

ANNUAL REPORT AND ACCOUNTS

ISLE OF WIGHT COUNCIL PENSION FUND 2019-20

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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 2020, setting out the overall financial activity of the fund.

The coronavirus pandemic had a significant impact on the fund's investment values at the end of the year. From a high of £655.4 million at the end of December 2019, the value fell dramatically to £568.4 million at 31 March 2020 – a reduction of £38.0 million since the previous year end.

Since the end of the financial year, markets have recovered such that the fund's assets at 30 June 2020 were valued at £639.0 million.

The fund's continuing activities to improve its governance framework and overall management of the fund were recognised in September 2019 when it was shortlisted for and won the award for LGPS Fund of the year (assets under £2.5 billion) at the LAPF Investment Awards 2019. The award was presented by Alexander Armstrong to the Technical Finance Manager and the vice-chairman of the committee.

The committee met nine times during the 2019-20 financial year, with alternate meetings covering funding and investment, and governance and administration issues wherever possible. During the year the committee:

- Completed the procurement of a new global custodian and transitioned its assets to the new supplier.
- Adopted a risk management policy specific to the pension fund.
- Continued its engagement with the ACCESS pool, with officers and elected members attending meetings throughout the year. During the year, the fund transitioned its global equity and diversified growth holdings into pooled ownership, so that at year end 52 per cent of the fund's investments were under pool management.
- Received the results of the 2019 valuation of the fund, agreed the employer contribution rates for the forthcoming three years, and adopted the updated Funding Strategy Statement.
- Agreed to amend its strategic asset allocation as a result of the outcome of the 2019 valuation and began increasing committee members' understanding of the new proposed alternative asset classes.
- Received regular updates on the developments in administration of the fund, including the data improvement plan, the results of the council's automatic re-enrolment exercise, and the progress in implementing the i-connect portal for electronic upload of monthly employer data returns.

The pension board continues to provide additional insight and assurance to the committee in terms of governance and administration standards. The board met four times during the year, and their annual report for 2019-20 is presented separately in the fund's annual report and accounts.

2020-21 has begun in a new world, with the lockdown from the pandemic crisis meaning officers and members are engaging with their fund duties in a different way. One committee meeting was cancelled in May 2020, but all meetings are now being delivered virtually through Microsoft Teams.

The key areas of focus for the year will be:

- Implementation of the new investment strategy, including the procurement, selection and appointment of fund managers to support allocations to private debt and infrastructure.
- Continued engagement with the ACCESS pool, including the transition of the fund's remaining investment assets into the pool.
- Monitoring the fund's responses to government consultations, and the implementation of solutions for the McCloud remedy, the Goodwin case, restricted exit payments and cost cap mechanisms.
- Continued review and improvements in the operation of both pension board and committee, linking into the outcomes of the Scheme Advisory Board's Good Governance Review.

Councillor Adrian Axford – Chairman – Isle of Wight Pension Fund Committee



Financial Summary

Analytical review

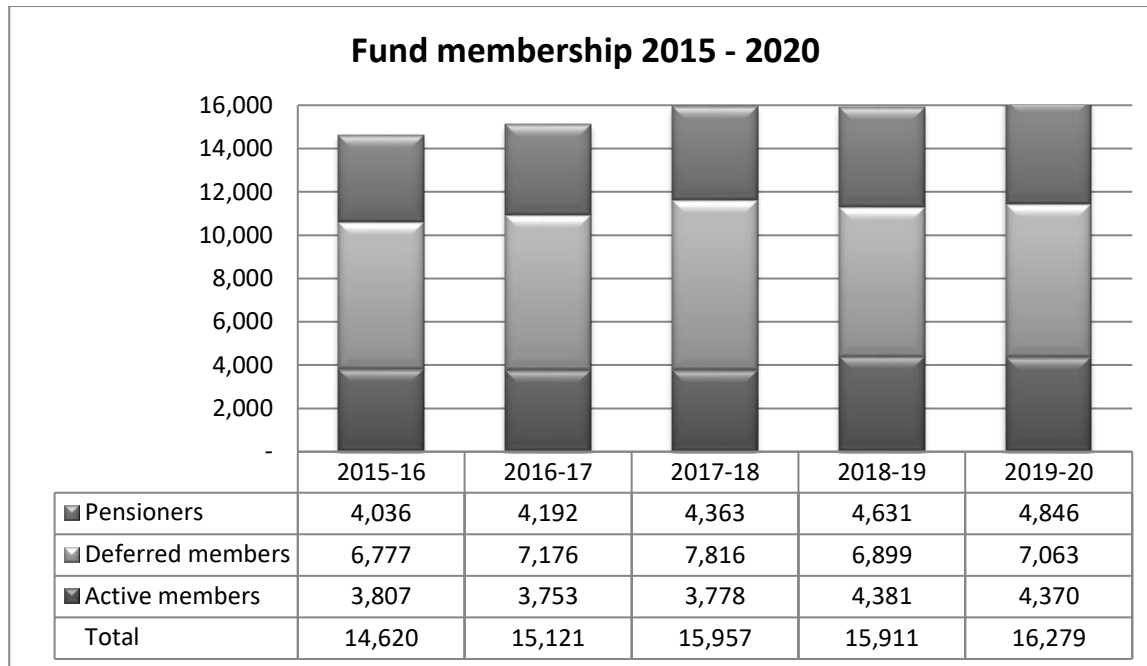
Fund account	2019-20 £000	2018-19 £000	Notes
Net withdrawals from dealings with members	(2,076)	(5,358)	Increase in basic contributions; increase in transfers in; increase in pension strain contributions; inflationary increases in benefits paid & increase in number of pensioners; decreased payments to leavers and on death
Management expenses	(2,945)	(4,314)	Increase in investment management fees due to performance Q1-Q3; transaction costs reduced due to large negative implicit transaction cost
Net return on investments	(29,422)	43,065	Positive performance in Bond markets. All other markets declined due to effect of Covid-19 pandemic in Q4
Net decrease in net assets	(34,443)	33,393	

Net Assets Statement	2019-20 £000	2018-19 £000	Notes
Equities	104,664	111,300	Negative performance in UK equities markets due to Covid-19 crisis in Q4
Pooled Investment Vehicles	457,801	490,844	Significant negative performance due to Covid-19 crisis in Q4 in all funds, apart from Bonds which had a positive performance
Cash deposits	5,275	4,053	Increase in cash balance held for future investment.
Other net liabilities	(6,035)	(10,049)	Decrease in short term borrowing to fund operational activities; increase in current cash balance
Total net assets	561,705	596,148	

Further detail can be found in the financial statements and notes on pages 176 to 204

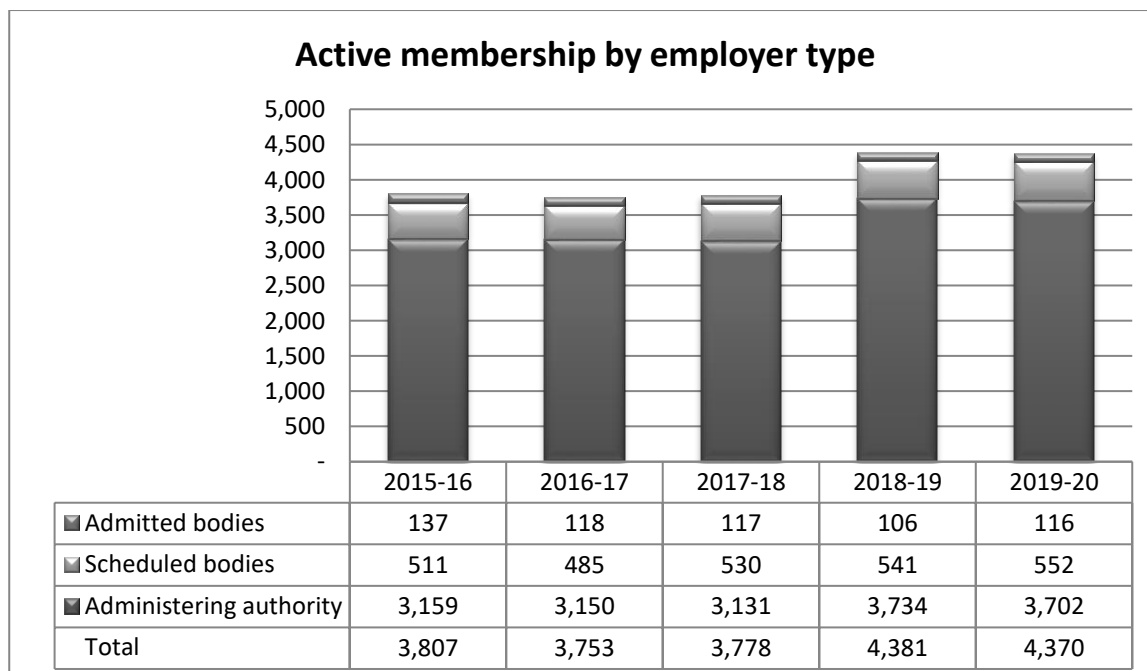
Membership data

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 2015 to 2020 is shown below:



During the year two employers ceased to be a member of the fund.

The Isle of Wight Council remains the largest employer in the fund, and its share of the active members has taken an upwards turn in real numbers. There has been an overall increase in the proportion from 83.0% in 2015/16 to 84.7% as at 31 March 2020. 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.

	Active members at 31 March 2020	Employee basic conts. £000	Employer basic conts. £000	instances late	% value late
Administering Authority					
Isle of Wight Council	3,702	3,327	12,555		
	3,702	3,327	12,555	-	
Scheduled Bodies					
Isle of Wight College	247	203	807		
Ryde Academy	56	46	185		
Lanesend Academy	56	37	156		
Cowes Enterprise College	48	48	186		
Northwood Primary	39	15	63		
St Francis Primary	30	15	63		
St Blasius Academy	28	15	62		
Island Free School	20	31	127		
Ryde Town Council	13	17	64		
Newport Parish Council	7	7	24		
Shanklin Town Council	2	3	11		
Cowes Town Council	2	2	9	1	8.0%
Gurnard Parish Council	1	1	3		
Wootton Bridge Parish Council ⁵	1	1	4	4	41.6%
Northwood Parish Council	1	1	2		
Sandown Town Council ⁴	1	-	1	1	63.0%
IoW Studio School ²	-	1	4		
	552	443	1,771	6	0.2%
Admitted Bodies					
Sovereign Housing Group	28	63	245		
Island Roads	26	56	179		
Accomplish	25	-	-		
Southern Vectis	9	8	32	1	7.4%
Nviro	8	3	15	1	8.4%
Barnardo's	6	6	22	1	8.9%
Southern Housing Group	3	8	37	1	8.1%
Cowes Harbour Commissioners	3	14	33		
Yarmouth Harbour Commissioners	2	4	15		
Top Mops	2	1	3		
Ventnor Botanic Gardens	1	3	8		
Caterlink	1	1	4		
RM Ltd ³	1	2	7		
Trustees of Carisbrooke Castle Museum	1	-	2	1	9.0%
St Catherines School ¹	-	1	4		
	116	170	606	5	1.4%
Total	4,370	3,940	14,932	11	0.1%

The level of contributions from both employers and employees can be found within the financial statements, which are included within this report, on page 168 and page 185 respectively.

- 1 St Catherines – The last active member of the fund left the employer in August 2019
- 2 Isle of Wight Studio School – Ceased to be a member of the fund in 31 August 2019
- 3 RM Ltd – Joined the pension Fund in May 2019 due to outsourcing from Ryde Academy
- 4 Sandown Town Council – Joined the fund as per January 2020
- 5 Wootton Bridge Parish Council – Their instances of lateness arose because they pay by cheque.

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 A Axford	Con	Chair		
Councillor B Abraham	Con			
Councillor D Andre	Ind		29 May 2020	
Councillor P Brading	Con			
Councillor V Churchman	Con			
Councillor P Fuller	Ind		29 May 2019	11 November 2019
Councillor A Garratt	Lib			
Councillor C Mosdell	Con		13 November 2019	15 July 2020
Councillor G Perks	Ungrouped		15 July 2020	
Councillor I Stephens	Ind			29 May 2019

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, Technical Finance Manager

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

Investment Managers

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

Majedie Asset Management Ltd
5th Floor
10 Old Bailey
London EC4M 7NG

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

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

Actuarial Services
Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Investment Consultants
Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

AVC Provider
Prudential
AVC Customer Services
Stirling FK9 4UE

Custodian
Northern Trust
50 Bank Street
London E14 5NT

ACCESS Pool Operator
Link Asset Services,
Arlington Business Centre,
Millshaw Park Lane,
Leeds LS11 0PA

Bankers
Lloyds Bank
3 Town Quay
Southampton
SO14 2AQ

Auditors

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton SO15 2BE

Scheme Administrator

Isle of Wight Council
County Hall
Newport
Isle of Wight PO30 1UD
pensions@iow.gov.uk
<http://www.isleofwightpensionfund.org/>
Direct Tel No 01983 823626

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

Investment Policy and Performance Report for 2019-20

Hymans Robertson LLP 18 May 2020

Report and Accounts for the period ending 31 March 2020

Introduction

The Fund's investments have been managed during the year under review by Majedie Asset Management, Newton Investment Management, Baillie Gifford and Schroders. The Newton and Baillie Gifford funds are accessed through the ACCESS pool. The strategic benchmark allocation as at 31 March 2020 was:

Manager	Mandate	Allocation	Control ranges	Benchmark
Majedie	UK Equities	22.5%	19.5 – 25.5%	FTSE All-Share index
Newton	Global Equities	32.5%	29.5 – 35.5%	MSCI AC (All Countries) World index (net dividends re-invested)
Baillie Gifford	Diversified Growth	15.0%	11.0 – 19.0%	UK Base Rate + 3.5%
Schroder	UK Bonds	22.0%	18.0% – 26.0%	50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts
Schroder	UK Property	8.0%	4.0% – 12.0%	IPD Pooled Property Fund indices
Total		100.0%	-	All Balanced Funds Median

Source: Investment Strategy Statement

Summary of strategic changes

There have been no changes made to the strategic benchmark over the year. 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 (%)	
Majedie – UK Equity	123,564	117,179	20.3	20.6	22.5
Newton – Global Equity	251,386	196,478	41.4	34.5	32.5
Baillie Gifford – Diversified Growth	82,201	97,203	13.5	17.1	15.0
Schroder – UK Bonds	113,636	121,737	18.7	21.4	22.0
Schroder – UK Property	36,430	36,953	6.0	6.5	8.0
Total	602,217	569,550	100	100.0	100.0

Source: Investment Managers

Figures may not sum to total due to rounding.

Reasons for variance from Benchmark

The Fund is slightly overweight to Global Equities and Diversified Growth, relative to strategic benchmark and correspondingly underweight to UK equities, Corporate Bonds and Property.

All portfolios were within their target ranges as at 31 March 2020. A rebalancing exercise was undertaken over Q4 2019, reducing the material overweight position to Global equities and increasing the positions to UK equities and Diversified Growth to bring the Fund's overall strategic allocation to within the target ranges.

Market Background

Investment Markets

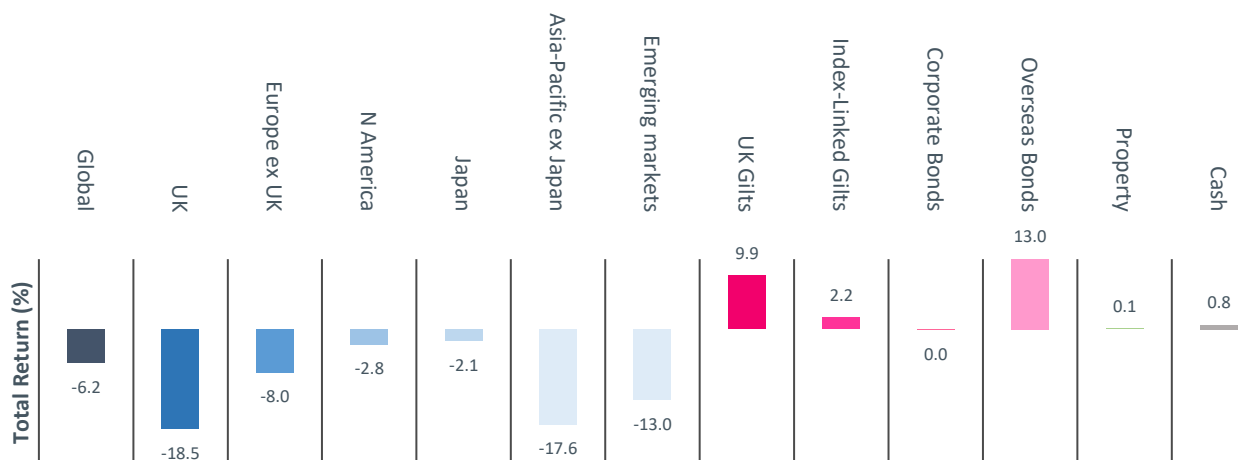
Q4 GDP numbers were broadly in-line with trend for the last 12 months - a modest slowdown year-on-year. Given the global spread of Coronavirus, and the impact of containment measures, latest consensus forecasts suggest the global economy will contract by over 2% in 2020. GDP in the major advanced economies is expected to fall more than during the global financial crisis.

Falling domestic demand globally and steep oil price declines, due to collapsing demand and over supply, are disinflationary. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020.

The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows. The Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt. At the same time, governments are making available unprecedented levels of fiscal support with the aim of limiting bankruptcies and unemployment.

Sovereign bond yields followed deteriorating macroeconomic data lower in 2019, before plunging to record lows in March. In the UK, 10-year nominal gilt yields fell from 1.0% p.a. to 0.36% p.a. Implied inflation fell as index-linked gilts falls less than their nominal counterparts.

12 Month performance to 31 March 2020



Equities

Global equity markets fell 9.6% in local currency terms and 6.2% in sterling terms, as sterling weakness benefited unhedged investors. Global equities reached record highs in early February, before slumping in March. The UK equity market was the worst performer over the year and saw the largest falls in Q1 given its exposure to the oil & gas sector while the US market outperformed.

Bonds

Following a relatively benign period in which spreads drifted lower, anticipation of economic disruption, saw credit spreads widen significantly in March. Falling underlying yields cushioned the absolute fall in price terms. Unsurprisingly, speculative grade credit spreads underperformed their investment grade counterparts with US and European high yield spreads rising 4.8% p.a. and 3.7% p.a., respectively. Leveraged loans underperformed within speculative-grade markets as a collapse in interest rate expectations weighed on floating-rate loans.

Property

UK commercial property market returns slowed, returning 0.1% over the period, with income return insufficient to offset declining capital values. UK property funds have begun to suspend dealing as property valuers have been unable to accurately value the underlying assets with any certainty.

Currencies

Sterling ended the period 2.1% lower in trade-weighted terms, larger falls were recorded against perceived havens of the dollar and yen.

Investment Performance

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Majedie – UK Equity	-20.8	-18.5	-6.8	-4.2
Newton – Global Equity (ACCESS)	-2.0	-6.7	4.4	1.8
Baillie Gifford – Diversified Growth (ACCESS)	-8.6	4.3	-.9	4.1
Schroder – UK Bonds	7.2	6.1	2.3	2.1
Schroder – UK Property	-0.0	.3	3.9	3.6
Total	-5.5	-4.0	0.7	1.1

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

The Fund underperformed its strategic benchmark over 12 months by 1.5% due mainly to the Fund's overweight position to growth assets which suffered significant losses following the COVID-19 outbreak in Q1 2020 and the resulting economic impact. The Fund is marginally behind its benchmark over 3 years returning 0.7% against a benchmark of 1.1% due in part to the significant losses suffered in Q1 2020 and consistent underperformance of the Majedie UK Equity mandate over the short and medium term.

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 are currently reviewing the Fund's investment strategy following the results of the 2019 Actuarial Valuation.

The Committee believes that the investment strategy in place 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
Majedie	Northern Trust
Newton (ACCESS)	Northern Trust
Baillie Gifford (ACCESS)	Northern Trust
Schroder	Northern Trust

Source: Investment Managers

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

The Fund successfully completed a procurement exercise to change its own custodian during Q1 of 2019 with the transition of custody arrangements from BNP Paribas to Northern Trust taking place during Q2 of 2019.

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 Committee are in the process of developing their ESG and Responsible Investment policy further as part of the ongoing investment strategy review process. Once pooled the Fund will work closely with ACCESS on stewardship and engagement issues including ESG issues and voting rights.

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. The Fund's Investment Strategy Statement will be updated over 2020/21 following the outcome of the ongoing investment strategy review.

Prepared by:-

Emma Garrett, Investment Consultant

David Walker, Partner

For and on behalf of Hymans Robertson LLP

Investment Strategy Statement at January 2019

Introduction

- 1.1. This is the Investment Strategy Statement ("ISS") of the Isle of Wight Council Pension Fund ("the Fund") which is administered by the 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 Regulations").
- 1.2. 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.
- 1.3. 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. This document replaces the Fund's Statement of Investment Principles.
- 1.4. 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.
- 1.5. The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund.

Investment Beliefs and Objectives

- 2.1. 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.
- 2.2. 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.
- 2.3. 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 are included in Appendix A and are reviewed on a regular basis

Investment strategy and the process for ensuring suitability of investment

- 2.1. 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 asset 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.
- 2.2. 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.
- 2.3. 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.
- 2.4. In 2019, the Fund is due to carry out an asset liability modelling exercise following on from the 2019 actuarial valuation. The Fund's liability data from the valuation will be used in the modelling, and the implications of adopting a range of contributions and investment strategies will be assessed. The implications for the future evolution of the Fund will be considered under a wide range of different scenarios.
- 2.5. The Committee will assess the likelihood of achieving their long-term funding target – which has been defined as achieving a fully funded position within the next 20 years. They will also consider the level of downside risk associated with different strategies by identifying the low funding levels which might emerge in the event of adverse experience.
- 2.6. This document will be updated to reflect any changes to the Fund's investment strategy following the investment strategy review.

Asset classes

- 2.7. 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 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.
- 2.8. 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.
- 2.9. 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. In line with the Regulations, the authority'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 that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Asset class	Allocation %	Allowable ranges %	Role (s) within the strategy
Equity	55.0	+/-6%	Long term growth in excess of inflation expected
Diversified Growth Fund	15.0	+/-4%	Diversification and Tactical Asset Allocation
Property	8.0	+/-4%	Diversification. Generates 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. Not specifically income generating

Restrictions on investment

- 2.10. 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

- 2.11. 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.
- 2.12. 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.
- 2.13. The individual investment manager mandates in which the Fund assets are currently invested are as follows:-

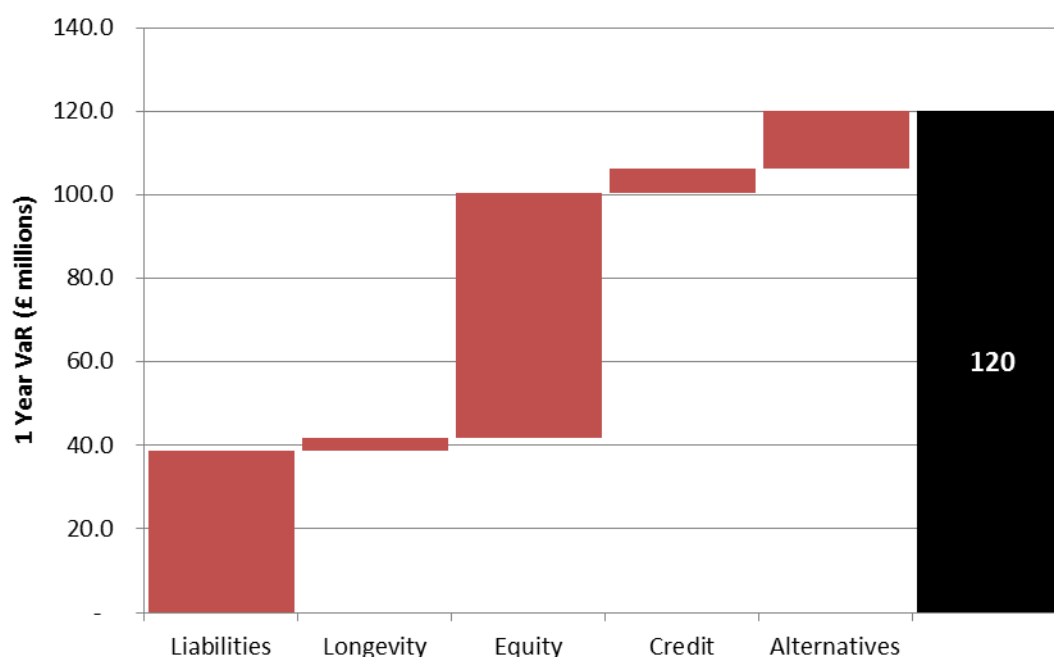
Investment Manager	Asset Class	Investment style
Majedie	UK Equity	Active
Newton	Global Equity	Active
Baillie Gifford	Diversified Growth	Active
Schroders	Property	Active
Schroders	Fixed Income	Active

Risk measurement and management

- 2.1. 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 take as much investment risk as is necessary.
- 2.2. 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

- 2.3. The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



- 2.4. As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	+£56m
Rise in Inflation	1% increase in inflation	+£75m
Fall in interest rates	1% fall in interest rates	+£75m
Active Manager underperformance	3% underperformance from all active managers	+£14m

- 2.5. As shown in both the Value-at-Risk attribution chart and the table above, the most significant risk that the Fund is running is in relation to equities. Whilst not immaterial the risks being run by the use of active management is far smaller.

B Funding Risks

- 2.6. Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- 2.7. Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- 2.8. 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.
- 2.9. 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 2019 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.
- 2.10. 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

- 2.11. 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.
- 2.12. Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- 2.13. Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- 2.14. Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
- 2.15. Manager underperformance - The failure by the investment managers to achieve the rate of investment return assumed in setting their mandates.
- 2.16. The Committee measure and manage asset risks as follows:
- 2.17. 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.
- 2.18. 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.
- 2.19. 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.
- 2.20. 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.
- 2.21. 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.
- 2.22. The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and diversified growth. 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 Funds reliance on returns from equities. Illiquid assets such as property are also a valuable source of income

D Other Provider Risks

- 2.23. 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.
- 2.24. Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- 2.25. Credit default - The possibility of default of a counterparty in meeting its obligations.
- 2.26. Stock-lending – The possibility of default and loss of economic rights to Fund assets.
- 2.27. 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

- 2.28. 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

- 2.29. 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

- 2.30. 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.
- 2.31. 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 & Governance ('ESG') Risks

- 2.32. 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:
- 2.33. Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- 2.34. 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.

- 2.35. 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.
- 2.36. The Fund does not hold any assets which it deems to be social investments

Approach to asset pooling

- 2.1. Isle of Wight 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
- 2.2. 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.
- 2.3. 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/>
- 2.4. 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

- 2.5. 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.
- 2.6. At the time of preparing this statement the Fund has made no investments via the ACCESS Pool.

Voting Rights

- 6.1. 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.

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

- 7.1. 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.
- 7.2. 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.
- 7.3. 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.
- 7.4. 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.
- 7.5. The Fund is committed to the UK Stewardship Code and is developing a statement of compliance for assessment by the Financial Reporting Council.

Myners Principles

- 8.1. Although not specifically referenced in the 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.

Advice Taken

- 9.1. In creating this statement, the Fund has taken advice from its Investment Consultant. 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, Hymans Robertson. 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.
- Once pooled the Fund will 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.
- 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.

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.

The quality of advisers is assessed on a qualitative basis but is not formally measured. 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

Principle

- Include a statement of their policy on responsible ownership in the Statement of Investment Principles.
- 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

ownership.

The Committee needs to consider the implications of the UK Stewardship Code (issued in September 2012) to ensure it is fully compliant with the new requirements.

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.

Actuarial Statement for 2019-20

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 disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA

30 April 2020

For and on behalf of Hymans Robertson LLP

Funding Strategy Statement at March 2020

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](#).

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)
Cessation of participation: cessation debt 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 (i) .			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 (i) .		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising. See Note (i) 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.

3.3 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).

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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 from a percentage of payroll to fixed monetary amounts.</p>

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>
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>

Risk	Summary of Control Mechanisms
<p>Administering Authority failing to commission the Fund actuary to carry out a termination valuation for a departing Admission Body.</p>	<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>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<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 <u>Notes (h) and (j) to 3.3</u>).</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 <u>Note (f) to 3.3</u>).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see <u>Note (a) to 3.3</u>).</p>
<p>An employer ceasing to exist resulting in an exit credit being payable</p>	<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.

Pension Scheme Administration for 2019-20

Key Performance Indicators

	Detail	2018/19 achieved	Target	April 2019	May 2019	June 2019	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020
Payment of Benefits	Set up of new pension and lump sum within 10 working days of receipt of all documents	98.23%	100	100%	90.63%	100%	100%	100%	100%	93.93%	96.55%	90.48%	88.24%	89.47%	81.25%
Benefits Estimates Members	Estimates of benefits to Members within 20 working days.	96.9%	100	100%	100%	100%	100%	100%	100%	93.33%	100%	100%	86.66%	85.71%	100%
Benefits Estimates Employers	Estimate of benefits to Employers within 5 working days.	96.9%	100	100%	100%	Nil	100%	100%	100%	81.81%	100%	Nil	100%	100%	100%
Annual Benefits Statements	Produce the required standard to statutory timescale by 31 st August each year	84.7%	100	LGPS Deferred 99.86%	Nil	Nil	LGPS Deferred Councilors 100%	LGPS Deferred 100% Active 100%	NIL	NIL	NIL	Nil	Nil	Nil	Nil
Transfers In Payments	Payment made within 5 working days of receipt of all documentation	100%	100	Nil	100%	100%	100%	100%	100%	100%	100%	66.67%	100%	100%	100%
Transfers in Quotes	Issued within 20 working days of notification and all information required to produce a quote.	100%	100	100%	100%	100%	100%	100%	80%	100%	100%	0%	Nil	Nil	100%

	Detail	2018/19 achieved	Target	April 2019	May 2019	June 2019	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020
Transfers Out Payments	Payment made within 5 working days of receipt of all documentation.	94.4%	100	100%	100%	100%	100%	100%	87.5%	100%	50%	100%	Nil	100%	
Transfers Out Quotes	Issued within 20 working days of notification and all information required produce a quote.	92.9%	100	100%	100%	100%	100%	100%	100%	100%	100%	100%	Nil	Nil	Nil
Deaths	Payment of Death Grant and set up Widow pension within 10 working days	97.9%	100	100%	100%	100%	100%	100%	100%	92.31%	100%	100%	100%	100%	100%
Pensioner Payroll	Payment of pension benefits to member by last working day of month.	100%	100	100% 33 Starters 44 Variations	100% 39 Starters 37 Variations	100% 25 Starters 34 Variations	100% 48 Starters 51 Variations	100% 26 starters 31 variations	100% 33 starters 24 variations	100% 23 Starters 29 variations	100% 35 starters 35 variations	100% 24 Starters 32 Variations	100% 5,540	100% 5646	100%
Pension Team PDRs	Annual PDRs for staff to take place May/June each year	100	100	Nil	Nil	Nil	2 PDRs complete d	5 PDRs Complete d	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Statutory Reports	Statutory reports, Fire Annual Valuation data, finance reports etc.	100	95	ABS Deferred	Nil	Nil	2019 Valuation 18/07/2019 ABS Deferred Councillo rs 23/07/2019 Annual Allowanc e 26/07/2019	LGPS Active ABS 13/08/2019	Member Annual Allowance (PSS)		Nil	HMRC PSS Report 23/12/2019	Nil	Nil	

These Key Performance Indicators are presented to the Pension Board at each meeting and any deviation from the target is fully explained

Breakdown of New Pensioners in 2019/20

The new pensioners that arose during 2019/20 can be broken down as follows:

Redundancy	20
Ill-Health	5
Early Retirement	2
Flexible Retirees	6
Normal Retirement	56
Total New Pensioners	89

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 31/03/2020			Year ended 31/03/2019		
	Recharged by IWC	Incurred Directly	Total	Recharged by IWC	Incurred Directly	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	250	-	250	254	-	254
IT expenses	27	173	200	25	160	185
Professional Subscriptions	9	14	23	10	59	69
Professional Fees	-	-	-	-	-	-
Premises Expenses	57	-	57	32	-	32
Sundry Office Expenses	-	1	1	-	3	3
Total	343	188	531	321	222	543

Complaints and disputes

The Internal dispute and complaints procedure is detailed on the Isle of Wight Pension Fund website, which can be found here: <https://www.isleofwightpensionfund.org>

Administration Strategy Statement

Published November 2018

1. Introduction

- 1.6. 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.
- 1.7. 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.
- 1.8. 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.
- 1.9. Following consultation this administration strategy statement is an agreement between the fund and the employers.

2. 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

3. 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.

4. 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.

5. The Regulations – effect on strategy

7.1. This strategy sets out certain duties and responsibilities.

7.1.1. It does not override any provision or requirement in the Regulations or any overriding legislation.

7.1.2. 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:

7.2.1. 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;

7.2.2. Any earlier LGPS regulations as they continue to apply

7.2.3. 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

6. Communication

6.2. The fund's Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers.

6.3. The fund routinely provides information and resources for employers using its website, <http://www.isleofwightpensionfund.org/> with an employers' section

6.4. 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.

6.5. The fund will communicate to the employer on an ad hoc basis and as required in respect of matters relating to the LGPS.

6.6. 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.

- 6.7. 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.
- 6.8. The fund will issue electronic forms and such other materials as are necessary in the administration of the LGPS, for members and the employers.
- 6.9. Employers should provide contact details at least annually, and whenever a named contact changes.
- 6.10. 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.

7. Performance measurement and reporting

- 7.6. 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.
- 7.7. 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.
- 7.8. 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.
- 7.9. 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.

8. Costs

- 8.2. 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.
- 8.3. 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.
- 8.4. 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.

- 8.5. 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.
- 8.6. 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.
- 8.7. 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.

9. Penalties

- 9.2. 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.

10. Isle of Wight Pension Fund contacts

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

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.

Employer responsibility	Timescale
Contributions	
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 contribution's 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.	In accordance with regulations and then regular review.

Employer responsibility	Timescale
Provide a copy of the discretions policy to the fund on entry to the fund and following any change to the policy.	Notify the fund and members of any changes to those policies within one 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.

Isle of Wight Pension Fund responsibility	Timescales
Issue annual benefit statements on member self-service to active members.	By 31 August after relevant annual return 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
	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

	Discretion	Regulation	Policy	Delegated authority for approval
	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

Governance Policy Statement

Last updated September 2020

1. Purpose of Policy

This policy, and the related Governance Compliance Statement, outlines the governance arrangements for the Isle of Wight 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 their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
- b. if they do 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.

2. 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.

3. Policy Statement

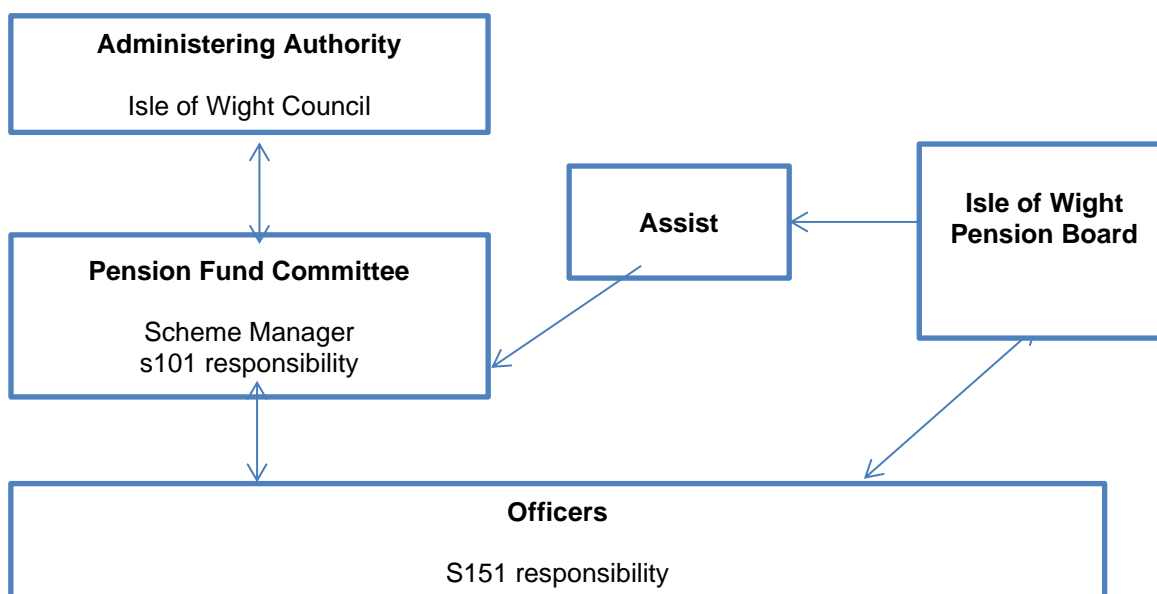
3.1. About the Isle of Wight Pension Fund

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.

3.2. Governance Structure

The Isle of Wight Pension Fund governance structure is illustrated below. This structure relates to the administering authority responsibilities only. The 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](#))



3.3. 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 taking action 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 member employer 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.

3.4. 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.

3.5. 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.

4. 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.

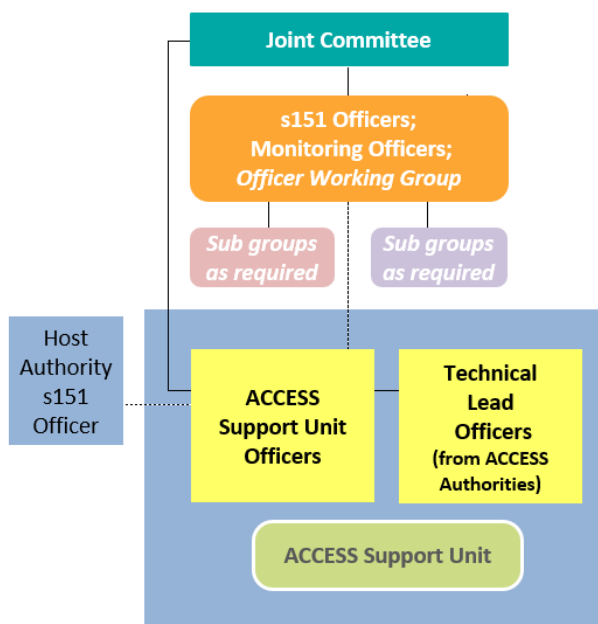
In order to achieve these objectives, the participating authorities have established a set of governing principles, summarised below:

- 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:



5. 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 Nov 2019 version 8.7

1. Terms of Reference

1.1. To carry out the council's statutory functions as administering authority of the Isle of Wight Pension Fund under the Local Government Pension Scheme (LGPS) Regulations and associated legislation under sections 7, 12 and 24 of the Superannuation Act 1972. This includes dealing with all matters arising that relate to the Isle of Wight Pension Fund, including the management and investment of the fund.

1.1.1. Specifically, this will include, but is not restricted to:

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

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

1.2 To ensure the proper governance and administration of the fund in accordance with the Pensions Regulator's Code of Practice on Governance and Administration of Public Service Pension Schemes.

1.2.1 In addition to the functions listed in paragraph 1.1(i) above, this will include:

- Providing the Pensions Regulator with an annual return of the fund's "registerable information" and keeping that information up to date.
- Establishing and operating adequate internal controls to allow risks to be identified, evaluated and managed.
- Publishing up to date information about the pensions board.
- Ensuring that pension board members do not have a conflict of interest.
- Operating arrangements which comply with legal requirements resolving internal disputes with members and others.
- Establishing adequate procedures that enable breaches to be considered and reported.

1.3 To exercise all discretionary functions as scheme manager for the firefighters' pension schemes.

1.4 To undertake the training necessary 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 but not limited to:

- pensions legislative and governance framework
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices

1.5 To develop, in conjunction with the Isle of Wight Pension Board, a work programme for both pension fund committee and pension board, to ensure the appropriate standards of governance and administration of the scheme are maintained.

2. Membership

Seven elected members appointed on a political proportionality basis.

One non-voting employee representative nominated by UNISON.

One non-voting representative nominated by external employers of the fund.

2.1 In Attendance

Chief executive (or his nominated representative)

Leader of the council can attend as necessary

One representative from investment consultants

One administrative support officer

One representative from actuaries (as required e.g. to consider annual report and after triennial fund valuations)

Representatives from pension fund investment managers (as required)

Chairman of LGPS Pension Board, or nominated representative, as observer unless invited to speak by the chairman of the committee

Chairman of Fire Pension Board, or nominated representative, as observer unless invited to speak by the chairman of the committee

3. Proceedings

- 3.1 The procedure rules for the regulation of proceedings shall apply to meetings of the Isle of Wight Pension Fund Committee.

4. Quorum

- 4.1 The quorum for the Committee is three elected members.

5. Meeting Frequency

- 5.1 .The committee will meet quarterly, but additional meetings will be arranged with the approval of the chairman of the committee, if required.
- 5.2. Informal meetings may be held for training and development purposes, to which members of the Local Pension Board and the Fire Pension Board will be invited.

6. Access to information

- 6.1. All meetings of the committee shall be held in public unless there are grounds for excluding the press and public, as set out in the access to information procedure rules or in accordance with legislation.

7. Agenda

- 7.1. The agenda for the committee will be determined by the proper Officer in consultation with the chair of the committee.

8. Voting

- 8.1. Any vote shall be by show of hands. A simple majority prevails and in the event of a tied vote the chairman has a casting vote.

9. Officer contact

- 9.1. Democratic Services – 01983 821000 email: Democratic.Services@iow.gov.uk

Terms of Reference of the Pension Board

Extracted from the council's Constitution Nov 2019 version 8.7

1. Terms of Reference and Delegated Authorities

1.1 Introduction

- (i) The purpose of this document is to set out the terms of reference for the Local Pension Board of the Isle of Wight Council Pension Fund.

1.2 Role of the Local Pension Board

- (i) The role of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –
 - Assist Isle of Wight Council Administering Authority as Scheme Manager; –
 - to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS.
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator.
 - in such other matters as the LGPS regulations may specify.
 - to secure the effective and efficient governance and administration of the LGPS for the Isle of Wight Council Pension Fund.
 - Provide the Scheme Manager with such information as it requires to ensure that any member of the pension board or person to be appointed to the board does not have a conflict of interest.
- (ii) The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- (iii) The Pension Board will also help 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.
- (iv) The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

1.3 Appointment of members of the Pension Board

- (i) The process for selecting members of the Pension Board is set out below.
- (ii) The Board shall consist of a minimum of four members, with a maximum total membership of eight, and be constituted with an equal number of employer and scheme member representatives as follows:
 - Minimum of two, maximum of four, employer representatives;
 - Minimum of two, maximum of four, scheme member representatives.
- (iii) For the minimum membership size of four, one of the employer representatives shall be an elected member of the Isle of Wight Council. The other will be selected by the other employers of the fund, following nominations. Should the total number of members increase, then one of the additional employer representatives should be sought from the external employers of the fund.

- (iv) The scheme member representatives shall be appointed from suitable candidates nominated by UNISON, who will be responsible for arranging their own election of suitable candidates, representing both active and retired members, and advise the Isle of Wight Council of this so that it can be assured that it is open and transparent.
- (v) Should UNISON fail to nominate suitable representatives, the council will undertake a selection process by requesting expressions of interest from all active, deferred and retired members, followed by a ballot.
- (vi) Pension Board representatives must not also participate in or act as members of the Isle of Wight Council Pension Fund Committee.
- (vii) The Chair of the local Pension Board will be determined by the Board on an annual basis from amongst its own number.
- (viii) It will be the role of the Chair to ensure that:
 - all members of the Board show due respect for process;
 - all meetings are productive and effective;
 - all views are fully heard and considered; and
 - where possible consensus has been met (or where not met that decisions are put to a vote).
- (ix) Each employer representative and scheme member representative so appointed shall serve for a fixed four year period or until qualification for membership ceases.
- (x) Each Board member is expected to attend all Board meetings during the year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.
- (xi) Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members.
- (xii) The Board may, with the approval of the Scheme Manager, co-opt persons who are not members of the Board to serve in a non-voting capacity on the board itself, or on any sub committees it may deem necessary, particularly where this would add skills and experience.
- (xiii) Notwithstanding the appointment of co-opted members, the majority of the Board shall be comprised of employer and scheme member representatives, represented in equal number.
- (xiv) There will be no provision to allow for substitute members to be appointed to the Board.

1.4 Quorum

- (i) The Board shall have a quorum of three, requiring at least one employer representative and at least one scheme member representative to be present. Co-opted members will not count towards the quorum.

1.5 Conflicts of Interest

- (i) The policy for identifying conflicts of interest will be based upon the Council's Code of Conduct and relevant guidance issued by the Pensions Regulator.
- (ii) No one may be appointed to the Board who has a conflict of interest that is considered to be prejudicial to the exercise of their functions as a member of the Pension Board. It is the responsibility of the board member to provide any information required by the Scheme Manager in order to determine whether such a conflict exists.

- (iii) All members of the Board must declare at any such time as their circumstances change any potential conflict of interest that might arise as a result of their membership of the Pension Board.
- (iv) Where any such conflict is identified the Board and the Scheme Manager shall ensure it is effectively managed in line with the Council's Code of Conduct. Where it is deemed impossible to manage any such conflict the Pension Board member may be required to stand aside in relation to any specific issue being considered or, if necessary, resign their position on the Board.

1.6 Board Review Process

- (i) The Board will undertake each year a formal review process to assess how well it and its sub-committees, if any, and the members are performing with a view to seeking continuous improvement in the Board's performance.

1.7 Advisers to the Board

- (i) The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties. Any cost associated with the use of advisers to the Board must first be agreed with the Administering Authority.
- (ii) The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

1.8 Knowledge and Skills

- (i) A member of the Pension Board must be conversant with –
 - The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
 - Any document recording policy about the administration of the LGPS which is for the time being adopted by the Isle of Wight Council Pension Fund.
- (ii) A member of the Pension Board must have knowledge and understanding of –
 - The law relating to pensions, in particular the Local Government Pension Scheme.
 - The Pension Regulator's code of practice 14 and any other codes of practice that may at any time apply to public sector schemes, and
 - Any other matters which are prescribed in regulations.
- (iii) It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board and to be able to demonstrate this to the Scheme Manager.
- (iv) In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development, in a format consistent with the Scheme Manager's training policy.
- (v) Pension Board members will undertake a personal training needs analysis facilitated by the Scheme Manager and continually review their skills, competencies and knowledge to identify gaps or weaknesses.
- (vi) Pension Board members will comply with the Scheme Manager's training policy. Members of the Pension Board will be expected to attend training sessions held before each

Pension Fund Committee meeting, to support the development of their knowledge and skills, as well as any other training sessions held specifically for Board members. The Scheme Manager will ensure training materials for each session are provided to all Board members.

1.9 Board Meetings – Notice and Minutes

- (i) The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. The minutes shall be circulated to all board members who will be given 21 days to make comment, after which the final minutes will be published.
- (ii) There will be at least four Pension Board meetings a year. Other meetings may be convened with due notice as the Board determines.

1.10 Remit of the Board

- (i) The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails.

1.11 Standards of Conduct

- (i) The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” will be applied to all Pension Board members together with the code of conduct as contained within the constitution of the Isle of Wight Council.

1.12 Decision making

- (i) Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. If there are equal numbers of votes for and against the Chair of the Pension Board will have a second or casting vote which will be reported to the Scheme Manager.

1.13 Publication of Pension Board information

- (i) Up to date information will be posted on the section relating to the Isle of Wight Council Pension Fund on the Isle of Wight Council website showing:
 - The names and information of the Pension Board members.
 - How the scheme members are represented on the Pension Board.
 - The responsibilities of the Pension Board as a whole.
 - The full terms of reference and policies of the Pension Board and how they operate.
 - The Pension Board appointment process.
 - Who each individual Pension Board member represents.
 - Any specific roles and responsibilities of individual Pension Board members.
 - The Pension Board's training and attendance log.
- (ii) Pension Board papers, agendas and minutes of meetings will be published on the Isle of Wight Council Pension Fund website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by Data Protection legislation.
- (iii) The Pension Board will also publish an Annual Report of its activities carried out over the previous scheme year, which may be included within the Pension Fund Annual Report.

- (iv) The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

1.14 Accountability

- (i) The Pension Board will be collectively and individually accountable to the Scheme Manager and the Pensions Regulator.

1.15 Expense Reimbursement

- (i) Only expenses incurred by a Board member in attending an activity approved by the Board will be paid by the Council.

1.16 Reporting Breaches

- (i) Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in the Scheme Manager's published Reporting Breaches of the Law to the Pensions Regulator Policy.

1.17 Definitions

- (i) The undernoted terms shall have the following meaning when used in this document:

Term	Definition
<i>"Chair"</i>	Reference to duties to be performed, or authorities exercised, by the Chair
<i>"Elected member"</i>	A councillor of the Isle of Wight Council, elected by due democratic process.
<i>"Employer"</i>	Organizations' external to the Council whose employees are eligible to be members of the Isle of Wight Council Pension Fund, either under Schedule 2, part 1 of Local Government Pension Scheme (Administration) Regulations 2008, or by virtue of an admission agreement with the administering authority.
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme Transitional Provisions, Savings and Amendment) Regulations 2014 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Pension Board" or "Board"</i>	Means the local Pension Board for the Isle of Wight Council administering authority for the Isle of Wight Council Pension Fund as required under the Public Service Pensions Act 2013

Term

“Qualification for membership”

Definition

Requires:

- each member representative being appointed on the basis of their membership of the Fund or of a Union that represents the interests of the Fund’s membership;
- each employer representative to hold office or employment with a scheme employer that participates in the Fund;
- each Pension Board member to be able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.
- Each Pension Board member not having a conflict of interest which cannot be managed in accordance with the Scheme Manager’s conflict of Interest policy.
- any Pension Board member who is an elected member not being a member of the Pension Committee; and
- any Pension Board member who is an officer of the Scheme Manager not being responsible for the discharge of any function of the Scheme Manager under the Scheme.

“Scheme”

Means the Local Government Pension Scheme as defined under “LGPS”

“Scheme Manager”

Means Isle of Wight Council as administering authority of the Isle of Wight Council Pension Fund.

“Scheme member”

A person who has been admitted to membership of a pension scheme and is entitled to benefit under the scheme. Such a person may be “Active” (paying contributions), “Deferred” (no longer paying contributions, but entitled to future benefit), or “Retired” (in receipt of benefit)


1.18 Interpretation


- (i) Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.



Governance Compliance Statement



Updated 9 October 2020



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 	<i>Enter here the committee and date the terms of reference were agreed and link or reference to where this can be found</i> The LGPS Pension Board was approved and constituted at the meeting of the Isle of Wight Council on 21 January 2015 https://www.iwight.com/Meetings/committees/mod-council/21-1-15/minutes.pdf (minute 41) The terms of reference form Article 11 to the council's Constitution. Following a review of the CIPFA <i>Guide for local pension boards</i> , revisions to the terms of reference have been included in the updated Council Constitution to be approved at full council in November 2020 (deferred from May 2020 due to Covid-19 pandemic). The revisions to the board's terms of reference include changes to the way the board is administered and the way in which board meetings are conducted. Implications for publishing information about the board to be considered.



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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	Partial Compliance 	<p><i>Enter here whether individual training plans have been completed and where it can be found</i></p> <p>All board members have completed the Pensions Regulator's online toolkit. Board members undertook a knowledge and understanding self-assessment questionnaire in November 2019. This was replicated by Committee members in January 2020.</p> <p>The fund participated in the Hymans Robertson National Knowledge Assessment in March 2020, to assess levels of understanding against national comparators. The output from this assessment will support development of a knowledge and understanding policy and individual training plans for members of both board and committee. There remains a need for the fund to develop and implement a comprehensive induction programme for both board and committee members.</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. Review of officer roles and responsibilities to be undertaken as part of assessment of impact of SAB's good governance project to determine appropriate named person.</p> <p>Role profile for pension board members to include requirement that TPR online toolkit to be completed within 6 months of joining the board.</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 costs incurred in respect of the administration of the pension fund are coded to an administration cost centre within the council's financial hierarchy. These costs are recharged to the pension fund accounts on a quarterly basis. Costs incurred directly by the pension fund (for example adviser fees, fund manager costs) are presented to the Pension Fund and Treasury Management Accountant, for direct payment from the fund bank account, and coding to the pension fund accounts. The board's work programme now includes regular reporting of the non-member-related expenditure of the fund, to ensure greater understanding. 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> There are currently two employer representatives and two scheme member representatives on the pension board. The terms of reference form Article 11 to the council's Constitution. Following a review of the CIPFA <i>Guide for local pension boards</i> , revisions to the terms of reference have been included in the updated Council Constitution to be approved at full council in November 2020 (deferred from May 2020 due to Covid-19 pandemic). The revisions to the board's terms of reference include provision for the number of members to increase to 6 (retaining the equal balance between scheme member and employer representatives) along with provision for the appointment of an independent chairman for the board. The process for the recruitment of the additional board members and the independent chairman was discussed at the board meeting in September 2020.



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 	<i>Enter here where the manner and terms by which members of the local pension board are clearly set out.</i> The terms of reference for the pension board specify the method of appointment of board members. One of the employer representatives shall be an elected member of the Isle of Wight Council; one will be appointed from amongst the other employers of the fund, following nominations; the third will be selected from officers of the council, as the largest employer within the fund. A maximum of two scheme member representatives shall be appointed from suitable candidates proposed by UNISON. In the event of UNISON not being able to propose suitable candidates then the Administering Authority would seek suitable candidates from amongst all active, deferred and retired members. The third will be selected from officers of the council, as the largest employer within the fund.
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 	<i>Enter here whether a conflicts of interest policy has been adopted, where it can be found and the review procedure.</i> <i>Is it to be a regular feature on the local pension board agenda?</i> <i>Is there a register of interests? Who is responsible for maintaining it?</i> <i>Are local pension board members aware of what could be considered a conflict of interest? (i.e. included in induction training)</i> Pension Board members are subject to a conflict of interest policy based upon the Council's Code of Conduct contained within the constitution. Board members are required to complete a declaration of interests at the start of their term of appointment and review it annually to confirm any changes. This is maintained by the council's democratic services team. 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 development of new conflicts of interest policy, a new declaration form to be developed and completed. Members are invited to declare any interests they may have on agenda items at the start of each meeting. All board members have completed the Pensions Regulator's online toolkit module dealing with conflicts of interest.




Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 	<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> 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 Technical Finance Manager. Other methods of update include CIPFA and LGA bulletins, emails and networking events and Pension Regulator updates. Updates are provided at all board meetings, with additional information circulated to board members in between meetings.
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.	Full Compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> All board members have completed the Pensions Regulator's online toolkit. Board members undertook a knowledge and understanding self-assessment questionnaire in November 2019. This was replicated by Committee members in January 2020. The fund participated in the Hymans Robertson National Knowledge Assessment in March 2020, to assess levels of understanding against national comparators. The output from this assessment will support development of a knowledge and understanding policy and individual training plans for members of both board and committee.



Ref	Principle	Detail of best practice principle	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.	Full Compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> See P1.1
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.	Full Compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> See P1.1 The fund publishes CIPFA Knowledge and Skills Framework compliance statements in its annual report and accounts.



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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	Full 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> See P1.1 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. Review of officer roles and responsibilities to be undertaken as part of assessment of impact of SAB's good governance project to determine appropriate named person.
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 are provided to the local pension board members	Partial 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> Briefing sessions for scheme members have been arranged by the fund's AVC provider – one of these sessions will be used to provide an update to board and committee members.


Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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	Partial 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> An updated list of documents is maintained, but this has not been updated since 2018 due to work pressures on officers. Action will be taken to update this list for current compliance by December 2020. Linking into outputs from the SAB Good governance project, need to review and create programme for rolling renewal.
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	Partial 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 role of the board is explained in the terms of reference, which form part of the council's constitution. Following a review of the CIPFA <i>Guide for local pension boards</i> , revisions to the terms of reference have been included in the updated Council Constitution to be approved at full council in November 2020 (deferred from May 2020 due to Covid-19 pandemic). Once the constitution has been approved, a new document setting out the role profile for board members will be finalised, setting out key requirements for the role.



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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	Full 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> Existing board members are aware of the requirements, through ongoing meetings and other activities. Role profile for board members to be finalised, setting out key requirements for prospective members. The output from the Hymans Robertson National Knowledge Assessment will support development of a knowledge and understanding policy and individual training plans for members of both board and committee.
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 	<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 and how this is achieved</i> All board members have completed the Pensions Regulator's online toolkit. Board members undertook a knowledge and understanding self-assessment questionnaire in November 2019. This was replicated by Committee members in January 2020. The Technical Finance Manager is a key participant in pension board meetings and plays a key role in identifying and procuring training needs. The output from the Hymans Robertson National Knowledge Assessment will support development of a knowledge and understanding policy and individual training plans for members of both board and committee, as well as supporting the development of an induction training programme for new committee and board members.


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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 	<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> <i>Are these regularly reported to the board / individual?</i> The output from the Hymans Robertson National Knowledge Assessment will support development of a knowledge and understanding policy and individual training plans for members of both board and committee.
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.	Full Compliance 	<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> <i>Are these regularly reported to the board / individual?</i> <i>When / how?</i> All board members have completed the Pensions Regulator's online toolkit. Board members are encouraged to attend development sessions held after pension fund committee meetings and are supported in their attendance at regional and national training events. Each board meeting agenda includes time for board members to report back on training events attended. Board members' training and development is reported in the board's annual report. The output from the Hymans Robertson National Knowledge Assessment will support development of individual training plans for members of both board and committee. A recording and reporting system will need to be developed following this.
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	Full Compliance 	<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> All board members have completed all modules of the Pensions Regulator's online toolkit. Role profile for pension board members to include requirement that TPR online toolkit to be completed within 6 months of joining the board.



Ref	Principle	Detail of best practice principle	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 currently subject to a conflict of interest policy based upon the Council's Code of Conduct contained within the constitution, as are all committee members. Following the revision of the board's terms of reference, and in response to SAB Good Governance project, 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>All board members have passed the Pension Regulator's training toolkit module dealing with conflicts of interest.</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.</p>
P2.2	The conflicts of interest policy has a regular review date incorporated in to 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 specific policy described in P2.1 will have a three yearly review date incorporated.</p>


Ref	Principle	Detail of best practice principle	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.	Partial Compliance 	<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. Details of the review process and action taken should be clearly documented</i> Board and committee members are required to complete a declaration of interests at the start of their term of appointment and review it annually to confirm any changes. This is maintained by the council's democratic services team. 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 development of new conflicts of interest policy, a new declaration form to be developed and completed.
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.	Full Compliance 	<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. This should include initially disclosed conflicts of interest and any additional thereafter.</i> Board and committee members are required to complete a declaration of interests at the start of their term of appointment and review it annually to confirm any changes. This is maintained by the council's democratic services team. Members are invited to declare any interests they may have on agenda items at the start of each board and committee meeting.


Ref	Principle	Detail of best practice principle	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	<p>Provision is made on the Council website or Fund website that is available for all scheme members to view and should include:</p> <ul style="list-style-type: none"> - Name - Representative role - Employment and job title (where relevant) - The appointment process to the pension board 	<p>Full Compliance</p> 	<p><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></p> <p><i>Add link to webpage</i></p> <p>The pension fund website includes a page dedicated to the pension board: https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/local-pension-board/</p> <p>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. https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmtId=187</p> <p>The appointment process is covered in the terms of reference for the board included within the council's constitution which is referenced on the above web pages.</p> <p>The board's terms of reference are being reviewed in light of the CIPFA <i>Guide for local pension boards</i>, and will be presented, as part of a revised constitution, to full council in September 2020. These revisions include changes to the way the board is administered and the way in which board meetings are conducted. Implications for publishing information about the board need to be considered in light of these changes.</p> <p>A board member role profile is being developed, which should also be published on the website, which will increase transparency and encourage engagement.</p>


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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 	<p><i>Enter here where the board paper, agendas and minutes of meetings can be viewed.</i></p> <p><i>Add link to webpage</i></p> <p>All board meeting agendas, papers and minutes are published on the council's democratic web pages https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=187</p> <p>The revisions to the terms of reference in respect to changes to the way the board is administered and the way in which board meetings are conducted need to be considered.</p>
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	<p>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.</p> <p>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</p>	Full Compliance 	<p><i>Enter here where the details can be found.</i></p> <p><i>Confirm if there is a procedure in place for determining requests for further information to be published</i></p> <p>Governance information is published on the democratic web pages for both committee https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=150 and board https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=187</p> <p>A pension fund website has been launched which 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. https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/</p> <p>The fund has entered into a contract which includes an on-going updating service for the regulatory and statutory information, facilitating a step change in the quality, timeliness and range of available information.</p> <p>A review of the information published on the fund's website should be undertaken, considering the information requirements within TPR's Code of Practice 14 and the changes in the administration and operation of board meetings from the revised terms of reference.</p>


Ref	Principle	Detail of best practice principle	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 the Pensions Team, which is part of the Council's Business Centre. Accounting, governance, and oversight of funding and investment is undertaken by the Technical Finance Team, within the Finance department.</p> <p>The fund launched its own Risk Management Policy in December 2019 and began development of a risk register at that point. This is a key area for further work during 2020-21.</p> <p>Pension administration is subject to internal audit and is reviewed every three years – the last review was in 2019-20 (reasonable assurance). 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. Internal audit reports are presented to the pension fund committee and pension board for review and monitoring of actions.</p> <p>The fund launched its administration strategy in November 2018. A report on employer compliance with the data and contribution submission requirements of the strategy is provided to each pension board meeting. Key performance indicators (KPIs) for the Pension Team have been identified and are reported at each board meeting. The reported KPIs are reviewed regularly to ensure the correct information is being provided to the board.</p>


Ref	Principle	Detail of best practice principle	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.	Non Compliance 	<i>Enter where (if) the risk register is available and the person responsible for maintaining it.</i> The fund launched its own Risk Management Policy in December 2019 and began development of a risk register at that point. Although each report to pension fund committee and pension board contains a section on risk management relevant to the topic being presented, there is no formal risk register in place. This is a key area for further work during 2020-21.
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	Partial 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 fund launched its own Risk Management Policy in December 2019. The pension fund committee adopted a set of investment and funding beliefs and governance and administration objectives in 2018. All decisions taken during 2019-20 have been framed against those beliefs and objectives. The fund's funding strategy statement from the 2019 valuation contains information about the actions taken to assess and mitigate financial, demographic, regulatory and governance risks. The fund is reviewing its investment strategy in light of the results of the 2019 valuation to ensure the strategy contributes to the achievement of the funding strategy. Both strategy statements are available on the fund's website: https://isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/forms-and-publications/ Although each report to pension fund committee and pension board contains a section on risk management relevant to the topic being presented, there is no formal risk register in place. This is a key area for further work during 2020-21.


Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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.	Partial Compliance 	<p><i>Enter here whether risk management and internal controls have been added to the agenda.</i></p> <p>Although each report to pension fund committee and pension board contains a section on risk management relevant to the topic being presented, there is no formal risk register in place.</p> <p>This is a key area for further work during 2020-21.</p> <p>Internal audit reports are presented to the pension fund committee and pension board as they are received.</p>



Ref	Principle	Detail of best practice principle	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 use Aquila Heywood's <i>Altair</i> pension administration 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>There is regular attendance at Aquila Heywood user group CLASS meetings to discuss any issues and seek resolutions to any difficulties.</p> <p>Pension administration team members attend training sessions to keep them abreast of any system updates to ensure that records are maintained accurately.</p> <p>Project plan has been developed for the procurement of a replacement pension administration system during 2020, as a result of the expiration of current contract.</p> <p>Good progress has been made with the on-boarding of employers to the <i>i-connect</i> online portal, enabling employers to upload their monthly data submissions automatically. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members. A project plan has been developed to schedule the remaining employers (including the schools' external payroll providers and the College) to be bought on-board by the end of April 2021. This plan is being monitored by the pension board.</p>


P5.2	<p>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</p>	<p>There is in place a procedure for all membership categories to pass on information with regard to changes in their own circumstances</p> <p>There is in place a procedure for scheme employers to advise of changes in circumstances of their scheme members</p>	<p>Full Compliance</p> 	<p><i>Enter here whether such procedures exist to notify changes in scheme member data</i></p> <p>The key tasks from the first data improvement plan, arising from the 2016 triennial valuation data issues, and the low data quality scores identified in September 2018, has been completed. There has been a significant improvement in the fund's measured data quality scores:</p> <p>Common data Sep-19: 95% (Sep-18: 91%)</p> <p>Scheme specific data Sep-19: 95% (Sep-18: 70%)</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 <i>Altair</i> 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> <p>Scheme employers are provided with copies of change forms for their members. A new version of member self-service portal rolled out in April 2020, to which all members (active, deferred and retired) have access. Statistics on usage will be reported to the pension board regularly.</p> <p>Any changes to the scheme are published on the fund's website (www.isleofwightpensionfund.org), in the council's internal newsletter and information provided to admitted bodies to forward to their staff.</p> <p>The use of the i-connect online portal for monthly data submissions will continue to improve the notification of starters and leavers, and changes to employment data.</p> <p>The Administration Strategy launched in November 2018 appears to have had a positive impact on employer compliance with monthly data and contribution submission deadlines:</p> <p>In 2019-20 there were only 12 instances (8 employers) of late submission of data, and 13 instances (9 employers) of late payment of contributions.</p> <p>Employer compliance is reported to the pension board at each meeting and is reported in the pension fund's annual report and accounts.</p>
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Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 	<p><i>Enter here what identifier is used (e.g. NI number, payroll number, scheme reference number)</i></p> <p><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></p> <p>All members have their NI number recorded.</p> <p>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.</p> <p>Each employer within the fund is allocated a unique scheme reference number.</p> <p>A unique pensioner number is assigned when a member becomes a pensioner.</p>



Ref	Principle	Detail of best practice principle	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>There is a timetable and guidance provided to each employer and payroll provider each year which sets out the requirements for providing data. A template for this information is also provided.</p> <p>The Administration Strategy standardises the requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data. This appears to have had a positive impact on employer compliance with monthly data and contribution submission deadlines:</p> <p>In 2019-20 there were only 12 instances (8 employers) of late submission of data, and 13 instances (9 employers) of late payment of contributions. No fines or penalties were issued during the year.</p> <p>Good progress has been made with the on-boarding of employers to the <i>i-connect</i> online portal, enabling employers to upload their monthly data submissions automatically. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members. A project plan has been developed to schedule the remaining employers (including the schools' external payroll providers and the College) to be brought on-board by the end of April 2021. The <i>i-connect</i> online portal ensures that email reminders are automatically sent to employers each month. The portal has recently been upgraded to enable administration team members to categorise employers with late submissions using a traffic light colour system.</p>



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>This information is provided in the annual admitted bodies' administration guidance notes.</p> <p>Templates for leavers and starters are provided on the pension webpages. The Administration Strategy (launched in November 2018) standardises the data and reporting requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data.</p> <p>Good progress has been made with the on-boarding of employers to the <i>i-connect</i> online portal, enabling employers to upload their monthly data submissions automatically. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members. A project plan has been developed to schedule the remaining employers (including the schools' external payroll providers and the College) to be brought on-board by the end of April 2021. For those employers using i-connect 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>All members are encouraged to notify the pension administration team of any changes in their circumstances. The preferred method of notification is via the <i>Altair</i> 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> <p>Scheme employers are provided with copies of change forms for their members. A new version of member self-service portal rolled out in April 2020, to which all members (active, deferred and retired) have access.</p>
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Ref	Principle	Detail of best practice principle	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>A manual process is currently operated at the end of each financial year to validate data provided and raise any irregularities with payroll providers for resolution.</p> <p>The <i>i-connect</i> project to enable the automatic upload of information from payroll providers into the <i>Altair</i> administration system, allowing real-time validation of data and resolution of queries on a monthly basis, is in progress. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members.</p> <p>Data for the 2019 triennial valuation of the fund was submitted ahead of schedule in June 2019. The actuaries confirmed that there were no significant data quality issues.</p> <p>As part of the year end processes, 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>The key tasks from the first data improvement plan, arising from the 2016 triennial valuation data issues, and the low data quality scores identified in September 2018, has been completed. There has been a significant improvement in the fund's measured data quality scores:</p> <p>Common data Sep-19: 95% (Sep-18: 91%) Scheme specific data Sep-19: 95% (Sep-18: 70%)</p> <p>The data scores have been recommissioned for September 2020</p>


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>This information is provided in the annual admitted bodies' administration guidance notes.</p> <p>Templates for leavers and starters are provided on the pension webpages. The Administration Strategy (launched in November 2018) standardises the data and reporting requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data. Scheme employers are provided with copies of change forms for their members.</p> <p>Good progress has been made with the on-boarding of employers to the <i>i-connect</i> online portal, enabling employers to upload their monthly data submissions automatically. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members. A project plan has been developed to schedule the remaining employers (including the schools' external payroll providers and the College) to be brought on-board by the end of April 2021. For those employers using i-connect 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. Additional information is requested as necessary, e.g. for leavers who are over age 55 and entitled to received pension benefits</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 <i>Altair</i> 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> <p>A new version of member self-service portal rolled out in April 2020, to which all members (active, deferred and retired) have access.</p>
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Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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>
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 	<p><i>Enter here where the records are available</i></p> <p><i>Add link to webpage</i></p> <p>All board meeting agendas, papers and minutes are published on the council's democratic web pages https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=187 Published board minutes include full recordings of all discussions during the meeting.</p>


Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 	<p><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></p> <p>Retention policy follows that of the Isle of Wight Council, updated to reflect the requirement of the General Data Protection Regulations (GDPR).</p> <p>The fund is looking to introduce a specific data retention policy document relevant to the Local Government Pension Scheme, and issue guidance to employers on this data that is required to be maintained for scheme members.</p>
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 	<p><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></p> <p>The key tasks from the first data improvement plan, arising from the 2016 triennial valuation data issues, and the low data quality scores identified in September 2018, has been completed. There has been a significant improvement in the fund's measured data quality scores:</p> <p>Common data Sep-19: 95% (Sep-18: 91%) Scheme specific data Sep-19: 95% (Sep-18: 70%)</p> <p>The data scores have been recommissioned for September 2020</p> <p>Good progress has been made with the on-boarding employers to the <i>i-connect</i> online portal, enabling employers to upload their monthly data submissions automatically. As at March 2020, there were three employers using the system; at 31 August 2020, 15 employers were using the system, representing 65% of active members. A project plan has been developed to schedule the remaining employers (including the schools' external payroll providers and the College) to be brought on-board by the end of April 2021.</p> <p>The fund regularly monitors the quality of the data it maintains, and identifies actions to improve issues as they arise.</p>



Ref	Principle	Detail of best practice principle	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 	<i>Enter here when and how scheme member records are reconciled with their relevant employers.</i> <i>Confirm that the pension administration software system can identify scheme members approaching retirement, active members and deferred members.</i> A manual report for deferred members is run monthly to enable information on pension options to be provided ahead of retirement. Information from active members wishing to retire is received via the payroll /HR teams. There remains no current process to regularly review the age profile of the fund's active members, particularly those approaching retirement. Member tracing service to be implemented to ensure ability to track deferred members in particular. Members are encouraged to use the new member self-service portal to keep their personal information up to date.
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 	<i>Enter here how this awareness is communicated</i> <i>Officers – internal</i> <i>Committee/LPB members –induction / info packs</i> The council has introduced mandatory GDPR training for all staff (online modules for all staff, supplemented by face-to-face training for managers) The induction plan for elected members includes a session on data protection, delivered by the monitoring officer. There is currently no formal induction process for board members who are not elected members. All board members have passed the Pension Regulator's training toolkit module dealing with maintaining accurate member data. The fund is developing an induction programme for new committee and board members and is reviewing the process by which learning and development activities are recorded and reported.


Ref	Principle	Detail of best practice principle	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 pension's Aquila Heywood system is compliant in keeping records under the aforementioned rules and regulations and is supported operationally by means of guidance and process notes.</p> <p>Project plan has been developed for the procurement of a replacement pension administration system during 2020, as a result of the expiration of current contract.</p>


Ref	Principle	Detail of best practice principle	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 (launched in November 2018) standardises the requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data and contributions.</p> <p>Every year a new template and reinforcement of the guidance is issued to all admitted bodies and Payroll providers.</p> <p>A monthly control check list of returns and contributions received in maintained. Late or missing information is followed up with the relevant employer, and is reported to management. A report of employer compliance with reporting and payment deadlines is presented to each pension board meeting.</p> <p>All employers pay their contributions on a monthly basis, mostly by electronic transfer. Those employers who pay by cheque are being encouraged to switch to electronic payment methods.</p>


Ref	Principle	Detail of best practice principle	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>Contribution templates are provided to all employers at the beginning of each financial year.</p> <p>There is a manual anomaly checking process to ensure the contributions paid match the membership data submissions. Any inconsistencies are referred back to the employer.</p> <p>The receipt of contributions is monitored by both the pensions administration team and the Treasury Management team.</p> <p>A generic email address is provided for any employer queries: pensions@iow.gov.uk.</p> <p>The Administration Strategy standardises the requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data and contributions. A report on employer compliance with reporting and payment deadlines is provided to each board meeting. The administration strategy needs updating to include requirement for employers to submit their monthly data via the i-connect portal.</p>



Ref	Principle	Detail of best practice principle	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>A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer and is reported to management.</p> <p>A report on employer compliance with reporting and payment deadlines is provided to each board meeting.</p> <p>The Administration Strategy standardises the requirements for all employers and includes provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data and contributions. It also sets out the process the administering authority will follow in cases of non-compliance.</p>



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/ Non)	Statement of Compliance
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 	<i>Enter here confirmation the process to detect situations where fraud may take place is recorded on the risk register (enter reference)</i> <i>Confirm that regular reviews of the process to detect fraud are undertaken (date of last review / date of next review)</i> The administration team manually check that the contribution information provided is consistent with the member's pay and contribution rate; data and payment is consequently reconciled on a monthly basis. The completion of the i-connect roll-out will ensure any changes in membership data are automatically reconciled on a monthly basis. The council participates in the National Fraud Initiative (NFI) exercise to match data and ensure consistency. The fund acknowledges that there is a need to improve its processes for monitoring employer financial health to identify those employers where fraudulent activity may be of higher risk.
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 	<i>Enter here where the procedure is documented (reporting policy)</i> The <i>Reporting breaches of the law to the Pensions Regulator</i> policy (adopted in November 2017) is published on the fund's website https://isleofwightpensionfund.org/media/3806/1468-reporting-breaches-of-the-law-policy-final.pdf Reporting on employer compliance with data submission and payment deadlines is provided at each 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. A breach log report is provided to each pension board meeting. A review of the breaches policy, including identification, recording and reporting processes is planned for 2020-21.



Ref	Principle	Detail of best practice principle	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	<p>Annual benefit statements are issued to each active, deferred pensioner and pension credit member.</p> <p>Statements must be issued no later than 5 months after the end of the Scheme year to which it relates</p> <p>The Administering Authority will have liaised with the Schemes AVC provider and ensured an appropriate timetabled production of the members AVC statement is produced.</p>	<p>Full Compliance</p> 	<p><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></p> <p><i>Enter here the Administering Authorities AVC provider and the agreement details for the member's annual benefit statement production.</i></p> <p>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.</p> <p>A review is being undertaken to ensure that the necessary notification process was undertaken to inform members of electronic communication methods only. In 2020, paper statements were sent to three members who specifically requested them.</p> <p>Emails have been sent to deferred members notifying them that ABS would only be published electronically.</p> <p>Initial analysis data available from the new MSS portal shows that there has been an increase in members accessing their information through this medium. Further analysis will be completed and report to the board in due course.</p> <p>The new pension website will improve information available to members, including promotion of the publication of the ABS.</p> <p>The fund's AVC provider, Prudential, issue their ABS to the individual member directly. The fund is seeking confirmation from Prudential that the 2020 statements have been sent, however members have confirmed that they have received individual statements.</p>



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 	<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>New employees are provided with information in their contract of employment and access to Member Self Service which holds individual data.</p> <p>A representative of the pension administration team delivers information about the LGPS at each council corporate induction event.</p> <p>Work is beginning with other employers, particularly the Isle of Wight College, to introduce similar employee briefings to promote membership.</p> <p>The pension fund website https://isleofwightpensionfund.org/ provides up to date local information to prospective and existing members on the scheme, including links to the National LGPS website.</p> <p>The communications policy is published on the fund's website. https://isleofwightpensionfund.org/media/4428/iwpfpluscommunicationspluspolicyplus2019plusfinal.pdf</p> <p>During 2019-20, the fund issued a newsletter to active members via the website, promoted by internal council communications and emails via external employers. A deferred members newsletter was sent to members by post, with a covering letter promoting the member self-service portal, and a paper reply slip to confirm their mailing preferences.</p>


Ref	Principle	Detail of best practice principle	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. https://isleofwightpensionfund.org/media/4428/iwpfpluscommunicationspluspolicyplus2019plusfinal.pdf</p> <p>The communication policy sets out the proposed methods and frequency of communications with scheme members and employers.</p> <p>The pension fund website https://isleofwightpensionfund.org/ provides up to date local information to prospective and existing members on the scheme, including links to the National LGPS website.</p> <p>2018-19 Annual Benefit Statements for all active, deferred and pension credit members, were published on the member self-service portal in advance of the 31 August 2019 statutory deadline.</p> <p>2018-19 Pension Savings Statements for impacted members were issued individually in advance of the 6 October 2019 deadline.</p> <p>Pension awareness sessions have been run for staff seeking information on retirement, delivered by the council's AVC provider and council staff.</p> <p>A representative of the administration team attends the quarterly corporate induction sessions for new council employees. Work is in progress to roll out similar employee briefing sessions for other scheme employers, particularly the Isle of Wight College.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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	Partial Compliance 	<i>Enter here whether or not the administering authority has complied with the legal requirements.</i> ABS for active and deferred members are primarily published on the MSS self-service portal. 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. Deferred members have been notified of the MSS portal by email. Members have been informed that the ABS will only be provided on-line but have the option to request a paper copy – there have been only three requests for hard copy information, and a high take up of on-line access requests. The information provided complies with the legal requirements.
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> ABS for active and deferred members are primarily published on the MSS self-service portal. 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. Deferred members have been notified of the MSS portal by email. Members have been informed that the ABS will only be provided on-line but have the option to request a paper copy – there have been only three requests for hard copy information, and a high take up of on-line access requests. The information provided complies with the legal requirements.

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 https://isleofwightpensionfund.org/media/4428/iwpfpluscommunicationspluspolicyplus2019plusfinal.pdf , establishes timescales to responses to various requests for information. 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 performance against agreed service standards are reported to each meeting of the pension board.
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: https://isleofwightpensionfund.org/media/3812/1468-pensions-complaints-internal-dispute-resolution-procedure-final.pdf To date, there have been no incidents reported through the formal complaints process, or through the internal dispute resolution procedure.

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 new 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.
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.	Partial 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 Complaints and IDRP procedure includes provision for review every three years – next due November 2020. https://isleofwightpensionfund.org/media/3812/1468-pensions-complaints-internal-dispute-resolution-procedure-final.pdf Due to the coronavirus pandemic, it is likely that the scheduled review of the IDRP will be delayed until early in calendar year 2021.

Ref	Principle	Detail of best practice principle	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.	Partial Compliance 	<p><i>Enter here the details of all training provided and the corresponding training documentation.</i></p> <ul style="list-style-type: none"> -Include the procedures used -List of names and roles that should report breaches within the Fund -Training list document -Annual review of post holders involved <p>All board members have passed the Pensions Regulator's online training toolkit module on reporting breaches of the law. An additional development session for board members was held on 23 September 2020.</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> <p>Following the forthcoming review of the policy (see P9.2 below) a programme for its relaunch will be developed, including a programme of communications for scheme members and employers to ensure everyone is aware of the requirements.</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 was adopted by the pension fund committee in November 2017. It is published on the fund's website https://isleofwightpensionfund.org/media/3806/1468-reporting-breaches-of-the-law-policy-final.pdf</p> <p>The policy has not been reviewed since it was first introduced, although it states an annual review schedule.</p> <p>Pension board will review the current policy in advance of their December 2020 meeting, for onward recommendation to the pension committee in January 2021.</p>

Ref	Principle	Detail of best practice principle	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 Technical Finance Manager has responsibility for maintaining the breaches log, and the Monitoring Officer for receiving notifications of potential breaches. These areas of responsibility will be reviewed as part of the review of the policy detailed in P9.2 above. The reporting of breaches is a standing agenda item at all pension board meetings, but the breaches log has not been updated for some time. Future meetings will include reference on the breaches log to items included in other standard reports to the board, for example employer compliance with data submission and contribution payment deadlines, and administration service KPIs.

Pension Board Annual Report for 2019 - 2020

1 Constitution, Representation and Attendance

- 1.1. The Local Pension Board (the board) of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in section 4 of the Public Service Pensions Act 2013) is established under s.5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2. The Board is established by the Administering Authority and operates independently of the Isle of Wight Pension Fund Committee (the committee).
- 1.3. 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 Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided.
- 1.4. The board is accountable to the Scheme Manager and the Pensions Regulator.
- 1.5. The Board operates under terms of reference which were initially agreed by Isle of Wight Council (the council) in January 2015 and held its first meeting on 14 August 2015.
- 1.6. The current terms of reference are published as Article 11 to the council's [Constitution](#).
- 1.7. The terms of reference have been reviewed, and a revised version will be presented to the September 2020 meeting of Isle of Wight Council, as part of the revised Constitution.
- 1.8. The terms of reference remain fit for purpose and comply with the legislative and regulatory requirements, and fully comply with the Pensions Regulator's Code of Practice 14.
- 1.9. The board currently has four members: two representatives of scheme employers, and two representatives of scheme members, all of whom are voting members.
- 1.10. The revised terms of reference allow the board to consist of a minimum of four and a maximum of eight members and include a provision for the board to appoint an Independent Chair. These membership changes will be progressed during 2020-21.
- 1.11. The board was scheduled to meet on four occasions during the year, but actually met on five occasions 2019-20. Attendance at each meeting is detailed in the table below:

Member	Representation category	24-Apr-19	18-Jun-19	17-Sep-19	19-Nov-19	28-Jan-20
Tracy Bull (Chair)	Employer	√	√	√	√	√
Cllr Reg Barry	Employer	√	√	√	√	√
Barbara Milton	Scheme Member	√	√	√	√	√
Trevor Ould	Scheme Member	√	√	√	√	√

This represents an overall attendance record of 100%.

- 1.12. Pension board meetings are not required to be open to members of the public.
- 1.13. Agendas and minutes can be found at the following web link:
<https://www.iow.gov.uk/Meetings/current/committeeDetail.aspx?cmtId=187>
- 1.14. To facilitate the operation of the board, the all members are invited as observers to meetings of the Isle of Wight Pension Fund Committee (the Committee).

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
 - ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS);
 - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda and can be selective and probe particular topics in more depth than the committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the board is to seek assurances with evidence from the fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the committee and to officers.
- 2.6 In so doing, the board is helping manage the reputational risk of both the Isle of Wight Council Pension Fund (the fund) and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Technical Finance Manager and a Democratic Services Officer.
- 2.8 In 2019-2020 the direct costs of operating the board, covering travel and training expenses relating to board members amounted to £2,245 (£300 2018-19) .
- 2.9 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the council's premises, systems or services recharged to the fund by the council.

2.10 The budget for 2020-21 is set at £3,500 (2019-20 budget was set at £2,000), and actual spend will be monitored against this. The budget is set at a level to show the boards' commitment to technical updating and training.

2.11 Mindful of delivering value for money, the board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

3.1.1 Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of boards by both TPR and the Scheme Advisory Board (SAB).

3.1.2 In 2019-20, the work of the board included:

- Review of the completed data quality project
- Review of triennial revaluation
- Review of employer compliance with the administration strategy
- Analysis of auto re-enrolment opt out
- Risk policy
- Monitoring of KPI's for review at each board meeting
- Monitoring of the governance review action plan
- Revision of terms of reference

3.1.3 The main elements of the work programme of the board are governance and oversight of the pension administration function, which is run by an in-house team.

3.1.4 The board had been following the governance action plan agreed in February 2018, with its recommendations and objectives. Its successes include reviewing and making recommendations to the committee on both the re-launched communications strategy and on the new administration strategy. These achievements help ensure compliance with the TPR's Code of Practice 14.

3.1.5 Paragraph 4 sets out further examples of how the board is endeavouring to help manage the reputational risk of the fund. Such a focus seeks assurances that the fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their efficient, accurate and timely supply of information and data is critical to the fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

3.2 Risk management

3.2.1 While considerations of risk are included in all items considered by the board, there has been no formal risk register in place for the pension fund during 2019-20, although this was noted in 2018-19 as a key area for development in 2019-20.

3.2.2 Training was undertaken in September 2019 on risk registers and development of processes for assessing each risk and identifying mitigating actions to reduce the impact on the fund.

3.2.3 Due to the pandemic situation, work on the risk register will continue in 2020-21.

3.2.4 During 2020-21, the review of the risk register will become a standing item at board meetings, including consideration of cyber security and data protection issues.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Scheme on an ongoing basis and has, for example, highlighted delays across LGPS funds in producing annual benefit statements (ABS's).

- 3.3.2 The Board was pleased to note that the fund produced its ABS's by the due date in 2019, but nevertheless continues to seek assurances that the next set of ABS's will once again be delivered on time.
- 3.3.3 A key achievement of the board has been to commence, with the Technical Finance Manager, a continuous review of the fund against the standards and expectations as reflected in TPR's Code of Practice 14.
- 3.3.4 The assessment identifies areas in which the fund needs to make improvements.
- 3.3.5 The board monitors TPR's annual review of its priorities and reflects these in agenda setting.
- 3.3.6 The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". In 2019-20, these were reported as :
- Common data 95% (2018-19 90%)
 - Scheme specific data 95% (2018-19 71%)
- 3.4 Reporting and Recording Breaches
- 3.4.1 The board, and all associated with the fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. Following the improved procedures implemented in the previous year, the board reviews any breaches of the law as a standing item on its agenda.
- 3.4.2 During 2019-20, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority.
- 3.5 Scheme Advisory Board (SAB)
- 3.5.1 The board monitors the focus and priorities of the SAB, takes them into account in setting its work programme, and also receives minutes of SAB meetings.
- 3.5.2 The SAB commissions periodic surveys of local pension boards. Whilst there was no survey during 2019-20, the fund did contribute to the Good Governance Survey (conducted by Hymans Robertson on behalf of the SAB).
- 3.6 Review of Investment Issues
- 3.6.1 Whilst the vast majority of the board's work programme focuses on administration and governance issues, investment issues are not ignored.
- 3.6.2 As expected under the relevant Investment Regulations, the board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the fund's Investment Strategy Statement.
- 3.6.3 The board continued to receive updates on progress by the ACCESS Pool on pooling of investment assets.
- 3.6.4 The board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.
- 3.7 Scheme documents
- 3.7.1 The board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.
- 3.7.2 The board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

4 Ensuring Compliance with Regulatory Deadlines.

- 4.1 An increasing component of the board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations.
- 4.2 In all cases progress reports are received, with the board considering whether any recommendations are appropriate to help meet the deadlines.
- 4.3 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. **The fund complied with these deadlines.**
- 4.4 On-going compliance of legislation, such as GDPR and MiFID II forms part of the work of the board.

5 Training

- 5.1 Each board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.
- 5.2 The training policy for board members is based on an individual training needs analysis and is therefore being individually tailored.
- 5.3 This allows use of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and TPR Toolkit.
- 5.4 In addition, board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference. (Board members attended various events in year, including the LGA Governance Conference, and various webinars).
- 5.5 Board members are encouraged to attend LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2019, and the General Data Protection Regulations.
- 5.6 Board Members also attend in-house training, provided by the council to both board and committee members, as well as viewing relevant webinars.

6 Workplan

- 6.1 A work plan has been implemented for both board and committee. Specifically, it incorporates the following areas of activity for 2020-21 for the board:
- Pension Fund Annual Report and Accounts
 - Administration, Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
 - Audit and risk management, including the Risk Register
 - Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
 - Investments, including developments with the ACCESS Pool: implications for Administering Authorities
 - Training
 - Member communications
 - Participating in and learning from relevant surveys, e.g. of SAB and TPR
 - Review of National Knowledge Assessment outcome – and build findings into the workplan
 - Recruitment of additional members and independent chair of the Board.
- 6.2 There is flexibility to allow for any additional reviews and developments.

7 Public accountability

- 7.1 Board meeting agendas, papers, minutes and the board's terms of reference are available on the pension fund's website at the following address:
<https://www.isleofwightpensionfund.org/isle-of-wight-pension-fund/about-us/local-pension-board>

8 Thanks

- 8.1 The Chair of Isle of Wight Pension Board wishes to thank her fellow board members who have volunteered their time and energies in their roles.
- 8.2 Thanks, are also expressed to the Technical Finance Manager and colleagues, and the Chair of the Pension Fund Committee, as well as the democratic support officers.
- 8.3 The Board has made good progress in 2019-2020 and is determined to continue this into 2020-21.

Tracy Bull
Chair
Isle of Wight Pension Board

June 2020

Knowledge and Skills Framework Compliance Statements

Dated: 28 September 2020

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

During 2019-20, there were four training and development workshops held. Three of these were held in the afternoon following pension fund committee meetings, with the other held before a pension board meeting. Both committee and board members were invited to attend all events.

The five workshops covered the following topics:

- 17 May 2019: Responsible Investment/Environmental, Governance and Social risks
- 18 June 2019: Roles and responsibilities of the pension board
- 6 September 2019: Risk management
- 14 February 2020: Investment strategy modelling

These workshops were facilitated by the fund's external advisers, with the 18 June session delivered by a representative of CIPFA.

Attendance at those events is detailed in table 1 below.

Table 3: development attendance

		17-May-19	18-Jun-19	06-Sep-19	14-Feb-20	
Committee	Chairman	√	x	√	√	75%
	Vice chairman	√	x	√	√	75%
	Elected member 1	x	x	x	x	0%
	Elected member 2	√	x	√	√	75%
	Elected member 3	√	x	√	√	75%
	Elected member 4 (3 occupants)	√	x	x	x	25%
	Elected member 5 (vacant all year)					n/a
	Scheme member rep	√	x	√	√	75%
	Employer rep	x	x	√	√	50%
Board	Chairman (employer)	x	√	√	x	50%
	Employer rep 2	x	√	√	√	75%
	Scheme member rep 1	√	√	√	√	100%
	Scheme member rep 2	x	√	x	√	50%
Committee Total		75%	0%	63%	75%	56%
Board Total		25%	100%	75%	75%	69%

In addition to the above workshops, during the year the committee received presentations from three of the fund's four investment managers in respect of the performance of their particular portfolios, and relevant issues impacting the financial markets, as well as a presentation from the Interim Director of the ACCESS Support Unit. The committee also received presentations from the fund's actuaries on the triennial valuation progress, and from the fund's investment consultants on the development of a revised investment strategy.

During the year, the Chairman and other members of the committee and the Technical Finance Manager attended joint committee meetings of the ACCESS group, in respect of pooling of investments.

Board members, during their scheduled meetings in 2019-20, received briefings on internal and external audit plans, the council's automatic re-enrolment process, and changes to the operation of the board. Throughout the year, members of both committee and board were encouraged to attend webinars organised by the fund's advisers and other external organisations, as well as other externally organised training events.

Risk Management

(Updated September 2020)

Approach

The fund continues to develop its risk management processes, following workshops in 2018-19 to reassess the fund's objectives and beliefs in respect of funding, investment, governance and administration outputs.

The funds agreed objectives and beliefs can be found at the link below:

<https://www.iow.gov.uk/Meetings/committees/IW%20Pension%20Fund/5-4-19/PAPER%20B%20-%20Appendix%201.pdf>

The revised investment beliefs have been incorporated into the fund's Investment Strategy Statement, which is published on the fund's website.

<https://isleofwightpensionfund.org/media/4414/investment-strategy-statement-2019-v23-final.pdf>

The fund received the results of the March 2019 actuarial valuation during 2019-20, and adopted a new funding strategy statement, which reviews the measures that the fund has in place to control key financial, demographic, regulatory and governance risks. The funding strategy statement is published on the fund's website:

<https://isleofwightpensionfund.org/media/5277/iwfpf-funding-strategy-statement-2020.pdf>

As part of the valuation, the fund has carried out a review of its investment strategy to assess the effectiveness of the current investment strategy in meeting the fund's long term objectives and to test potential variations in strategy that might improve the likelihood of achieving these objectives. This work continues during 2020-21, and it is expected that a new investment strategy statement will be presented to the committee for adoption in March 2021.

In December 2019 the fund launched a specific pension fund risk management policy, which is published on the funds website.

<https://isleofwightpensionfund.org/media/5188/iwcpf-risk-management-policy-2019-final.pdf>

All reports presented to the pension fund committee continue to include consideration of the risks relevant to the decision or topic being presented. A key area for development is the establishment of a pension fund risk register, and the procedures for reviewing and reporting risks and associated mitigation actions, in accordance with the above policy.

The fund's administration strategy, which is published on the fund's website, sets out the respective duties of the fund and its employers, including the timely submission of accurate monthly data and contribution submissions.

<https://isleofwightpensionfund.org/media/4314/pension-fund-lgps-administration-strategy-2018.pdf>

Each pension board meeting receives a report on employer compliance with data and contribution submission deadlines set out in the strategy statement, as well as a report from the Pensions Team on performance against key service standards contained in the strategy statement.

Reporting of key performance indicators is an area for continued development.

Internal Audit

Consideration of the fund's internal control processes is included within the council's internal audit programme. The fundamental accounting controls, which mirror those adopted for the council, are tested annually as part of the Key Financial Systems review.

Pension administration systems and controls are audited every three years, with the most recent completed during 2019-20. This review provided reasonable assurance that the pension administration processes and procedures are of low risk to the authority. A follow up audit, reviewing the progress against the four medium risk findings, is planned for 2020-21.

The fund continues to monitor the actions recommended from the review of the fund's governance framework undertaken by Hymans Robertson LLP in 2018 and has made significant improvements in

its governance framework over the last year.

The fund has considered the Phase 2 report from the Scheme Advisory Board's Good Governance Review and is committed to implementing the recommendations once formally published to further enhance its governance controls.

Controls assurance reports

The fund receives copies of the ISAE 3402 reports for each of its fund managers and its custodian as part of its year end audit preparation.

Fund Manager	Type of report	Assurance obtained	Reporting accountant
Link Group**	ISAE 3402	Reasonable	KPMG LLP
Majedie	ISAE 3402*	Reasonable	KPMG LLP
Schroders	ISAE 3402	Reasonable	Ernst & Young LLP
Custodian			
Northern Trust	SOC 1	Reasonable	KPMG LLP

* These reports are based on the control issues Link Group, who acts as custodian for the fund manager.

** Link Group acts as the fund manager for the ACCESS pooled funds

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Communications Policy Statement

Last updated February 2019

1. Introduction

- 1.1. 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.
- 1.2. 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.
- 1.3. To communicate effectively, we use different methods according to the need and the target audience. This document sets out how we achieve this.
- 1.4. This Communication Policy is effective from February 2019 and will be reviewed every three years, or more frequently, should changes be required.

2. Definitions

2.1. For the purpose of this Communications Policy:

- “**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.

3. Our audience

- 3.1. We have a varied audience with whom we communicate, including:
 - Scheme members (active/deferred/pensioner).
 - Prospective scheme members.

- Scheme employers.
- Pensions Team staff.
- Other bodies, for example Pension Fund Committee and Pension Board.
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3.2. In addition, there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs (HMRC), the Ministry of Housing, Communities and Local Government (MHCLG), the Scheme Advisory Board (SAB), the Pensions Regulator (TPR), solicitors (internal/external), the Pensions Advisory Service, and other pension providers.

4. Our objectives

4.1. 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.

4.2. 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.

5. How we communicate

5.1. 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, electronic forms or online member self-service. We will, however, continue to offer our audience the opportunity to receive communications via more traditional methods if required (e.g. hard-copy, post, face-to-face and telephone).

5.2. 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.

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

5.4. Where necessary our communications are also designed to support scheme employers in the attraction and retention of employees.

5.5. As the fund is administered by the Council, all literature and communications will conform to the branding of the Council.

6. Methods

6.1. We employ a number of different methods in order to communicate with our audience.

These are summarised below.

Website

- 6.2. 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.
- 6.3. 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 Scheme guide, Additional Voluntary Contributions (AVCs), transfers etc. It is also used as the portal for our online member self-service facility.
- 6.4. Additionally, information relating to the business of both the Isle of Wight Pension Committee and Pension Board can be found on the main Council website at:
- [Pension Fund Committee](#)
 - [Pension Board](#)

Member Self-service

- 6.5. This facility enables members to securely view their own pension record via our member self-service facility. Once they have registered, this facility enables the member 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.

Annual report and accounts

- 6.6. We are required to produce and publish an annual report and accounts for the fund. This document must set out a number of elements of detail relating to the financial management and performance of the fund during the financial year.
- 6.7. Given the level of detail required to be included, this document is somewhat lengthy. As a result, it is not routinely distributed, except on request. It can, however, be accessed via the fund website.

7. Fund contact

- 7.1. The fund has a generic email address for all enquiries: pensions@iow.gov.uk
- 7.2. The fund has a dedicated telephone number 01983 823626.
- 7.3. You can write to us at Pensions Team, Business Centre, County Hall, Newport, Isle of Wight PO30 1UD

7.4. Our opening hours are Monday to Thursday: 8.30 am – 5.00 pm, Friday: 8.30 am – 4.30 pm.

7.5. 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.

8. Communication with active scheme members

8.1. The following methods are used to communicate with our active scheme members:

8.2. *Scheme literature* - A range of Scheme literature is produced by the fund and is supplied to employing bodies and Scheme members directly, including the Scheme Guide and Administration Strategy. Copies of the Scheme literature is also available on the fund's website.

8.3. *Newsletters* - We are in the process of developing a newsletter for members of the fund to be published on the fund's website at least once a year, the contents of which will cover current pension topics within the LGPS and the pensions industry in general plus important repeated messages.

8.4. *Annual benefit statements* – We will provide a personalised statement each year, summarising each member's pension account balance, together with a projection of entitlement to their normal pension age. These statements are published via the member self-service portal, in advance of the statutory deadline of 31 August each year.

8.5. *Personal appointments* – Scheme members are able to book appointments to discuss individual questions relating to their pension entitlements in the fund. These can be booked by contacting the Pension Team via the contact details in section 9. Fund officers cannot provide pensions advice but can answer questions on benefit entitlements under the Local Government Pension Scheme.

8.6. *Correspondence* – this will be via email, telephone, or in writing, as circumstances dictate.

8.7. *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).

9. Deferred members

9.1. The following methods are used to communicate with deferred scheme members:

9.2. *Scheme literature* - A range of scheme literature is produced by the fund and is supplied to employing bodies and scheme members directly. Copies of the scheme literature is available on the fund's website.

9.3. *Newsletters* - We are in the process of developing a newsletter for deferred member of the fund to be published at least once a year on the fund's website, along with their annual benefit statement, the contents of which will cover current pension topics within the LGPS and the pensions industry in general plus important repeated messages.

- 9.4. *Annual benefit statements* – we will provide a personalised statement each year, providing a current value of the scheme member's pension entitlements. These statements are published via the member self-service portal, in advance of the statutory deadline of 31 August each year.
- 9.5. *Personal appointments* – deferred scheme members are able to book appointments to discuss individual questions relating to their pension entitlements in the fund. These can be booked by contacting the Pension Team via the contact details in section 9. Fund officers cannot provide pensions advice but can answer questions on benefit entitlements under the Local Government Pension Scheme.
- 9.6. *Correspondence* – this will be via email, telephone, or in writing, as circumstances dictate.

10. Pensioner members

- 10.1. The following methods are used to communicate with pensioner scheme members (including those in receipt of survivor benefits):
- 10.2. *Pay advice/P60* – we issue pay advice slips to pensioners each April, along with a P60 in respect of the pension received in the previous financial year. This advice slip includes the percentage rate by which their LGPS pension will increase from that month and confirms the monthly pay dates for the financial year. We also issue pay slips where there has been a variation in net monthly amount of £5.
- 10.3. *Newsletters* - We are in the process of developing a newsletter for pensioner members to be published at least once a year on the fund's website.
- 10.4. *Personal appointments* – pensioner scheme members and their personal representatives are able to book appointments to discuss individual questions relating to their pension entitlements in the fund. These can be booked by contacting the Pension Team via the contact details in section 9. Fund officers cannot provide pensions advice but can answer questions on benefit entitlements under the Local Government Pension Scheme.
- 10.5. *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.
- 10.6. *Correspondence* – this will be via email, telephone, or in writing, as circumstances dictate.

11. Prospective scheme members

- 11.1. The following methods are used to communicate with prospective scheme members:
- 11.2. *New starter pack* – All prospective scheme members must be given basic information about the Scheme. We require scheme employers to provide all of the relevant information set out in our short scheme guide in either hard copy or via electronic format, when they become eligible to join the scheme.

- 11.3. *Scheme literature* - A range of Scheme literature is produced by the fund and is supplied to employing bodies and scheme members directly. Copies of the scheme literature is available on the fund's website.
- 11.4. *Personal appointments* – prospective scheme members are able to book appointments to discuss individual questions relating to the scheme. These can be booked by contacting the Pension Team via the contact details in section 9. Fund officers cannot provide pensions advice but can answer questions on benefit entitlements under the Local Government Pension Scheme.
- 11.5. *Correspondence* – this will be via email, telephone, or in writing, as circumstances dictate.
- 11.6. *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).

12. Scheme Employers

- 12.1. 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 as support 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):
- 12.2. *Employer guide* – This provides employing authorities with key information in relation to their participation in the fund, published on the fund's website. This sets out in detail the procedures they are required to follow, their responsibilities and the timescales in which they must provide information to us.
- 12.3. *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.
- 12.4. *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 issue they may have.
- 12.5. *Newsletters* - We will provide technical updates to scheme employers as required, keeping them informed of any relevant changes in scheme rules or overriding legislation as well as changes to our procedures and requirements.
- 12.6. *Employer forums* – The fund invites all Scheme employers to its annual employer forum, held in July each year. Additional 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.

12.7. *i-Connect* – The fund is in the process of launching the i-Connect solution to all employers within the fund. This module of our administration software is used to facilitate the bulk transfer of member data from the Council's payroll system to the fund. For all other employers we utilise "on-line" forms, which is a spreadsheet based alternative ideal for smaller employers to provide the member data we require.

12.8. *Representation* – As part of the governance of the fund an employer representative sits on the Pension Fund Committee. Following changes to the overall governance of public sector schemes the Isle of Wight Pension Board was established in 2015, comprising both scheme member and employer representatives. The role of the board is to assist the Isle of Wight pension fund in complying with all their legislative requirements, making sure the scheme is being effectively and efficiently governed and managed.

13. Pension staff

13.1. It is important to ensure that our administration 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.

14. Pension Fund Committee

14.1. The Pension Fund Committee has delegated responsibility for the management and administration of the fund.

14.2. We work closely with the Pension Fund Committee, ensuring they can fulfil their duties and responsibilities, including the provision of relevant member training.

14.3. Committee reports, agendas and minutes can be accessed on the [Council website](#).

15. Pension Board

15.1. The Pension Board was set up from 1 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 code of practice.

15.2. We work closely with the Pension Board, ensuring they can fulfil their duties and responsibilities, including the provision of relevant training.

15.3. Board reports, agendas 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	Website	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
Scheme Guide	✓	✓	✓	✓	✓	x	✓	Always available	As regulations change
Newsletters	x	in development	x	in development	in development	in development	in development	Annually	Annually
Benefit statements	✓	✓	x	✓	✓	x	x	Annually	Annually
Appointments	x	x	✓	✓	✓	✓	✓	Always available	As required
Presentation	✓	✓	✓	✓	x	x	✓	Always available	As required
Pay advice/P60	✓	✓	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
Employer Manual	x	✓	x	x	x	x	✓	Always available	As regulations change
Training	x	✓	x	✓	x	x	✓	Always available	As regulations change and dependent on requirements
AGM	x	✓	x	x	x	x	✓	Annually	Annually

ACCESS Pool Annual Report As at 31 March 2020



“I am pleased to introduce the ACCESS 2019/20 Annual Report.

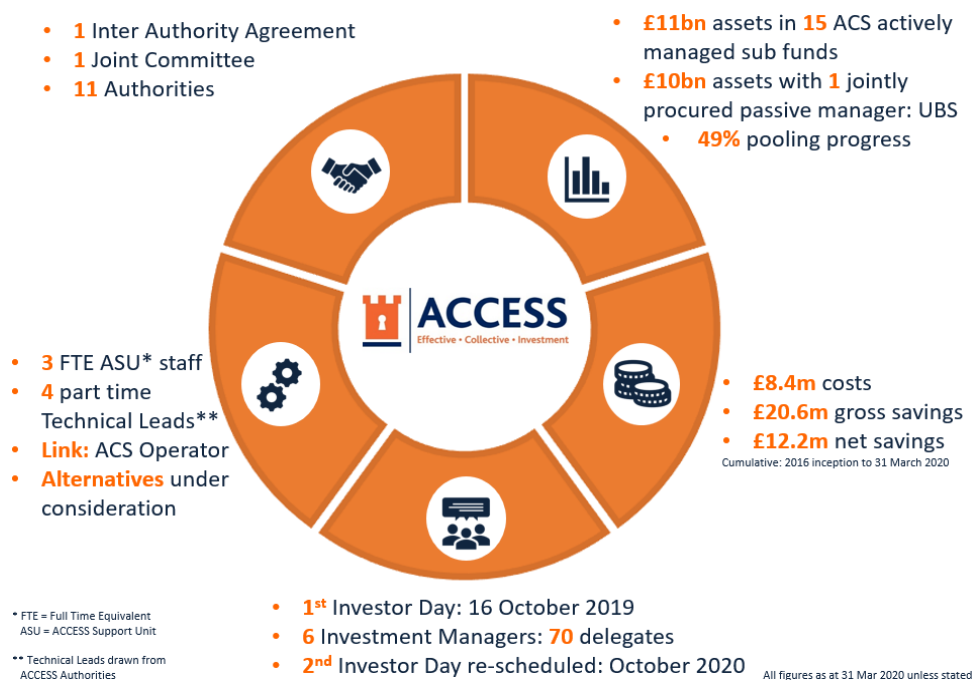
We find ourselves in challenging times, facing a national emergency, but we will continue to manage these very substantial LGPS assets to the best of our abilities. I am truly grateful, at this time, that ACCESS has built a strong partnership that allows each of the 11 member authorities to support each other in this difficult period.

I would like to take this opportunity to thank Cllr Andrew Reid of Suffolk for the contribution he made as the first chairman of the ACCESS Joint Committee, which was critical in building a strong foundation for the Pool. It goes without saying that I was honoured by the confidence shown in me by my fellow Joint Committee members in choosing me to succeed Cllr Reid last December.

It has been another busy year for ACCESS with good progress made by our operator, Link, in launching new sub-funds, which has brought the total assets under management (AUM) under ACCESS auspices to £21.4bn. Equally important work has also taken place in reviewing the governance of the Pool and progressing options for pooling alternative investment categories.

I'm sure that 20/21 will be another busy year for ACCESS, not only in continuing to issue further sub-funds, but also in other crucial areas such as deepening the Pool's approach to Responsible Investment.”

At a glance



Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council; Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

Collectively as at 31 March 2020, the ACCESS Authorities have total assets of **£44 billion** (of which **49%** has been pooled) serving **3,534** employers with **1.1 million** members including **288,248** pensioners

Governance

An extract from the ACCESS governance model is shown below:



Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool- aligned asset providers (for passive asset management), to the Administering Authorities. The JC also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the JC in response to its decisions ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The JC further supported by Officer Working Group (OWG) and the ACCESS Support Unit (ASU). The Officer Working Group are officers identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. 2019/20 saw the completion of appointments to each of the three full time ASU roles, hosted by Essex County Council. These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

The Operator: Link Fund Solutions

Appointed 2018 Link Fund Solutions Ltd pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies

Pool Aligned Assets: UBS

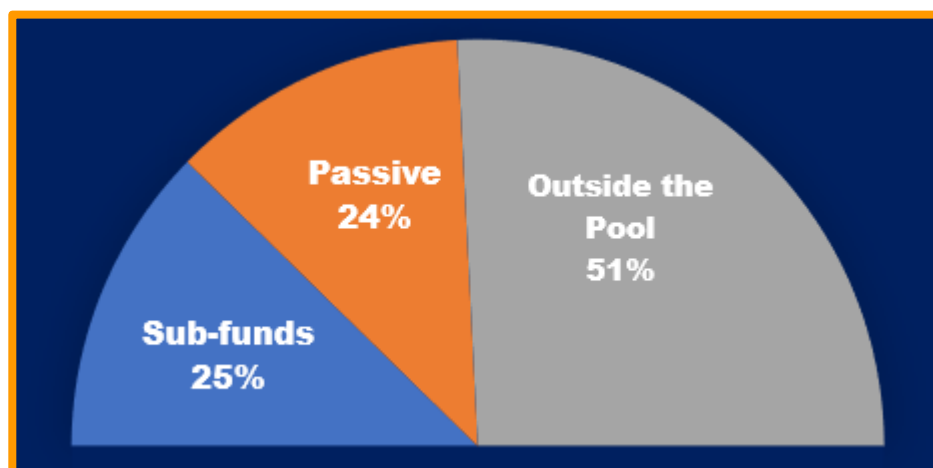
Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

Progress on Pooling

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having **£27.2 billion** assets pooled and estimated savings of £13.6 million by March 2021.



As at 31 March 2020, **49%** of assets have been pooled:



Pooled Assets

As at 31 March 2020 ACCESS has the following assets pooled:

Pooled Investments	£ Billion
Passive Investments	10.486
UK Equity Funds	1.588
Global Equity Funds	7.189
UK Fixed Income	0.834
Diversified Growth	1.262
Total Pooled Investments	21.359

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

Key milestones achieved in 2019/20

- Recruitment of an interim Director to lead the ACCESS Support Unit.
- Establishment of business as usual functions of the ACCESS Support Unit being undertaken by the ACCESS Support Unit officers and technical leads officers.
- Approval and launch of a range of sub-funds further rationalising the existing range of mandates whilst reflecting the strategic asset allocation needs of the ACCESS Funds.
- Re-procurement of a legal advisor for ACCESS.
- Provision of updates of progress of pooling to Government and responding to consultations.
- Commencement of a review of Environmental, Social and Governance and Responsible Investment guidelines for ACCESS.
- In conjunction with Link Fund Solutions, held the first investor day for members and officers of the individual funds to hear from the investment managers in the ACCESS pool.
- Commencement of a review to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds current and future requirements.



Objectives for 2020/21

ACCESS is well placed to continue to develop the pool and progress will continue unabated despite the restrictions imposed by the COVID-19 lockdown. Virtual meetings are well established and productive. It is anticipated that 2020/21 will see key activities within the following themes:

- Actively managed listed assets: the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).
- Alternative / non listed assets: the initial implementation of pooled alternative assets.
- Passively managed assets: ongoing monitoring and engagement with UBS.
- Governance: the application of appropriate forms of governance throughout ACCESS.
- ACCESS Support Unit (ASU): the size and scope of the ASU will be kept under review.



Expected v Actual Costs and Savings

The table below summarises the financial position for 2019/20 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the 11 Authorities. 2019/20 saw an underspend primarily due to lower than anticipated costs of external advice combined with the establishment of the ACCESS Support Unit reducing the reliance on external project management support.



	2019 – 2020		2019 – 2020	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	674	2,499
Ongoing Operational Costs	811	1,203	2,208	2,469
Operator & Depositary Costs	3,247	2,000	3,632	2,500
Total Costs	4,058	3,203	8,338	8,868
Pool Fee Savings	13,456	13,200	20,515	18,450
Net Savings Realised	9,398	9,997	12,177	9,582

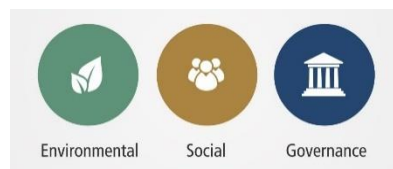
Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator. The initial ACCESS business plan to MHCLG anticipated Operator costs of 2bps.

The 2019/20 fee savings have been calculated using the CIPFA price variance methodology and based on the asset values as at 31 March 2020. This approach highlights the combined level of investment fee savings, across all ACCESSSS Authorities stemming from reduced charges.

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

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

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

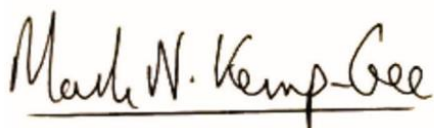


Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment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

Over the course of the last year a number of ACCESS Authorities have reviewed and developed their individual ESG /RI policies. Building on this ACCESS will, in the current year review its own ESG /RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

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 voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year ACCESS voted at **383** meetings on **6,000** resolutions.



Mark Kemp-Gee

Cllr Mark Kemp-Gee - Chairman, ACCESS Joint Committee

Statement of Responsibilities for the Statement of Accounts

Extracted from Isle of Wight Council Statement of Accounts 2019-20

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The authority's responsibilities

The authority 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 authority, 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 authority'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 2020 required by the Accounts and Audit Regulations 2015 is set out on pages 6 to 128.

I further certify that the statement of accounts gives a true and fair view of the financial position of the Isle of Wight Council at the 31 March 2020 and its income and expenditure for the year then ended.

Chris Ward

Director of Finance and Section 151 officer
(original signed)

Date: 12th June 2020

Financial Statements year ended 31 March 2020

Fund Account 2019/20

2018-19 £000	FUND ACCOUNT	Notes	2019-20 £000
	Dealings with members, employers and others directly involved in the fund		
18,612	Contributions	7	20,088
204	Transfers in from other pension funds	8	1,528
2	Other income	9	16
18,818			21,632
(22,008)	Benefits	10	(22,814)
(2,168)	Payments to and on account of leavers	11	(894)
(24,176)			(23,708)
(5,358)			(2,076)
(4,314)	Management expenses	12	(2,945)
	Returns on investments		
15,661	Investment income	13	10,435
(58)	Taxes on income	14	(68)
27,534	Profit and losses on disposal of investments and changes in the value of investments	17	(39,690)
(72)	Interest payable	16	(99)
43,065	Net returns on investments		(29,422)
33,393	Net increase/(decrease) in the net assets available for benefits during the year		(34,443)
562,755	Opening Net Assets of the Scheme		596,148
596,148	Closing Net Assets of the Scheme		561,705

ISLE OF WIGHT COUNCIL PENSION FUND

2019 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2020 £000
603,022	Investment assets	17	563,560
4,053	Cash deposits	17	5,275
607,075			568,835
(650)	Investment liabilities	17	(403)
(10,400)	Short-term borrowings	19A	(8,000)
117	Long-term assets	23	86
869	Current assets	24	2,107
(863)	Current liabilities	25	(920)
596,148	Net assets of the fund available to fund benefits at the period end		561,705

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 2019-20 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 2020 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 Parish Council	St Francis Academy
Northwood Parish Council	Wootton Bridge Parish Council

The admitted bodies of the fund with active members at 31 March 2020 are:

Accomplish Group Ltd	Southern Housing Limited
Barnados	Southern Vectis
Caterlink	Sovereign Housing Limited
Cowes Harbour Commissioners	Top Mops Ltd
Island Roads Limited	Trustees of Carisbrooke Castle Museum
Nviro	Ventnor Botanic Gardens
RM Ltd	Yarmouth (IW) Harbour Commissioners

The membership of the scheme is shown below:

Year ended 31 March 2020

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	16	14	31
Number of contributors (Active members)	3,702	552	116	4,370
Number of frozen refunds ¹	492	8	4	504
Number of deferred pensioners ²	5,770	663	126	6,559
Number of pensioners/ widows/dependant pensioners	4,354	296	196	4,846
	14,318	1,519	442	16,279

Year ended 31 March 2019

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	17	13	31
Number of contributors (Active members)	3,734	541	106	4,381
Number of frozen refunds ¹	581	11	5	597
Number of deferred pensioners ²	5,565	615	122	6,302
Number of pensioners/ widows/dependant pensioners	4,177	266	188	4,631
	14,057	1,433	421	15,911

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 2020 are detailed below.

Range (Actual pensionable pay)	Contribution rate
Up to £14,400	5.50%
More than £14,401 and up to £22,500	5.80%
More than £22,501 and up to £36,500	6.50%
More than £36,501 and up to £46,200	6.80%
More than £46,201 and up to £64,600	8.50%
More than £64,601 and up to £91,500	9.90%
More than £91,501 and up to £107,700	10.50%
More than £107,701 and up to £161,500	11.40%
More than £161,500	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. For more details, please refer to the Pensions Office website:

<http://www.isleofwightpensionfund.org/>

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* 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.

Isle of Wight Council remains satisfied the LGPS that it administers continues to be a going concern. 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%. The impact of the Coronavirus pandemic on investment markets has affected the value of the Fund to 31 March 2020, however the Fund still has the remaining 3 years of the actuarial period to achieve the target return, and beyond this has agreed a 20 year recovery period in its Funding Strategy Statement should this be necessary to make good an increase in the funding deficit at the next actuarial valuation.

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 93.7% 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 on an accruals basis 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 of the pension's administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund in accordance with council policy.

Oversight and governance costs

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund in accordance with council policy.

Investment management expenses

Investment management expenses 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 of valuations by investment managers, these expenses are shown separately in note 12A and grossed up to increase the change in value of investments. The investment managers provided information on management fees using the LGPS cost templates, for the first time in 2018-19.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market values of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the fund has negotiated with the following managers that an element of their fee be performance related:

- Majedie Asset Management Limited – UK Equities
- Newton Investment Management Limited – Global Equities up to the date that these assets were transferred to the ACCESS pool (8 May 2019)

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 2019-20 no fees are based on such estimates (2018-19: nil)

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the council's costs representing management 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 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. From this date any gains or losses 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.

Cash equivalents 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 party to the liability. The fund recognises financial liabilities relating to investment trading at fair value at the reporting date, 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 at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged 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

Isle of Wight Council Pension 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 as a note only (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.
- 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.
- 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) Provisions, Contingent Liabilities and Contingent Assets

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence 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 by the occurrence future events.

Contingent assets and liabilities are not recognised in the net assets 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 2020 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 0.5% increase in the discount rate assumption would result in a decrease in the pension fund deficit of £63m. A 0.5% increase in assumed earnings inflation would increase the deficit by approximately £6m. A 0.5% increase in assumed price inflation/pension increases would increase the deficit by approximately £69m. A one-year increase in assumed life expectancy would increase the deficit by approximately £29m
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.

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.

On 1 October 2020, the independent valuers of the Schroder Real Estate Fund (SREF) removed the remaining material uncertainty clauses with respect to the 1 October 2020 valuation of SREF's property portfolio. Following this, the Authorised Corporate Director ('ACD') and the Depositary confirmed that the suspension in dealing has been lifted, with immediate effect.

Other than as disclosed above, 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:

2018-19 £000		2019-20 £000
3,728	Employees' normal contributions	3,932
9	Employees' additional contributions	8
3,737		3,940
14,116	Employers' normal contributions	14,932
286	Employers' deficit recovery contributions	370
473	Employers' augmentation contributions	846
14,875		16,148
18,612		20,088

By type of employer:

2018-19 £000		2019-20 £000
14,874	Administering authority	16,190
1,516	Scheduled bodies	1,496
2,222	Admitted bodies	2,402
18,612		20,088

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2018-19 £000		2019-20 £000
-	Group transfers	-
204	Individual transfers	1,528
204		1,528

9. OTHER INCOME

2018-19 £000		2019-20 £000
10	Miscellaneous income	13
(8)	Contribution Equivalent Premiums	3
2		16

Contribution Equivalent Premiums (CEPs) are sums relating to National Insurance Contributions payable

when an employee leaves the pension fund without entitlement to benefits. Sums are held as a contingent asset and/or liability and these amounts remain so until the relevant employee requests a refund of contributions payable, a transfer is made to another pension fund or the employee returns to the employ of the Isle of Wight Council (see note 28).

10. BENEFITS PAYABLE

By category:

2018-19 £000		2019-20 £000
18,367	Pensions	19,328
3,262	Commutation and lump sum retirement benefits	3,233
379	Lump sum death benefits	253
22,008		22,814

By type of employer:

2018-19 £000		2019-20 £000
19,748	Administering authority	20,294
1,375	Scheduled bodies	1,472
885	Admitted bodies	1,048
22,008		22,814

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018-19 £000		2019-20 £000
53	Refund to members leaving service	91
-	- Group transfers	-
2,115	Individual transfers	803
2,168		894

12. MANAGEMENT EXPENSES

2018-19 £000		2019-20 £000
543	Administrative costs	530
3,202	Investment management expenses	1,881
569	Oversight and governance costs	534
4,314		2,945

12A. INVESTMENT MANAGEMENT EXPENSES

2018-19 £000		2019-20 £000
1,230	Management Fees	1,728
-	- Performance Related Fees	-
38	Custody Fees	33
1,934	Transaction Costs	120
3,202		1,881

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see note 17a).

13. INVESTMENT INCOME

2018-19 £000		2019-20 £000
11,448	Income from equities	8,116
	Income from pooled investment vehicles:	
1,050	- Property	1,062
2,776	- Bonds	3,289
261	- Unit Trusts	174
16	Interest on cash deposits	8
110	Other	(2,214)
15,661		10,435

14. TAXATION

2018-19 £000		2019-20 £000
58	Withholding tax - equities	68
58		68

15. EXTERNAL AUDIT COSTS

2018-19 £000		2019-20 £000
16	Payable in respect of external audit	14
16		14

16. INTEREST PAYABLE

2018-19 £000		2019-20 £000
72	Interest on short term borrowing	99
72		99

17. INVESTMENTS

Market value 31 March 2019 £000		Market value 31 March 2020 £000
	Investment assets	
111,300	Equities	104,665
490,844	Pooled Investment Vehicles	457,803
4,053	Cash deposits	5,275
433	Investment income due	223
423	Amounts receivable for sales	834
22	Recoverable withholding tax	35
607,075	Total investment assets	568,835
	Investment liabilities	
(650)	Amounts payable for purchases	(403)
(650)	Total investment liabilities	(403)
606,425	Net investment assets	568,432

17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2020
	£000	£000	£000	£000	£000
Equities	111,300	82,044	(54,151)	(34,528)	104,665
Pooled Investment Vehicles					
Global Equities	251,386	256,254	(312,654)	1,492	196,478
Property	35,335	90	(291)	(81)	35,053
Bonds	113,636	3,289	(229)	5,041	121,737
Diversified Growth Fund	82,201	136,237	(111,383)	(9,851)	97,204
Unit Trusts	8,286	1,934	(1,333)	(1,556)	7,331
	602,144	479,848	(480,041)	(39,483)	562,468
Cash deposits	4,053			(217)	5,275
Amounts receivable for sales of investments	423			-	834
Investment income due	433			7	223
Recoverable withholding tax	22			-	35
Amounts payable for purchases of investments	(650)			3	(403)
Net investment assets	606,425			(39,690)	568,432

	Market value 1 April 2018	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2019
	£000	£000	£000	£000	£000
Equities	108,032	19,198	(17,400)	1,470	111,300
Pooled Investment Vehicles					
Global Equities	220,394	3,886	-	27,106	251,386
Property	33,562	-	447	1,326	35,335
Bonds	110,708	2,579	-	349	113,636
Diversified Growth Fund	81,834	1,579	-	(1,212)	82,201
Unit Trusts	11,210	261	(1,670)	(1,515)	8,286
	565,740	27,503	(18,623)	27,524	602,144
Cash deposits	3,980			(3)	4,053
Amounts receivable for sales of investments	126			-	423
Investment income due	331			13	433
Recoverable withholding tax	8			-	22
Amounts payable for purchases of investments	(92)			-	(650)
Net investment assets	570,093			27,534	606,425

The level of purchases and sales in the current year is higher than prior year because the Global Equities and the Diversified Growth mandate were transitioned into the ACCESS pool. In addition, there was a rebalancing of the mandates between Global Equities, UK Equities and Diversified Growth. The Schroder UK Real Estate Fund (SREF) temporarily suspended trading on 18 March 2020 until 1 October 2020. This was in line with the majority of other core balanced UK property funds. The trading suspension aimed to protect long term investors from material uncertainty arising from COVID-19 lockdown measures. The halt on market activity during the pandemic resulted in property valuers being unable to accurately value property portfolios and valuers being forced to insert material uncertainty clauses into their valuations, thus triggering suspension (in accordance with Royal Institute of Chartered Surveyors' guidelines). The Fund continued to monitor this position and remains a long-term investor in the fund with no short-term property transactions planned.

17B. ANALYSIS OF INVESTMENTS

31 March 2019 £000		31 March 2020 £000
	Equities	
	UK	
93,071	Quoted	92,427
	Overseas	
18,229	Quoted	12,238
111,300		104,665
	Pooled funds – additional analysis	
	UK	
113,636	Fixed income unit trusts	121,737
341,873	Unit Trusts	301,013
455,509		422,750
35,335	Pooled property investments	35,053
35,335		35,053
4,053	Cash Deposits	5,275
433	Investment income due	223
423	Amounts receivable from sales	834
22	Withholding Tax	35
4,931		6,367
607,075	Total investment assets	568,835
	Investment Liabilities	
(650)	Amounts payable for purchases	(403)
(650)	Total Investment Liabilities	(403)
606,425	Net investment assets	568,432

17C. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2019 £000			Market value 31 March 2020 £000	
	%			%
113,636	18.7%	Schroder Investment Management – Bonds	121,737	21.4%
35,436	5.8%	Schroder Investment Management – Property	35,795	6.3%
		ACCESS Overseas Equities - Newton	196,478	34.6%
		ACCESS Diversified Growth Fund - Ballie Gifford	97,204	17.1%
123,743	20.4%	Majedie Asset Management – UK Equities	117,183	20.6%
82,201	13.6%	Baillie Gifford – Diversified Growth Fund	-	0.0%
251,387	41.5%	Newton Investment Management – Overseas Equities	-	0.0%
606,403			568,397	
22	0.0%	Recoverable withholding tax	35	0.0%
606,425			568,432	

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the total net assets of the fund

Market value 31 March 2019			Market value 31 March 2020	
£000	%		£000	%
-	0.00%	ACCESS - Global Equities - Newton	196,478	34.98%
113,636	19.07%	Schroder Institutional Sterling Broad Market X Account	121,737	21.67%
-	0.00%	ACCESS - Diversified Growth - Baillie Gifford	97,204	17.30%
35,436	5.95%	Schroder UK Property Fund	35,795	6.37%
251,387	42.19%	Newton International Growth X Account	-	0.00%
82,201	13.80%	Baillie Gifford Diversified Growth Pension Fund	-	0.00%

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

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.

At 31 March 2020, the fund does not have any investments which should be classified as Level 3.

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 2019				31 March 2020		
Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	Total £000		Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	Total £000
567,687	35,335	603,022	Financial assets at fair value through profit and loss	528,507	35,053	563,560
-	(650)	(650)	Financial liabilities at fair value through profit and loss	-	(403)	(403)
567,687	34,685	602,372	Net investment assets	528,507	34,650	563,157

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 2019				31 March 2020		
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			
111,300			Equities	104,665		
490,845			Pooled investment vehicles	457,803		
	4,056		Cash		6,573	
877			Other investment balances	1,092		
	57		Debtors		193	
603,022	4,113	-		563,560	6,766	-
			Financial liabilities			
(650)			Other investment balances	(403)		
		(984)	Creditors			(712)
			Bank Balance			
		(10,400)	Borrowings			(8,000)
(650)	-	(11,384)		(403)	-	(8,712)
602,372	4,113	(11,384)		563,157	6,766	(8,712)

19B. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2019 £000		31 March 2020 £000
	Financial assets	
27,536	Fair value through profit and loss	(39,476)
(2)	Loans and receivables	(217)
	Financial liabilities	
-	Fair value through profit and loss	3
-	Financial liabilities at amortised cost	
27,534	Total	(39,690)

The pension fund has not entered into any financial guarantees that are required to be accounted for as financial instruments

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 payables 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 considers and takes advice on the nature of the investments made and 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 its issuer or 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 and 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 2019/20 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 2020 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Cash & cash equivalents	5,275	0.00%	5,275	5,275
Investment portfolio assets				
Equities – UK	92,427	15.20%	106,476	78,378
Equities – overseas	12,238	22.00%	14,930	9,546
Pooled investment vehicles:				
Global equities	196,478	15.10%	226,146	166,810
Property	35,053	1.20%	35,474	34,633
Bonds	121,737	3.30%	125,755	117,720
Diversified Growth Fund	97,204	14.00%	110,811	83,594
Unit Trusts	7,331	15.40%	8,460	6,202
Amounts receivable for sales	834	0.00%	834	834
Investment income due	223	0.00%	223	223
Recoverable withholding tax	35	0.00%	35	35
Amounts payable for purchases	(403)	0.00%	(403)	(403)
Total	568,432		634,016	502,847

	Value as at 31 March 2019 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Cash & cash equivalents	4,053	0.00%	4,053	4,053
Investment portfolio assets				
Equities – UK	93,071	5.30%	98,004	88,138
Equities – overseas	18,229	4.30%	19,012	17,445
Pooled investment vehicles:				
Global equities	251,386	3.50%	260,185	242,588
Property	35,335	2.00%	36,042	34,629
Bonds	113,636	1.20%	115,000	112,272
Diversified Growth Fund	82,201	1.80%	83,680	80,721
Unit Trusts	8,286	17.20%	9,711	6,861
Amounts receivable for sales	423	0.00%	423	423
Investment income due	433	0.00%	433	433
Recoverable withholding tax	22	0.00%	22	22
Amounts payable for purchases	(650)	0.00%	(650)	(650)
Total	606,425		625,915	586,935

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 the fair value of 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 2020, and as at the previous period end:

	Asset value as at 31 March 2020 £000	Asset value as at 31 March 2019 £000
Overseas Quoted Securities	26,826	13,683
Investment income due	92	153
	26,918	13,836

Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to be 3.18% (2018-19: 3.74%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 3.18% 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 2020 £000	Value on increase +3.18% £000	Value on decrease -3.18% £000
Overseas Quoted Securities	26,826	27,680	25,972
Investment income due	92	95	89
	26,918	27,775	26,061

	Value as at 31 March 2019 £000	Value on increase +3.74% £000	Value on decrease -3.74% £000
Overseas Quoted Securities	13,683	14,194	13,172
Investment income due	153	159	147
	13,836	14,353	13,319

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. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of high quality counterparties, brokers, custodian and investment managers minimises credit risk that may occur though the failure of third parties to settle transactions in a timely manner.

Contractual credit risk is represented by the net payment, or receipt that remains outstanding, and the cost of replacing the position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Bankruptcy or insolvency of the custodian may affect the fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The fund manages its risk by monitoring the credit quality and financial position of the custodian.

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 does not engage in securities lending activities, hence is not exposed to the counterparty risk of the collateral provided by borrowers against the securities lent.

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 2020 and 31 March 2019 (£548k and £706k 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 the pension fund 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 a significant proportion is 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. Therefore, 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 2020 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. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated 13 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 that balances risk and

return.

- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to determine 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 Taxpayer from an employer defaulting on its pension obligations.

The aim is to have 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years, but in some cases a maximum period of 20 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns, and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

Funding Position as at the last formal funding valuation

At the 2019 actuarial valuation, the fund was assessed as 95% funded (92% at the March 2016 valuation). This corresponded to a deficit of £32 million (2016 valuation £44 million) at that time. Contribution increases were in effect from 1 April 2020 for both scheme employers and admitted bodies.

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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still a better than 75% chance that the Fund will return to full funding over 20 years.

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.

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		
	2021 % of pay	2022 % of pay	2023 % of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	Nil	Nil	Nil
Caterlink	23.5	23.5	23.5
Cowes Enterprise College, an Ormiston Academy *	23.5	23.5	23.5
Cowes Harbour Commissioners	21.5	21.5	21.5
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College (from 1 August)	23.8	23.8	23.8
Lanesend Academy *	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
Nviro	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust *	23.5	23.5	23.5
Sandown Bay Academy *	23.5	23.5	23.5
Southern Vectis (Wightbus)	10.3	10.3	10.3
Southern Housing Group	31.6	31.6	31.6
Sovereign Housing Group	29.7	29.7	29.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	26.6	26.6	26.6
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Trustees of Carisbrooke Castle Museum	35.4	35.4	35.4
Ventnor Botanical Gardens	Nil	Nil	Nil
Yarmouth Harbour Commissioners	24.8	24.8	24.8

in addition, certain employers make a lump sum contribution

Employer Name	Minimum Contributions for the Year		
	2021 Lump Sum £000	2022 Lump Sum £000	2023 Lump Sum £000
St Catherine's School Ltd	32	33	34
Yarmouth Harbour Commissioners	57	57	57
Cowes Harbour Commissioners	19	19	19
Southern Housing Group	274	274	274
Sovereign Housing Group	198	198	198

* During 2019-20, academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Seven of the academies in operation at the time of the 2019 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 2022.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 13 March 2020.

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 % p.a. Nominal
Discount rate (Investment returns)	3.40%
Salary Increases	3.10%
Price inflation/Pension Increases	2.30%

(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 bespoke set of VitaCurves in line with the CMI 2018 model, with an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. for both women and men.

Based on these assumptions, the average future life expectancies are as follows:

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

* based on members aged 45 at the valuation date.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced in comparison to that reported in the previous formal valuation.

Copies of the 2019 valuation report and the Funding Strategy Statement are available on request from the Finance Department of the Isle of Wight Council, administering authority to the fund.

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.

Balance Sheet

Year ended	31 March 2020 £m	31 March 2019 £m
Present value of Promised Retirement Benefits	(729)	(814)
Fair value of scheme assets (bid value)	561	595
Net Liability	(168)	(219)

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The actuary estimates this liability at 31 March 2020 comprises £244 million in respect of employee members (2019: £339 million), £167 million in respect of deferred pensioners (2019: £188 million) and £318 million in respect of pensioners (2019: £287 million). The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. The actuary has not made any allowance for unfunded benefits. The liability in respect of employee members incorporates an allowance for the McCloud ruling i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. 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 2020 and 31 March 2019. The actuaries estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £64m. The actuaries estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £26m.

Financial assumptions

Year ended	31 March 2020 % p.a.	31 March 2019 % p.a.
Inflation/Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.7%	2.9%
Discount Rate	2.3%	2.4%

(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.)

Longevity assumption

The life expectancy assumption is based on the Fund's bespoke VitaCurves in line with the CMI 2018 model, with an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. for both women and men.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

* Future pensioners are assumed to be currently aged 45 at the most recent formal valuation as at 31 March 2016

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

23. LONG TERM ASSETS

31 March 2019 £000		31 March 2020 £000
	Debtors	
62	Contributions due - employers	22
55	Reimbursement of lifetime tax allowances	64
117		86

24. CURRENT ASSETS

31 March 2019 £000		31 March 2020 £000
	Debtors	
119	Contributions due - employees	97
587	Contributions due - employers	451
706		548
48	Taxation	85
5	Sundry debtors	63
107	Payments in advance	113
3	Cash balances	1,298
869		2,107

25. CURRENT LIABILITIES

31 March 2019 £000		31 March 2020 £000
	Creditors	
206	Taxation	208
417	Accruals	340
240	Sundry creditors	372
863		920

26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2019 £000		Market value 31 March 2020 £000
658	Prudential life and pensions	669

AVC contributions of £101.7 thousand were paid directly to Prudential Life and Pensions during the year (2018-19: £151.7 thousand).

AVC amounts are not included in the pension fund accounts in accordance with Regulation 4(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

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 £538 thousand (2018-19: £475 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 £12.9 million in 2019-20 (2018-19: £11.8 million) to the fund. All monies owing to the fund, with the exception of deferred balances in respect of pension strain costs totalling £29.2 thousand (2019: £66.3 thousand), were paid during the year.

During the year, the pension fund borrowed funds from the council to support its working cash flow requirements; interest was 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 2019-20 was £12.0 million (2018-19: £13.6 million). The balance due to the council at 31 March 2020 is £8.0 million (2019: £10.4 million), Interest of £99.4 thousand (2018-19: £71.8 thousand) was paid on the borrowings in the year.

Year ended 31 March 2019 £000	Repayment profile of borrowings from Isle of Wight Council	Year ended 31 March 2020 £000
1,100	less than 1 month	1,300
-	2 - 3 months	-
1,900	3 - 6 months	1,000
2,600	6 - 9 months	700
4,800	9 - 12 months	5,000
10,400	Total value of borrowings	8,000

Governance

There are no members of the pension fund committee who are in receipt of pension benefits from, or who are active members of the Isle of Wight Council Pension.

Each member of the pension fund committee is required to declare their interests at each meeting.

Council members named in note 29 form the Pension Fund Committee as trustees.

27A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are members of the pension fund committee, the Director of Finance and S151 Officer and the Technical Finance Manager.

Total remuneration payable to key management personnel is set out below:

Year ended 31 March 2019 £000		Year ended 31 March 2020 £000
50	Short-term benefits	58
10	Post-employment benefits	12
-	Other long-term benefits	-
-	Termination benefits	-
-	Share-based payments	-
60		70

28. CONTINGENT ASSETS AND LIABILITIES

At 31 March 2020 there were contingencies relating to Contribution Equivalent Premiums (CEPs) amounting to a net sum of £135 thousand (2019: £138 thousand) due to the Pension Fund. Assets amounted to £195 thousand and liabilities totalled £60 thousand (2019: £195 thousand and £57 thousand respectively). The sums do not form part of the net assets of the fund. Refunds and payments will only be made on application by the employee.

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 £5 thousand (2019: £105 thousand). The reduction in the value of the estimated benefit is due to a more accurate estimate being received. 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 2019/20 (2018/19 Nil).

29. TRUSTEES REPORT 2019-20

The trustees of the pension fund are the members for the time being of the Pension Fund Committee, who at 31 March 2020 were Councillors Abraham, Axford (chair), Brading, Churchman (vice chair), Garratt, and Mosdell. There has been one elected member vacancy within the pension fund committee throughout the year.

In addition, non-voting representatives of the scheme employers (selected by the fund's external employers) and scheme members (selected by UNISON) attend the committee.

Throughout the year the committee has been advised by the Director of Finance and Section 151 Officer, the Technical Finance 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 2020 were £561.7 million, a decrease of 5.8% on the 31 March 2019 valuation of £596.1 million. The fund's total investments under-performed compared to the agreed benchmarks by 1.5% during the year.

The overall performance of the fund in the year to 31 March 2020 was largely driven by the severe downturn in global investment markets in February and March 2020 due to the coronavirus pandemic.

Over the longer term, the fund underperformed annualised benchmark returns for three years (0.4% underperformance).

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 actuary's interim funding projection report at 31 March 2020 showed that the notional funding level had fallen to 85.6% since the last triennial valuation at 31 March 2019. However, the deficit of £32 million at 31 March 2019 has increased to a deficit of £95 million at 31 March 2020.

Governance

There were nine scheduled pension fund committee meetings during the year 2019-20, each lasting approximately two hours.

During the year the committee considered the following key items of business:

- Approval of 2018-19 annual report and accounts.
- Procurement for global custodian services.
- Monitoring of actions arising from the 2018 governance review.
- Adoption of a new risk management strategy.
- Finalisation of the 2019 triennial actuarial valuation of the fund, including approval of employer

contribution rates for the next three years.

- Adoption of the revised Funding Strategy Statement.
- Review of, and agreement to amend, strategic investment asset allocation.
- Consideration of alternative investment asset classes.
- Review of knowledge and understanding levels.
- Review of the operation of both board and committee, including change of meeting day.
- Regular updates on the ACCESS pool, including a presentation from the Interim Director of the ACCESS Support Unit .

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 after three of the committee meetings, covering:
responsible investment and environmental, social and governance considerations (RI/ESG)

Risk Management

Investment Strategy Modelling, including alternative asset classes.

A summary of committee members' attendance for the year 2019-20 is detailed in table 1 below.

Table 1: committee attendance

	Chairman	Vice chairman	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 4	Elected member 4	Elected member 5	Scheme member rep	Employer rep	
05-Apr-19	√	√	aps	√	√	√				√	√	88%
17-May-19	√	√	aps	√	√	√				√	√	88%
14-Jun-19	√	√	aps	√	√		√			aps	√	75%
19-Jul-19	√	√	√	√	√		√			√	√	100%
06-Sep-19	√	√	aps	√	aps		√			√	√	75%
15-Nov-19	aps	√	aps	√	√			√		√	√	75%
19-Dec-19	√	√	√	√	√			√		√	√	100%
14-Feb-20	√	√	aps	√	√			aps		√	√	75%
13-Mar-20	√	√	aps	sub	aps			√		aps	aps	38%
	89%	100%	22%	89%	78%	22%	33%	33%	0%	78%	89%	79%

Please note the percentage attendance at each meeting (final column) is based on a total committee membership of eight (excluding the on-going elected member vacancy but including the scheme member and employer representatives).

The local pension board comprises two scheme member representatives and two employer representatives, membership was unchanged throughout the year.

There were five scheduled board meetings during the 2019-20 year.

The board considered the following key items of business during the year:

- Review and recommendation of the 2018-19 governance compliance statement.
- Review and recommendation of the risk management strategy.
- Development and finalisation of the board's first annual report.
- Monitoring of progress against the fund's governance action plan and data improvement plan.
- Monitoring of administration performance standards against key performance indicators.
- Monitoring employer compliance with deadlines for submission of monthly data and contributions.
- Review of outcomes of Council's automatic re-enrolment process.
- Regular review of complaints and potential breaches of the law.
- Consideration of responses to the Pension Regulator's annual return and surveys.

Board members also received a development session from CIPFA on developments since the introduction

of local pension boards in 2015.

A summary of board members' attendance for the year 2019-20 is detailed in table 2 below.

Table 2: board attendance

	Chairman (employer)	Employer rep 2	Scheme member rep 1	Scheme member rep 2	
24-Apr-19	√	√	√	√	100%
18-Jun-19	√	√	√	√	100%
17-Sep-19	√	√	√	√	100%
19-Nov-19	√	√	√	√	100%
28-Jan-20	√	√	√	√	100%
	100%	100%	100%	100%	100%

Independent auditor's statement to the Members of Isle of Wight Council on the pension fund financial statements

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Isle of Wight Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Director of Finance and Section 151 Officer and the auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance and Section 151 Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Isle of Wight Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of : Foreword; Financial Summary; Scheme management and advisers; Investment Policy and Performance Report; Investment Strategy Statement; Funding Strategy Statement; Pension Scheme Administration; Administration Strategy statement; Governance Policy Statement; Terms of Reference of Pension Fund Committee; Terms of Reference of the Pension Board; Governance Compliance Statement; Pension Board Annual Report, Knowledge and Skills Framework Compliance Statements; Risk Management; Communications Policy Statement; and ACCESS Pool Annual Report.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
27 November 2020

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 organisations 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 outgoings, 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 benefit structure 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 state 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 (also see Bet). 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 actively to decide to leave the scheme.

Authorised Unit trusts

A unit trust which is approved by the Financial Services Authority (FSA) 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.

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 Services Authority (FSA)

The lead regulator. An agency which is not a government department.

Fund managers

Firms of investment professionals appointed by an investments 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 constant 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 stocks on which the interest and eventual repayment of the loan are based on movements in the retail price index.

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.

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

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.

Socially responsible investment (SRI)

Investment where social, environmental or ethical 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.

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 FSA 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.