

ANNUAL REPORT
AND
ACCOUNTS

ISLE OF WIGHT COUNCIL
PENSION FUND
2018-19

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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 2019, setting out the overall financial activity of the fund.

The net assets value of the fund at 31 March 2019 was £596.1 million, an increase of £33.3 million in the year.

Investment performance in 2018-19 has been varied, reflecting continued market volatility throughout the year. The fund's investment assets generated a positive return (a profit) of 7.4% for the year to 31 March 2019, increasing the overall valuation by £36.4 million. The fund participates in the PIRC Limited Local Authority universe for investment performance, and the fund ranked in the top 20 per cent of pension funds for 12-month investment performance. Longer term absolute investment performance (over three- and five-year periods) remains good, at 9.1 percent and 8.1 per cent per annum respectively, but not as strong relative to other pension funds (fourth and third quartile respectively).

2018-19 has been another busy year for the fund. Significant progress has been made in addressing the action plan arising from the governance review completed in 2018:

- The committee agreed to increase the number of its meetings during the year, holding separate meetings to consider funding and investment issues, and governance and administration issues.
- Workshops were held in September and November 2018 to define the fund's beliefs and objectives in respect of funding, investment, governance and administration; these objectives and beliefs were agreed at the April 2019 committee meeting.
- Following detailed work by the pension board, the committee adopted the fund's first administration strategy, and a significantly revised communications strategy.
- A new pension fund specific website was launched.

During the year ended 31 March 2019, the local Pension Board (as required by the Public Service Pensions Act 2013) met three times. The board supported the development of the fund's administration strategy, and the review of the communications policy, both of which were recommended to the committee for adoption. In addition, the board received regular reports on administration key performance indicators, breaches of the law and progress against the data improvement plan.

The fund continued to make good progress in its Guaranteed Minimum Pension reconciliation, although the project has not yet completed due to changes in the completion timetable from central government. The historic data cleansing work is now complete, despite significant delays from the contractor engaged for this project. The fund has made very good progress in delivering the project to have clean and accurate data in preparation for the 2019 triennial valuation of the fund.

Engagement continues with the ACCESS pool, which successfully launched its first sub-funds during the year ended 31 March 2019. The first investment transition from the Isle of Wight Pension Fund into pooled management took place in May 2019; the current timetable suggests that the fund should have about 75 per cent of its current investment assets under pool management by the end of 2019-20.

The key focuses for the fund in 2019-20 will be:

- Completion of the triennial valuation of the fund, including the submission of membership and employer data, the review of the fund's investment and funding strategies, and the determination of employer contribution rates for the forthcoming three years.
- On-going workshops for committee and board members covering risk management processes; investment strategy, including strategic asset allocation and understanding of different asset classes; and valuation results.
- The development of a communication plan to fulfil the new communications strategy.
- Continued engagement with the ACCESS pool, including the transition of the fund's remaining investment assets into the pool.
- Further improvements in the operation of the pension board and the committee, including a review of the terms of reference for both in line with current guidance and best practice.

Cllr Adrian Axford
Chairman - Isle of Wight Pension Fund Committee

Financial Summary

Analytical review

Fund account	2018-19 £000	2017-18 £000	Notes
Net withdrawals from dealings with members	(5,358)	(2,599)	Increase in basic contributions; increase in transfers in; reduction in pension strain contributions; inflationary increases in benefits paid; increased payments to leavers and on death
Management expenses	(4,314)	(2,059)	Transaction costs reported separately by investment managers for the first time in 18/19; increased admin costs; increased governance & oversight costs
Net return on investments	43,065	7,924	Positive performance in global equity markets. Other markets showed minimal growth during year.
Net increase in net assets	33,393	3,266	

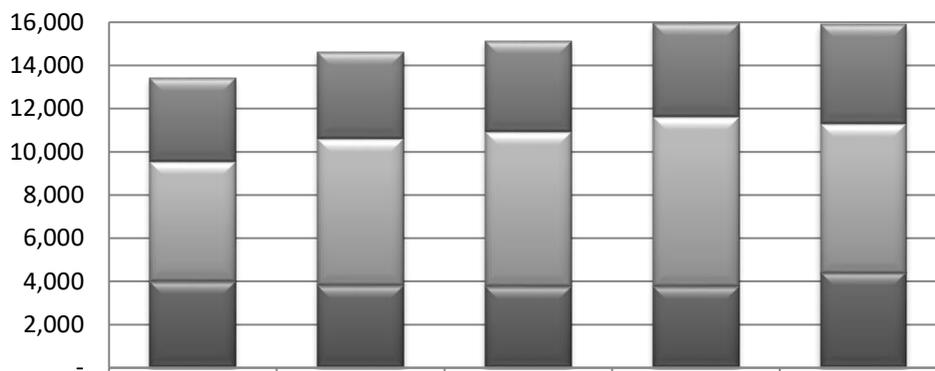
Net Assets Statement	2018-19 £000	2017-18 £000	Notes
Equities	111,300	108,032	Positive performance in UK equities markets.
Pooled Investment Vehicles	490,844	457,708	Significant growth in Global Equities portfolio; slight underperformance in other portfolios during the year.
Cash deposits	4,053	3,980	Increase in cash balance held for future investment.
Other net liabilities	(10,049)	(6,965)	Increase in short term borrowing to fund operational activities.
Total net assets	596,148	562,755	

Further detail can be found in the financial statements and notes on pages 158 to 186

Membership data

Total membership of the fund continues to increase year on year, although active membership has fallen. The profile of membership numbers from 2014 to 2019 is shown below:

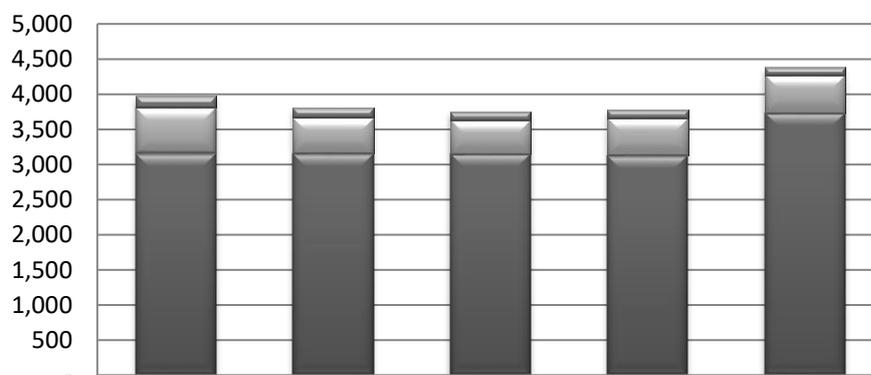
Fund membership 2014 - 2019



	2014-15	2015-16	2016-17	2017-18	2018-19
■ Pensioners	3,873	4,036	4,192	4,363	4,631
■ Deferred members	5,574	6,777	7,176	7,816	6,899
■ Active members	3,973	3,807	3,753	3,778	4,381
Total	13,420	14,620	15,121	15,957	15,911

During the year one employer ceased to be a member of the fund but the staff TUPED across to the Council. 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 79.4% in 2014/15 to 85.2% as at 31 March 2019. The composition of active membership numbers is shown below:

Active membership by employer type



	2014-15	2015-16	2016-17	2017-18	2018-19
■ Admitted bodies	162	137	118	117	106
■ Scheduled bodies	658	511	485	530	541
■ Administering authority	3,153	3,159	3,150	3,131	3,734
Total	3,973	3,807	3,753	3,778	4,381

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 2019	Employee basic conts. £000	Employer basic conts. £000	instances late	% value late
Administering Authority					
Isle of Wight Council	3,734	3,082	11,620	-	-
	3,734	3,082	11,620	-	-
Scheduled Bodies					
Isle of Wight College	242	206	800	1	7.4%
Ryde Academy	58	50	196	-	-
Lanesend Academy	53	30	124	-	-
Cowes Enterprise College	50	45	177	-	-
Northwood Primary	35	13	52	-	-
St Francis Primary	29	16	68	-	-
St Blasius Academy	25	13	55	-	-
Island Free School	24	25	104	-	-
Ryde Town Council	11	13	48	1	9.6%
Newport Parish Council	5	6	20	7	55.0%
IoW Studio School	4	5	14	-	-
Shanklin Town Council	2	3	11	3	24.6%
Gurnard Parish Council	1	1	2	-	-
Cowes Town Council	1	2	8	-	-
Wootton Bridge Parish Council	1	1	4	-	-
Northwood Parish Council	1	-	2	1	9.4%
Chale Parish Council	1	-	1	8	64.6%
Sandown Bay Academy	-	21	82	-	-
	543	450	1,768	21	4.71%
Admitted Bodies					
Sovereign Housing Group	31	74	291	-	-
Island Roads	29	60	190	-	-
Southern Vectis	12	13	52	1	8.8%
Nviro	8	4	16	4	24.0%
Barnardo's	7	12	41	-	-
Southern Housing Group	3	8	37	-	-
Cowes Harbour Commissioners	3	15	35	-	-
Yarmouth Harbour Commissioners	2	7	25	-	-
St Catherine's School	2	7	21	5	35.0%
Ventnor Botanic Gardens	2	3	9	11	61.1%
Caterlink	2	1	6	-	-
Top Mops	2	1	3	3	23.3%
Trustees of Carisbrooke Castle Museum	1	-	2	7	58.3%
	104	205	728	31	3.78%
TOTAL	4,381	3,737	14,116	52	0.83%

The level of contributions from both employers and employees can be found with in the financial statements, which are included within this report, on page 168 and page 162 respectively.

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:

Councillor A Axford	Chair	Resigned 14 September 2018
Councillor B Abraham		
Councillor P Brading		
Councillor V Churchman		
Councillor A Garratt		
Councillor S Smart		
Councillor I Stephens		

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

BNP Paribas Securities Services
10 Harewood Avenue
London NW1 6AA

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
Wessex House
19 Threefield Lane
Southampton SO14 3QB

Scheme Administrator

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County Hall
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Isle of Wight PO30 1UD
pensions@iow.gov.uk
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Investment Policy and Performance Report for 2018-19

As per Hymns Robertson LLP 31/05/2019

Report and Accounts for the period ending 31 March 2019

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 strategic benchmark allocation as at 31 March 2019 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 All Balanced Funds Median
Total		100.0%	-	

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	123,308	123,564	21.6	20.4	22.5
Newton – Global Equity	220,394	251,386	38.6	41.4	32.5
Baillie Gifford – Diversified Growth	81,834	82,201	14.3	13.5	15.0
Schroder – UK Bonds	110,708	113,636	19.4	18.7	22.0
Schroder – UK Property	34,580	36,430	6.1	6.0	8.0
Total	570,825	607,217	100	100.0	100.0

Source: Investment Managers

Figures may not sum to total due to rounding.

Reasons for variance from Benchmark

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

All portfolios except for the Newton Global Equity mandate were within their control ranges over the year to 31 March 2019. Rebalancing had previously been suspended ahead of asset pooling activity, however, given the extent of the deviations from the strategic target, in May 2019 the Committee agreed to re-balance the overweight position in global equities to within the target range.

Market Background Investment Markets

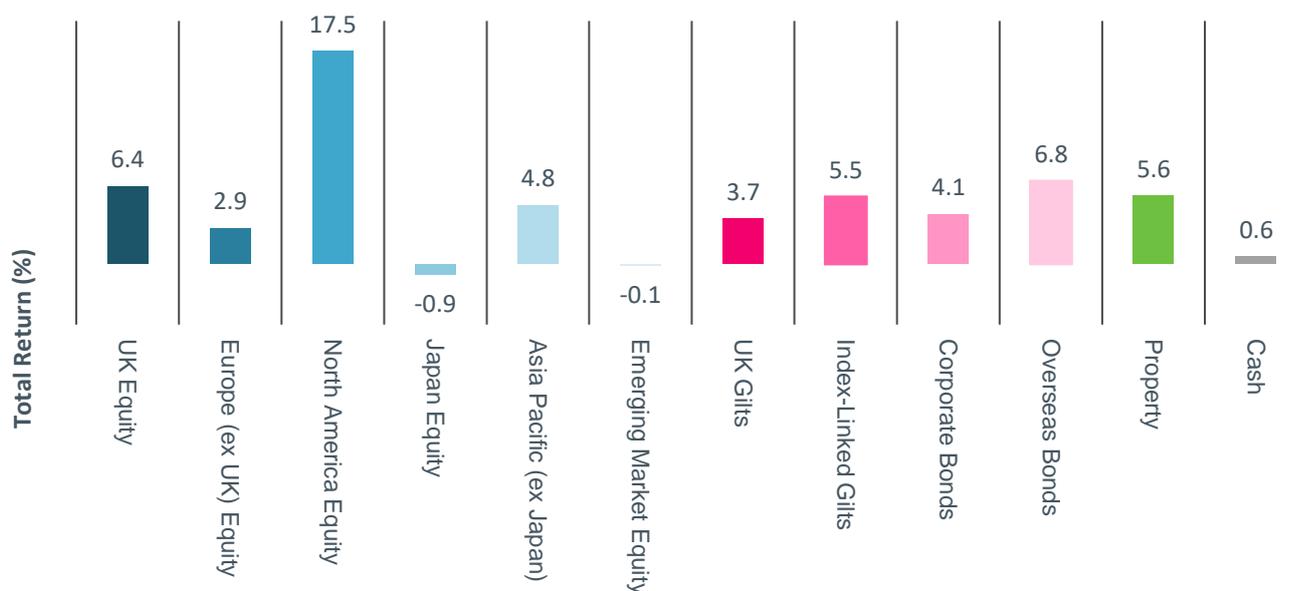
GDP data over the 12-month period confirms that global growth has moderated with forecasts being revised lower for 2019. US growth has remained relatively robust while growth slowed more markedly in Europe and Japan. Brexit risk appears to be causing a deferral of investment as the UK economy grew at its slowest pace in several years in 2018.

Oil prices rose to a peak of \$86 per barrel in October, before plummeting to \$53 towards the end of 2018. Despite a sharp recovery in oil prices in 2019, consumer price inflation expectations for 2019 have also been revised lower in most major developed economies.

The Fed continued its gradual tightening of monetary policy over the period, the Bank of England also raised interest rates in August. However, slowing global growth and inflation saw central banks, led by Fed, adopt more dovish stances at the beginning of 2019.

US 10-year treasury yields reached their highest level for seven years in early October before yields fell sharply towards the end of the period amid slowing global growth. Equivalent UK yields followed this pattern, ending the period at their lowest level since Q3 2017.

12 Month performance to 31 March 2019



Equities

Having risen to record highs, equity markets fell steeply in the fourth quarter of 2018, before rebounding strongly in the first 3 months of 2019 as global central bank rhetoric turned more dovish - global equity returned to positive territory with the FTSE All-World index returning 5.9% year-on-year (10.7% in Sterling terms).

Japan was the worst performing region as the strength of the yen and slowing growth in Europe and China weighed on exporters while North America outperformed. The more defensive utility and healthcare sectors outperformed while financials performed worst.

Bonds

Total returns in credit markets were positive, though credit spreads moved wider. Speculative-grade credit spreads rose more than their investment-grade peers, particularly in the European high yield market where specific political risks led to greater widening in 2018.

Property

UK commercial property market returns slowed to 5.6% year-on-year, with the capital value index only marginally positive. Capital values and rents in the retail sector continue to fall - down over 8% and 3.5% respectively year-on-year. Even in the industrial sector, where investment demand remains strong, capital value growth and rental growth are slowing.

Currencies

The strength of the US dollar, and to a lesser extent the Japanese yen, were key features of the foreign exchange market for much of the year. Despite continued uncertainty surrounding Brexit, Sterling drifted only marginally lower in trade weighted terms.

Investment Performance

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Majedie – UK Equity	4.0	6.4	8.8	9.5
Newton – Global Equity	14.1	10.5	12.9	14.4
Baillie Gifford – Diversified Growth	0.9	4.2	5.7	4.0
Schroder – UK Bonds	2.7	3.8	4.8	4.2
Schroder – UK Property	5.5	4.8	7.5	6.1
Total	7.4	7.0	9.1	9.0

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

The Fund has outperformed the benchmark over 12 months by 0.4% due mainly to the overweight position to global equities and specific manager outperformance from Newton. The Fund is marginally ahead of benchmark over 3 years returning 9.1% against a benchmark of 9.0%. This outperformance can be attributed to active manager outperformance relative to benchmark from Baillie Gifford and Schroders.

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 next investment strategy review is due to take place in 2019 in conjunction with the triennial 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 any risk 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	BNP Paribas
Newton	Bank Of New York Mellon
Baillie Gifford	Bank Of New York Mellon
Schroder	BNP Paribas

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 quarter 1 of 2019 with the transition of custody arrangements scheduled to take place during quarter 2 of 2019.

Investment Manager Fees

Please note that the investment manager fees listed below are the managers' annual management charges. There may be other expenses charged on the Fund's assets, e.g. custodian and administration charges, which would be in addition to these fee scales.

These reflect the fees that the Fund currently pay to managers outside of the ACCESS pool. These will be updated as assets are transitioned into the pool and fee savings are realised.

Manager	Asset Class	Fees
Majedie	UK Equities	0.35% p.a. plus 20% of any outperformance above the benchmark return plus 1% on an annualised 3 year rolling basis
Newton	Global Equities	0.20% p.a. on the first £100m 0.17% p.a. for the next £200m 0.12% p.a. for the next £700m 0.10% p.a. on the remainder plus 20% of any outperformance above benchmark
Baillie Gifford	Diversified Growth	0.65% p.a. on the first £30m 0.50% p.a. on the next £90m 0.45% p.a. on the remainder
Schroder	UK Bonds	0.20% p.a.
Schroder	UK Property	c0.5% p.a.*

*estimated by Schroder

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 plan to develop their ESG and Responsible Investment policy further in 2019. 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.

Prepared by: -

Emma Garrett, Associate Investment Consultant

David Walker, Partner

For and on behalf of Hymans Robertson LLP

Investment Strategy Statement at March 2017

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

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.

This statement will be reviewed by the Committee at least triennially or more frequently should any significant change occur.

2. Investment Beliefs and Objectives

The Fund has the following investment beliefs which help to inform the investment strategy derived from the decision making process:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments
- Investing over the long term provides opportunities to improve returns
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources
- Managing risk is a multi-dimensional and complex task
- Risk mitigation will be prioritised according to size of potential impact and risks will only be taken where they are expected to be rewarded
- Environmental, Social and Governance considerations are important factors for the sustainability of investment returns over the long term
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns.
- High conviction active management can add value to returns

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.

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.

3. Investment strategy and the process for ensuring suitability of investments.

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.

The asset strategy, along with an overview of the role each asset plays in achieving the Fund's objectives is set out in the table below:

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
Fixed Income	22.0	+/-4%	Diversified source of return from a range of sources. Not specifically income generating
Property	8.0	+/-4%	Diversification. Generates investment income; Returns expected to be inflation-sensitive Exposure to Illiquidity premium

The Pensions 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.

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

4. Risk measurement and management

The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.

A Investment Risks

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.



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

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.

Equities – 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. A strategy is therefore being developed that would seek income from alternative assets and bonds, rather than from equities, in order to avoid being a forced seller at a low point in the market.

Liabilities – The other major risk the Fund is running is in relation to its unhedged liabilities which are impacted by changes in real gilt yields. The Fund's liabilities are sensitive to inflation as future pensions are linked to inflation and the cashflow out of the Fund will increase as inflation increases. The liabilities are sensitive to changes in gilt yields as these are used to place a current value on the future payments, as this yield falls the present value of the liabilities increases.

Alternatives – 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.

Active Manager Risk – 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.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

B Demographic Risks

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.

C Cashflow Management Risks

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.

D Governance Risks

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.

Details of the Fund's governance structure can be found in the Governance Compliance Statement in the Fund's annual report and accounts.

E Environmental, Social & Governance ('ESG') Risks

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 Fund Managers has produced a statement setting out its policy in this regard. The managers have been delegated by the committee to act accordingly.

4. Approach to asset pooling

Isle of Wight is a member of the ACCESS pool along with the following 10 other pension funds:

- East Sussex
- Essex
- Hampshire
- Hertfordshire
- Cambridgeshire
- Kent
- Norfolk
- Northamptonshire
- Suffolk
- West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership (this will be updated for the proposed Inter Authority Agreement, once concluded). ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2017 will be passively managed investments.

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 ACCESS's website <http://www.accesspool.org/>

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.

5. Voting Rights

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 managers have produced written guidelines of their process and practice in this regard. Copies of the Fund Managers' latest corporate governance reports are available from the Technical Finance Manager. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

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

The Pension Fund Committee must act with the best financial interests of the beneficiaries, present and future, in mind. The Pension Fund 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.

Investment Managers are required to exercise voting rights on behalf of the Pension Fund when it is in the best interests of the Pension Fund. The quarterly report from investment managers should include details of voting activity.

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.

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.

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

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 the appendix.

Advice Taken

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, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

Appendix A – Myners Principles

Updated May 2019

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 tax payers, 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.

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 have conducted a governance review and have a structured training plan in place. 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.

The fund is due to review its investment strategy in 2019.

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.

Principle

Principle 5 Responsible Ownership:

Administering authorities should

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

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

This Statement of Investment Principles includes a statement on the fund's policy on responsible ownership.

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 2018-19

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 2017. 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;
- 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 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 around a 75% chance that the Fund will return to full funding 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 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £474 million, were sufficient to meet 92% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £44 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 2017 to 31 March 2020 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 2016 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 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

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 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.3 years	24.7 years
Future Pensioners*	23.9 years	26.5 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position. .

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.



Craig Alexander FFA
For and on behalf of Hymans Robertson LLP
18 April 2019

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Funding Strategy Statement at March 2017

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 2017

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, and in what circumstances you might need to pay more. 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 measure the required contribution rate?

In essence this is a three-step process:

- Calculate the ultimate funding target for that employer, i.e. the ideal 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 probability of achieving that funding target over that time horizon, allowing for different likelihoods of 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 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 will aim to return the employer to full funding over an appropriate period (the "time horizon"). 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 DCLG 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 measured contribution rate vary for different employers?

All three steps 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). However, 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, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower 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 **probability 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, or potentially ceasing from the Fund, then the required probability 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 deficit (or surplus) 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 deficit/surplus and funding level 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, deficits and funding levels are short term 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 probability 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 deficit recovery period relative to other employers, and/or a higher probability 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](#).

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 probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "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 may, at its sole discretion, 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

There are a number of methods which the Administering Authority may permit, in order to improve the stability of employer contributions. These include, where circumstances permit:-

- capping of employer contribution rate changes within a pre-determined range ("stabilisation");
- the use of extended time horizons;
- adjusting the required probability of meeting the funding target;
- the phasing in of contribution rises or reductions;
- the pooling of contributions amongst employers with similar characteristics; and/or
- the use of some form of security or guarantee to justify a lower 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 be assumed to incur a greater loss of investment returns on the deficit. 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	College	Academies	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to “gilts basis” - see Note (a)		Ongoing, 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	15 years	15 years	15 years	15 years	Outstanding contract term
Secondary rate – Note (d)	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll or monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Contributions at least at primary rate	Contributions at least at primary rate	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
Probability of achieving target – Note (e)	67%	75%	75%	75%	75%	75%
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	n/a	Note (g)	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 debt principles applied would be as per Note (i) .			Can be ceased subject to terms of admission agreement. Cessation debt 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.

Note (a) (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. using a discount rate set equal to 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 in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease, or the Designating Employer alters its designation.

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.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see [Section 4](#)), the stabilised details are as follows:

Type of employer	Council
Max cont. increase	+0%
Max cont. decrease	+0%

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 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 three-year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between 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) (Probability 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 probability. A higher required probability 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 probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability 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.

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 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 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 initial contribution rate will be calculated using market conditions, the council funding position and, membership data, all as at the day prior to conversion;
- v. As an alternative to (iv), the academy will have the option to elect to pay contributions initially in line with the ceding LEA instead. 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 deficit.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. 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 fall in gilt yields;
- 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 an annual basis. The details of the required security will be specified in the employer's admission agreement. See also 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 it is required by the terms of their contract with the relevant letting authority. Details of security will be specified in the employer's admission agreement

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. The quid pro quo is that 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 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 and does not pay any cessation deficit.

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. The Admission 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 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 it should be noted that current legislation does not permit a refund payment to the Admission Body.

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 deficit will normally be calculated using a “gilts cessation basis”, which is more prudent than the ongoing 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 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. 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 would 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 and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4. Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. 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). However,

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Transferee Admission Bodies are usually also ineligible for pooling. Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5. Academy contribution rates

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

3.6. Non-ill health early retirement costs

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

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

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

3.7. Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8. External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

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

3.9. Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt 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 to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10. Additional flexibility in return for added security

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

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

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

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

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

3.11. Policies on bulk transfers

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

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

4. Funding strategy and links to investment strategy

4.1. What is the Fund's investment strategy?

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

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), 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 asset outperformance assumption contained in the discount rate (see Appendix [E3](#)) is within a range that would be considered acceptable for funding purposes; it is 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](#)).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in [Section 3](#) will damp down, but not remove, the effect on employers' contributions.

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

4.4. How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5. 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 Pensions Committee quarterly.

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 the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG 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, DCLG 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.

DCLG 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 Department for Communities and Local Government (DCLG) 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 a 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 Statement of Investment Principles / 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?

Yes. This 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 2016 for comment;
- b) Comments were requested by 31 January 2017;
- c) Following the end of the consultation period the FSS was updated where required and then published, on 31 March 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at <http://www.iwight.com/council/OtherServices/Pensions-IWC>
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy included in the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- 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. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

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 Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. 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 <https://www.iwight.com/council/OtherServices/Pensions-IWC>.

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 Statement of Investment Principles/Investment Strategy Statement (SIP/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 a FSS and a SIP/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 SIP/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 SIP/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 SIP/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;
- the Department for Communities and Local Government (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 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 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer-term context.</p> <p>Inter-valuation monitoring, as above.</p> <p>Some investment in bonds helps to mitigate this risk.</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>

Risk	Summary of Control Mechanisms
	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.
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 % 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))</p>

Risk	Summary of Control Mechanisms
	to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>
Time, cost and/or reputational risks associated with any DCLG 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>

Risk	Summary of Control Mechanisms
	Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors (Transferee Admission Bodies) to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see <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>

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.

All three steps 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. However, 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 of participation;
2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower 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;
3. The required **probability 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, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

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 funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG 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 probability, 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 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. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

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 combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see [Appendix E](#). These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see [Section 3](#)).

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

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

The projections are carried out using an economic modeller developed by the Fund 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. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

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;
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 probability of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). 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 measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the “basis”. A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund’s standard funding basis is described as the “ongoing basis”, which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see [Note \(a\) to 3.3](#).

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. This “discount rate” assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds (“gilts”). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long-term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.8% per annum greater than gilt yields at the time of the valuation (this is a 0.2% increase to the 1.6% per annum used at the 2013 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. The retail prices index (RPI) per annum p.a. thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI plus 1.0% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) 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.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we propose a reduction of 1.0% per annum. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) 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.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 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 is a similar allowance for future improvements than was made in 2013.

e) General

The same financial assumptions are adopted for most employers, 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

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target . The main assumptions will relate to the discount rate , salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
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.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a funding target which is consistent with the present-day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the Primary and Secondary rates .
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 target	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit . It is calculated on a chosen set of actuarial assumptions .
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 their main use in funding is as an objective measure of solvency.
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 101 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 least every three years 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 three-year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers 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 . In broad terms, this relates to the shortfall of its asset share to its funding target . 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. Different methods

may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016) but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Pension Scheme Administration for 2018-19

Key Performance Indicators

	Detail	2017/18 achieved	Target	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019
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)	94.12% (16/17)	95.65% (22/23)	96.55% (28/29)	100% (17/17)	100% (21/21)	97.62% (41/42)	100% (22/22)	100% (23/23)	100% (23/23)	96.55% (28/29)	90% (18/20)
Benefits Estimates Members	Estimates of benefits to Members within 20 working days.	96.9%	100	100% (24/24)	80% (12/15)	92.30% (12/13)	100% (18/18)	100% (1/1)	100% (5/5)	100% (6/6)	100% (6/6)	100% (11/11)	100% (1/1)	100% (4/4)	100% (9/9)
Benefits Estimates Employers	Estimate of benefits to Employers within 5 working days.	96.9%	100	100% (7/7)	100% (7/7)	100% (8/8)	100% (6/6)	100% (5/5)	100% (1/1)	100% (7/7)	100% (6/6)	Nil	100% (4/4)	100% (11/11)	100% (17/17)
Annual Benefits Statements	Produce the required standard to statutory timescale by 31 st August each year	100%	100	N/A	N/A	N/A	100% Fire Def 100% LG Def	100% Fire Act	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transfers In Payments	Payment made within 5 working days of receipt of all documentation	Not previously reported	100	Nil	100% (1/1)	100% (2/2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Transfers in Quotes	Issued within 20 working days of notification and all information required to produce a quote.	Not previously reported	100	-	-	Nil	Nil	(0/0)	(0/0)	100% (2/2)	Nil	100% (1/1)	100% (1/1)	Nil	Nil

	Detail	2017/18 Achieved	Target	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019
Transfers Out Payments	Payment made within 5 working days of receipt of all documentation.	Not previously reported	100	-	100% (1/1)	100% (1/1)	100% (3/3)	100% (5/5)	0% (1/0)	100% (4/4)	100% (1/1)	Nil	Nil	100% (1/1)	100% (1/1)
Transfers Out Quotes	Issued within 20 working days of notification and all information required produce a quote.	Not previously reported	100	-	-	100% (6/6)	Nil	100% (1/1)	100% (1/1)	100% (2/2)	0% (0/1)	Nil	100% (1/1)	Nil	100% (2/2)
Deaths	Payment of Death Grant and set up Widow pension within 10 working days	Not previously reported	100	100% (10/10)	80% (8/10)	100% (14/14)	100% (7/7)	100% (5/5)	100% (8/8)	100% (5/5)	100% (4/4)	100% (1/1)	100% (16/16)	100% (11/11)	100% (6/6)
Pensioner Payroll	Payment of pension benefits to member by last working day of month.	100%	100	100% Completed 19.04.2018 5,115 24 – Starters 34 - Variations	100% Completed 17.05.2018 5108 30 – Starters 24 - Variations	100% Completed 19.06.2018 5137 26 – Starters 26 - Variations	100% Completed 19.07.2018 5181 51 – Starters 50 - Variations	100% Completed 17.08.2018 5194 26 – Starters 12 - Variations	100% Completed 18.09.2018 5211 15 – Starters 13 - Variations	100% Completed 18.10.2018 5229 31 – Starters 28 - Variations	100% Completed 20.11.2018 5277 44 - Starters 45 - Variations	100% Completed 11.12.2018 5297 25 – Starters 28 - Variations	100% Completed 21.01.2019 5306 – Starters 39 - Variations	100% Completed 20.02.2019 5341 32 Starters 46 Variations	100% Completed 20.03.2019 5343 28 Starters 31 Variations
Pension Team PDRs	Annual PDRs for staff to take place May/June each year	Not previously reported	100	Nil	Nil	100%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Statutory Reports	Statutory reports, Fire Annual Valuation data, finance reports etc.	Not previously reported	95	Nil	Nil	Nil	Fire – SF3	Benchmarking HMRC Mod	Annual Allowance	Nil	Nil	Fire Valuation Data 31.12.2018	HMRC AA PIA Report 31.01.2019	Nil	Fire - P.I

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

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 31/03/2019			Year ended 31/03/2018		
	Recharged by IWC £'000	Incurred Directly £'000	Total £'000	Recharged by IWC £'000	Incurred Directly £'000	Total £'000
Staff Costs	254	-	254	185	-	185
IT expenses	25	160	185	22	148	170
Professional Subscriptions	10	59	69	9	-	9
Professional Fees	-	-	-	4	-	4
Premises Expenses	32	-	32	54	-	54
Sundry Office Expenses	-	3	3	3	3	6
Total	321	222	543	277	151	428

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

- 1.1. 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. 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.
- 1.3. This strategy statement sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration service. In particular, it sets out:
 - The roles and responsibilities of both the fund and the employers within the fund.
 - The level of services the fund and the employers will provide to each other.
 - The performance measures used to evaluate the level of service.
- 1.4. Following consultation this administration strategy statement is an agreement between the fund and the employers.

2. Definitions

- 2.1. 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

- 3.1. 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.
- 3.2. 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.
- 3.3. 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.
- 3.4. Changes are subject to consultation with the employers.
- 3.5. 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

- 4.1. 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.
- 4.2. 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.
- 4.3. Employer duties, responsibilities and discretions are listed in Appendix A to this agreement.
- 4.4. The fund’s duties and responsibilities are listed in Appendix B to this agreement.

5. The Regulations – effect on strategy

- 5.1. This strategy sets out certain duties and responsibilities.
 - 5.1.1. It does not override any provision or requirement in the Regulations or any overriding legislation.
 - 5.1.2. The intentions of the Regulations in their application to current members, potential members, deferred members and retired members must be complied with.
- 5.2. This agreement is based on:
 - 5.2.1. 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;
 - 5.2.2. Any earlier LGPS regulations as they continue to apply
 - 5.2.3. 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

- 6.1. The fund's Communications Policy Statement outlines how the Fund communicates with all stakeholders, including employers.
- 6.2. The fund routinely provides information and resources for employers using its website, <http://www.isleofwightpensionfund.org/> with an employers' section
- 6.3. The fund will make available to the employer an up to date list of LGPS publications which will be available from the fund website or as otherwise indicated.
- 6.4. The fund will communicate to the employer on an ad hoc basis and as required in respect of matters relating to the LGPS.
- 6.5. The fund will ensure that sufficient information is issued to satisfy the requirements of The Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations 2013.

- 6.6. The fund will notify the employer of changes to administrative procedures that may arise as a result of changes in pension scheme regulations and update standard documentation on the fund website.
- 6.7. The fund will issue electronic forms and such other materials as are necessary in the administration of the LGPS, for members and the employers.
- 6.8. Employers should provide contact details at least annually, and whenever a named contact changes.
- 6.9. Employers may provide information about members to the fund in a variety of ways, including electronic and paper forms. The fund will maintain the forms and will make the current versions available via the fund website.

7. Performance measurement and reporting

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

8. Costs

- 8.1. The Fund Actuary determines employer contribution rates for the three years following each triennial valuation. The rates and adjustments certificate provides details of all payments which are due from employers in the fund.
- 8.2. The costs of the standard administration service, including actuarial fees for the triennial valuation, are charged directly to the fund. These administration costs are taken into account by the Fund Actuary when assessing the employers' contribution rates.
- 8.3. Where the fund incurs additional administration costs due to the pension implications of an employer restructuring (including but not limited to outsourcing, creation of a company, change of legal status) a separate additional administration charge will be made. The charge will be based on estimated staff time and will be notified to the employer before any work is carried out.

- 8.4. Where additional actuarial or legal services are required by, or result from the decisions and actions of, the employer, the employer will be required to reimburse the fund for the costs involved. Where appropriate, an estimate of these costs will be provided, and the employer's agreement obtained before proceeding to instruct the service provider.
- 8.5. If the fund incurs interest charges as a result of a late notification of retirement from the employer, it may recharge to the employer the interest incurred on the late payment of the lump sum and any related pension benefit.
- 8.6. Employers may also be required to pay for additional work, including estimates which are in addition to the agreed allocation, or for requesting work to be completed faster than the normal service standards. The employer's agreement to the charge will be obtained prior to the work being carried out.

9. Penalties

- 9.1. Commitment to the principles of this statement (see 5.1) should mean that any non-compliance is addressed promptly, with no need to resort to a penalty. However, the following actions are possible:
 - Where payment over of employee and employer contributions is late more than once in any rolling 12-month period, the fund will issue the employer with a written notice of unsatisfactory performance and may charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%.
 - Failure by any employer, or the fund, to comply with the requirements of this strategy will be recorded as a breach, in accordance with the fund's *Reporting Breaches of the Law to the Pensions Regulator* policy, and where material, will be reported to the Pensions Regulator.
 - Where the employer fails to comply with their scheme duties, including failure to pay contributions due, the fund reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
 - If additional and disproportionate resources are deployed by the fund because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in the fund's opinion, was contravened.
 - Where orders or instructions issued by the Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by the fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
 - Where, as a result of the employer's failure to notify the fund of the final retirement details in a timely manner or failure to provide accurate information, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, the fund

may issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.

- Where it is proven that the employer is not responsible for any fine or penalty imposed by the Pensions Regulator or any other statutory body as a result of non-compliance of this Administration Strategy, any such charge will automatically default to the fund.
- From time to time, the fund offers training and support to employers through 'Employer Days' and workshops. There is no charge made to an employer for attending these events, however the fund reserves the right to charge a late cancellation fee of £50 + VAT per attendee, where at least one week's notice has not been given of non-attendance.

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

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>	3,131	0	0
<i>Scheduled body</i>			
<i>Employer 1</i>	250	0	0
<i>Employer 2</i>	45	2	17.5%
<i>Admitted body</i>			
<i>Employer 3</i>	30	1	9.2%
<i>Employer 4</i>	29	0	0

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) chooses 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 Feb 2019

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 LGPS 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 employing authorities (including authorities which are not 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 making revisions to 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 LGPS 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, the Isle of Wight Council is the designated statutory body responsible for administering the Isle of Wight Pension Fund (the fund) on behalf of the constituent scheduled and admitted bodies in the relevant area. The LGPS 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.

1. Policy Statement

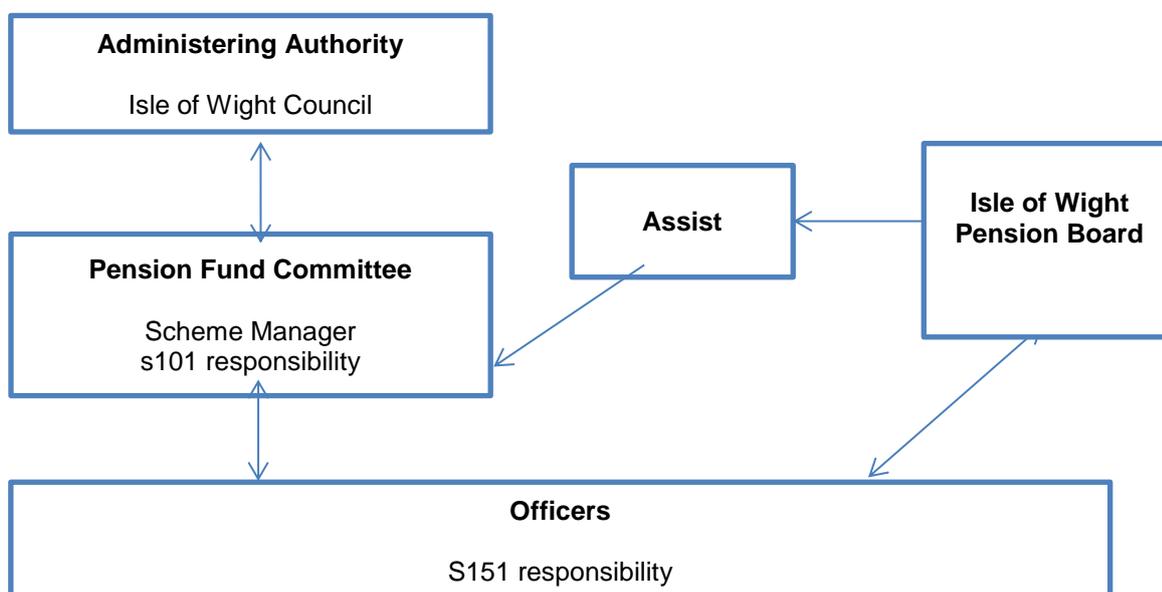
3.1. About the Isle of Wight Pension Fund

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

As at 31 March 2018, the council administers the fund for its own employees and those of 18 scheduled bodies and 13 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 Isle of Wight Pension Fund. A separate governance structure and scheme of delegation is in place in relation to the Isle of Wight 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 to 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 & Accountancy (CIPFA).

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

- 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 taking action 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 (where appropriate) 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 policy.
 - 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.

During 2018-19, the committee increased the frequency of its meetings to eight times each year. Alternate meetings consider 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 83% of the contributing membership.

The committee consists of:

- seven councillors with voting rights.
- one representative of the external 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 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. This is a new layer of governance containing member and employer representatives. It is designed to assist with securing compliance with the LGPS regulations. The pension board is not a decision-making body but works alongside the fund's committee and officers in an advisory capacity, helping to promote compliance with:

- scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- such other matters as the scheme regulations may specify.

Membership comprises two employer representatives and two employee 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>

2. Review

This policy statement will be reviewed annually, and 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 Dec 2018 version 8.5

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.

i) 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.

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*.

- i) 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.

Terms of Reference of the Pension Board

Extracted from the council's Constitution Dec 2018 version 8.5

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

- 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 4 members, with a maximum total membership of 8, 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
"Chair"	Reference to duties to be performed, or authorities exercised, by the Chair
"Elected member"	A councillor of the Isle of Wight Council elected by due democratic process.
"Employer"	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.
"LGPS"	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
"Pension Board" or "Board"	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
"Qualification for membership"	Requires: <ul style="list-style-type: none">• 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
As at 31 March 2019**

Updated 25 June 2019

Establishment of the local pension board

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E1	Local pension board to be established by 1 April 2015	Local Pension Board terms of reference agreed and approved by the Council	Full compliance	<p><i>Enter here the committee and date the terms of reference were agreed and link or reference to where this can be found</i></p> <p>The 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</p>
E2	All pension board members to have a personalised training plan in place that is regularly monitored and updated	The administering authority should have a person designated to take responsibility for ensuring training plans are followed and regularly review the members training requirements and keep appropriate records of their learning activities and the board as a whole	Partial compliance	<p><i>Enter here whether individual training plans have been completed and where it can be found</i></p> <p>The Board has adopted a recording system which logs existing expertise and knowledge derived from a range of resources against the CIPFA/Barnett Waddingham Knowledge and Skills Framework. This enables a fine-grained analysis over 54 key areas of knowledge and experience to be assessed on a regular basis together with exposure to key documents and processes. Due to changes in board membership over the last twelve months, the training record has not been updated. This has been identified as a priority for the board. A timetable for the completion of the Pension Regulator's (TPR) online toolkit for the new board member has been established and is being monitored.</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	<p><i>Enter here how the costs are being identified</i></p> <p>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.</p> <p>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.</p> <p>Adoption of a detailed budgeting is a recognised priority within the development programme and will be completed during the financial year ended 31 March 2020.</p>
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	<p><i>Enter here the number of scheme member and employer representatives</i></p> <p>There are two employer representatives and two scheme member representatives on the pension board. The terms of reference (approved in October 2017) provide for an increase in total numbers up to a maximum of eight should that be considered desirable, and specifies that the numerical balance between member and employer representatives must be maintained. A further review of the terms of reference, linking into the CIPFA <i>Guide for Local Pension Boards</i> is planned during the year 2019-20.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E5	Determine the manner and terms by which members of the local pension board are appointed.	The manner and terms by which members of the local pension board are clearly set out.	Full compliance	<p><i>Enter here where the manner and terms by which members of the local pension board are clearly set out.</i></p> <p>The terms of reference for the pension board specify the method of appointment of board members.</p> <p>One of the employer representatives shall be an officer of the Isle of Wight Council. The other will be appointed from amongst the other employers of the fund, following nominations.</p> <p>The 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.</p>
E6	The administering authority to be satisfied that persons appointed to the local pension board do not have a conflict of interest.	The administering authority will have a conflict of interest policy and procedure in order to identify and manage actual and potential conflicts of interest	Partial compliance	<p><i>Enter here whether a conflicts of interest policy has been adopted, where it can be found and the review procedure.</i></p> <p><i>Is it to be a regular feature on the local pension board agenda?</i></p> <p><i>Is there a register of interests? Who is responsible for maintaining it?</i></p> <p><i>Are local pension board members aware of what could be considered a conflict of interest? (i.e. included in induction training)</i></p> <p>Pension Board members are subject to a conflict of interest policy based upon the Council's Code of Conduct contained within the constitution.</p> <p>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.</p> <p>Members are invited to declare any interests they may have on agenda items at the start of each meeting.</p> <p>A deadline has been set for the new board member to complete the Pensions Regulator's online toolkit module dealing with conflicts of interest.</p>

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.	Partial Compliance	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> The Board has adopted a recording system which logs existing expertise and knowledge derived from a range of resources against the CIPFA/Barnett Waddingham Knowledge and Skills Framework. This enables a fine-grained analysis over 54 key areas of knowledge and experience to be assessed on a regular basis together with exposure to key documents and processes. Due to changes in board membership over the last twelve months, the training record has not been updated. This has been identified as a priority for the board.

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.	Partial 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 All board members who have been in post for longer than 12 months have completed all modules of the Pensions Regulator's online toolkit. A deadline has been set for the new board member to complete the Pensions Regulator's online toolkit.
P1.3	The administering authority should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding	A training strategy has been adopted and a training plan drafted to establish the arrangements for local pension board members to acquire and retain knowledge and understanding.	Partial Compliance	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> See P1.1 A formal knowledge and understanding policy/training strategy has not yet been adopted. This has been identified as an action from the Governance Review reported in May 2018, for implementation during the financial year ended 31 March 2020.

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. Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented</i> The training framework is the collective responsibility of the Board, with a named board member taking a lead role.
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> This subject is one of the 54 knowledge areas addressed by the CIPFA/Barnett Waddingham Knowledge and Skills Framework and is dealt with as described in P1.1 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	<p><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></p> <p>The process described in P1.1 includes a record of current key documents and the progress of all Board members is assessed quarterly.</p> <p>The fund is currently undertaking a review of its governance structure, including the completeness of its policies. As this review is completed, policies will be updated, and will be incorporated into the board's training framework.</p>
P1.7	The roles and responsibilities of pension board members to be clearly documented.	The terms of reference of the pension board should clearly set out the role, responsibility and duties of the pension board members	Full Compliance	<p><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></p> <p>The role of the board is fully explained in the terms of reference, which form part of the council's constitution, and is supplemented dynamically by the training process described in P1.1</p> <p>The terms of reference for the pension board were last reviewed in detail in October 2017. A further review is planned during 2019-20, linking into the CIPFA <i>Guide for local pension boards</i>.</p>

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	Partial compliance	<p><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></p> <p>The framework described in P1.1 involves a collective consideration of knowledge and understanding at each full Board meeting and agreement on individual and collective training priorities.</p> <p>As identified in P1.1, the framework has not been reviewed and updated for some time. Once the review has been updated, individualised training plans can be developed.</p>
P1.9	The administering authority to assist individual local pension board members to determine the degree of knowledge and understanding to effectively carry out their role as a pension board member (including pre-appointment training and mentoring if appropriate)	A monitoring system / procedure should be contained in the training strategy and in place in order to assist the local pension board member to attain the level of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member	Partial Compliance	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p><i>Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented and how this is achieved</i></p> <p>The Technical Finance Manager is a key participant in the quarterly consideration of training requirements and priorities and plays a key role in identifying and procuring training needs.</p> <p>As part of the outcome of the governance review, an induction programme for new members of both pension fund committee and board will be developed.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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. Are these regularly reported to the board / individual? See P1.8 above</i>
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. Are these regularly reported to the board / individual? When / how? See P1.1 above</i>
P1.12	Pension board members complete tPR's e-learning programme	Local pension board members are required to complete the Pensions Regulator's e-learning programme but this is not in isolation and is supplemented by specific LGPS and related Fund learning activities	Partial compliance	<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 who have been in post for longer than 12 months have completed all modules of the Pensions Regulator's online toolkit. A deadline has been set for the new board member to complete the Pensions Regulator's online toolkit. The board's work programme is being updated to include a cyclical review of each of the modules, to ensure knowledge and understanding is maintained.

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 subject to a conflict of interest policy based upon the Council's Code of Conduct contained within the constitution. The council is considering whether a specific policy for the pension fund is required.</p> <p>All board members who have been in post for longer than 12 months have passed the Pension Regulator's training toolkit module dealing with conflicts of interest</p> <p>A deadline has been set for the new board member to complete the module.</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>
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	<p><i>Enter here whether a register of conflicts exists, where it can be found and the post title(s) of the person(s) responsible for maintaining it. Details of the review process and action taken should be clearly documented</i></p> <p>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.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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 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 meeting.
P3	Publishing information about schemes			
P3.1	The administering authority must publish information about the local pension board and keep that information up to date	Provision is made on the Council website or Fund website that is available for all scheme members to view and should include: - Name - Representative role - Employment and job title (where relevant) - The appointment process to the pension board	Full compliance	<i>Enter here where the information about the local pension board is published and the post title of the person(s) responsible for its maintenance</i> <i>Add link to webpage</i> The new 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/ The names of the pension board members are also published on the council's democratic web pages https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=187 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.
P3.2	The administering authority should publish information about the local pension board's business	All board papers, agendas and minutes of meetings are available on the Council website or Fund website for all scheme members to view	Full compliance	<i>Enter here where the board paper, agendas and minutes of meetings can be viewed.</i> <i>Add link to webpage</i> All board meeting agendas, papers and minutes are published on the council's democratic web pages https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmteld=187

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P3.3	<p>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>	<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 and board</p> <p>https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmtId=150</p> <p>https://www.iwight.com/Meetings/current/committeeDetail.aspx?cmtId=187</p> <p>A new 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.</p> <p>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>The fund has also launched a Communications Policy, which sets out the proposed methods and frequency of communications with scheme members and employers.</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 Shared Services department. Accounting and governance is undertaken by the Technical Finance Team, within the Finance department. Pensions administration is subject to internal audit and is reviewed every three years – the last review was in 2016-17 (medium risk). This area is included in the 2019-20 internal audit plan, for review in Q3 (Oct-Dec) The council's Key Financial Systems are reviewed annually by internal audit and 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. The fund launched its administration strategy in November 2018. Initial key performance indicators (KPIs) have been identified, and are reported at each board meeting. Further KPIs will be introduced as the strategy is implemented.</p>
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.	Partial compliance	<p><i>Enter where (if) the risk register is available and the person responsible for maintaining it.</i></p> <p>The risks and issues log previously maintained for the pension fund has not been updated or reported to the board for some time. Separate reports to be developed to cover risks (forward looking) and issues (current) and reported to each board meeting, A workshop is scheduled for September 2019 at which the fund's processes for risk management will be discussed and documented.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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> Risk management and internal control processes for the pension fund mirror those for the administering authority, which are subject to review periodically by the council's internal audit team. The pension fund committee has adopted a revised set of investment and funding beliefs and governance and administration objectives, following workshops held in September and November 2018. These beliefs and objectives form the starting point for the reassessment of the fund's risk profile, which will be undertaken during the 2019-20 year.
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	<i>Enter here whether risk management and internal controls have been added to the agenda.</i> The pension fund risk and issues log has not been reported at either pension fund committee or pension board meetings for some time. When new policies or processes have been adopted, consideration is given to the risk implications (see covering reports in committee and board agenda packs), but this has not been formally documented. Internal audit reports are presented to the pension fund committee and pension board as they are received.

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.	Partial 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>The council's data improvement plan is substantially complete. The introduction of the <i>i-connect</i> system, to enable the automatic upload of information from payroll providers into the <i>altair</i> administration system will allow real-time validation of data and resolution of queries. This system is expected to launch in summer 2019.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
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>Partial compliance</p>	<p><i>Enter here whether such procedures exist to notify changes in scheme member data</i></p> <p>The fund measured its data scores in September 2018, in preparedness for the Pension Regulator’s annual scheme return. For common data the scheme scored 91% and for scheme-specific data the score was 70%. Significant work has been undertaken since September 2018, in accordance with the data improvement plan. The scores will be measured again in September 2019, and a marked improvement in scores is expected.</p> <p>All members are encouraged to notify the pension administration team of any changes in their circumstances.</p> <p>All scheme members (active, deferred and pensioner) have access to 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.</p> <p>Members can also write or email in their changes.</p> <p>Scheme employers are provided with copies of change forms for their members.</p> <p>Any changes to the scheme are published in the council’s internal newsletter and information provided to admitted bodies to forward to their staff.</p> <p>The new pension website will increase the availability of information to members and help promote prompt reporting of changes in individual circumstances.</p> <p>The Administration Strategy launched in November 2018 will ensure that all fund employers are aware of, and comply with, their responsibilities in respect of data collection. A programme of reporting employer compliance to the pension board is being developed.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P5.3	<p>The administering authority must keep specific data which will enable it to uniquely identify a scheme member and calculate pension benefits correctly</p>	<p>Scheme members have a unique identifier on the pension administration software system.</p>	<p>Full compliance</p>	<p><i>Enter here what identifier is used (e.g. NI number, payroll number, scheme reference number)</i> <i>Enter also whether or not scheme members can be identified by searching by surname or alternative if unique number not yet allocated or unavailable</i> All members have their NI number recorded. All active members have a payroll number provided by their provider. This would be unique to their role. If a unique reference has not been provided by a payroll provider or employer a member would be able to be identified by name date of birth and address.</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	<p>The administering authority should require participating employers to provide them with timely and accurate data</p>	<p>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.</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> <i>Is there a pension administration strategy in place?</i> <i>Is there information for employers on the website?</i> <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>Admission agreements for employers joining the fund in the last three years contain details of the standards expected for data collection; however this is not the case of older admission bodies, or for scheduled bodies, for whom no admission agreement is required.</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. The new website will improve information available to employers.</p> <p>An employer forum was held following the pension fund committee meeting in July 2018; it is intended that this will be an annual event.</p> <p>An additional employer forum was held in January 2019, specifically focusing on the new data collection methods (<i>i-connect</i> system).</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P5.5	<p>The administering authority should seek to ensure that employers understand the main events which require information about members to be communicated</p>	<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>	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. Admission agreements for employers joining the fund in the last three years contain details of the standards expected for data collection; however this is not the case of older admission bodies, or for scheduled bodies, for whom no admission agreement is required.</p> <p>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>An employer forum was held in July 2018 to launch the consultation with employers on the administration strategy.</p> <p>The new pension fund website will continue to improve information available to employers.</p> <p>A programme of reporting employer compliance to the pension board is being developed.</p>

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.	Partial compliance	<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> 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. This is time consuming and inefficient. Following the data improvement work carried out with support from ITM Limited, the fund is confident that its manual validation processes are working. 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 scheduled to be launched in the summer of 2019.
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	<i>Enter here confirmation details of the data reviews</i> A manual process is currently operated to validate data provided on an annual basis and raise any irregularities with payroll providers for resolution. This is time consuming and inefficient. The project to enable the automatic upload of information from payroll providers into the <i>altair</i> administration system, which will allow real-time validation of data and resolution of queries is scheduled to be launched in summer 2019. The fund measured its data scores in September 2018, in preparedness for the Pension Regulator's annual scheme return. For common data the scheme scored 91% and for scheme-specific data the score was 70%. The relatively low data quality scores were expected due to known data issues – resulting in creation and implementation of data improvement plan. Significant work has been undertaken since September 2018, in accordance with the data improvement plan. The scores will be measured again in September 2019, and a marked improvement in scores is expected.

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P5.8	<p>The administering authority should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes</p>	<p>Processes are established which details the timely transmission of complete and accurate data</p>	<p>Partial compliance</p>	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i> <i>Is there a pension administration strategy in place?</i> <i>Is there information for employers on the website?</i> <i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>Employers are provided with guidance notes on an annual basis. These notes contain details of the timeframe for submission of data and payments. Change forms are provided to be completed when changes in circumstances occur.</p> <p>Admission agreements for employers joining the fund in the last three years contain details of the standards expected for data collection; however this is not the case of older admission bodies, or for scheduled bodies, for whom no admission agreement is required.</p> <p>The new 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.</p> <p>A programme of reporting employer compliance to the pension board is being developed.</p> <p>The new pension website will improve information available to employers.</p>

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 treasury team communicates with the administration team, who also monitor the receipt of data, and missing information is chased. 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 funds external auditors, Ernst & Young, 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></p> <p><i>Add the retention time limit</i></p> <p><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>
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>A data improvement plan has been introduced, setting out methods by which the current data of the fund can be improved, by the use of additional targeted resources to correct historical issues, external data validation portals and the introduction of the automatic upload of information from payroll providers to the administration system.</p> <p>Regular progress reports have been made to the pension board throughout the course of the project, detailing progress made.</p> <p>The work on the data improvement plan is substantially complete, with the launch of the automatic upload of payroll data (the <i>i-connect</i> project) deferred until summer 2019, as a result of additional work having to be undertaken on the historic data issues.</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	<p><i>Enter here when and how scheme member records are reconciled with their relevant employers.</i></p> <p><i>Confirm that the pension administration software system can identify scheme members approaching retirement, active members and deferred members.</i></p> <p>A monthly report for deferred members is run to enable information on pension options to be provided ahead of retirement.</p> <p>Information from active members wishing to retire is received via the payroll /HR teams.</p> <p>There is currently no process to regularly review the age profile of the fund's active members, particularly those approaching retirement.</p>
P5.14	The administering authority must ensure that processes created to manage scheme member data are compliant with the General Data Protection Regulation (GDPR) 2018, in association with the Data Protection Act 2018 and the data protection principles.	GDPR and Data Protection Act are complied with and all relevant persons are aware of their responsibilities	Partial compliance	<p><i>Enter here how this awareness is communicated</i></p> <p><i>Officers – internal</i></p> <p><i>Committee/LPB members –induction / info packs</i></p> <p>The council has introduced mandatory GDPR training for all staff (online modules for all staff, supplemented by face-to-face training for managers)</p> <p>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.</p> <p>All board members who have been in post for longer than 12 months have passed the Pension Regulator's training toolkit module dealing with maintaining accurate member data.</p> <p>A deadline has been set for the new board member to complete the module.</p> <p>There is currently no formal induction process for board members</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P5.15	<p>The administering authority should be able to demonstrate that records are kept in accordance with other relevant legislation</p>	<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 	Full compliance	<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>

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>Admission agreements for employers joining the fund in the last three years contain information regarding payment deadlines and their duties / responsibilities; however this is not the case of older admission bodies, or for scheduled bodies, for whom no admission agreement is required.</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. The new pension website continues to improve information available to employers.</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. A report of non-compliance is made on a regular basis to pension fund committee and pension board. Future reporting will include actions taken by the administering authority in enforcing compliance.</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P6.2	<p>Employers should be provided with the necessary guidance to ensure they provide the required information to enable contributions to be monitored</p>	<p>Employers are provided with the necessary scheme documents and training requirements to fulfil their obligations within the Scheme.</p> <ul style="list-style-type: none"> - 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> <i>Detail the Fund's contact for contribution pay over.</i></p> <p>Contribution templates are provided at the beginning of each financial year. The new pension website will continue to improve information available to employers.</p> <p>There is an anomaly checking process to ensure the information is consistent Any inconsistencies are raised back to the employer.</p> <p>The project to enable the automatic upload of information from payroll providers into the <i>altair</i> administration system, will allow real-time validation of data and resolution of queries,</p> <p>A generic e mail 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.</p> <p>.</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	<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> 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. The Administration Strategy will assist in ensuring consistent reporting standards across employers. Future reporting to pension board and committee meetings will include actions taken by the administering authority in enforcing 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> Audit requirements dictate that a starter form is received in respect of any new contributions received for an employee. The administration team also check that the information provided is consistent with the member's pay and contribution rate and consequently reconciled on a monthly basis. The council participates in the National Fraud Initiative (NFI) exercise to match data and ensure consistency.

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P6.5	The administering authority must report payment failures which are likely to be of material significance to the Regulator.	Responsible officers are aware of the requirement and there is a procedure in place for reporting payment failures to the regulator in accordance with the code of practice	Partial compliance	<p><i>Enter here where the procedure is documented (reporting policy)</i></p> <p>The <i>Reporting breaches of the law to the Pensions Regulator</i> policy (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</p> <p>A breach log report is provided to each pension board meeting. Further clarity is required on what constitutes a potential breach to warrant inclusion on the log and reporting to the pension board. Further development for officers, committee and board members is planned for 2019-20.</p> <p>A report on the timeliness and completeness of contribution reporting and payment is provided to the pension fund committee twice a year – due to the size of the employers within the fund, it is unlikely that any failure to report and pay will be of material significance to the Pensions Regulator. However, all incidents will be included on the breaches log, with an assessment of significance.</p>

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>	Partial compliance	<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> <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 will be undertaken during 2019-20 to ensure that the necessary notification process was undertaken to inform members of electronic communication methods only.</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 directly. The fund is notified when the statements have been sent.</p>
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.	Partial 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>The fund launched a new communications policy in January 2019, which is published on the fund's website.</p> <p>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. Work to develop the communications plan, for the implementation of the policy, is scheduled for 2019-20</p>

Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
P7.3	<p>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>	<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 	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>The fund launched a new communications policy in January 2019, which 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. Work to develop the communications plan, for the implementation of the policy, is scheduled for 2019-20</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>The Employment Services Lead Officer attends the quarterly corporate induction sessions for new employees.</p> <p>Initial key performance indicators (KPIs) for service standards have been identified, and are reported at each board meeting.</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	<p><i>Enter here whether or not the administering authority has complied with the legal requirements.</i></p> <p>ABS for active and deferred members are primarily published on the MSS self-service portal. The information provided complies with the legal requirements. All active members have been informed of the MSS portal via internal communication at the council, and emails to school business partners and nominated payroll contacts at external employers.</p> <p>A review will be undertaken during 2019-20 to ensure that the necessary notification process was undertaken to inform members of electronic communication methods only.</p> <p>The new pension website will improve information available to members, including promotion of the publication of the ABS.</p> <p>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 very few requests for hard copy information, and a high take up of on-line access requests.</p>
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	<p><i>Enter here whether or not a tracing service is used and the circumstances in which it is used.</i></p> <p>The pension administration team work closely with the council tax department to maintain contact details.</p> <p>As part of the implementation of the communications policy, the fund is writing to deferred members based on last known contact address. The council does not currently use a tracing agent. The need to appoint a tracing agent will be considered following results of the current writing-out exercise.</p>

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> For communication received via the pension team generic e-mail account, an automatic acknowledgement is delivered advising a response will be made within 5 working days.
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

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. The new Administration Strategy requires a defined and consistent approach by all Employers.
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.	Full 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

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 who have been in post for longer than 12 months have passed the Pensions Regulator's online training toolkit module on reporting breaches of the law A deadline has been set for the new board member to complete the module.</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. Further development is planned for all parties in 2019-20.</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	Full 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>

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.	Full 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. The breaches log is a standing agenda item at pension board and pension fund committee quarterly meetings.

Knowledge and Skills Framework Compliance Statements

Dated: 23 August 2019

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 Managing Director and Head of Paid Service, 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 2018-19, there were five training and development workshops held. These were generally held in the afternoon following pension fund committee meetings, and both committee and board members were invited to attend.

The five workshops covered the following topics:

- 18 May 2018: Governance review and ACCESS pooling
- 18 September 2018: Investment and funding objectives
- 7 November 2018: The Pensions Regulator
- 23 November 2018: Governance and administration objectives
- 8 February 2019: Triennial valuation

These workshops were facilitated by the fund's external advisers, with the 7 November session delivered by staff from the Pensions Regulator.

Attendance at those events is detailed in table 1 below.

Table 3: development attendance

		18-May-18	18-Sep-18	07-Nov-18	23-Nov-18	08-Feb-19	
Committee	Chairman	√	√	√	√	√	100%
	Vice chairman	√	√	x	√	√	80%
	Elected member 1	√	√	x	√	√	80%
	Elected member 2	√	√	x	√	√	80%
	Elected member 3	√	√	√	√	√	100%
	Elected member 4	√	x	x	x	√	40%
	Elected member 5	√	x	x			33%
	Scheme member rep	√	√	√	√	√	100%
	Employer rep	x	x	√	x	x	20%
Board	Chairman (employer)	√	√	√	x	x	60%
	Employer rep 2	√	√	√	√	√	100%
	Scheme member rep 1	√	√	√	√	√	100%
	Scheme member rep 2	√					100%
	Scheme member rep 2		x				0%
	Scheme member rep 2					x	0%
Committee Total		89%	67%	44%	75%	88%	73%
Board Total		100%	75%	100%	67%	50%	78%

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

Throughout the year, the Chairman and Vice-Chairman of the committee and the Technical Finance Manager attended regular meetings of the ACCESS group, in respect of pooling of investments.

Board members, during their scheduled meetings in 2018-19, received briefings on the fund's budgeting and accounting structure, the website and on-line communications, administration and communication strategies, and data improvement work, including the Guaranteed Minimum Pension (GMP) reconciliation exercise.

Risk Management

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>

This work will be supplemented during 2019-20 with a dedicated committee and pension board workshop on risk management processes, and deeper consideration of funding and investment risks within the outcomes of the 2019 fund valuation.

The fund launched a new administration strategy during 2018-19, which is published on the fund's website:

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

This strategy sets out the respective duties of the fund and its employers, including the timely submission of accurate monthly data and contribution submissions. During 2019-20, the fund will develop its reporting of performance against those standards to the pension board.

All reports presented to the pension fund committee include consideration of the risks relevant to the decision or topic being presented.

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.

Pensions administration systems and controls are audited every three years, with the next review to be completed during 2019-20. The last review in July 2017 returned a medium risk result.

Pension governance controls were last reviewed by internal audit in 2015-16, returning a medium risk result. A review of the fund's governance framework was undertaken by Hymans Robertson in February 2018, and progress against the recommendations arising from that review are reported at each pension board meeting.

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
Baillie Gifford	ISAE 3402	Reasonable	PricewaterhouseCoopers LLP
Majedie	ISAE 3402** CIMTS SOC 1** Custody SOC1**	Reasonable	KPMG LLP
Newton	CIMTS SOC 1** ISAE 3402	Reasonable	KPMG LLP
Schroders	ISAE 3402	Reasonable	Ernst & Young LLP
Custodian			
BNP Paribas	ISAE 3402	Reasonable, apart from 1 specific issue, where the opinion was qualified.*	PricewaterhouseCoopers LLP

*This qualification related to exceptions that the auditors found related to 2 control activities, and they were unable to obtain the assurance that was required. BNP have provided us with a copy of the management's explanations and their proposed action plan which is designed to prevent this issue arising again.

** These reports are based on the control issues at BNY Mellon, who acts as custodian for the fund manager.

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.
-

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 2019

ACCESS

As Chairman of the ACCESS Joint Committee I am pleased to be introducing the first Annual Report for the ACCESS Pool. The Pool has made excellent progress during the year with just under £20 billion of assets pooled. £8.176 billion is invested directly in the Pool through Link Fund Solutions and the passive investments of £11.431 billion are invested on a pool governance basis.



I am grateful for the dedication and support from the fellow Chairmen on the Joint Committee, the officers from the Pension Funds and the staff of the Support Unit whose hard work and collaborative spirit has made such progress possible.

The pace of development for the Pool will continue during 2019-20, with further sub-fund launches planned throughout the year.

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 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 2019, the pool has assets of £46 billion serving 3,000 employers with over 1 million members including 290,000 pensioners.

Governance

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit (ASU).

The Officer Working Group are officers identified by 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. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers within the ACCESS Pension Funds.

The Section 151 Officer of each Pension Fund provide advice to the Joint Committee and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

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 Operator

Link Fund Solutions Ltd are appointed to provide a pooled operator service. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies and the appointment of the investment managers to those sub-funds.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool and has regularly submitted progress reports to Government. These are all published on the Pool’s website (www.accesspool.org).

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the principal milestone of having £27.2 billion assets pooled and estimated savings of £13.6 million by March 2021.**Pooled Assets**

As at 31 March 2019 ACCESS has pooled the following assets:

Pooled Investments	£ billion
Passive investments	11.431
UK Equity Funds	2.323
Global Equity Funds	5.853
Total Pooled Investments	19.607

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 2018-19

- Establishment of the ACCESS Support Unit and recruitment of a contract manager and support officer to provide day to day support for the Pool. The unit was further strengthened by the appointment of technical leads from existing officers to lead and progress specific areas of work.
- Development of a Governance Manual to reflect decision making principles, communications strategy, policies and procedures.
- Approval and launch of the first two tranches of sub-funds.
- Establishment and implementation of the stock lending programme.
- Providing updates of progress to Government and responding to consultations.

Objectives for 2019-20

Following the launch of a number of sub-funds, progress will continue a pace with significant rationalisation of the existing range of mandates. The Operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the Funds and facilitate a significant move of the assets to be pooled.

Whilst establishing and developing the ACCESS Pool, the initial focus has been on pooling the most liquid assets, mainly equities and fixed income bonds. The next step is 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.

Financial Management
Pool Set-Up Costs

The set-up costs incurred by the pool includes professional and legal advice received in relation to establishing the pool and procuring the operator, and advice and support in the development of good governance. A breakdown of the total costs from inception are as below. The costs are split equally amongst the 11 Funds.

	2015 – 2016	2016 – 2017	2017 – 2018
	£'000	£'000	£'000
Strategic & Technical Advice	38	295	281
Legal	1	95	313
Project Management	20	379	189
ACCESS Support Unit			3
Other	1	108	101
Total Set Up Costs	60	877	887

Fee Savings

The ACCESS pool has sought out fee savings based on economies of scale with investment mandates that have been set up as sub-funds by Link and by consolidating its passive investments with one investment manager. The management fee savings received by the pool are as overleaf:

	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019	Total
	£'000	£'000	£'000	£'000	£'000
Set Up Costs	60	877	887	-	1,824
Ongoing Operational Costs	-	-	149	1,248	1,397
Transition Costs	-	-	-	674	674
Total Costs	60	877	1,036	1,922	3,895
Fee Savings	-	-	681	6,378	7,059
Net Savings Realised/(Costs)	(60)	(877)	(355)	4,456	3,164

Expected v Actual Costs and Savings

The table below compares the actual costs and savings for 2017-18 and 2018-19 compared to the Business case submission to MHCLG.

	2017 – 2018		2017 – 2018	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	887	800	1,824	1,400
Ongoing Operational Costs	149	-	149	-
Transition Costs	-	-	-	-
Total Costs	1,036	800	1,973	1,400
Pool Fee Savings	(681)	(950)	(681)	(950)
Net Savings Realised/(Costs)	(355)	(150)	(1,292)	(450)

	2018 – 2019		2018 – 2019	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative to date	Cumulative to date
	£'000	£'000	£'000	£'000
Set Up Costs	-	-	1,824	1,400
Ongoing Operational Costs	1,248	1,266	1,397	1,266
Transition Costs	674	2,499	674	2,499
Total Costs	1,922	3,765	3,895	5,165
Pool Fee Savings	6,378	3,800	7,059	4,750
Net Savings Realised/(Costs)	4,456	35	3,164	(415)

The original budget for setting up the ACCESS Pool was £1 million which was 0.3 bps based on the value of the Funds, £33.5 billion as at 31 March 2015. The Fund value has risen in the intervening years and 0.3 bps on the current value is £1.4 million. The additional expense has been incurred in securing technical and legal advice in setting up the Pool and procuring the Operator.

Ongoing operational costs were included in the submission at 1.5 bps of pooled assets excluding the passive investments. These are the costs for running the ACCESS Pool and includes the costs of the support unit and professional and legal advice.

Significant additional savings have also been achieved through negotiating a reduction in investment management fees in pooled aligned investments. These savings have not been included in the table overleaf.

The ACCESS Pool has worked hard to minimise the costs of transition for pooled holdings wherever possible. Transition costs for the passive investment mandate were met by the appointed investment manager.

Environmental, Social and Governance

The Pension Funds in ACCESS 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.

ACCESS acknowledges its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole.

The ACCESS pool has a single voting policy for pooled assets and 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 policy sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies.

A handwritten signature in black ink, appearing to read "Andrew Reid". The signature is written in a cursive style with a small horizontal line underneath the name.

Andrew Reid
Cllr Andrew Reid - Chairman, ACCESS Joint Committee

Statement of Responsibilities for the Statement of Accounts

Extracted from Isle of Wight Council Statement of Accounts 2018-19

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

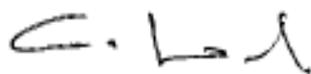
- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that are reasonable and prudent,
- complied with the local authority code

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 2019 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 2019 and its income and expenditure for the year then ended



Director of Finance and Section 151 officer

Date: 26.07 19



Chair of Audit Committee

Date:

29/7/19

Financial Statements year ended 31 March 2019

Fund Account 2018/19

2017-18 £000	FUND ACCOUNT	Notes	2018-19 £000
	Dealings with members, employers and others directly involved in the fund		
18,474	Contributions	7	18,612
146	Transfers in from other pension funds	8	204
27	Other income	9	2
18,647			18,818
(20,034)	Benefits	10	(22,008)
(1,212)	Payments to and on account of leavers	11	(2,168)
(21,246)			(24,176)
(2,599)			(5,358)
(2,059)	Management expenses	12	(4,314)
	Returns on investments		
14,288	Investment income	13	15,661
(35)	Taxes on income	14	(58)
(6,295)	Profit and losses on disposal of investments and changes in the value of investments	17	27,534
(34)	Interest payable	16	(72)
7,924	Net returns on investments		43,065
3,266	Net increase/(decrease) in the net assets available for benefits during the year		33,393
559,489	Opening Net Assets of the Scheme		562,755
562,755	Closing Net Assets of the Scheme		596,148

ISLE OF WIGHT COUNCIL PENSION FUND

2018 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2019 £000
566,205	Investment assets	17	603,022
3,980	Cash deposits	17	4,053
570,185			607,075
(92)	Investment liabilities	17	(650)
(7,230)	Short-term borrowings	19A	(10,400)
66	Long-term assets	23	117
765	Current assets	24	869
(939)	Current liabilities	25	(863)
562,755	Net assets of the fund available to fund benefits at the period end		596,148

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 2018-19 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 2019 are:

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

The admitted bodies of the fund with active members at 31 March 2019 are:

Barnados	Sovereign Housing Limited
Caterlink	St Catherine's School Ltd
Cowes Harbour Commissioners	Top Mops Ltd
Island Roads Limited	Trustees of Carisbrooke Castle Museum
Nviro	Ventnor Botanic Gardens
Southern Housing Limited	Yarmouth (IW) Harbour Commissioners
Southern Vectis	

The membership of the scheme is shown below:

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

Year ended 31 March 2018

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	18	13	32
Number of contributors (Active members)	3,131	530	117	3,778
Number of frozen refunds ¹	597	11	4	612
Number of deferred pensioners ²	6,407	668	129	7,204
Number of pensioners/ widows/dependant pensioners	3,956	235	172	4,363
	14,091	1,444	422	15,957

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 2019 are detailed below.

Range (Actual pensionable pay)	Contribution rate
Up to £14,100	5.5%
More than £14,101 and up to £22,000	5.8%
More than £22,001 and up to £35,700	6.5%
More than £35,701 and up to £45,200	6.8%
More than £45,201 and up to £63,100	8.5%
More than £63,101 and up to £89,400	9.9%
More than £89,401 and up to £105,200	10.5%
More than £105,201 and up to £157,800	11.4%
More than £157,800	12.5%

Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. 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 updated 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 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

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 pensions 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

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 2018-19 no fees are based on such estimates (2017-18: 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 income and expenditure

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 on the basis of 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 of 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 of 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 2019 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 £67m. A 0.5% increase in assumed earnings inflation would increase the deficit by approximately £11m. A 0.5% increase in assumed price inflation/pension increases would increase the deficit by approximately £67m. A one-year increase in assumed life expectancy would increase the deficit by approximately £32m
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 7 May 2019, the fund completed its first investment transition into the ACCESS pool. The former Newton Investment Management Limited global equity portfolio was transferred into the LF ACCESS Global Equity Fund – Newton. The market value on transition was £256.2 million, an increase of £4.8m since the year end. This event has not been recognised in the statement of accounts.

On 27 June 2019, the Supreme Court denied the Government request for an appeal in the McCloud case. In light of this the actuaries have revised the IAS26 report, to take into account the potential increase in liabilities arising from this action. The amended figures have been reflected in Note 22 below.

7. CONTRIBUTIONS RECEIVABLE

By category:

2017-18 £000		2018-19 £000
3,566	Employees' normal contributions	3,728
23	Employees' additional contributions	9
3,589		3,737
13,562	Employers' normal contributions	14,116
1,131	Employers' deficit recovery contributions	286
192	Employers' augmentation contributions	473
14,885		14,875
18,474		18,612

By type of employer:

2017-18 £000		2018-19 £000
14,044	Administering authority	14,874
2,591	Scheduled bodies	1,516
1,839	Admitted bodies	2,222
18,474		18,612

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2017-18 £000		2018-19 £000
-	Group transfers	-
146	Individual transfers	204
146		204

9. OTHER INCOME

2017-18 £000		2018-19 £000
25	Miscellaneous income	10
2	Contribution Equivalent Premiums	(8)
27		2

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:

2017-18 £000		2018-19 £000
17,492	Pensions	18,367
2,282	Commutation and lump sum retirement benefits	3,262
260	Lump sum death benefits	379
20,034		22,008

By type of employer:

2017-18 £000		2018-19 £000
17,846	Administering authority	19,748
1,187	Scheduled bodies	1,375
1,001	Admitted bodies	885
20,034		22,008

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017-18 £000		2018-19 £000
38	Refund to members leaving service	53
-	Group transfers	-
1,174	Individual transfers	2,115
1,212		2,168

12. MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
428	Administrative costs	543
1,218	Investment management expenses	3,202
413	Oversight and governance costs	569
2,059		4,314

12A. INVESTMENT MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
1,180	Management Fees	1,230
-	Performance Related Fees	-
38	Custody Fees	38
-	Transaction Costs	1,934
1,218		3,202

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). 2018-19 was the first year that transaction costs were reported separately by the Investment managers.

13. INVESTMENT INCOME

2017-18 £000		2018-19 £000
9,637	Income from equities	11,448
	Income from pooled investment vehicles:	
1,168	- Property	1,050
3,517	- Bonds	2,776
240	- Unit Trusts	261
6	Interest on cash deposits	16
(280)	Other	110
14,288		15,661

14. TAXATION

2017-18 £000		2018-19 £000
35	Withholding tax - equities	58
35		58

15. EXTERNAL AUDIT COSTS

2017-18 £000		2018-19 £000
21	Payable in respect of external audit	16
21		16

16. INTEREST PAYABLE

2017-18 £000		2018-19 £000
34	Interest on short term borrowing	72
34		72

17. INVESTMENTS

Market value 31 March 2018 £000		Market value 31 March 2019 £000
	Investment assets	
108,032	Equities	111,300
457,708	Pooled Investment Vehicles	490,844
3,980	Cash deposits	4,053
331	Investment income due	433
126	Amounts receivable for sales	423
8	Recoverable withholding tax	22
570,185	Total investment assets	607,075
	Investment liabilities	
(92)	Amounts payable for purchases	(650)
(92)	Total investment liabilities	(650)
570,093	Net investment assets	606,425

17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	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

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£000	£000	£000	£000	£000
Equities	111,854	25,459	(23,393)	(5,888)	108,032
Pooled Investment Vehicles					
Global Equities	219,561	3,914	-	(3,081)	220,394
Property	30,304	948	-	2,310	33,562
Bonds	108,739	3,474	-	(1,505)	110,708
Diversified Growth Fund	78,020	1,756	-	2,058	81,834
Unit Trusts	11,540	240	(385)	(185)	11,210
	560,018	35,791	(23,778)	(6,291)	565,740
Cash deposits	5,949			(5)	3,980
Amounts receivable for sales of investments	78			(2)	126
Investment income due	389			3	331
Recoverable withholding tax	14			-	8
Amounts payable for purchases of investments	(108)			-	(92)
Net investment assets	566,340			(6,295)	570,093

17B. ANALYSIS OF INVESTMENTS

31 March 2018 £000			31 March 2019 £000	
		Equities		
		UK		
92,841		Quoted		93,071
		Overseas		
15,191		Quoted		18,229
108,032				111,300
		Pooled funds – additional analysis		
		UK		
110,708		Fixed income unit trusts		113,636
313,438		Unit Trusts		341,873
424,146				455,509
33,562		Pooled property investments		35,335
33,562				35,335
3,980		Cash Deposits		4,053
331		Investment income due		433
126		Amounts receivable from sales		423
8		Withholding Tax		22
4,445				4,931
570,185		Total investment assets		607,075
		Investment Liabilities		
(92)		Amounts payable for purchases		(650)
(92)		Total Investment Liabilities		(650)
570,093		Net investment assets		606,425

17C. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2018			Market value 31 March 2019	
£000	%		£000	%
110,708	19.4%	Schroder Investment Management – Bonds	113,636	18.7%
33,662	5.9%	Schroder Investment Management – Property	35,436	5.8%
220,394	38.7%	Newton Investment Management – Overseas Equities	251,387	41.5%
123,487	21.7%	Majedie Asset Management – UK Equities	123,743	20.4%
81,834	14.3%	Baillie Gifford – Diversified Growth Fund	82,201	13.6%
570,085			606,403	
8	0.0%	Recoverable withholding tax	22	0.0%
570,093			606,425	

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 2018			Market value 31 March 2019	
£000	% of total fund		£000	% of total fund
220,394	39.16%	Newton International Growth X Account	251,387	42.19%
110,707	19.67%	Schroder Institutional Sterling Broad Market X Account	113,636	19.07%
81,834	14.54%	Baillie Gifford Diversified Growth Pension Fund	82,201	13.80%
33,562	5.96%	Schroder UK Property Fund	35,436	5.95%

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 2019, 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 2018				31 March 2019		
Quoted Market Price	Using Observable Inputs			Quoted Market Price	Using Observable Inputs	
Level 1	Level 2	Total		Level 1	Level 2	Total
£000	£000	£000		£000	£000	£000
532,643	33,562	566,205	Financial assets at fair value through profit and loss	567,687	35,335	603,022
-	(92)	(92)	Financial liabilities at fair value through profit and loss	-	(650)	(650)
532,643	33,470	566,113	Net investment assets	567,687	34,685	602,372

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 2018				31 March 2019		
Fair value through profit and loss	Assets at amortised costs	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised costs	Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial assets			
108,032			Equities	111,300		
457,708			Pooled investment vehicles	490,845		
	3,980		Cash		4,056	
465			Other investment balances	877		
	100		Debtors		57	
566,205	4,080	-		603,022	4,113	-
			Financial liabilities			
(92)			Other investment balances	(650)		
		(678)	Creditors			(984)
	(63)		Bank Balance			
		(7,230)	Borrowings			(10,400)
(92)	(63)	(7,908)		(650)	-	(11,384)
566,113	4,017	(7,908)		602,372	4,113	(11,384)

19B. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2018 £000		31 March 2019 £000
	Financial assets	
(6,290)	Fair value through profit and loss	27,536
(5)	Loans and receivables	(2)
	Financial liabilities	
-	Fair value through profit and loss	-
-	Financial liabilities at amortised cost	-
(6,295)	Total	27,534

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 2019	Volatility of return	Value on increase	Value on decrease
	£000	%	£000	£000
Cash & cash equivalents	4,053	0.0%	4,053	4,053
Investment portfolio assets				
Equities – UK	93,071	5.3%	98,004	88,138
Equities – overseas	18,229	4.3%	19,012	17,445
Pooled investment vehicles:				
Global equities	251,386	3.5%	260,185	242,588
Property	35,335	2.0%	36,042	34,629
Bonds	113,636	1.2%	115,000	112,272
Diversified Growth Fund	82,201	1.8%	83,680	80,721
Unit Trusts	8,286	17.2%	9,711	6,861
Amounts receivable for sales	423	0.0%	423	423
Investment income due	433	0.0%	433	433
Recoverable withholding tax	22	0.0%	22	22
Amounts payable for purchases	(650)	0.0%	(650)	(650)
Total	606,425		625,915	586,935

	Value as at 31 March 2018	Volatility of return	Value on increase	Value on decrease
	£000	%	£000	£000
Cash & cash equivalents	3,980	0.0%	3,980	3,980
Investment portfolio assets				
Equities – UK	92,841	2.8%	95,441	90,241
Equities – overseas	15,191	5.3%	15,997	14,386
Pooled investment vehicles:				
Global equities	220,394	2.6%	226,124	214,664
Property	33,562	3.1%	34,602	32,521
Bonds	110,708	0.8%	111,593	109,822
Diversified Growth Fund	81,834	1.4%	82,980	80,688
Unit Trusts	11,210	2.2%	11,457	10,963
Amounts receivable for sales	126	0.0%	126	126
Investment income due	331	0.0%	331	331
Recoverable withholding tax	8	0.0%	8	8
Amounts payable for purchases	(92)	0.0%	(92)	(92)
Total	570,093		582,547	557,638

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 2019, and as at the previous period end:

	Asset value as at 31 March 2019	Asset value as at 31 March 2018
	£'000	£'000
Overseas Quoted Securities	13,683	13,346
Investment income due	153	198
	13,836	13,544

Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to be 3.74% (2017-18: 8.31%). This analysis assumes that all other variables, in particular interest rates, remain constant.

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

	Value as at 31 March 2018	Value on increase +8.31%	Value on decrease -8.31%
	£'000	£'000	£'000
Overseas Quoted Securities	13,346	14,451	12,240
Investment income due	198	218	179
	13,544	14,669	12,419

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 through 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 2019 and 31 March 2018 (£706k and £625k respectively) were received in the first two months 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 2019 are due within one year.

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 2016 and the next valuation will take place as at 31 March 2019.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. 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;
- 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 tax payer 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 2016 actuarial valuation, the fund was assessed as 92% funded (78% at the March 2013 valuation). This corresponded to a deficit of £44m (2013 valuation £111m) at that time. Contribution increases were in effect from 1 April 2017 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 2017 to 31 March 2020 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		
	2018	2019	2020
	% of pay	% of pay	% of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	23.5	23.5	23.5
Caterlink	23.5	23.5	23.5
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 *	23.5	23.5	23.5
Island Roads	21.1	21.1	21.1
Isle of Wight College (from 1 August)	23.8	23.8	23.8
Isle of Wight Studio School	19.1	19.1	19.1
Lanesend Academy *	23.5	23.5	23.5
Northwood Academy *	23.5	23.5	23.5
Ryde Academy *	23.5	23.5	23.5
Sandown Bay Academy *	23.5	23.5	23.5
Southern Vectis (Wightbus)	23.8	23.8	23.8
Southern Housing Group	28.3	28.3	28.3
Sovereign Housing Group	26.9	26.9	26.9
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	22.6	22.6	22.6
Top Mops	21.5	21.5	21.5
Trustees of Carisbrooke Castle Museum	26.8	26.8	26.8
Ventnor Botanical Gardens	18.9	18.9	18.9
Visit Isle of Wight	20.6	20.6	20.6
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 Ending 31 March		
	2018	2019	2020
	Lump sum £000	Lump sum £000	Lump sum £000
St Catherine's School Ltd	51	51	51
IOW Society for the Blind	41	41	41
Yarmouth Harbour Commissioners	57	57	57
Cowes Harbour Commissioners	19	19	19
Southern Housing Group	170	170	170
Sovereign Housing Group	139	139	139

* During 2016-17, 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 2016 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 2019.

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 28 March 2017.

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 2016 valuation were as follows:

Financial Assumptions	31 March 2016
	% p.a. Nominal
Discount rate	4.00%
Salary Increases	2.60%
Price inflation/Pension Increases	2.10%

(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 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a.

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

	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners *	23.9 years	26.5 years

* based on members aged 45 at the valuation date.

Copies of the 2016 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 2019 £ m	31 March 2018 £ m
Present value of Promised Retirement Benefits	(814)	(729)
Fair value of scheme assets (bid value)	595	562
Net Liability	(219)	(167)

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The actuary estimates this liability at 31 March 2019 comprises £339 million in respect of employee members (2018: £275 million), £188 million in respect of deferred pensioners (2018: £168 million) and £287 million in respect of pensioners (2018: £286 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 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 potential increase in liabilities arising from the McCloud judgement.

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).

McCloud judgement and effect on IAS26 valuation

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint,

job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Isle of Wight Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the whole Fund is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.25% higher as at 31 March 2019, an increase of approximately £2.0 million.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. The actuary estimates that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £60m. They estimate that there is no impact from any change in demographic and longevity assumptions as they are identical to the previous period.

Financial assumptions

Year ended	31 March 2019 % p.a.	31 March 2018 % p.a.
Inflation/Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.9%	2.8%
Discount Rate	2.4%	2.7%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and not a reflection of what actual pay rises will be in the short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

Longevity assumption

The life expectancy assumption is based on the Fund's bespoke VitaCurves in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners *	23.9 years	26.5 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 2018 £000		31 March 2019 £000
	Debtors	
66	• Contributions due - employers	62
-	• Reimbursement of lifetime tax allowances	55
66		117

24. CURRENT ASSETS

31 March 2018 £000		31 March 2019 £000
	Debtors	
114	• Contributions due - employees	119
511	• Contributions due - employers	587
625		706
40	• Taxation	48
1	• Sundry debtors	5
99	• Payments in advance	107
-	Cash balances	3
765		869

25. CURRENT LIABILITIES

31 March 2018 £000		31 March 2019 £000
	Creditors	
198	• Taxation	206
379	• Accruals	417
299	• Sundry creditors	240
63	• Cash Balances	-
939		863

26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2018 £000		Market value 31 March 2019 £000
658	Prudential Life and Pensions	658

AVC contributions of £151.7 thousand were paid directly to Prudential Life and Pensions during the year (2017-18: £120.4 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 £475 thousand (2017-18: £430 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 £11.8 million in 2018-19 (2017-18: £11.1 million) to the fund. All monies owing to the fund, with the exception of

deferred balances in respect of pension strain costs totalling £66.3 thousand (2018: £103.4 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 2018-19 was £13.6 million (2017-18: £7.2 million). The balance due to the council at 31 March 2019 is £10.4 million (2018: £7.2 million), Interest of £71.8 thousand (2017-18: £33.8 thousand) was paid on the borrowings in the year.

Year ended 31 March 2018 £000	Repayment profile of borrowings from Isle of Wight Council	Year ended 31 March 2019 £000
130	less than 1 month	1,100
-	2 - 3 months	-
2,400	3 - 6 months	1,900
1,300	6 - 9 months	2,600
3,400	9 - 12 months	4,800
7,230	Total value of borrowings	10,400

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 2018 £'000		Year ended 31 March 2019 £'000
48	Short-term benefits	50
10	Post-employment benefits	10
-	Other long-term benefits	-
-	Termination benefits	-
-	Share-based payments	-
58		60

28. CONTINGENT ASSETS AND LIABILITIES

At 31 March 2019 there were contingencies relating to Contribution Equivalent Premiums (CEPs) amounting to a net sum of £138 thousand (2018: £130 thousand) due to the Pension Fund. Assets amounted to £195 thousand and liabilities totalled £57 thousand (2017: £186 thousand and £56 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 £105 thousand. This case is currently ongoing. The sums do not form part of the net assets of the fund.

One admitted body employer in the Isle of Wight Pension Fund holds a guarantee bond to guard against the possibility of being unable to meet their pension obligations. This bond is drawn in favour of the pension fund and payment will only be triggered in the event of an employer default. No such default has occurred during 2018/19 (2017/18 Nil).

29. TRUSTEES REPORT 2018-19

The trustees of the pension fund are the members for the time being of the Pension Fund Committee, who at 31 March 2019 were Councillors Abraham, Axford (chair), Brading, Churchman (vice chair), Garratt, and Stephens. There is one elected member vacancy within the pension fund committee. 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 2019 were £596.1 million, an increase of 6% on the 31 March 2018 valuation of £562.8 million. The fund's total investments over-performed compared to the agreed benchmarks by 0.8% during the year.

The overall performance of the fund in the year to 31 March 2019 resulted from overperformance of global equity portfolios.

Over the longer term, the fund underperformed annualised benchmark returns for three years (0.2% underperformance).

Funding Level

The Fund's last triennial actuarial valuation was undertaken at 31 March 2016, showing a funding level of 91.5%, compared to 77.7% at the previous valuation at 31 March 2013. The results of this latest valuation, in terms of revised contribution rates, were implemented with effect from April 2017.

The actuary's interim funding projection report at 31 March 2019 showed that the notional funding level had fallen slightly to 91.0% since the last triennial valuation at 31 March 2016. However, the deficit of £44 million at 31 March 2016 has increased to a deficit of £60 million at 31 March 2019.

Governance

There were six scheduled pension fund committee meetings during the year 2018-19, each lasting approximately two hours.

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

- Approval of 2017-18 annual report and accounts.
- Procurement for fund advisers, including actuarial services, investment consultancy, data improvement and benchmarking.
- Agreement of actions arising from the governance review completed in early 2018.
- Adoption of a new administration strategy.
- Adoption of key investment and funding beliefs.
- Adoption of key governance and administration objectives.
- Adoption of an updated communications strategy.
- Review of the Investment Strategy Statement to reflect the newly agreed investment beliefs.
- Review and update of governance policy.
- Regular updates on the ACCESS pool.

In addition, the committee continues to receive presentations from its fund managers on the fund's investment performance as well as performance benchmarking and advice from its independent consultants, Hymans Robertson LLP

A summary of committee members' attendance for the year 2018-19 is detailed in table 1 below.

Table 1: committee attendance

	Chairman	Vice-chair	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member rep	Employer rep	
18-May-18	√	√	√	√	√	√	√	√	√	100%
13-Jul-18	√	√	aps	√	√	√	aps	√	√	78%
14-Sep-18	√	√	√	√	√	x	aps	√	√	78%
23-Nov-18	√	√	√	√	√	x		√	√	88%
29-Jan-19	√	aps	x	√	√	√		√	√	75%
08-Feb-19	√	√	x	√	√	√		√	√	88%
	100%	83%	50%	100%	100%	67%	33%	100%	100%	84%

The local pension board comprised two scheme member representatives and two employer representatives throughout the year.

There were four scheduled board meetings during the 2018-19 year. However only three were held; the last meeting of the year was cancelled due to a officer workload and it was impossible to find a suitable replacement date where at least three board members could attend.

The board reviewed and recommended the following documents to the pension fund committee for adoption during the year:

- Governance compliance statement for 2017-18.
- Governance review action plan.
- Administration strategy.
- Communications strategy.

Board members received regular reports on the fund's data improvement projects and the Guaranteed Minimum Pension (GMP) reconciliation, key administration performance indicators, breaches and complaints, and progress against the governance action plan.

A summary of board members' attendance for the year 2018-19 is detailed in table 2 below.

Table 2: board attendance

	Chairman (employer)	Employer rep 2	Scheme member rep 1	Scheme member rep 2	Scheme member rep 2	Scheme member rep 2	
24-Apr-18	aps	√	√	√			75%
12-Jun-18	√	√	√		√		100%
23-Oct-18	√	√	√				100%
07-Mar-19							0%
	66%	100%	100%	100%	100%	0%	91%

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 2019, 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 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2018/19.

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; Actuarial Statement; Funding Strategy Statement; Pension Scheme Administration; Administration Strategy; Governance Policy Statement; Terms of Reference of Pension Fund Committee; Terms of Reference of the Pension Board; Governance Compliance Statement; 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.


Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2019

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 outgoing, including expenses, expected to fall on the fund after the valuation date based on benefits accrued for service up to the valuation date.

Actuarial valuation

A review of the pension fund, which takes place every three years, to ensure that employers' contributions are sufficient to maintain the solvency of the fund.

Actuary

An independent consultant who carries out the actuarial valuation and may also advise on changes in 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.