400	9.90%
More than £93,401 and up to £110,000	10.50%
More than £110,001 and up to £165,000	11.40%
More than £165,001	12.50%

Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. The current and future employer contribution rates as determined by that valuation are detailed in note 21.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits. as explained on the LGPS website – see www.lgpsmember.org. For more details, please refer to the Pension Fund website: <http://www.isleofwightpensionfund.org/>

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2021-22 financial year and its position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021-22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at note 22 of these accounts.

The accounts have been prepared on a going concern basis. Isle of Wight Council remains satisfied the LGPS that it administers continues to be a going concern, with detailed consideration of the period up to the twelve months from the date of approval of these accounts.

The Pension Fund's latest actuarial valuation, as at 31 March 2019, showed it to be 95% funded – an increase from the position 3 years prior of 92%. Investment markets were impacted by the effect of the Russian invasion of Ukraine in February 2022 and the increase in the cost of living. The Fund will be undertaking the next scheduled triennial valuation as at 31 March 2022 and will implement an agreed recovery period in its Funding Strategy Statement, should this be necessary, to make good any funding

deficit that may arise as a result of this exercise.

The vast majority of employers in the pension scheme (92% of the Fund by active membership, are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance. In the unlikely event that investments need to be sold, 89.5% of the Fund's investments can be converted into cash within 3 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis as follows:

- Employees contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see notes 8 and 11).

Individual transfers in/out are accounted for when paid or received, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund accounts as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the value of investments

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers from withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*, as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses

All staff costs relating to the pension's administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in market value of investments.

Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the year-end date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2021-22 no fees are based on such estimates (2020-21: nil)

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the time spent by officers on investment management is also charged to the fund.

g) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Net assets statement

h) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet complete, at 31 March each year as accounted for as financial instruments held at amortised and reflected in the reconciliation of movements in investments in Note 17A.

Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 22).

m) Additional Voluntary Contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential Life and Pensions as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

Each AVC contributor receives an annual statement showing the amount held in their accounts and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment Funds) Regulations 2016 but are disclosed for information in note 26.

n) Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

o) Contingent Liabilities and Contingent Assets

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset, whose existence will only be confirmed or otherwise by future events.

Contingent assets and liabilities are not recognised in the net asset statement but disclosed by way of a narrative in the notes (see note 28).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 22.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/growth.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could differ from the assumption and estimates made.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment within the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 22)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: A 0.1% decrease in the discount rate assumption would result in a increase in the pension fund deficit of £17m. A 0.1% increase in assumed earnings inflation would increase the deficit by approximately £2m. A 0.1% increase in assumed price inflation/pension increases would increase the deficit by approximately £15m. A one-year increase in assumed life expectancy would increase the deficit by approximately £37m

Pooled Property Funds (Note 18)	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments.
Private Debt (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt investments are valued at £23.6m in the financial statements. There is a risk that this investment may be over or understated in the accounts.
Infrastructure (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the reporting period. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Infrastructure investments are valued at £7.8m in the financial statements. There is a risk that this investment may be over or understated in the accounts. The fund made its initial investment in July 2021.

6. EVENTS AFTER THE BALANCE SHEET DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide additional information about conditions that existed at the end of the reporting period (adjusting events) and
- those that relate to events occurring after the reporting period (non-adjusting events)

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

There are no post balance sheet events recorded prior to the authorised for issue date and any events that occurred after this date have not been recognised in the statement of accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

2020-21 £000		2021-22 £000
4,147	Employees' normal contributions	4,277
10	Employees' additional contributions	5
4,157		4,282
15,406	Employers' normal contributions	15,951
170	Employers' deficit recovery contributions	158
624	Employers' augmentation contributions	624
16,200		16,733
20,357		21,015

By type of employer:

2020-21 £000		2021-22 £000
16,816	Administering authority	17,364
2,256	Scheduled bodies	2,322
1,285	Admitted bodies	1,329
20,357		21,015

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2020-21 £000		2021-22 £000
-	Group transfers	-
585	Individual transfers	953
585		953

9. OTHER INCOME

2020-21 £000		2021-22 £000
10	Miscellaneous income	15
10		15

10. BENEFITS PAYABLE**By category:**

2020-21 £000		2021-22 £000
19,783	Pensions	20,110
2,208	Commutation and lump sum retirement benefits	3,207
378	Lump sum death benefits	750
22,369		24,067

By type of employer:

2020-21 £000		2021-22 £000
19,729	Administering authority	20,824
1,155	Scheduled bodies	1,422
1,485	Admitted bodies	1,821
22,369		24,067

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020-21 £000		2021-22 £000
58	Refund to members leaving service	80
-	Group transfers	-
629	Individual transfers	815
687		895

12. MANAGEMENT EXPENSES

2020-21 £000		2021-22 £000
494	Administrative costs	557
6,194	Investment management expenses	4,562
478	Oversight and governance costs	555
7,166		5,674

12A. INVESTMENT MANAGEMENT EXPENSES

2021-22	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	366	278	-	88
Equities	-	-	-	-
Pooled Investments *	2,623	1,903	-	720
Pooled Property Investments	554	449	-	105
Private Debt	242	105	104	33
Infrastructure	752	718	-	34
	4,537	3,453	104	980
Custody Fees	25			
Total	4,562			

* Included £2.6m charged to the pension fund by ACCESS regional asset pool (£4.3m in 2020-21)

2020-21	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	433	280	-	153
Equities	633	257	-	376
Pooled Investments *	4,284	1,399	-	2885
Pooled Property Investments	607	254	-	353
Private Debt	219	29	40	150
	6,176	2,219	40	3,917
Custody Fees	18			
Total	6,194			

13. INVESTMENT INCOME

2020-21 £000		2021-22 £000
2,672	Income from equities	-
	Income from pooled investment vehicles:	
3,552	- ACCESS Global Equity	2,801
209	- ACCESS UK Equity	2,273
701	- ACCESS Diversified Growth	1,597
1,141	- Property	1,398
4,135	- Bonds	3,779
47	- Unit Trusts	-
124	- Private Debt	1,059
-	- Infrastructure	1,252
-	- Interest on cash deposits	3
6,531	- Other	(6)
19,112		14,156

14. TAXATION

2020-21 £000		2021-22 £000
14	Withholding tax - equities	-
14		-

15. EXTERNAL AUDIT COSTS

2020-21 £000		2021-22 £000
23	Payable in respect of external audit	62
23		62

16. INTEREST PAYABLE

2020-21 £000		2021-22 £000
56	Interest on short term borrowing	5
56		5

17. INVESTMENTS

Market value 31 March 2021 £000		Market value 31 March 2022 £000
	Investment assets	
	- Equities	-
	- Unit Trust	-
	Pooled Investment Vehicles	
144,137	Pooled UK Equity	99,534
249,157	Pooled Global Equity	288,761
140,911	Pooled Fixed Income unit trusts	131,952
114,514	Pooled Diversified Growth Fund	113,532
648,719		633,779
	Other Investments	
37,459	Pooled Property Investments	44,453
9,186	Private Debt	23,605
	- Infrastructure	7,949
46,645		76,007
	- Cash deposits	14,003
	- Investment income due	-
	- Amounts receivable for sales	-
21	Recoverable withholding tax	-
21		14,003
695,385	Total investment assets	723,789
	Investment liabilities	
	- Amounts payable for purchases	-
	- Total investment liabilities	-
695,385	Net investment assets	723,789

17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value 01/04/21	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/22
	£000	£000	£000	£000	£000
Equities	-	-	-	-	-
Unit Trusts	-	-	-	-	-
Pooled Investment Vehicles	648,719	150,376	(190,468)	25,152	633,779
Pooled Property Investments	37,459	1,240	(105)	5,859	44,453
Private Debt	9,186	15,573	(2,031)	877	23,605
Infrastructure	-	11,544	(3,340)	(255)	7,949
	695,364	178,733	(195,944)	31,633	709,786
Cash deposits	-			492	14,003
Amounts receivable for sales of investments	-			-	-
Investment income due	-			-	-
Recoverable withholding tax	21			-	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	695,385			32,125	723,789

	Market value 01/04/20	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/21
	£000	£000	£000	£000	£000
Equities	104,665	41,906	(157,864)	11,293	-
Unit Trusts	7,331	47	(9,330)	1,952	-
Pooled Investment Vehicles	415,419	154,236	(25,629)	104,693	648,719
Pooled Property Investments	35,053	1,826	(242)	822	37,459
Private Debt	-	9,049	(70)	207	9,186
Infrastructure	-				-
	562,468	207,064	(193,135)	118,967	695,364
Cash deposits	5,275			253	-
Amounts receivable for sales of investments	834			-	-
Investment income due	223			-	-
Recoverable withholding tax	35			-	21
Amounts payable for purchases of investments	(403)			-	-
Net investment assets	568,432			119,220	695,385

17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021			Market value 31 March 2022	
£000	%		£000	%
Investments Managed by ACCESS pool:				
249,157	35.8%	ACCESS – Global Equities - Newton	149,384	21.1%
114,514	16.5%	ACCESS - Diversified Growth - Baillie Gifford	113,532	16.0%
144,137	20.7%	ACCESS - UK Equities - Liontrust (Majedie)	99,534	14.0%
-	0.0%	UBS Life Climate Aware World Equity Fund	139,377	19.6%
507,808	73.0%		501,827	70.7%
Investments Managed outside ACCESS pool:				
140,911	20.3%	Schroder Investment Management – Bonds	131,952	18.6%
37,459	5.4%	Schroder Investment Management – Property	44,453	6.3%
9,186	1.3%	Goldman Sachs - Private Debt	23,605	3.3%
-	0.0%	Partners Investment - Infrastructure	7,949	1.1%
187,556	27.0%		207,959	29.3%
695,364	100.0%		709,786	100.0%
21	0.0%	Recoverable withholding tax	-	0.0%
695,385	100.0%		709,786	100.0%

The following investments represent more than 5% of the total net assets of the fund

Market value 31 March 2021			Market value 31 March 2022	
£000	%		£000	%
249,157	36.07%	ACCESS – Overseas Equities - Newton	149,384	20.52%
-	0.00%	UBS Life Climate Aware World Equity Fund	139,377	19.14%
140,911	20.40%	Schroder Institutional Sterling Broad Market X Account	131,952	18.12%
114,514	16.58%	ACCESS - Diversified Growth - Baillie Gifford	113,532	15.59%
144,137	20.87%	ACCESS - UK Equities - Liontrust	99,534	13.67%
37,459	5.42%	Schroder UK Property Fund	44,453	6.11%

17C. STOCK LENDING

The fund's investment strategy sets the parameters for its stock-lending programme.

Prior to joining the ACCESS pool, the fund did not undertake stock lending.

Since transitioning to the pool, the fund participates in a collateralised stock lending programme undertaken for each of the sub-funds by the pool's custodian, Northern Trust.

During the year the average value of quoted equities on loan was £9.0m (2021-22: £Nil).

These equities continue to be recognised in the fund's financial statements. No liabilities are associated with the loaned assets.

All income earned by lending securities is accumulated in the sub-fund and is reported in the value of investments.

18. FAIR VALUE – BASIS OF VALUATION

All investments are held at fair value in accordance with the requirements of the Code and IFRS13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not Required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV- based pricing set on a forward pricing basis	Not Required
Private Debt	Level 3	The valuation is taken from the unaudited 31 March 2022 Goldman Sachs quarterly reports. The quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (“Fair Value Measurements and Disclosures”) and in accordance with US GAAP. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs Asset Management Private Credit Funds have been given unqualified opinions without any identified exceptions.	Management's cash flow projections, estimates of growth expectations and profitability; profit margin expectations; gross domestic product; inflation; interest rates; discount rates; tax rates; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent transaction prices.
Infrastructure	Level 3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples	Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Potential variation in fair value	Value at 31 March 2022 £'000	Potential value on increase £'000	Potential value on decrease £'000
Private Debt	+ / - 10%	23,605	25,966	21,245
Infrastructure	+ / - 10%	7,949	8,744	7,154
Total		31,554	34,710	28,399

18A. FAIR VALUE HEIRARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value based on observable data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant impact on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

31 March 2021					31 March 2022			
Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000		Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
648,719	37,459	9,186	695,364	Financial assets at fair value through profit and loss	633,779	44,453	31,554	709,786
-	-	-	-	Financial liabilities at fair value through profit and loss	-	-	-	-
648,719	37,459	9,186	695,364	Net investment assets	633,779	44,453	31,554	709,786

18A. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITH LEVEL 3

	Private Debt £,000	Infrastructure £'000	Total £,000
Value at 1 April 2021	9,186	-	9,186
Purchases	15,573	11,544	27,117
Sales	(2,031)	(3,340)	(5,371)
Unrealised Gains and Losses*	824	(135)	689
Realised Gains and Losses*	53	(120)	(67)
Value at 31 March 2022	23,605	7,949	31,554
	Private Debt £,000	Infrastructure £'000	Total £,000
Value at 1 April 2020	-	-	-
Purchases	9,049	-	9,049
Sales	(70)	-	(70)
Unrealised Gains and Losses*	215	-	215
Realised Gains and Losses*	(8)	-	(8)
Value at 31 March 2021	9,186	-	9,186

* Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

Investment into Private debt commenced in January 2021.

Investment into Infrastructure commenced in July 2021.

19. FINANCIAL INSTRUMENTS

19A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and the net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2021				31 March 2022		
Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000
			Financial assets			
-	-	-	Equities	-	-	-
686,178	-	-	Pooled investment vehicles	678,232	-	-
9,186	-	-	Private Debt	23,605	-	-
-	-	-	Infrastructure	7,949	-	-
-	791	-	Cash	-	18,290	-
-	-	-	Other investment balances	-	-	-
-	8	-	Debtors	-	8	-
695,364	799	-		709,786	18,298	-
			Financial liabilities			
-	-	-	Other investment balances	-	-	-
-	-	(268)	Creditors	-	-	(379)
-	-	-	Bank Balance	-	-	-
-	-	(5,500)	Borrowings	-	-	-
-	-	(5,768)		-	-	(379)
695,364	799	(5,768)		709,786	18,298	(379)

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Because the fund adopts a long-term investment strategy, the high-level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund's investments are managed on behalf of the fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The committee regularly monitors each investment manager, and both considers and takes advice on the nature of the investments made as well as the associated risks.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2021-22 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Had the market price of the fund investments increase/decreased in line with the percentages below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

	Value as at 31 March 2022 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Equities - UK	-	-	-	-
Equities - Overseas	-	-	-	-
Bonds	131,952	3.30%	136,307	127,598
Unit Trusts	-	-	-	-
Pooled Investment vehicles:				
UK Equities	99,534	2.40%	101,923	97,145
Global Equities	149,384	3.60%	154,762	144,006
Diversified Growth Fund	113,532	2.80%	116,711	110,353
UBS Climate Aware	139,377	3.00%	143,558	135,196
Pooled Property Investments	44,453	4.10%	46,279	42,633
Private Debt	23,605	19.90%	28,302	18,907
Infrastructure	7,949	23.60%	9,809	6,089
Cash & Cash Equivalents	14,003	0.00%	14,003	14,003
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	-	-	-	-
Amounts payable for purchases	-	-	-	-
Total	723,789		751,654	695,930

	Value as at 31 March 2021 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Equities - UK	-	-	-	-
Equities - Overseas	-	-	-	-
Bonds	140,911	1.60%	143,165	138,656
Unit Trusts	-	-	-	-
Pooled Investment vehicles:				
UK Equities	144,137	3.10%	148,577	139,698
Global Equities	249,157	5.80%	263,608	234,706
Diversified Growth Fund	114,514	4.20%	119,324	109,705
UBS Climate Aware				
Pooled Property Investments	37,459	1.00%	37,834	37,084
Private Debt ¹	9,186	0.00%	9,186	9,186
Infrastructure				
Cash & Cash Equivalents	-	-	-	-
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	21	0.00%	21	21
Amounts payable for purchases	-	-	-	-
Total	695,385		721,715	669,056

¹ The price sensitivity for Private Debt is assessed at zero due to the short period that the fund has been invested in it. The fund made its initial investment in January 2021. This is in alignment with the estimated variation on the valuation as mentioned in Note 5 above.

b) Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk - sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits.

The fund does not directly hold any fixed interest securities; hence a change in interest rates will not impact on the fair value of assets.

Changes in interest rates do not impact on the fair value of cash balances, but they will impact on the interest income earned.

c) Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. For a sterling-based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

The following table summarises the fund's currency exposure as at 31 March 2022, and as at the previous period end:

	Asset value as at 31 March 2022 £000	Asset value as at 31 March 2021 £000
Private Debt	23,605	9,186
Infrastructure	7,949	-
Investment Income	2,311	-
	33,865	9,186

Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to not exceed be 7.1% (2020-21: 3.64%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Value as at 31 March 2022 £000	Value on increase +7.10% £000	Value on decrease -7.10% £000
Private Debt	23,605	25,281	21,929
Infrastructure	7,949	8,513	7,385
Investment income due	2,311	2,475	2,147
	33,865	36,269	31,461
	Value as at 31 March 2021 £000	Value on increase +3.64% £000	Value on decrease -3.64% £000
Private Debt	9,186	9,487	8,885
Infrastructure	-	-	-
Investment income due	-	-	-
	9,186	9,487	8,885

d) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers, custodian and investment managers minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The fund does not hold any fixed interest securities directly, hence has limited credit risk through its underlying investments in bonds.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the fund's behalf by the council's treasury management team in line with the council's Treasury Management Strategy which sets out the permitted counterparties and limits. The fund invests surplus cash held with the custodian in diversified money market funds.

The fund is exposed to counterparty risk in its operational activities through securities lending, via the ACCESS pool. This risk is managed through the pool's custodian bank holding non-cash collateral as security, at the typical market rate of 102% of stock lent, or 105% for cross-currency, to allow for foreign exchange exposure.

The fund does not have any foreign exchange contracts, hence is not subject to credit risk in relation to the counterparties of the contracts.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2022 and 31 March 2021 (£495k and £195k respectively) were received in the first month of the financial year.

e) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The fund maintains a cash balance to meet working requirements, which is supported by an available credit line from the Isle of Wight Council. Note 27 includes details of borrowing from the council for this purpose. Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund's investment strategy.

A substantial portion of the fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though they are held in pooled funds. However, the main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. The fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments.

All financial liabilities at 31 March 2022 are due within one year.

f) Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

21. FUNDING ARRANGEMENTS

In accordance with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. Due to the delay in the completion of the audit of the 2021-22 accounts the details of the 31 March 2022 valuation are available and as such the information below has been amended to reflect this.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2023. In summary, the funding strategy objectives are as follows:

- to take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- to use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £728 million (2019: £596 million), were sufficient to meet 102% of the liabilities (2019: 95%) (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £15 million (2019: deficit £32 million).

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below: -

Employer Name	Minimum Contributions for the Year Ending 31 March		
	2024 % of pay	2025 % of pay	2026 % of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	23.5	23.5	23.5
Caterlink	23.5	23.5	23.5
CleanTEC	23.5	23.5	23.5
Cowes Enterprise College, an Ormiston Academy *	23.5	23.5	23.5
Cowes Harbour Commissioners	32.8	32.8	32.8
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College (from 1 August)	22.1	22.1	22.1
Keys Group (Formerly Accomplish Ltd)	23.5	23.5	23.5
Lanesend Academy	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
RM Ltd	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust *	23.5	23.5	23.5
Solutions 4 Health	23.5	23.5	23.5
Southern Vectis (Wightbus)	Nil	Nil	Nil
Southern Housing Group	32.8	32.8	32.8
Sovereign Housing Group	31.7	31.7	31.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	25.4	25.4	25.4
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Ventnor Botanical Gardens	Nil	Nil	Nil

in addition, certain employers make a lump sum contribution

Employer Name	Ending 31 March		
	2021 Lump Sum £000	2022 Lump Sum £000	2023 Lump Sum £000
Cowes Harbour Commissioners	20	20	20
Southern Housing Group	150	150	150
Sovereign Housing Group	18	18	18

* Academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Five of the academies in operation at the time of the 2022 valuation opted to pool, and the pooled rates are shown above.

Employers that have joined the fund since the last valuation have opted to pay the administering authority's contribution rate. This will be reviewed at the next valuation, 31 March 2025.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022 % p.a. Nominal
Discount rate (Investment returns)	3.7%
Salary Increases	3.7%
Price inflation/Pension Increases	2.7%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and not a reflection of what actual pay rises will be in the short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.5% p.a

Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners *	22.5 years	25.9 years

* based on members aged 45 at the valuation date.

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Isle of Wight Pension Fund website www.isleofwightpension.org.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020-21 and 2021-22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 21). The actuary has also used valued ill health and death benefits in line with IAS 19.

Present value of promised retirement benefits

Year ended	31 March 2022 £m	31 March 2021 £m
Active members	318	379
Deferred members	223	233
Pensioners	380	345
Net Liability	921	957

The promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022. Whilst the figures for 31 March 2021 were projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member as at 31 March 2021 may not be reliable. However, the actuaries are satisfied that the total figure was a reasonable estimate of the actuarial present value of benefit promises at that date.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. The actuary has not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. The actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £58m. The actuary estimates that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £4m.

Financial assumptions

Year ended	31 March 2022 % p.a.	31 March 2021 % p.a.
Pension Increase Rate (CPI)	3.20%	2.85%
Salary Increase Rate	4.20%	3.65%
Discount Rate	2.70%	2.00%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and are not a reflection of what actual pay rises will be in the short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

Demographic assumptions

The longevity and other demographic assumptions are in line with the 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at March 2021.

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020 data), standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners *	22.5 years	25.9 years

* Future pensioners are assumed to be aged 45 at the most recent formal valuation date, 31 March 2022

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

change in assumption at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	17
1-year increase in member life expectancy	4%	37
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	15

23. LONG TERM ASSETS

31 March 2021 £000		31 March 2022 £000
	Debtors	
11	Contributions due - employers	29
144	Reimbursement of annual tax allowances	154
155		183

24. CURRENT ASSETS

31 March 2021 £000		31 March 2022 £000
	Debtors	
42	Contributions due - employees	99
153	Contributions due - employers	396
195		495
13	Taxation	8
8	Sundry debtors	8
131	Payments in advance	137
791	Cash balances	4,287
1,138		4,935

25. CURRENT LIABILITIES

31 March 2021 £000		31 March 2022 £000
	Creditors	
213	Taxation	208
167	Accruals	360
101	Sundry creditors	19
481		587

26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2021 £000		Market value 31 March 2022 £000
786	Prudential life and pensions	824

AVC contributions of £148.0 thousand were paid directly to Prudential Life and Pensions during the year (2020-21: £117.1 thousand).

AVC amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

27. RELATED PARTY TRANSACTIONS

Isle of Wight Council

The Isle of Wight Council Pension Fund is administered by Isle of Wight Council. Consequently, there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £522 thousand (2020-21: £503 thousand) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £13.7 million in 2021-22 (2020-21: £13.3 million) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £39.6 thousand (2021: Nil), were paid during the year.

During the year, the pension fund was able to borrow funds from the council to support its working cash flow requirements; interest would be charged on these borrowings at the broker local authority interest rate relevant to the amount and duration of the borrowing at the time it was made. The maximum amount borrowed during 2021-22 was £8.5 million (2020-21: £8.0 million). The balance due to the council at 31 March 2022 is Nil (2021: £5.5 million), interest of £5.14 thousand (2020-21: £56.2 thousand) was paid on the borrowings in the year.

Year ended 31 March 2021 £000	Repayment profile of borrowings from Isle of Wight Council	Year ended 31 March 2022 £000
-	less than 1 month	-
500	2 - 3 months	-
-	3 - 6 months	-
-	6 - 9 months	-
5,000	9 - 12 months	-
5,500	Total value of borrowings	-

Governance

There are no voting members of the Isle of Wight Pension Fund Committee who are in receipt of pension benefits from, or who are active members of the Isle of Wight Council Pension Fund.

Each member of the Isle of Wight Pension Fund Committee is required to declare their interests at each meeting.

Council members named in note 29 formed the Isle of Wight Pension Fund Committee as trustees at 31 March 2022.

27A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are members of the Isle of Wight Pension Fund Committee, the Director of Finance and S151 Officer and the Pension Fund Manager.

Total remuneration payable to key management personnel is set out below:

Year ended 31 March 2021 £000		Year ended 31 March 2022 £000
59	Short-term benefits	60
13	Post-employment benefits	13
-	- Other long-term benefits	-
-	- Termination benefits	-
-	- Share-based payments	-
72		73

28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2022 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £4 thousand (2021: £4 thousand) payable by the Pension Fund. These sums do not form part of the net assets of the fund.

In October 2018 a decision was made to join a Class Action against BHP Billiton which seeks to recover some of the loss in share value suffered because of BHP Billiton's alleged failure to disclose material information and its alleged misleading and deceptive conduct. It is estimated that there is a possible benefit to the Pension Fund of £6 thousand (2021: £5 thousand). This case is currently ongoing. The sums do not form part of the net assets of the fund.

One admitted body employer in the Isle of Wight Pension Fund holds a guarantee bond to guard against the possibility of being unable to meet their pension obligations. This bond is drawn in favour of the pension fund and payment will only be triggered in the event of an employer default. No such default has occurred during 2021-22 (2020-21 Nil).

During the financial year the Pension Fund has committed to investing into a Private Debt and an Infrastructure Fund. Each of these funds are calling the capital in instalments, the value of which depend on the investments the funds are making at the time. The balance that has been committed but not paid as at the 31 March 2022 is as per the table below:

	31 March 2022			
	Private Debt		Infrastructure	
	\$'000	£'000	€'000	£'000
Total amount Committed	39,300	29,890	41,000	34,532
Total Invested	30,065	22,866	9,225	7,770
Balance committed but not yet paid	9,236	7,024	31,775	26,762

The committed balances do not form part of the net assets of the fund.

29. TRUSTEES REPORT 2021-22

The trustees of the Isle of Wight Council Pension Fund are the members for the time being of the Isle of Wight Pension Fund Committee, who at 31 March 2022 were Cllrs Andre, Brading, Churchman, Critchison (vice chair), Jarman (chair), Oliver and Quigley.

In addition, a non-voting representative of the scheme members (selected by UNISON) attends the committee. Throughout the year, the position of non-voting representative of the scheme employers (selected by the fund's external employers) was vacant.

Throughout the year the committee has been advised by the Director of Finance and Section 151 Officer, the Pension Fund Manager, and Hymans Robertson LLP (the fund's actuaries, investment consultants and governance consultants).

Investment Performance

The net assets of the fund at 31 March 2022 were £728.3 million, an increase of 5.4% on the 31 March 2021 valuation of £690.7 million. The fund's total investments under-performed compared to the agreed benchmarks by 0.4% during the year.

With the exception of a small over-performance by the fund's diversified growth investment, all other portfolios under-performed against their respective benchmarks in the year to 31 March 2022, most notably the UK Equity portfolio, which underperformed by 6.0%.

Over the longer term, the fund outperformed annualised benchmark returns for three years (0.6% relative overperformance).

Funding Level

The Fund's last triennial actuarial valuation was undertaken at 31 March 2019, showing a funding level of 95%, compared to 92% at the previous valuation at 31 March 2016. The results of this latest valuation, in terms of revised contribution rates, were implemented with effect from April 2020.

The next formal valuation is being undertaken on 31 March 2022, from which revised employer contribution rates will be implemented from 1 April 2023. As a result, the actuary is not providing an interim funding projection for 31 March 2022, to avoid confusion.

The most recent interim funding projection report was produced at 31 December 2021, which showed that the notional funding level had risen to 102.6% since the last triennial valuation at 31 March 2019, with a resulting surplus of £19 million at 31 December 2021 compared to the deficit of £32 million at the valuation date of 31 March 2019.

Governance – pension fund committee

There were five scheduled pension fund committee meetings during the year 2021-22. The first scheduled meeting, the last of the previous administration, was held virtually, using MS Teams. Following the local elections in May 2021, all meetings were held in person at County Hall, Newport, Isle of Wight.

During the year the committee considered the following key items of business:

- An introduction meeting for the new committee members.
- Approval of 2020-21 annual report and accounts.
- Adoption of the fund's governance decision making matrix.
- Updated the fund's risk management policy and agreed the process for the creation of the risk register.
- Implementation of the agreed rebalancing of the fund's equity allocation to include passive management.
- Procurement and contract management activities.
- Knowledge and understanding requirements and activities.
- Regular updates on the ACCESS pool.

In addition, the committee continues to receive presentations from its fund managers on the fund's investment performance as well as performance benchmarking and advice from its investment consultants, Hymans Robertson LLP

Development sessions were held outside the schedule of regular committee meetings, covering an introduction to investment asset classes, decision making, risk management, the ACCESS pool Environmental, Social and Governance (ESG) risk considerations and Responsible Investment (RI) requirements, and the triennial valuation.

As part of the development of the fund's responsible investment activities, the fund received a presentation from the Local Authority Pension Fund Forum (LAPFF) and agreed to join the forum. The committee also convened an ESG working sub-group, comprising members of the pension fund committee, the pension board and other councillors, which met twice during the year

A summary of committee members' attendance for the year 2021-22 is detailed in table 1 below. Membership of the committee changed throughout the year, but the total number of members remained the same.

Table 1: committee attendance

	Chairman	Vice chairman	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member rep	Employer rep	
28-Apr-21	n/a	✓	✓	✓	aps	✓	✓	✓		86%
Change of membership following local elections										
02-Jun-21	aps	✓	✓	✓	✓	aps	n/a	aps		57%
28-Jul-21	✓	✓	✓	✓	aps	✓	✓	✓		88%
24-Nov-21	✓	✓	aps	✓	✓	✓	✓	aps		75%
16-Feb-22	✓	✓	✓	✓	✓	✓	aps	✓		88%
	75%	100%	75%	100%	75%	75%	66%	50%		77%

Please note the percentage attendance at each meeting (final column) is based on a total committee membership of eight (including the scheme member representative but excluding the on-going employer representative vacancy), except where a member had not been appointed for that meeting (shown as "n/a") when membership is counted as seven.

Also, total attendance by member (final row) is based on post-local election membership, so four meetings.

Governance – local pension board

During the year ended 31 March 2022, the composition of the membership of the local pension board changed.

At the start of the year, membership comprised two scheme member representatives and two employer representatives.

Following the expiry of the term of office for one of the scheme member representatives, and one of the employer representatives in September 2021, the opportunity was taken to amend the membership composition as follows:

- Three scheme member representatives: one of whom is nominated by recognised trade unions and the other two appointed following expressions of interest sought from all active, deferred and pensioner members of the fund.
- Three employer representatives: one an elected councillor of the Isle of Wight Council; one a senior officer of the Council, nominated by the corporate management team; the other appointed from nominations sought from the external employers in the fund.
- An independent chairperson appointed following external advertisement.

Recruitment activity was completed between October 2021 and April 2022. At 31 March 2022, the appointment of all scheme member representatives, the independent chairperson and two of the three employer representatives was completed. The final employer representative was appointed with effect from 1 June 2022.

As a result of the membership issues, only two board meetings were held in 2021-22, with three other meetings cancelled.

The pension fund reported itself to the Pension Regulator in October 2021, for non-compliance with the LGPS regulations in respect of the minimum membership of the local pension board. The Pension Regulator confirmed that it would take no further action on this matter.

The first full meeting of the newly constituted pension board was held on 6 April 2022.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 5, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the administering authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Finance, those charged with governance of the entity and management.

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes.

Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.

We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

To address our fraud risk we undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences; re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers; checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.

The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Isle of Wight Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Isle of Wight Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
26 September 2023

APPENDIX A – Glossary of Terms

Accrual rate

The proportion of earnings that a defined benefit pension scheme pays as pension for each year of membership.

Accrued liabilities

A measure of the value in today's money of all pension entitlements to be paid in the future that have been earned to date.

Accrued income

The amount of dividend income declared on a shareholding but not paid at the accounting date.

Active members

Current employees who are contributing to an organisation's pension scheme.

Actuarial assumptions

The assumptions that an actuary must make in order to arrive at a valuation for a pension fund. These include life expectancy, rates of inflation, expected earnings and the income that will be received from pension scheme investments.

Actuarial liability

The value placed on the accrued benefits of the fund using actuarial methods and assumptions for outgoing, including expenses, expected to fall on the fund after the valuation date based on benefits accrued for service up to the valuation date.

Actuarial valuation

A review of the pension fund, which takes place every three years, to ensure that employers' contributions are sufficient to maintain the solvency of the fund.

Actuary

An independent consultant who carries out the actuarial valuation and may also advise on changes in funding plans and on investment strategies. The actuary will perform calculations based on information about prevailing circumstances and analysis of statistics.

Additional voluntary contributions (AVCs)

An extra pension contribution which can be made by a member of an occupational pension scheme. AVCs can be made into the occupational scheme or to a standalone product called a freestanding AVC plan.

Administering authority

A local authority required to maintain a pension fund under the local government pension scheme regulations.

Admitted bodies/transferee admission bodies

Bodies, including those from the voluntary and charitable sectors and contractors, whose staff can become members of an LGPS fund by virtue of an admission agreement between the administering authority and the relevant body.

All Share Index

Properly the FTSE All Share Index which summarises the composition of the UK equity market. It covers around 900 of the major UK industrial, commercial and financial companies.

Asset allocation

The apportionment of a fund's assets between asset classes and/or markets. Asset allocation may be strategic, i.e. long-term, or tactical, i.e. short-term, aiming to take advantage of relative market movements.

Asset classes

A specific category of assets or investments, such as stocks, bonds, cash, international securities and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations.

Asset/liability modelling

A statistical tool designed to help establish the most appropriate asset mix for a pension fund, in the context of its liabilities.

Automatic enrolment

A pension scheme where an individual is made a member by default and has to actively decide to leave the scheme.

Authorised Unit trusts

A unit trust which is approved by the Financial Conduct Authority (FCA) to be sold to members of the public.

Benchmark

A "notional" fund or model portfolio which is developed to provide a standard against which a manager's performance is measured.

A target return is generally expressed as some margin over the benchmark.

Bond

A security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the main amount borrowed. Bonds may be secured over assets of the firm or they can be unsecured.

Bonus issue

Bonus, scrip or free issue mean the same thing. Free shares are issued to existing shareholders out of company reserves.

Career average revaluation of earnings scheme (CARE)

A defined benefit scheme that gives individuals a pension based on a percentage of the salary earned in each year of their working life.

Cash

Cash is defined as cash instruments (e.g. money market deposits) and cash in bank and in hand.

Corporate governance

Governance for local authorities is defined as how they ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems processes, culture and values, by which local government bodies are directed and controlled, and through which they account to, engage with and where appropriate lead their communities.

Coupon

The interest payments on bonds.

Currency hedging

An approach aimed at eliminating or reducing foreign exchange risks.

Custody/custodian

Safe-keeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

Deferred members

Scheme members who have left employment or ceased to be an active member of the scheme while remaining in employment, but retain an entitlement to a pension from the scheme.

Defined benefit scheme

A scheme where the benefits are defined and paid, irrespective of contributions or investment performance.

Defined contribution scheme

A scheme where the benefits paid are dependent on contributions paid and investment performance. These are also called money purchase schemes.

Discount rate

Future benefit payments due need to be discounted to give the present value of the liabilities. A discount rate is chosen to reflect the investment return that is expected on the pension fund.

Diversification

The spreading of a fund's investments among different asset classes, markets and geographical areas in order to reduce risk. Diversification is a basic principle of multi-asset management.

Dividend

A payment distributed by a company to equity shareholders

Equities

The general term for ordinary shares issued in UK and overseas companies.

ESG

Environmental, social and governance.

Ethical investment

Where investment is restricted to companies undertaking business in accord with an ethical definition. This could cover companies not engaging in arms manufacture.

Ex

Without. If a share is sold ex-dividend, the buyer does not get the last dividend that was declared.

Financial Conduct Authority (FCA)

The lead regulator. An agency which is not a government department.

Fund managers

Firms of investment professionals appointed by an investment or pensions committee to make day-to-day investment decisions for the fund within the terms of an investment management agreement (IMA).

Funding Strategy Statement (FSS)

The funding strategy statement provides a clear and transparent fund specific strategy for meeting an employer's pension liabilities in the future. It also defines a prudent longer term view of funding these liabilities while keeping within the regulatory framework to maintain a stable employer's contribution rate.

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

Futures

The right to buy a fixed quantity of a commodity on a date in the future at a price fixed earlier

Gilts

Fixed or index linked securities issues by the UK government (bonds).

Hedging

A strategy which aims to eliminate the possibility of loss in an investment transaction or to minimise a risk by offsetting the exposure to a risk by entering into an investment with the exact opposite pay off pattern. Often used in the context of overseas investments to eliminate any potential currency loss (or profit).

IAS 19

An international accounting standard that sets out the accounting treatment for employee benefits, including post-employment benefits such as pensions.

Index-linked securities

UK government issued securities on which the interest and eventual repayment of the loan are based on movements in inflation.

Investment adviser

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals, for a stated fee.

IRR

Internal Rate of Return. Performance measure most suitable for closed-ended investment funds.

Listed security

A security (a share) that is quoted on a major stock exchange.

Mandate

Instructions given to the manager by the client on the performance target, restrictions on stocks etc.

Market value

The price at which an investment can be bought or sold at a given date.

Maturity

The maturity of a pension scheme indicates the number of active members relative to the number receiving pensions.

Member

A person who has been admitted to membership of a pension scheme and is entitled to benefit under the scheme.

Mid-price

Halfway between the bid price and the offer price

Mortality assumptions

One of the greatest unknowns for a pension fund is how long benefits will be paid for. People are currently living longer than they did in the past. Actuaries assess future mortality, using tables based on research and additionally can access databases which enable mortality to be analysed and modelled at a detailed level within employer's geographical areas. Club Vita is an example of such a database.

Pooled fund

A fund managed by a fund manager in which investors hold units. Stocks, bonds, properties etc. are not held directly by each client, but as part of a "pool". This contrasts with a segregated fund.

Realised

This is when the value of loss or profit is received when an investment is sold

Responsible investment (RI)

Investment where environmental social or governance considerations are taken into account in the selection, retention and realisation of the investment, and the responsible use of rights (such as voting rights) attached to investments.

Return

This is the percentage change of the total value invested over a set period.

Rights issue

An issue of new shares by a company, offered to existing shareholders in proportion to their holdings. The new shares are usually offered at a discount to encourage shareholders to buy. However, this can cause the existing price to fall.

Risk

Generally taken to mean the variability of returns. Investments with a greater perceived risk must usually promise a higher return than a more stable investment before rational investors will consider buying them. Generally, the higher the potential return the higher the associated risk.

Scheduled bodies

These are the organisations listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 1) and include county councils and district councils.

Scrip dividend

A dividend paid in the form of additional shares rather than cash.

Securities

Investments in company shares, fixed interest or index-linked stocks.

Stock

Commonly used as a name for ordinary shares (common stock in the US) More correctly it is the name for UK gilts.

Strategic asset allocation

Long-term allocation between the main asset classes with the aim of meeting the investors risk and return objectives.

Transfer value

The amount of the transfer payment which is made to another pension arrangement.

Unit trust

An open-ended trust investing in a wide spread of stocks, shares and cash (depending on FCA limits)
Investors buy units directly from the fund manager.

Unquoted security

A security which is not quoted on stock exchange

Unrealised Gains/(Losses)

The increase/(decrease) at year end in the market value of investments held by the fund since the date of their purchase

Withholding tax

A tax deducted from overseas investment income.

Yield

A measure of the return earned on an investment.