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# Isle of Wight Council Pension Fund

# Annual report and accounts for the year ended 31 March 2026

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

Isle of Wight Council

PENSION FUND

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## Foreword

As the Chairman of the Pension Fund Committee (Committee) during 2025/26, I am pleased to introduce the Annual Report and Accounts of the Isle of Wight Council Pension Fund (Pension Fund) for the year ended 31 March 2026, setting out the overall financial and governance activity of the Pension Fund.

During the year under review, global growth remained resilient despite trade tariffs and macro economic policy uncertainty. Growth was supported by a number of things including AI investment and easing monetary policy. Inflation peaked in the US and UK, energy costs rose sharply, and oil prices surged due to geopolitical tensions.

Bond yields increased, equities gained nearly 20%, with the technology sector performing particularly strongly. The dollar strengthened, while property values rose modestly, amid mixed sector performance.

The overall impact of these market trends over the last financial year has seen the value of assets held by the Pension Fund continue to move in a positive direction. Net assets reached a value of £872.7 million at 31 March 2026, compared with £810.1 million at 31 March 2025 – an increase of £62.6 million (or 7.7%) over the financial year. These figures are still subject to finalisation via the audit of the Statement of Accounts.

During the year the ACCESS Investment Pool, to which we belong along with ten other local authority funds, exceeded over £50bn of assets within it. At 31 March 2026 approximately 81 per cent of the Pension Fund's investments were under pooled management, or in pool aligned investments.

The committee held seven meetings during the year, each held in person at County Hall, albeit one of those meetings was unable to proceed with considering the business on its agenda. This is more meetings than usual.

Additional meetings were held to reflect time devoted to the Government's agenda on pensions under the 'Fit for the Future' proposals including the new requirements to participate in a regulated investment pool company. Along with other funds within ACCESS, we were disappointed that Government did not support the proposal to turn ACCESS into an investment management company regulated by the Financial Conduct Authority (FCA).

In connection with the Government agenda, three reports on pensions and investment pooling were also considered by full council during the year.

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During the year the Pension Committee:

- Adopted a business plan to guide and plan the work ahead during the year and to apply best practice as recommended by the Pension Regulator.

- Monitored progress against the business plan and monitored the risk register as well as legislation and regulation updates.

- There was a continued emphasis on training for the Committee and Local Pension Board, both formal, informal and on-line sessions.

- Received updates on ACCESS Pool activities, which included representation from our fund at the ACCESS quarterly Joint Committee meetings.

- Received updates on Government policy following publication of 'Fit for the Future' proposals, the Pension Scheme Bill and associated regulations and the impact of these on our Pension Fund including major changes to investment pooling and the future governance arrangements.

- Continued to monitor the performance of the investments held by the Pension Fund.

- Considered updates from the actuary on the Pension Fund valuation and agreed a new Funding Strategy Statement as part of this process.

- Received regular updates on the work of the Local Pension Board, which exists to support the Pension Fund in ensuring compliance with legislation and the requirements of the Pension Regulator.

- Undertook detailed work on responsible investing, including a workshop session, building towards the adoption of a new Responsible Investment policy. This included considering a target allocation for local investing.

- Adopted new policies on Treasury Management and Administering Authority discretions.

During the year, the triennial valuation of the Pension Fund concluded. The assessment by the actuary resolved that the Pension Fund was 149% funded as at 31 March 2025, the results of which can be found here:
Valuation Report | Isle of Wight Pension Fund

This was a major improvement compared with the position when last determined in 2022 of 102% and places the financial position of the Pension Fund in a good place and shows a healthy and solvent position for the Pension Fund to be in, long term. The sound financial position also allowed the actuary to reduce employer contribution rates from 1 April 2026 for almost all employers within the Pension Fund, in accordance with the approach as set out in the agreed Funding Strategy Statement.

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Training sessions for the Committee were organised covering areas relevant to the business plan as well as hot topics including (among other things):

- Government's 'Fit for the Future' agenda;
- background and history of pooling:
- understanding the bond markets,
- responsible investing,
- Fund Valuation,
- fiduciary duty and decision making
- passive investing
- Transitioning of assets into new investment pools

Following the Government decision that it would not support our current investment pool (ACCESS) developing its services to comply with the requirements as set out in 'Fit for the Future', considerable work has occurred during 2025/26 on assessing which new pool company best suits the Pension Fund and the arrangements to join it. An "in principle" decision was made at full council to join the LGPS Central pool which was followed by a further decision, again made at full council, that confirmed the initial decision and that shareholder membership of the new company should be the objective.

The Local Pension Board (Board) met four times during the course of the year. Its membership includes three scheme member representatives, three employer representatives and an independent chair. The Board continued its work supporting the Pension Fund and reviewing policies. At each of its meetings the board received reports on the Pension Fund's risk register, administration matters, knowledge and understanding matters as well as updates on the Government agenda and progress in meeting it. The annual report from the Local Pension Board for the year ended 31 March 2026 is presented in **Section 2.6**.

Looking beyond the last financial year, the current year continues to be a challenging year, managing the oversight necessary of our Pension Fund at the same time engaging with Government's agenda on pensions which is now enshrined in the Pension Scheme Act 2026 and associated regulations and guidance. The following key areas of work are relevant to the current financial year:

- On Administration, the Authority continues to assess the implications of the McCloud judgment and is working towards assessment of any impact by a 31 August 2026 deadline. This is based on a court ruling that members of public service pension schemes, including the Local Government Pension Scheme (LGPS), were discriminated against when changes to the schemes were introduced from 2014.

- The Pension Fund also has administrative work to do to assess pension benefits on the issue of GMP reconciliation (Guaranteed Minimum Pension).

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- To follow through on the new requirements included in the Pension Scheme Act 2026. At the time of writing, work continues to secure the best arrangement for our Pension Fund members from a new investment pool. There is also significant work underway around the changes required to governance as a consequence of the Act, including introducing a new statutory post (Senior LGPS Officer); appointment of an independent person to support, challenge and scrutinise functions of the Committee and Board; and making arrangements for an Independent Governance Review of the Pension Fund no later than 31 March 2028.

After the year end, and following local elections of May 2026, the Pension Fund now has several new Committee members. I wish to record my thanks and appreciation to all those members who served on the Committee during my tenure as the Chairman.

I would also like to take this opportunity to thank all the staff involved in supporting the Pension Fund over the last year, for their hard work and dedication. Maintaining high standards of performance helps to ensure we can deliver good quality pension services, which the Pension Fund members, our pensioners and also Pension Fund employers naturally expect.

**Councillor Chris Jarman JP**
**Chair – Isle of Wight Pension Fund Committee during 2025/26**

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## Section 1 Overall fund management

### 1.1 Scheme management and advisors

**Senior Pension Fund officers**

- Adam Richens, Director of Finance and section 151 officer (from 1 Aug 26)
- Chris Ward, Director of Finance and section 151 officer (up to 31 Jul 26)
- Steve Harrison, Strategic Manager – Pensions

**External auditor**

Ernst & Young LLP

**Pension Fund bankers**

Lloyds Bank

**Pension Fund actuary**

Hymans Robertson LLP

**Pension Fund external legal advisors**

- Keystone Law Limited (from 1 Jul 26)
- Gowling WLG (UK) LLP (to 30 Jun 26)

**Scheme administrator/ Administering Authority**

Isle of Wight Council,
County Hall,
Newport,
Isle of Wight
PO30 1UD

- pensions@iow.gov.uk
- www.isleofwightpensionfund.org
- Direct Tel No: 01983 823626

**Investment consultant**

Hymans Robertson LLP - Mr D Walker

**Asset pool**

ACCESS – A collaboration of central, eastern and southern shires

**ACCESS pool operator**

Waystone Management UK

**Pension Fund custodian**

Northern Trust Corporation

**AVC provider**

Prudential

**Investment managers (pooled):**

- Newton Investment Management Limited
- BlackRock, Inc
- Royal London Asset Management

**Investment managers (direct):**

- Goldman Sachs Asset Management International
- Pantheon Ventures (UK) LLP
- Partners Group (UK) Ltd
- J.P. Morgan Asset Management
- UBS Asset Management
- Schroder Investment Management Limited

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## 1.2 Risk Management

The Isle of Wight Council Pension Fund (Pension Fund) has adopted a risk management policy (which can be found at www.isleofwightpensionfund.org/resources/risk-management-policy) to help the committee, board and officers with the identification and management of risks specific to the Pension Fund. The procedures for identifying, managing and reviewing the Pension Fund's risks are set out in the policy. The risks identified for the Pension Fund are managed using the Isle of Wight Council's, the Pension Funds Administering Authority, risk management framework with assurance provided through the work of Isle of Wight Council's internal audit function.

The pension Fund maintains its own risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of risks relating to the Pension Fund. The Pension Fund's risk register is reviewed quarterly by the Pension Committee (Committee) and the Local Pension Board (Board). The risk register for the year ended 31 March 2026 can viewed with the meeting papers. The register covers risks in key areas such as investment, governance, and administration. This includes financial risks to the Pension Fund's investments such as market, interest rate and foreign currency risks (reported in Note 19 in the Pension Fund's accounts in **Section 4**) as well as risks to the Pension Fund's other main functions of governance and administration.

Officers tasked with the day-to-day management of risks consider risk management of the Pension Fund when assessing organisational processes, business planning, performance management, audit and assurance and business continuity management. The Committee's role is to monitor risks on the risk register and define the risk appetite and tolerance for the Pension Fund. Where necessary, risks associated with the Pension Fund are escalated and included on the Isle of Wight Council's corporate risk register, reflecting the potential wider impact they may have on the local community and wider council services.

Various methods have been adopted by the Pension Fund to identify risks, including:

- reviewing of internal controls when there have been substantial changes to the scheme including scheme personnel, service providers, scheme advisors, administration, and other IT systems or when a control is not working to the standard required by the law;
- reviewing potential conflicts of interest;
- assessment of performance against the Pension Fund's agreed objectives, annual action plan and business plan;
- assessment of the Pension Fund against external requirements such as the Pension Regulator's general code of practice.

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## Principal key risks

The principal key risks associated with the Pension Fund are outlined below.

### (i) Administering authority – conflicts of interest, resourcing and capacity

The Pension Fund is integrated into the Isle of Wight Council processes where services are available and where these provide cost-effective solutions for the Pension Fund and its members. Due to the limited resources within the in-house pension fund team and due to the ever-changing complex legal, regulatory and macro-economic updates, it is important that the Pension Fund is supported by experts in other specialist service areas such IT and cyber security, legal, treasury services, pension administration, investment advice, and procurement etc. Where specialist services or advice is required that is not available in-house, this is procured externally with the help of the Council procurement team.

The Pension Fund is supported on a day-to-day basis by Council employees that dedicate 100 per cent of their time to the Pension Fund. This includes employees that provide in-house pension administration services, accounting and budget management, governance, compliance and strategic management services to the Pension Fund.

Services provided by the administering authority are monitored and challenged by the board and committee on a regular basis to ensure the services remain fit for purpose for the Pension Fund. The administration report for the Pension Fund is outlined in **Section 6** of this report.

The Pension Fund has a conflicts of interest policy (found at www.isleofwightpensionfund.org/resources/policy-on-conflicts-of-interest). This helps the Pension Fund to identify, monitor and manage potential conflicts of interests that may arise such as the Council being the administering authority and also a major employer in the Pension Fund (circa 89 per cent of beneficiaries).

### (ii) Third party risks

Specialist services are provided to the Pension Fund by third parties in areas such as investment advice and administration software services due to the technical and specialist nature of the services required. To ensure third party risks are managed, officers maintain close relationships with the service providers to ensure services continue to be delivered to the standards expected. To help the committee and board maintain oversight and challenge, officers provide updates during the year as required and third-party service providers are invited to attend and present at Board and Committee meetings.

Late payment of contributions and provision of data by scheme employers are also risks that the Pension Fund monitors. Late payment of contribution and provision of data by scheme employers is monitored monthly by the in-house pensions team and is reported quarterly to the Board and Committee. The administration strategy also sets out recourse in the event that scheme employers do not pay contributions or provide data by the specified timeframes. The pension administration strategy can be found at www.isleofwightpensionfund.org/resources/pension-administration-strategy

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### (iii) Investment risks and pooling arrangements

The Pension Fund's investment strategy statement (ISS) sets out the investment beliefs and objectives. To manage the Pension Fund's investments in line with the ISS and investment beliefs, the Pension Fund has appointed nine external investment managers.

The global equity, UK equity, diversified growth and bond investments are directly managed by the pool operator (Waystone), whilst the remaining investments are directly held by the fund.

To help manage risks associated with investments and pooling arrangements, the scheme has appointed Hymans Robertson LLP as the Pension Fund's investment consultant to provide advice before making investment decisions. As a standard procedure, the Pension Fund ensures that legal and investment reviews are carried out on all managed contractual arrangements prior to investment.

The Committee receive quarterly monitoring reports on all investments from their investment consultant. Included in this reporting is both benchmark and fee information. The Committee also invites investment managers to Committee meetings to provide updates on performance of the Pension Fund's investments which enables the Committee to challenge investment managers directly rather than via the Pension Fund's investment consultant.

To ensure the Pension Fund Committee's knowledge of investment products remains up to date and to enable the Committee to challenge advisors, Committee members are invited to take part in training sessions. Annual assessments of individuals knowledge and understanding helps to identify potential gaps in the Committee's knowledge so future training plans can be set accordingly.

The Pension Fund is also a member of the ACCESS pool (the pool). This outsourced model enables cost-effective pooling implementation across all asset classes using external investment managers appointed by an independent third-party fund operator. The ACCESS pool looks to select the best investment managers, which provides the Pension Fund with an opportunity to access best in class managers, secured via a competitive process with benefits of scale reflected in competitive fees.

As a relatively modest sized fund, in comparison with other LGPS funds, the Pension Fund benefits from accessing a greater range of investment vehicles and opportunities through the pool, giving the Pension Fund the chance to diversify and improve investment risk. Updates are regularly received from ACCESS officers and the Pension Fund is invited to send officers to attend ACCESS meetings throughout the year.

Going forward, the Pension Fund's approach to managing investments is likely to change following proposals from Government which is likely to mandate through regulations investment pools being given delegated responsibilities to manage investments and implement the investment strategy set by the committee and provide primary investment advice to funds. This is a significant change from the existing model used by the Pension Fund and is likely to create new risks that will need to be monitored and managed.

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### (iv) Cyber security risks

An ongoing risk that the Pension Fund Committee and officers monitors is cyber security. Key mitigations include ongoing monitoring of cyber security controls to ensure these are adequate to protect the data and assets of the Pension Fund.

To help the Pension Fund manage cyber risks, the Pension Fund utilises data, risk management, IT and cyber expertise provided by the Isle of Wight Council. Through appropriate governance policies, processes and ICT security products, the Council aims to achieve reasonable assurance that information, whether paper based or electronic, is adequately protected from unauthorised change or dissemination and information is always available. To help provide assurance of mitigating risks associated with cyber security breaches and data governance, the council aligns itself to the ISO/IEC 27001:2022 Information security management systems standard following a widely recognised good practice approach. Assurances are also provided regarding data back-up arrangements.

In the event of a cyber incident, the Council's cyber incident response plan would be activated. This plan provides a structured and systematic incident response process for all cyber security incidents that affect any of the Council's information technology (IT) systems, network, data and information assets, including the council's data held or IT services provided by third-party vendors or other service providers. The Pension Fund also has business continuity and disaster recovery arrangements in place as well as a data breach incident reporting policy and anti-fraud procedures to support the cyber security arrangements.

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## Section 2 - Governance

### 2.1 Overview of Pension Fund Governance Structure

This report outlines the governance arrangements in place for the LGPS Isle of Wight Council Pension Fund (Pension Fund) at a local level. It provides an overview of the Pension Fund's governance structure, including membership and representation, Committee attendance, and training undertaken by Committee members during the year ended 31 March 2026. The Pension Fund's Governance Policy and Governance Compliance Statement for the year ended 31 March 2026 provide further details and are available on the Pension Fund's website at: Governance Policy | Isle of Wight Pension Fund, and Governance Compliance Statement Year End 31 March 2026 | Isle of Wight Pension Fund respectively.

The Local Government Pension Scheme (LGPS) operates within a national framework, under which the primary legislative and governance requirements are established centrally. Legislation, including the Public Service Pensions Act 2013, sets out the statutory obligations with which local schemes must comply. The Ministry of Housing, Communities and Local Government (MHCLG) is responsible for establishing the LGPS regulatory framework and governance requirements, while administering authorities are responsible for the local implementation of these requirements, including the administration of benefits, funding strategy, and investment management.

**Representation and Roles**

The Isle of Wight Council has delegated responsibility for certain pension functions to the Isle of Wight Council Pension Fund Committee (Committee), which acts on behalf of the Council as Scheme Manager of the Pension Fund.

The Committee operates in a quasi-trustee capacity and is responsible for discharging the statutory pension functions of the administering authority. This includes maintaining adequate internal controls to ensure that the scheme is administered and managed in accordance with relevant legislation and scheme regulations. As the Pension Fund's primary decision-making body, the Committee is responsible for setting strategic priorities and overseeing the Pension Fund's administration, funding and investment activities. The Committee also has a key role in identifying, monitoring and managing risks affecting the Pension Fund.

The authority recognises that effective governance depends on listening to those the Pension Fund serves. Accordingly, the Fund governance structure is designed to ensure that both scheme members (active, deferred and pensioner members) and participating employers are represented through the Local Pension Board and the Pension Fund Committee and the composition of the Committee reflects the interests of the Pension Fund's stakeholders.

As the Isle of Wight Council is the Pension Fund's largest employer, accounting for approximately 85% of contributing members, the majority of Committee seats are allocated to elected members of the Council and are appointed on a politically proportionate basis. These appointments are approved by the Full Council in accordance with the political balance of the authority.

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The Committee also includes representation from both scheme employers and scheme members. The Committee is therefore comprised of:

- Seven elected members appointed by the Isle of Wight Council on a politically proportionate basis, with voting rights.
- One employer representative, appointed as a non-voting observer.
- One scheme member representative, as non-voting observer, nominated by a recognised trade union.

The Committee is supported by the Local Pension Board, an oversight, non-decision-making body that acts as a critical friend. The Board comprises equal numbers of employer and scheme member representatives, helping ensure that the views of key stakeholders are reflected in Pension Fund governance arrangements. The Board plays an important role in assisting the Pension Fund maintaining high standards of governance and regulatory compliance, while providing constructive challenge and scrutiny. It is also invited to review and comment on key strategies, policies and other significant matters before they are considered by the Committee.

The Local Pension Board typically meets four times a year, with additional meetings arranged where required, as set out in its Terms of Reference. Further information about members of the Board and the Board's activities during the year can be found in the Local Pension Board Annual Report, Section 2.6.

Responsibility for the day-to-day administration and implementation of the Pension Fund's policies is delegated to Pension Fund officers. Details of the key officers supporting the Pension Fund are provided in the Annual Report, Section 1.1.

**Activities of the Committee**

The Pension Fund Committee is required to meet formally at least four times each year, with additional meetings convened as necessary, in accordance with its Terms of Reference. The quorum for meetings to take place is three County Councillors to be present.

During the period from 1 April 2025 to 31 March 2026, the Committee met on seven occasions. The key matters considered are summarised below.

- **Investment Pooling Reform**: The Committee devoted significant time to considering the implications of the Government's investment pooling reforms. This included receiving specialist investment and legal advice, undertaking targeted training, and reviewing proposals and transition arrangements relating to the Pension Fund's proposed move from the ACCESS Pool to the LGPS Central Pool.

- **Responsible Investment**: Following a dedicated workshop, training sessions and receipt of professional investment and legal advice, the Committee approved a new Responsible Investment Policy incorporating enhanced environmental, social and governance (ESG) considerations including a greater focus on local investment opportunities. The Committee also considered public questions and stakeholder representations relating to conflicts in the Middle East. The definition of local investment within the LGPS framework was also discussed and included in the new policy.

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- **Investment Oversight**: The Committee continued to monitor investment performance and strategy implementation throughout the year. This included quarterly reviews of Pension Fund performance, asset allocation and investment manager performance, supported by reports and presentations from Hymans Robertson, UBS and Royal London Asset Management. The Committee also monitored the performance of the Pension Fund's property holdings with Schroders and the implementation of responsible investment objectives.

- **Funding and Actuarial Matters**: The Committee oversaw progress towards the 2025 triennial actuarial valuation. Prior to considering key funding decisions, members received training from the Pension Fund Actuary and reviewed matters including funding assumptions, prudence levels, discount rates, employer contribution rates, employer funding positions, the Funding Strategy Statement and employer cessation arrangements.

- **Pension Administration**: The Committee monitored the performance of the Pension Administration Service, including service delivery standards, staffing and recruitment, organisational restructuring, and the delivery of key administration projects such as the McCloud remedy and Guaranteed Minimum Pension (GMP) rectification.

- **Fund Governance and Capacity**: The Committee monitored the delivery of the Pension Fund's Business Plan, Risk Register and Training Plan, alongside developments in legislation and regulation. Particular focus was given to preparations for reforms arising from the Pensions Bill. The Committee also received regular updates on workforce capacity, governance resilience, training requirements and procurement activities.

- **Review of Governance and Compliance Arrangements**: The Committee approved the Pension Fund's Annual Report and Accounts, Governance Compliance Statement and Governance Policy. It reviewed compliance with The Pensions Regulator's General Code and considered a range of key governance and policy documents, including the Treasury Management Strategy, Administering Authority Discretions Policy and Funding Strategy Statement. The Committee also reviewed the outcomes of the Pension Fund's internal audit programme for 2025/26.

Throughout 2025, isolated local by-elections for specific individual wards took place and the all-council ordinary elections originally planned for 2025 were postponed until May 2026.

During the year, changes on the Committee included five new committee members, with two new committee members appointed in May 2025. A further two new committee members, Cllr Jordan and Cllr Lever were appointed in July 2025. Cllr Jordan subsequently resigned later in July 2025 before the Pension Fund meeting took place. Cllr Ian Stephens was appointed in November 2025.

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Attendance at meetings is outlined in the table below.

| Committee member | 4 Jun 2025 | 29 Jul 2025* | 3 Sep 2025 | 12 Nov 2025** | 26 Nov 2025 | 11 Feb 2026 | 18 Feb 2026** |
|---|---|---|---|---|---|---|---|
| Cllr Jarman, Chair | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cllr Churchman, V.Chair | ✓ | ✓ | ✓ | ✓ | x | ✓ | ✓ |
| Cllr Stuart | x | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cllr Blake | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cllr Drew | ✓ | ✓ | ✓ | ✓ | x | x | x |
| Cllr Jordan | N/A | resigned | N/A | N/A | N/A | N/A | N/A |
| Cllr Lever | N/A | ✓ | ✓ | ✓ | x | ✓ | x |
| Cllr Stephens | N/A | N/A | N/A | ✓ | ✓ | ✓ | ✓ |
| Steve Milford, Member rep | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Vacancy, Employer rep | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*Agenda items originally planned to be discussed at the meeting on 4 June 2025, were subsequently discussed on 29 July 2025

**Additional meetings to the four originally planned meetings were scheduled to discuss investment pooling.

## 2.2 Training

In addition to attending meetings, members of the Pensions Fund Committee are expected to acquire and maintain an appropriate level of expertise, knowledge and skills. To support training and personal development, a knowledge and understanding policy was adopted in February 2025. This sets out the Pension Fund's expectations regarding levels of expertise and the training requirements for Pension Fund Committee members and the Local Pension Board.

Outlined below is the training undertaken by each committee member during the year.

| Committee member | Appointment | Post duration | LOLA training | In-house training |
|---|---|---|---|---|
| **Cllr Jarman – Chairman** County Councillor | May-21 | 4 years, 10 months | **0/8** | 10hrs 30mins |
| **Cllr Churchman – Vice Chair** County Councillor | May-17 | 8 years, 10 months | **0/8** | 9hrs |
| **Cllr Stuart** County Councillor | Sep-23 | 2 years, 6 months | **0/8** | 5hrs 30mins |
| **Cllr Blake** County Councillor | May-25 | 11 months | **8/8** | 9hours |
| **Cllr Jordan** County Councillor | Jul-25 | 0 months | **0/8** | 0 hours |
| **Cllr Warren** County Councillor | May-25 | 11 months | **0/8** | 0 hours |
| **Cllr Lever** County Councillor | Jul-25 | 9 months | **2/8** | 6 hrs 45mins |
| **Cllr Stephens** County Councillor | Sep-25 | 7 months | **0/8** | 2hrs 45mins |
| **Steve Milford** Member representative | Nov-20 | 26 years | **0/8** | 6hrs 30mins |

The Isle of Wight Council Pension Fund organises an annual training plan and provides flexible learning to help everyone involved develop the knowledge and skills they need to carry out their role effectively. To support this, the Pension Fund follows the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and Code of Practice.

The Pension Fund takes a supportive and flexible approach to helping Pension Committee members, Local Pension Board members, and officers develop and maintain their knowledge and skills. Training opportunities include:

- The Hymans Robertson LGPS Online Learning Academy (LOLA)
- Internal training sessions, including presentations from investment managers
- External training events, conferences, and LGPS Live webinars
- The Pensions Regulator's online training

All new officers, Pension Committee members, and Local Pension Board members receive induction training when they join.

Each year, Committee and Board members are asked to complete a knowledge assessment. This helps the Pension Fund understand individuals as well as the group's overall skills and experience, identify any gaps in knowledge, and plan future training to address these areas.

The in-house training sessions that have been organised by the Pension Fund during the year are outlined below.

| Date | Training | Presenter |
|---|---|---|
| 04/06/2025 | 30 mins session to informally bring members up to speed with current issues the Pension Fund faces, such as valuation and Fit for Future. | Hymans - actuarial and investment advisors |
| 17/06/2025 | Valuation overview | Hymans - actuarial team |
| 22/07/2025 | 1 hour induction training session - fiduciary duty and effective decision making and history of investment pooling | Hymans - investment consultants |
| 04/08/2025 | 2 hour Responsible Investment Workshop | Hymans - investment consultants |
| 19/08/2025 | 2 hour session with the committee to discuss investment restrictions and the Middle East conflict | Hymans - investment consultants |
| 03/09/2025 | 45mins informal session after meeting to discuss investment pooling options | Hymans - investment consultants |
| 15/09/2025 | 45mins pooling presentation from ACCESS and S151 Officer on pooling | S151 Officer, ACCESS support office, Hymans investment consultants |
| 08/10/2025 | 45mins training session to provide overview of employer engagement in the valuation process | Hymans - actuarial team / IWC pension governance compliance officer |
| 11/11/2025 | 45mins, pooling presentation - virtual session - all Councillor briefing | Strategic Manager: Pensions and Hymans - investment consultants |
| 26/11/2025 | 45mins training session after meeting on 'Understanding the bond market' | Royal London investment team |
| 11/02/2026 | 45mins training session after meeting on 'Asset transitions' | Hymans investment consultants |
| 11/02/2026 | 30mins training during meeting on passive investments | UBS investment team |

## 2.3 How the Pension Fund manages conflicts of interest

The Pension Fund has a clear approach to identifying, managing and monitoring conflicts of interest to ensure decisions are made in the best interests of scheme members and participating employers.

A Conflicts of Interest Policy sets out the process identifying, monitoring and managing both actual and perceived conflicts. This is important because the Isle of Wight Council has multiple roles within the Pension Fund, acting as the administering authority, a participating employer and a service provider.

To help manage conflicts, the Pension Fund:

- Requires Committee and Local Pension Board members to follow the Council's Code of Conduct.
- Identifies and records any actual or potential conflicts of interest.
- Separates responsibilities where interests may differ.
- Ensures individuals act in the interests of the Pension Fund, rather than personal or organisational interests.
- Monitors conflicts on an ongoing basis and takes action where required.
- Promotes openness, transparency and the Seven Principles of Public Life.

For example, during the triennial actuarial valuation, the interests of the Pension Fund and employers may differ regarding contribution rates. For the 2025 valuation, officers had clearly defined roles to ensure different perspectives were considered and conflicts were appropriately managed.

## 2.4 Oversight and governance of the asset pool

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 required administering authorities to transition from managing investments locally to pooling their assets into larger collective vehicles.

The Isle of Wight Council Pension Fund met this requirement by investing in collective vehicles managed by the ACCESS Pool.

Throughout the year, the Pension Fund Committee oversaw the Pension Fund's involvement in the ACCESS Pool and received regular reports on its activities and the performance of the investments managed through the pool.

To support this oversight:

- The Committee regularly reviewed reports on the ACCESS Pool's performance and activities.
- The Vice-Chair of the Pension Fund Committee represented the Pension Fund on the ACCESS Joint Committee and attended regular meetings.
- Local Pension Board members attended ACCESS meetings when invited as observers to help strengthen understanding and transparency.
- Officers also attended regular officer working group meetings to discuss proposals prior to matters being formally presented for discussion at the ACCESS Joint Committee.

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The arrangements above helped the Pension Fund monitor the performance of its pooled investments and ensure that its interests were represented within the ACCESS Pool's governance structure.

Information about how the ACCESS Pool is governed is available on the ACCESS website.

## 2.5 Other key elements of governance structure

The Pension Fund maintains a number of statutory statements, as follows:

- Funding Strategy Statement
- Investment Strategy Statement
- Governance Policy & Governance Compliance Statement
- Communication Policy
- Administration Strategy Statement

The Pension Fund also has core operational policies to help the Pension Fund meet TPR's General Code of Practice and the "Fit for the Future" statutory updates. A few of the key policies are as follows:

- **Conflicts of Interest Policy**: Because our local authority is both the scheme manager and a major employer, this policy ensures all decision-making stays objective. Members of the Committee and Board must declare any personal, political, or financial interests so that every choice is fair, transparent, and solely focused on the best interests of the Fund.

- **Knowledge and Development Policy**: Managing a pension fund requires deep expertise in investments, scheme rules, and legal updates. In line with the CIPFA Knowledge and Skills Framework, this policy ensures our decision-makers undergo regular training. Keeping their skills up to date allows them to handle complex market shifts and protect our members' benefits.

- **Reporting Breaches of the Law Policy**: We hold a statutory duty to look out for and report any serious legal or administrative failures to The Pensions Regulator. We maintain a strict breaches log to record any issues, such as late employer contributions or delayed member statements, ensuring any material issues are escalated and corrected immediately.

- **Risk Management Policy & Risk Register**: The risk management policy formally sets out a framework to help the Pension Fund identify and monitor fund-specific risks, spanning cyber security, climate impact, asset liquidity, and employer insolvency.

- **Governance Policy**: This outlines the separation between those who carry out day-to-day implementation and oversight functions.

For a full list of all Pension Fund policies, including the Pension Fund cyber security policy, please see the Pension Fund website.

Going forward, administering authorities in the Local Government Pension Scheme (LGPS) are required to publish governance and training strategies that explicitly detail scheme representation, mandatory training frameworks, and robust conflict of interest policies under updated regulatory reforms. To align to the new regulatory requirements that came into effect on 30 June 2026, the Fund is in the process of reviewing and updating its governance and training documents.

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Throughout the year, the Committees receives assurance reports such as internal and external audits and reports from the Fund actuary and investment consultants. These assurance reports provide unbiased checks on our financial controls, data quality, and risk management. More details about the internal and external assurance reports can be found in Sections 9 and 8 respectively.

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## 2.6 Local Pension Board Annual Report 2025-26

### Introduction from the Independent Chair of the Local Pension Board

I am pleased to present the Board Annual Report for the 2025/26 successive period.

As we reflect on the past year, our primary focus remains our core statutory duty: to assist the Administering Authority as Scheme Manager of the Isle of Wight Council Pension Fund (Pension Fund) in securing the effective governance, robust administration, and efficient compliance of the Local Government Pension Scheme (LGPS).

This year has brought significant national regulatory evolution, complex structural decisions, and critical administrative milestones that have required our ongoing diligence and oversight. Through close collaboration with our internal administration teams and officers, actuary, and the Pension Fund Committee, we have supported the Committee through these complexities with a clear focus on our fiduciary duties to Pension Fund members.

Here are the key strategic areas from our agenda this past year:

**Valuation and Contributions:**
The lengthy extensive actuarial valuation work completed on 31 March 2026. Thanks to successful employer consultations and data uploads, the majority of our Pension Fund employers, including the Isle of Wight Council, will benefit from reduced contribution rates in the upcoming cycle.

**Investment Pooling Transitions:**
Following the Government's rejection of the ACCESS business plan, the Pension Fund faced an urgent mandate to secure an alternative pooling arrangement and our transition to LGPS Central has been a central point of debate. While Full Council resolved in principle to join LGPS Central, complex negotiations continue regarding our entry status. The Board has urged maximum urgency in resolving these governance hurdles to protect the Pension Fund against high-level risks and breach of statutory deadlines.

**Audit and Administration**:
I am pleased to report that the Pension Fund accounts for the year ended 31 March 2025 were finalised with no external audit comments. Administratively, the Pension Fund celebrated the successful transition to a new online member portal, improving member engagement. In terms of internal oversight, the Board noted the internal team are following up on internal audit recommendations to enhance transparency regarding payroll systems being used for teachers' enhanced pension payments.

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**Resource and Board Resilience**:
To meet the Pension Fund's escalating regulatory workload, the Board noted internal staffing structures have been reviewed to increase long-term operational resilience. While internal officer recruitment is actively expanding the Pension Fund in-house capacity, we recognise that training a larger team takes time.

I also wish to thank Trevor Ould and Barbara Milton for extending their Board terms for another four years ensuring stability for the Board. I, myself, have also agreed to extend my tenure on the Board, for another four years to continue to support the Pension Fund and Committee implementing new governance and pooling oversight arrangements.

**The New Pension Schemes Act:**
Looking ahead, the Government's new Pension Schemes Act will fundamentally reshape our governance landscape. By December 2026, the Council will appoint both a Senior LGPS officer and an independent member to the Committee and as a Board we look forward to working closely with these appointees.

The legislation places clear expectations on the administering authority to engage with employers and scheme members. In this context, our role, representing both employers and members, will be to advise on revisions to the Pension Fund's administration strategy, governance strategy, training strategy, and conflicts of interest policy.

We will also contribute to the review of the Pension Fund's Investment Strategy Statement (ISS), including its approach to responsible investment.

We face a demanding timeline ahead, particularly regarding our pooling arrangements and legislative compliance. I look forward to working closely with you all to ensure we deliver the clear, decisive guidance our Pension Fund members rely on.

Martin Doyle
Independent Chair, Local Pension Board
Isle of Wight Council LGPS

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## Local Pension Board Annual Report 2025-26

### 1 Constitution, Membership Representation and Attendance

The Local Pension Board of the Pension Fund was established in 2015 in accordance with s.5 of the Public Service Pensions Act 2013 (the Act) and regulation 106 of the Local Government Pension Scheme Regulations. The Terms of Reference set out the roles and responsibilities of the Board along with membership, eligibility and appointments.

Board membership during 2025-26 comprised, a non-voting independent chairman, two Scheme Employer representatives, and three Scheme Member representatives with equal voting rights. The Board members during 2025-26 are set out below.

| Name | Category | Date of Appointment | End of Term |
|---|---|---|---|
| Martin Doyle | Independent Chairman | 07-Mar-22 | 06-Mar-26* |
| **Employer Representatives** | | | |
| Cllr Andrew Garratt | Elected member of the IW Council | 16 July 25 | N/A |
| Tonya Jayston | IW Council Representative | 09-Nov-23 | 08-Nov-27 |
| **Scheme Member Representatives** | | | |
| Trevor Ould | Union nomination | 17-Nov-21 | 16-Nov-25* |
| Barbara Milton | Member representative | 01-Apr-22 | 31-Mar-26* |
| Jean Ratnayake | Member representative | 30-Sep-24 | 29-Sep-28 |

*During the year, Martin Doyle, Barbara Milton and Trevor Ould expressed interest in extending their terms of appointment and these have now been renewed for another four years.

There was one change to the Board membership during the year ended 31 March 2026 with Cllr Andrew Garratt elected to join the Board at Full Council on 16 July 2025. Cllr Garratt brings extensive experience, knowledge and understanding as a member of the Audit & Governance Committee of the Council (and having previously been a Pension Committee member in the past). The external employer position remained vacant throughout 2025-26 despite successive adverts.

During the year ended 31 March 2026 , the role profiles for all Board representatives and the Independent Chair of the Board were updated to ensure they reflected the latest guidance. All Board members, whether scheme member or employer representatives, are expected to comply with the role profiles for Board members, as published on the Pension Fund's website and act in line with the Board Terms of Reference.

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Each Board member endeavors to attend all Board meetings during the year and attended at least two of the scheduled meetings.

The quorum for Board meetings is three members, requiring at least one employer representative and at least one scheme member representative to be present.

Agendas and minutes of the meetings can be found at the following web link:
https://iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&Year=0

Members' attendance at Board meetings is detailed on the following table.

| Member | 7 Jun 2025 | 8 Oct 2025 | 6 Dec 2025 | 8 Mar 2026 |
|---|---|---|---|---|
| Martin Doyle (chair) | Y | Y | Y | Y |
| Cllr Andrew Garratt | n/a | Y | Y | Y |
| Tonya Jayston | Y | Y | N | Y |
| Barbara Milton | Y | Y | N | Y |
| Trevor Ould | Y | N | Y | Y |
| Jean Ratnayake | Y | Y | Y | N |

## 2 Activities of the Board

In 2025-26, the activities of the Board were:

**Governance & Legislative Oversight**

- **Received actuary training:** Participated in training provided by actuaries regarding the Board role in overseeing the valuation process.
- **Oversaw valuation data**: Monitored the administration team's valuation data uploads and monitored the overall valuation process throughout the year.
- **Reviewed legislative updates**: Received and discussed updates on the new Government Pension Schemes Bill.
- **Assessed training requirements**: Evaluated the impact of new individual knowledge, induction, and training requirements for Committee members.
- **Participated in investment belief training**: Took on responsibilities to check that the Pension Fund's new responsible investment policy is properly implemented.

**Investment Pooling Oversight & Intervention**

- **Monitored pool progress:** Tracked the ongoing updates, changes, and negotiations regarding investment pooling alternatives after the ACCESS business plan was rejected.
- **Provided formal recommendation to the Committee**: Board members unanimously agreed to strongly advise and urge the Pension Fund Committee to make a definitive decision on joining a pool.
- **Monitored the risk register**: Monitored high-level risks on the Pension Fund risk register specifically relating to governance and effective decision-making.
- **Challenged entry status**: Reviewed and debated the timeline, legal advice, and officer concerns regarding joining LGPS Central as a shareholder versus a client.
- **Recommended urgent communication**: Board member formally pressed for urgency in communicating the Pension Fund's shareholder preference back to LGPS Central.

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**Audit & Administration Review**

- **Reviewed internal audits:** Received updates regarding the progress of internal audit work regarding processing of teachers' enhanced pension payments via the Pension Fund payroll.
- **Monitored system upgrades:** Monitored the administrative transition to the new online member portal and the roll-out of "Access and Fairness/Protection" changes.
- **Assessed team resilience**: Monitored staffing structures, internal officer recruitment updates, and workload capacity plans to ensure long-term team resilience.

**Board Management**

- **Board membership tenures**: Noted 4-year term extensions for board members including Trevor Ould, Barbara Milton and Martin Doyle
- **Board role profiles updated:** Supported updates to the board role descriptions.
- **Supported standardising Board appointment processes**: Supported increased transparency regarding the method for appointing and reappointing future board members.
- **Supported adverts to encourage nominations for the external employer representative**: Supported advertisements being issued to fill external employer representative vacancies on both the Board and the Committee.

Reporting and Recording Breaches

The Board noted in 2025-26 the Pension Fund complied with deadlines for. ongoing annual reporting requirements such as producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR.

During the year ended 31 March 2026, there were no breaches that were deemed to be of material significance to the TPR, and therefore no breaches were formally reported via the Administering Authority.

## 3 Annual training & Development Report

Our Board members have diverse professional backgrounds from across key public and private sectors, including pension leadership positions, HR and payroll professionals, employment tribunal membership, and active union memberships. Collectively, our Board members bring many years of service serving on the Pension Board. Their experience as well as their external professional insights help the Board as a collective to bring balanced oversight.

To ensure Board members are conversant with the legal knowledge and understanding requirements, the Knowledge and Development Policy adopted in February 2025 provides a formal framework and establishes a comprehensive training strategy setting skill and knowledge expectations to help Board members develop their knowledge and understanding in the LGPS.

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Members must actively maintain their knowledge and understanding in line with Pension Fund policy and a blended learning approach is adopted to assist Board members with meeting core knowledge requirements as well as complete more advanced training.

A key part of compliance with the policy is completion of The Pension Regulator's Public Sector Toolkit, which is mandatory for all Board members and to ensure everyone has a foundation in public sector pension law and governance best practices.

During 2025-26, Board members were invited to join formal face-to-face workshops and training sessions which were organised and delivered by the Pension Fund advisors covering the following.

- Actuarial Valuation, June 2025 (Introductory): Actuarial valuation training designed to set the scene and establish foundational parameters.
- Responsible Investment and Pooling Workshop August 2025: A collaborative 2-hour responsible investment workshop held alongside Committee members, led by the Pension Fund's investment advisors, Hymans Robertson.
- Valuation training, October 2025 (Deep Dive): Advanced session focusing explicitly on employer engagement within the valuation process.
- Investment Pooling: Joint training focused on the structures, updates, and governance of collective asset pooling.
- Bond Market Briefing: Specialised market analysis session hosted by Royal London Asset Management.

As part of the blended learning approach, all Board members are provided with licenses to Hymans online learning tool which provides a flexible digital supplement to structured face-to-face training sessions held throughout the year.

Board members are also encouraged to record any additional continued professional development that they undertake such as watching specialised industry webinars, attending external industry events and conferences or reading national industry briefings.

To facilitate Board operations, all members are invited as formal observers to meetings of Pension Fund Committee. This helps to ensure direct alignment on strategic Penson Fund objectives.

In March 2026, Board members completed a knowledge and understanding self-assessment. The results of which will be used to prepare training schedules for the year to come.

In the year ended 31 March 2026 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £1,800.

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These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Pension Fund by the Council.

The budget for the year ended 31 March 2027 is set at £5,000 and actual spend will be monitored against this. The budget is set at a level to show the Boards' commitment to technical updating and training.

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

## 4 Workplan 2026-27

### 1. Strategic Oversight & Stakeholder Engagement

- **Resource & Capacity Monitoring**: Continue to review the adequacy of team resourcing and operational capacity required to deliver the core business plan and the appointment of the Senior LGPS Officer by December 2026.
- **Multi-Stakeholder Relations**: Maintain oversight of Pension Fund communication strategies across various stakeholders including employers, members, investment pool company and other stakeholders.
- **Asset Pooling Realignment**: Monitor the implementation of the new pooling approach, stewardship code updates, and the transition of investment advice.
- **Annual Contract Assurance**: Monitor internal verification checks for third-party IT suppliers, cyber controls, and external investment managers.

### 2. Investment Governance, Funding & Valuation

- **Dual-Role Client/Shareholder Framework**: Evaluate the governance mechanisms used to oversee the pool company as both a shareholder and a client and ensure the Pension Fund continues to receive investment monitoring quarterly updates and updates from investment managers.
- **Responsible Investment (RI) Challenges**: Monitor how LGPS Central handles conflicting ESG/RI policies among different partner funds, ensuring local priorities remain deliverable.
- **Post-Valuation & Employer Risk Management**: Oversee the practical rollout of the 2025 valuation outcomes.

### 3. Administration & Operational Assurance

- **Employer Compliance Strategy**: Review the update of all Pension Fund-provided employer policies and procedures to improve data quality and statutory compliance.
- **KPI & Data Score Maintenance**: Scrutinise operational KPIs for casework processing, complaints, and annual audits and The Pensions Regulator Data Scores.

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## 4. Major Projects & Regulatory Mandates

- **McCloud Remedy Closure:** Monitor the finalisation of all outstanding McCloud rectification cases by the strict 31 August 2026 operational deadline.
- **Pensions Dashboard Governance**: Review ongoing compliance, data security, and AVC connectivity infrastructure.
- **Payment Automation**: Oversee the practical implementation and roll-out of automated payment systems.
- **Incoming Regulatory Changes**: Review Pension Fund readiness for newly released national guidance regarding:
  - Pension access for mayors and councillors.
  - New Fair Deal and Academies in the LGPS.
  - Normal Minimum Pension Age adjustments.
  - Survivors Benefits and the Gender Pensions Gap.

## 5. Financial Management & Treasury

- **Cashflow Tracking**: Monitor cashflow forecasting, operational budgeting, and the reconciliation of employer contribution payments.
- **Statutory Disclosure Oversight**: Assist with reviewing the Annual Report & Accounts (including tax filings and required structural disclosures) under current Scheme Advisory Board (SAB) guidelines.

## 6. Governance & Knowledge Management

- **TPR General Code Compliance**: Review internal action plans against the expectations of the TPR General Code of Practice.
- **Core Document Renewals**: Monitor updates on:
  - Delegations, discretions, and the decision-making matrix.
  - Constitution and Assurance Statements.
  - Data protection, retention, and Communication Policies.
- **'Fit for the Future' Restructuring**:
  - Support the onboarding of the new **Independent Advisor** (non-voting) and the **Senior LGPS Officer**.
  - Support preparations for the upcoming **Independent Governance Review (IGR)**.
- **Training Plan Execution (2026-27)**:
  - Ensure 100% of Board members complete the TPR Public Sector Toolkit and their assigned Hymans LOLA modules.
  - Track individual board members progress to maintain or exceed the Pension Fund's previous National Knowledge Assessment (NKA) scores.

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## Section 3 - Financial performance

### 3.1 Financial performance

Shown below is the Pension Fund's financial results for the year ended 31 March 2026 compared to the year ended 31 March 2025 (the performance of investments and income thereon is reported in Section 5).

**Net additions/(withdrawals) from dealings with members**

| 3.1A - Net additions/(withdrawals) from dealings with members | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| | | | The net withdrawal has reduced largely due to increased transfers in and reduced transfers out. |
| Overall net withdrawals from dealings with members | (5,422) | (7,235) | |
| % decrease in dealing with members | | (25.1) | |

The components that derive the net withdrawals figure are contributions receivable, benefits payable and transfers for the year. These have been analysed in further detail in the tables below.

The Pension Fund does not have day to day control over the components that derive the withdrawals figure as contributions received are determined by an actuarial valuation fixed for a three year period and both benefits payable and transfers are determined each month based on numerous factors. The Pension Fund therefore closely monitors cashflows in order to ensure all payments due are met.

A net withdrawal position is not in itself a concern and for multi-member pension funds periods of net withdrawals can be normal. The latest actuarial valuation, at 31 March 2025, concluded that the Pension Fund's assets meet the actual present value of promised retirement benefits by 149%.

As part of the triennial valuation process, the Pension Fund Committee consulted with the actuary to set future contribution rates for the three years from 31 March 2027 onwards. The review concluded it was appropriate to reduce contribution rates due to the positive funding position even though this is likely to increase the net withdrawals figure in future.

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| 3.1B - Members' and employers' contributions | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Employee normal contributions | 5,659 | 5,495 |
| Employer normal contributions | 21,034 | 19,762 |
| | 26,693 | 25,257 |
| % increase in normal contributions | | 5.7 |
| Employee additional contributions | 1 | 5 |
| Employer deficit & strain contributions | 437 | 306 |
| | 438 | 311 |
| Total contributions | 27,131 | 25,568 |
| % increase in contributions | | 6.1 |

**Explanation of movement**

Normal employee and employer contributions increased by 5.7% largely due to the addition of 2 employers (see 3.2) and an overall increase in active members and pay increases throughout the year.

| Average contributions as a percentage of pensionable pay: | | |
|---|---|---|
| Employees | 6.3 | 6.4 |
| Employers | 23.2 | 23.1 |

Contribution rates compared with pensionable pay have remained consistent.

| 3.1C - Benefits payable | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Pensions | 26,189 | 25,234 |
| Commutation and lump sum retirement benefits | 4,759 | 3,936 |
| Lump sum death benefits | 850 | 379 |
| Tax recovery | - | (4) |
| | 31,798 | 29,545 |
| % Increase in pensions payable | | 3.8 |
| % Increase in other benefits payable | | 4.4 |
| % of benefits payable to contributions | 119.1 | 117.0 |

**Explanation of movement**

Pensions increased over and above the England and Wales LGPS inflationary increase of 1.7% due to net additions to pensioners (see 3.2). Benefits outweighed normal contributions by an additional 2.1% reducing monthly cashflows.

| 3.1D - Transfers in and payments to and on account of leavers | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Transfers in | 2,780 | 863 |
| Refund to members leaving service | (78) | (86) |
| Transfers out | (3,473) | (4,056) |
| Net payments out | (771) | (3,279) |
| % decrease in net payments out | | 325.3 |

**Explanation of movement**

Largely due to Transfers In increasing in number by 60% and in value by 400% for those over £200k.

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## Management expenses

Management expenses comprise costs in relation to the operation of the Pension Fund as a whole (being Administrative costs plus Oversight and governance costs) along with the investment management expenses incurred directly in relation to the investment portfolio.

| 3.1E - Administrative costs and oversight and governance costs | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| Staffing costs | 619 | 482 | Management expenses have increased largely due to (1) Increased number of staff, which reduced actuary support fees. (2) A full year of agency staff costs. (3) Increased legal & actuary fees in relation to relocating to an alternative Government approved LGPS investment pool. |
| Premises costs | 54 | 64 | |
| Information and communication technology | 469 | 405 | |
| Professional fees | 1,212 | 979 | |
| Other | 284 | 55 | |
| | 2,638 | 1,985 | |

These are disclosed in the Pension Fund Accounts as follows:

| | | |
|---|---|---|
| Administrative costs | 1,689 | 1,328 |
| Oversight and governance costs | 949 | 657 |
| **Total administrative costs plus Oversight & governance costs** | 2,638 | 1,985 |
| % Increase in costs | | 32.9 |

| 3.1F - Investment management expenses | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| Management fees | 7,122 | 7,607 | Investment management expenses have decreased largely due to a reduction in infrastructure management and performance fees which are incurred when investments outperform benchmark. |
| % Decrease in fees | | (6.4) | |

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## Investment income

| 3.1G - Investment income | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| Pooled investment vehicles | 14,209 | 13,148 | Investment income has increased largely due to pooled and private debt returns, reduced by cash deposit interest reflecting the reduction of cash held throughout the year. |
| Pooled property investments | 1,510 | 1,826 | |
| Private debt | 5,217 | 4,146 | |
| Infrastructure | 9,447 | 9,728 | |
| Cash | 605 | 1,124 | |
| | 30,988 | 29,972 | |
| % Increase in investment income | | 3.4 | |

## Non-investment assets and liabilities

| 3.1H - Non-investment assets and liabilities | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| Long term assets | 143 | 127 | Current assets have decreased largely due to the reduction of cash balances held at the year-end. |
| Current assets | 8,697 | 11,479 | |
| Current liabilities | (799) | (1,353) | |
| | 8,041 | 10,253 | |
| % Decrease in Non-investment assets and liabilities | | (21.6) | |

## Recovery of pension overpayments

Overpaid pensions are recovered in line with national guidelines, following identification from a variety of sources including the national fraud initiative and 'tell us once' services. No amounts were written off in the year (2024-25 £nil).

## Actions to deal with fraud

The Pension Fund has robust internal controls and service arrangements designed to prevent fraud. It has a procured external mortality and data cleansing and tracing service and participates in the national fraud initiative, which is independently audited, as well as the 'tell us once' service. It also implements LGPS and Action Fraud guidance associated with the key controls required for financial movements. The Pension Fund also fulfils its data quality obligations through the employment of data validation tools provided by its professional advisers.

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## 3.2 Membership data

Shown below is the Pension Fund's summary membership data for the year ended 31 March 2026 compared to the year ended 31 March 2025 (further detail is reported in **Section 6**).

| | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 | Explanation of movement |
|---|---|---|---|
| **Active membership movements** | | | |
| Number of employers with contributors (active members) | 31 | 33 | Two Employers admitted in the year, four exited. This resulted in a net increase of 29 active members. There have been 103 active member retirements in the year, mostly IOW Council employees, and these together largely explain the net decrease of 61 contributors. |
| Decrease in employers with contributors | | (2) | |
| Total number of contributors (active members) | 4,443 | 4,504 | |
| Decrease in total contributors | | (61) | |
| Number of contributors in the IOW Council (Administering Authority) | 3,531 | 3,623 | |
| Decrease in IOW Council members | | (92) | |
| | | | |
| Percentage of Isle of Wight Council contributors to total contributors (active members) | 79.50 | 80.40 | The IOW Council remained the largest employer in the Pension Fund. |
| **Benefit recipient movements** | | | |
| Number of total members | 18,957 | 18,668 | The total number of benefit recipients remained at around 35% of total members. |
| Number of benefit recipients (Pensioners, widows, and dependent pensioners) | 6,656 | 6,408 | |
| Increase in benefit recipients | | 248 | |
| % benefit recipients of total members | 35.1 | 34.3 | |
| | | | |
| Number of IOW Council beneficiaries (Administering Authority) | 5,920 | 5,811 | The IOW Council remained the largest employer with beneficiaries in the Pension Fund. Although numbers increased they reduced compared to the overall number of beneficiaries. |
| Increase in IOW Council members | | 109 | |
| % benefit recipients of total members | 88.9 | 90.7 | |

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## 3.3 Contributions analysis: Instances of late payments and returns

The table below sets out the number of instances of late payments and the accompanying remittance returns of contributions receivable during the year ended 31 March 2026. The LGPS regulations specify that contributions must be received by pension funds by the 22nd of the following month.

| | | Instances Payments Late Nos | Instances Return Late*1 Nos |
|---|---|---|---|
| Employers experiencing lengthy on-boarding process | *2 | 6 | 17 |
| Employers using third party payroll services (excluding above) | *3 | - | 19 |
| Employers exited in the year (fully paid by exit) | | 1 | - |
| Employers paid late on 3 or more occasions (excluding above) | *4 | 7 | - |
| Employers paid or filed return late on 2 or less occassions | | 3 | 4 |
| **Grand Total** | | 17 | 40 |

*1 - Late Returns include those submitted on time but returned to the employer to be corrected due to the information provided not meeting the standard required.

*2 - Two new employers have been experiencing protracted on-boarding issues. The Pension Fund team have been working closely with both employers to help resolve the process.

*3 - Some employers have out-sourced their payroll services. The Isle of Wight Council is also responsible for a number of maintained schools across the Isle of Wight that out-source their payroll services. There have been separate instances of late returns submitted during the year across the payroll providers. The corresponding payments have not been received late. All employers and payroll providers are contacted when breaches occur to understand the issues and escalate to meetings or other courses of action where deemed necessary.

*4 - Two employers paid late on three or more occassions. One was routinely late at the beginning of the financial year but on time since then. The other routinely paid late towards the end of the financial year but has been paying on time since the year end. Both employers were contacted on each occassion to assist, where possible, with issues arising and with a view to preventing future late payments.

Receipt of contributions is reviewed on a monthly basis to determine any actions required. We continue to work with our employers to help them understand their responsibilities and avoid breaches in the future. The Pension Fund is also looking to strengthen its internal governance framework to increase enforcement action where areas of non-compliance are identified. No late payment interest was charged to employers in the year ended 31 March 2026 (2025: £nil).

A Breach Log is maintained and reviewed regularly by senior officers, the Local Pension Board and the Pension Fund Committee. Where there is deemed to be a material breach, it is reported to The Pensions Regulator in line with the Pension Fund policy. No breaches had been reported to the regulator in the year to 31 March 2026.

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## Section 4 Pension Fund Accounts

| FUND ACCOUNT | NOTES | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|---|
| **Dealings with members, employers and others directly involved in the fund** | | | |
| Contributions | 7 | 27,131 | 25,568 |
| Transfers in from other pension funds | 8 | 2,780 | 863 |
| Other income | 9 | 16 | 21 |
| | | 29,927 | 26,452 |
| | | | |
| Benefits | 10 | 31,798 | 29,545 |
| Payments to and on account of leavers | 11 | 3,551 | 4,142 |
| | | 35,349 | 33,687 |
| | | | |
| **Net additions/(withdrawals) from dealings with members** | | **(5,422)** | **(7,235)** |
| | | | |
| Management expenses | 12 | 9,760 | 9,592 |
| | | | |
| **Net additions/(withdrawals) including fund management expenses** | | **(15,182)** | **(16,827)** |
| | | | |
| **Returns on investments** | | | |
| Investment income | 13 | 30,988 | 29,972 |
| Taxes on income | 14 | 8 | - |
| Profits and losses on disposal of investments and changes in the value of investments | 16A | 46,851 | 21,455 |
| **Net return on investments** | | **77,847** | **51,427** |
| | | | |
| **Net increase/(decrease) in the net assets available for benefits during the year** | | **62,665** | **34,600** |
| **Opening Net Assets of the Scheme** | | **810,062** | **775,462** |
| **Closing Net Assets of the Scheme** | | **872,727** | **810,062** |

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| NET ASSETS STATEMENT | NOTES | As at 31 March 2026 £000 | As at 31 March 2025 £000 |
|---|---|---|---|
| | | | |
| Investment assets | 16 | 860,662 | 791,771 |
| Cash deposits | 16 | 4,024 | 8,038 |
| **Total net investments** | | 864,686 | 799,809 |
| | | | |
| Long-term assets | 22 | 143 | 127 |
| Current assets | 23 | 8,697 | 11,479 |
| Current liabilities | 24 | (799) | (1,353) |
| | | 8,041 | 10,253 |
| | | | |
| **Net assets of the fund available to fund benefits at the period end** | | **872,727** | **810,062** |

The Pension 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 21.

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## Notes to the accounts

### Note 1 Description of the Pension Fund

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

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

#### a) General

The Pension Fund is governed by the Public Service Pensions Act 2013. The Pension 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, Designated and Admitted bodies on the Isle of Wight. Teachers and police officers are not included as they come within other national pension schemes.

The Council has delegated its statutory functions as the Scheme Manager of the Isle of Wight Council Pension Fund to the Isle of Wight Pension Fund Committee (Committee).

#### b) Membership

Membership of the LGPS is set out in legislation and is largely determined by the type of employer.

The majority of individuals are automatically enrolled by their employers into the scheme where auto-enrolment criteria is met, legislation dictates and LGPS membership criteria is met, although individuals retain the right to opt-out. As at May 2026, elected members also now have the right to voluntarily opt-into the scheme.

Organisations participating in the Pension Fund as scheme employers include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Pension Fund.
- Designated bodies, such as town and parish councils, which have the discretionary power to nominate specific employees or job roles to join the scheme, rather than enrolling all staff automatically.
- Admitted bodies, which are other organisations that participate in the Pension Fund under the terms of an admission agreement between the Pension 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.

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**The Scheduled bodies and Designated bodies of the Pension Fund with active members at 31 March 2026 are:**

1. Bembridge Parish Council
2. Carisbrooke College
3. Cowes Enterprise College
4. Cowes Town Council
5. Fishbourne Parish Council
6. Gurnard Parish Council
7. Hunnyhill Academy (admitted in year)
8. Island Free School
9. Isle of Wight College
10. Isle of Wight Council
11. Lanesend Primary Academy
12. Medina College
13. Newport and Carisbrooke Community Council
14. Northwood Academy
15. Northwood Parish Council
16. Ryde Academy
17. Ryde Town Council
18. Sandown Town Council
19. Shanklin Town Council
20. St Blasius Primary Academy
21. St Francis Primary Academy
22. Wootton Parish Council

**The Admitted bodies of the Pension Fund with active members at 31 March 2026 are:**

1. Barnardo's 2021
2. CleanTec Services
3. Cowes Harbour Commissioners
4. Island Roads
5. Polaris Community
6. Southern Vectis
7. St Catherine's School
8. Ventnor Botanic Gardens
9. KGB Cleaning (admitted in year)

**The membership of the scheme is shown below:**

| Year ended 31 March 2026 | Isle of Wight Council (a Scheduled body) | Other Scheduled & Designated Bodies | Admitted Bodies | Total |
|---|---|---|---|---|
| Number of employers with active members: | 1 | 21 | 9 | 31 |
| Members: | | | | |
| Number of contributors (Active members) | 3,531 | 877 | 35 | **4,443** |
| Number of frozen funds *1 | 777 | 121 | 3 | **901** |
| Number of deferred pensions *2 | 5,936 | 884 | 137 | **6,957** |
| Number of pensioners/ widows/dependent pensioners | 5,920 | 493 | 243 | **6,656** |
| **Membership total** | **16,164** | **2,375** | **418** | **18,957** |

| Year ended 31 March 2025 | | | | |
|---|---|---|---|---|
| Number of employers with active members: | 1 | 20 | 12 | 33 |
| Members: | | | | |
| Number of contributors (Active members) | 3,623 | 815 | 66 | **4,504** |
| Number of frozen funds *1 | 763 | 112 | 3 | **878** |
| Number of deferred pensions *2 | 5,954 | 846 | 78 | **6,878** |
| Number of pensioners/ widows/dependent pensioners | 5,811 | 455 | 142 | **6,408** |
| **Membership total** | **16,151** | **2,228** | **289** | **18,668** |

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

*2, Deferred pensioners are former employees who have accrued pension rights within the Pension Fund but have not yet reached retirement age to enable them to access their benefits or transferred their accrued rights to another fund/provider.

**The following Admitted Bodies exited during the year ended 31 March 2026:**

- Keys Group
- Sovereign Housing
- Southern Housing
- Top Mops

## 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.

### Employee contributions

The pay bands and rates applicable for the year ended 31 March 2026 are detailed below:

| Range (Actual pensionable pay) | Contribution rate |
|---|---|
| Up to £17,800 | 5.50% |
| More than £17,801 and up to £28,000 | 5.80% |
| More than £28,001 and up to £45,600 | 6.50% |
| More than £45,601 and up to £57,700 | 6.80% |
| More than £57,701 and up to £81,000 | 8.50% |
| More than £81,001 and up to £114,800 | 9.90% |
| More than £114,801 and up to £135,300 | 10.50% |
| More than £135,301 and up to £203,000 | 11.40% |
| More than £203,001 or more | 12.50% |

### Employer contributions

Employers' contributions are set based on triennial actuarial funding valuations. The contributions due for the year to 31 March 2026 are based on the valuation at 31 March 2022. The future employer contribution rates are determined by the latest valuation as at 31 March 2025, as detailed in note 20.

## 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. | No automatic lump sum. |
| | 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. | |

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

A range of other benefits are also provided including early retirement, disability pensions and death benefits as explained on the LGPS website, see www.lgpsmember.org. Further details an be found on the Pension Fund website: http://www.isleofwightpensionfund.org.

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## Note 2 Basis of preparation

The Statement of Accounts summarises the Pension Fund's transactions for the year ended 31 March 2026 financial year and its position at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26 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 21** of these accounts.

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

The Pension Fund's latest actuarial valuation, as at 31 March 2025, showed it to be 149% funded, an increase from the position 3 years prior of 102%. Investment markets continued to be impacted by the ongoing Russian invasion of Ukraine which commenced in February 2022. Furthermore, market volatility continues to be experienced due to the increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East.

The Pension Fund remains a statutory open scheme where a vast majority of active members (over 98%) are employed in entities that have secure public sector funding, and therefore there should be no doubt in the employers ability to continue to make their pension contributions.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance. In the unlikely event that investments need to be sold, at least 82% of the Pension Fund's investments can be converted into cash within 3 months (81% in 2024-25).

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## Note 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 Pension Fund actuary for the period to which they relate.

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

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.

Employers' augmentation contributions and pensions strain contributions are accounted for when received. Any amount due in year but unpaid will be classed as a current financial asset.

**b) Transfers to and from other schemes**

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

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

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

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

**c) Investment income**

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the value of investments

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

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## 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 Pension Fund discloses its 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 account on an accruals basis as follows:

*Administrative expenses*

All staff costs relating to the pension's administration team are charged directly to the Pension Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Pension Fund.

*Oversight and governance costs*

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Pension Fund.

*Investment management expenses*

Investment fees are charged directly to the Pension Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in market value of investments.

Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the year-end date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2025-26 £nil fees are based on such estimates (2024-25: £116k)

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

### 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.

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## Net assets statement

### h) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Pension Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet complete, at 31 March each year as accounted for as financial instruments held at amortised and reflected in the reconciliation of movements in investments in Note 16A.

Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Pension 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 Pension Fund's external managers.

All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the Pension Fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Pension Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (**note 21**).

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**m) Additional Voluntary Contributions**

The 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 for information in **note 25**.

**n) Accruals of expenditure and income**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council, as administering authority for the Pension Fund.

• Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.

• Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

• Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather that when payments are made.

• Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

• Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**o) Contingent Liabilities and Contingent Assets**

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset, whose existence will only be confirmed or otherwise by future events.

Contingent assets and liabilities are not recognised in the net asset statement but disclosed by way of a narrative in the notes (see **note 27**).

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## Note 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 21.

These actuarial revaluations are used to set future contribution rates and underpin the Pension 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.

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## Note 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 2026 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 21) | 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 Pension Fund with expert advice about the assumptions to be applied. | For instance:<br>A 0.1% decrease in the discount rate assumption would result in a decrease in the pension fund surplus of £10m.<br>A 0.1% increase in assumed earnings inflation would cause the surplus to be unchanged.<br>A 0.1% increase in assumed price inflation/pension increases would decrease the surplus by approximately £10m.<br>A one-year increase in assumed life expectancy would decrease the surplus by approximately £25m. |
| Pooled Property Funds (note 17) | 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. |

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| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Private Debt (note 17) | These investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (December 2018), based on the fund manager valuations as at the end of the reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Private Debt investments are valued at £58.7m in the financial statements. There is a risk that this investment may be over or understated in the accounts. |
| Infrastructure (note 17) | These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018), based on the fund manager valuations as at the end of the reporting period. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Infrastructure investments are valued at £68.3m in the financial statements. There is a risk that this investment may be over or understated in the accounts. |

## Note 6 Events after the balance sheet date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

• those that provide additional information about conditions that existed at the end of the reporting period (adjusting events) and

• those that relate to events occurring after the reporting period (non-adjusting events).

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

There are no post balance sheet events recorded prior to the authorised for issue date and any events that occurred after this date have not been recognised in the statement of accounts.

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| Note 7 Contributions receivable | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| **By category:** | | |
| Employees' normal contributions | 5,659 | 5,495 |
| Employees' additional contributions | 1 | 5 |
| | 5,660 | 5,500 |
| Employers' normal contributions | 21,034 | 19,762 |
| Employers' deficit recovery contributions | 15 | 124 |
| Employers' pension strain contributions | 422 | 182 |
| | 21,471 | 20,068 |
| | **27,131** | **25,568** |

| **By type of employer:** | | |
|---|---|---|
| Administering authority | 22,660 | 21,334 |
| Scheduled & Designated bodies | 3,951 | 3,317 |
| Admitted bodies | 520 | 917 |
| | **27,131** | **25,568** |

| Note 8 Transfers in from other pension funds | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Individual transfers | 2,780 | 863 |
| | **2,780** | **863** |

| Note 9 Other income | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Miscellaneous income | 16 | 21 |
| | **16** | **21** |

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| Note 10 Benefits payable | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| **By category:** | | |
| Pensions | 26,189 | 25,234 |
| Commutation and lump sum retirement benefits | 4,759 | 3,936 |
| Lump sum death benefits | 850 | 379 |
| Tax recovery | - | (4) |
| | **31,798** | **29,545** |

| **By type of employer:** | | |
|---|---|---|
| Administering authority | 27,357 | 25,696 |
| Scheduled & Designated bodies | 2,287 | 2,097 |
| Admitted bodies | 2,154 | 1,752 |
| | **31,798** | **29,545** |

| Note 11 Payments to and on account of leavers | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Refund to members leaving service | 78 | 86 |
| Group transfers | - | 2,019 |
| Individual transfers | 3,473 | 2,037 |
| | **3,551** | **4,142** |

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| Note 12 Management expenses | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Administrative costs | 1,689 | 1,328 |
| Investment management expenses | 7,122 | 7,607 |
| Oversight and governance costs | 949 | 657 |
| | 9,760 | 9,592 |

## Note 12A Investment Management expenses

| Year ended 31 March 2026 | Total £000 | Management fees £000 | Performance related fees £000 | Transaction fees £000 |
|---|---|---|---|---|
| Pooled investments | 1,673 | 1,305 | - | 368 |
| Pooled property investments | 901 | 841 | - | 60 |
| Private debt | 2,533 | 2,213 | 320 | - |
| Infrastructure | 2,012 | 745 | 1,150 | 117 |
| | 7,119 | 5,104 | 1,470 | 545 |
| Custody fees | 3 | | | |
| | **7,122** | | | |

| Year ended 31 March 2025 | Total £000 | Management fees £000 | Performance related fees £000 | Transaction fees £000 |
|---|---|---|---|---|
| Pooled investments | 1,513 | 1,204 | - | 309 |
| Pooled property investments | 787 | 776 | - | 11 |
| Private debt | 2,831 | 2,617 | 214 | - |
| Infrastructure | 2,472 | 2,341 | 131 | - |
| | 7,603 | 6,938 | 345 | 320 |
| Custody fees | 4 | | | |
| | **7,607** | | | |

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| Note 13 Investment income | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| **Income from pooled investment vehicles:** | | |
| Pooled UK equity | 2,688 | 2,838 |
| Pooled Global equity | 2,125 | 2,189 |
| Pooled Fixed income unit trusts | 9,108 | 8,121 |
| Pooled Diversified growth fund | 288 | - |
| **Income from other investments:** | | |
| Pooled Property | 1,510 | 1,826 |
| Private debt | 5,217 | 4,146 |
| Infrastructure | 9,447 | 9,728 |
| Interest on cash deposits | 605 | 1,124 |
| **Total** | **30,988** | **29,972** |

| Note 14 Taxation | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Withholding tax - equities | 8 | - |
| | **8** | **-** |

| Note 15 External audit costs | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Payable in respect of external audit | 90 | 74 |
| | **90** | **74** |

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| Note 16 Investments | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| **Pooled investment vehicles:** | | |
| Pooled UK equity | 120,364 | 114,881 |
| Pooled Global equity | 401,396 | 356,771 |
| Pooled Fixed income unit trusts | 179,344 | 171,508 |
| Pooled Diversified growth fund | - | 2 |
| | 701,104 | 643,162 |
| **Other investments:** | | |
| Pooled property | 32,446 | 36,341 |
| Private debt | 58,749 | 50,083 |
| Infrastructure | 68,363 | 62,170 |
| Recoverable withholding tax | - | 15 |
| | 159,558 | 148,609 |
| **Total investments** | **860,662** | **791,771** |
| Cash deposits | 4,024 | 8,038 |
| **Total investment assets** | **864,686** | **799,809** |

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## 16A Reconciliation of movements in investments

| Year ended 31 March 2026 | Market Value 1 Apr 25 £000 | Purchases during year £000 | Sales during year £000 | Change in Mkt value £000 | Market Value 31 Mar 26 £000 |
|---|---|---|---|---|---|
| Pooled Investment Vehicles | **643,162** | 9,108 | (1,586) | 50,420 | **701,104** |
| Pooled Property Investments | **36,341** | 1,051 | (1,043) | (3,903) | **32,446** |
| Private Debt | **50,083** | 24,132 | (14,051) | (1,415) | **58,749** |
| Infrastructure | **62,170** | 10,729 | (6,284) | 1,748 | **68,363** |
| Recoverable withholding tax | **15** | - | (15) | - | **-** |
| **Investment assets** | **791,771** | **45,020** | **(22,979)** | **46,850** | **860,662** |
| Cash deposits | **8,038** | 13,023 | (17,038) | 1 | **4,024** |
| **Net investment assets** | **799,809** | **58,043** | **(40,017)** | **46,851** | **864,686** |

| Year ended 31 March 2025 | Market Value 1 Apr 24 £000 | Purchases during year £000 | Sales during year £000 | Change in Mkt value £000 | Market Value 31 Mar 25 £000 |
|---|---|---|---|---|---|
| Pooled Investment Vehicles | **629,049** | 65,093 | (68,400) | 17,420 | **643,162** |
| Pooled Property Investments | **35,163** | 1,610 | (572) | 140 | **36,341** |
| Private Debt | **25,842** | 29,594 | (10,021) | 4,668 | **50,083** |
| Infrastructure | **25,363** | 39,224 | (2,156) | (261) | **62,170** |
| Recoverable withholding tax | **14** | 1 | - | - | **15** |
| **Investment assets** | **715,431** | **135,522** | **(81,149)** | **21,967** | **791,771** |
| Cash deposits | **42,188** | 77,701 | (111,339) | (512) | **8,038** |
| **Net investment assets** | **757,619** | **213,223** | **(192,488)** | **21,455** | **799,809** |

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## Note 16B Investments analysed by fund manager

| | Market Value 31 March 2026 £000 | Percent of Total 2026 % | Market Value 31 March 2025 £000 | Percent of Total 2025 % |
|---|---|---|---|---|
| **Investments managed by ACCESS pool:** | | | | |
| UBS, Life Climate Aware World Equity | 212,353 | 24.6% | 177,575 | 22.2% |
| Newton, Global Equities | 189,043 | 21.9% | 179,196 | 22.4% |
| Royal London, Core Bond | 179,344 | 20.7% | 171,508 | 21.4% |
| Blackrock, UK Equities | 120,364 | 13.9% | 114,881 | 14.4% |
| Baillie Gifford, Diversified Growth | - | 0.0% | 2 | 0.0% |
| | 701,104 | 81.1% | 643,162 | 80.4% |
| **Investments managed outside ACCESS pool:** | | | | |
| Pantheon, Private Debt | 44,060 | 5.1% | 29,545 | 3.7% |
| Partners, Infrastructure | 35,524 | 4.1% | 30,950 | 3.9% |
| JP Morgan, Infrastructure | 32,839 | 3.7% | 31,220 | 3.9% |
| Goldman Sachs, Private Debt | 14,689 | 1.7% | 20,538 | 2.6% |
| Schroder, Pooled Property * | 32,446 | 3.8% | 36,341 | 4.5% |
| | 159,558 | 18.40% | 148,594 | 18.60% |
| Withholding tax | - | 0.0% | 15 | 0.0% |
| **Subtotal** | **860,662** | **99.5%** | **791,771** | **99.0%** |
| **Cash deposits:** | | | | |
| Aberdeen | 1,500 | 0.2% | 4,000 | 0.5% |
| AVIVA | 2,000 | 0.2% | 4,000 | 0.5% |
| Other | 524 | 0.1% | 38 | 0.0% |
| | **4,024** | **0.50%** | **8,038** | **1.00%** |
| **Total** | **864,686** | **100.0%** | **799,809** | **100.0%** |

* In December 2025, the Schroder Pooled Property Fund was placed into temporary suspension to pause all dealing activity whilst the cashflow stabilises following significant redemption requests. The Pension Fund continues to receive dividends and will receive redemption funds once the suspension has been lifted.

The following investments represent more than five per cent of the total net assets of the Pension Fund:

| Investments more than 5% of net assets | Market Value 31 March 2026 £000 | Percent of Net Assets 2026 % | Market Value 31 March 2025 £000 | Percent of Net Assets 2025 % |
|---|---|---|---|---|
| UBS, Life Climate Aware World Equity | 212,353 | 24.3% | 177,575 | 21.9% |
| Newton, Global Equities | 189,043 | 21.7% | 179,196 | 22.1% |
| Royal London, Core Bond | 179,344 | 20.5% | 171,508 | 21.2% |
| Blackrock, UK Equities | 120,364 | 13.8% | 114,881 | 14.2% |
| Pantheon, Private Debt | 44,060 | 5.0% | 29,545 | 3.6% |

## 16C. Stock

The Fund's investment strategy sets the parameters for its stock-lending programme.
Prior to joining the ACCESS pool, the fund did not undertake stock lending.
Since transitioning to the pool, the fund participates in a collateralised stock lending programme undertaken for each of the sub-funds by the pool's custodian, Northern Trust.
During the year the average value of the Pension Fund's share of the quoted equities on loan was £24.1m (2024-25: £32.4m).
These equities continue to be recognised in the Pension Fund's financial statements. No liabilities are associated with the loaned assets.
All income earned by lending securities is accumulated in the sub-fund and is reported in the value of investments.

## 17. 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.

| **Market quoted investments** | |
|---|---|
| Valuation Hierarchy | - Level 1 |
| Basis of Valuation | - Published bid market price ruling on the final day of the accounting period. |
| Observable and unobservable inputs | - Not required. |
| Key sensitivities affecting the valuations provided | - Not required. |

| **Exchange traded pooled investments** | |
|---|---|
| Valuation Hierarchy | - Level 1 |
| Basis of Valuation | - Closing bid value on published exchanges. |
| Observable and unobservable inputs | - Not required. |
| Key sensitivities affecting the valuations provided | - Not required. |

| **Pooled investments – overseas unit trusts and property funds** | |
|---|---|
| Valuation Hierarchy | - Level 2 |
| Basis of Valuation | - Closing bid price where bid and offer prices are published.<br>- Closing single price where single price published. |
| Observable and unobservable inputs | - NAV- based pricing set on a forward pricing basis. |
| Key sensitivities affecting the valuations provided | - Not required. |

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| | |
|---|---|
| **Private Debt** | |
| Valuation Hierarchy | - Level 3 |
| Basis of Valuation (see *) | - (i) Goldman Sachs report is based on a quarterly valuation to the end of 31 March 2026. The quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (“Fair Value Measurements and Disclosures”) and in accordance with US GAAP.<br><br>- (ii) Pantheon’s quarterly valuation is produced in accordance with the relevant accounting standards. However, the final quarter was estimated as at 31 March, based on information from the Investment Manager applying the previous quarter rolled forward for cash position. |
| Observable and unobservable inputs | - Management's cash flow projections, estimates of growth expectations and profitability; profit margin expectations; gross domestic product; inflation; interest rates; discount rates; tax rates; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques. |
| Key sensitivities affecting the valuations provided | - Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent transaction prices. |
| **Infrastructure** | |
| Valuation Hierarchy | - Level 3 |
| Basis of Valuation (see *) | - Fair values as per International Private equity and venture capital guidelines (2012). |
| Observable and unobservable inputs | - Valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples. |
| Key sensitivities affecting the valuations provided | - Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations. |

*The Pension Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the audited and unaudited information. To date, the audited accounts for Private Debt and Infrastructure have been given unqualified opinions without any identified exceptions.

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## Sensitivity of assets valued at Level 3

The Pension Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2026.

| | Potential variation in fair value | Value at 31 March 2026 £000 | Potential value on increase £000 | Potential value on decrease £000 |
|---|---|---|---|---|
| Private debt | +/ - 10% | 58,749 | 64,624 | 52,874 |
| Infrastructure | + / - 10% | 68,363 | 75,199 | 61,527 |
| **Total** | | **127,112** | **139,823** | **114,401** |

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## 17A Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds and unit trusts.

### Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value based on observable data.

### Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant impact on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

| Year ended 31 March 2026 | Quoted Market price | Using observable inputs | With significant Unobservable inputs | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| Financial assets at fair value through profit and loss | 4,024 | 733,550 | 127,112 | 864,686 |
| Financial liabilities at fair value through profit and loss | - | - | - | - |
| **Net investment assets** | **4,024** | **733,550** | **127,112** | **864,686** |

| Year ended 31 March 2025 | Quoted Market price | Using observable inputs | With significant Unobservable inputs | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| Financial assets at fair value through profit and loss | 8,038 | 679,503 | 112,253 | 799,794 |
| Financial liabilities at fair value through profit and loss | - | - | - | - |
| **Net investment assets** | **8,038** | **679,503** | **112,253** | **799,794** |

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## 17B Reconciliation of fair value measurements with level 3

| Year ended 31 March 2026 | Private Debt £000 | Infrastructure £000 | Total £000 |
|---|---|---|---|
| Value at 1 April 2025 | 50,083 | 62,170 | 112,253 |
| Purchases | 24,132 | 10,729 | 34,861 |
| Sales | (14,051) | (6,284) | (20,335) |
| Unrealised Gains and Losses* | (1,033) | 1,748 | 715 |
| Realised Gains and Losses* | (382) | - | (382) |
| **Value at 31 March 2026** | **58,749** | **68,363** | **127,112** |

| Year ended 31 March 2025 | Private Debt £000 | Infrastructure £000 | Total £000 |
|---|---|---|---|
| Value at 1 April 2024 | 25,842 | 25,363 | 51,205 |
| Purchases | 29,594 | 39,224 | 68,818 |
| Sales | (10,021) | (2,156) | (12,177) |
| Unrealised Gains and Losses* | 3,186 | (261) | 2,925 |
| Realised Gains and Losses* | 1,482 | - | 1,482 |
| **Value at 31 March 2025** | **50,083** | **62,170** | **112,253** |

* = Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

Investment into the initial Infrastructure fund commenced in July 2021, and the initial investment into a second Infrastructure fund commenced March 2024.

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## Note 18 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.

| Year ended 31 March 2026 | Fair value through profit and loss £000 | Assets at amortised cost £000 | Liabilities at amortised cost £000 |
|---|---|---|---|
| **Financial assets** | | | |
| Pooled investment vehicles | 733,550 | - | - |
| Private Debt | 58,749 | - | - |
| Infrastructure | 68,363 | - | - |
| Other investment balances | - | - | - |
| Cash | - | 11,115 | - |
| Debtors | - | 1,606 | - |
| | 860,662 | 12,721 | - |
| **Financial liabilities** | | | |
| Creditors | - | - | (399) |
| **Total** | **860,662** | **12,721** | **(399)** |

| Year ended 31 March 2025 | Fair value through profit and loss £000 | Assets at amortised cost £000 | Liabilities at amortised cost £000 |
|---|---|---|---|
| **Financial assets** | | | |
| Pooled investment vehicles | 679,503 | - | - |
| Private Debt | 50,083 | - | - |
| Infrastructure | 62,170 | - | - |
| Other investment balances | 15 | - | - |
| Cash | - | 18,670 | - |
| Debtors | - | 21 | - |
| | 791,771 | 18,691 | - |
| **Financial liabilities** | | | |
| Creditors | - | - | (992) |
| **Total** | **791,771** | **18,691** | **(992)** |

## Note 19 Nature and extent of risks arising from financial instruments

### Risk and risk management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the investment portfolio and to maximise the opportunity for gains across the whole portfolio. The Pension 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 Pension Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Pension Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Pension 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 Pension 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 Pension 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 Pension 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 Pension Fund's investments are managed on behalf of the fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Committee has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager, and both considers and takes advice on the nature of the investments made as well as the associated risks.

#### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

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**Other price risk - sensitivity analysis**

In consultation with its investment advisors, the Pension Fund has determined that the following movements in market price risk are reasonably possible for 2025-26 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Had the market price of the Pension Fund's investments increased/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 2026 £000 | Volatility of return | Value on increase | Value on decrease |
|---|---|---|---|---|
| **Pooled investment vehicles:** | | | | |
| - Life Climate Aware World Equity | 212,353 | 18.6% | 251,851 | 172,855 |
| - Global Equities | 189,043 | 18.6% | 224,205 | 153,881 |
| - Diversified growth fund | - | 0.0% | - | - |
| - Core Bond | 179,344 | 7.2% | 192,257 | 166,431 |
| - UK Equities | 120,364 | 18.0% | 142,030 | 98,698 |
| Pooled property | 32,446 | 15.9% | 37,605 | 27,287 |
| Private debt | 58,749 | 7.4% | 63,096 | 54,402 |
| Infrastructure | 68,363 | 14.6% | 78,344 | 58,382 |
| Cash and cash equivalent | 4,024 | 0.3% | 4,036 | 4,012 |
| Recoverable withholding tax | - | 0.0% | - | - |
| **Total** | **864,686** | | **993,424** | **735,948** |

| | Value as at 31 March 2025 £000 | Volatility of return | Value on increase | Value on decrease |
|---|---|---|---|---|
| **Pooled investment vehicles:** | | | | |
| - Life Climate Aware World Equity | 177,575 | 18.6% | 210,604 | 144,546 |
| - Global Equities | 179,196 | 18.6% | 212,526 | 145,865 |
| - Diversified growth fund | 2 | 8.6% | 2 | 2 |
| - Core Bond | 171,508 | 7.4% | 184,200 | 158,817 |
| - UK Equities | 114,881 | 16.3% | 133,606 | 96,155 |
| Pooled property | 36,341 | 15.2% | 41,865 | 30,817 |
| Private debt | 50,083 | 7.6% | 53,890 | 46,277 |
| Infrastructure | 62,170 | 14.5% | 71,184 | 53,155 |
| Cash and cash equivalent | 8,038 | 0.3% | 8,062 | 8,014 |
| Recoverable withholding tax | 15 | 0.0% | 15 | 15 |
| **Total** | **799,809** | | **915,954** | **683,663** |

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## b) Interest rate risk

The Pension 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 Pension Fund recognises that interest rates can vary and can affect both income to the Pension Fund and the carrying value of Pension Fund assets, both of which affect the value of the net assets available to pay benefits.

A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Pension Fund's risk management strategy and is equivalent to 1%.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates. The figures below for Fixed Interest Securities do not include the Pension Fund's pooled investment in Index Linked Gilts. Changes in interest rates do not impact on the fair value of cash balances, but they will impact on the interest income earned.

| Asset type | Carrying amount as at 31 March 2026 £000 | Impact of 1% increase £000 | Impact of 1% decrease £000 |
|---|---|---|---|
| Cash and cash equivalents | 6,500 | 6,565 | 6,435 |
| Cash balances | 591 | 597 | 585 |

| Asset type | Carrying amount as at 31 March 2025 £000 | Impact of 1% increase £000 | Impact of 1% decrease £000 |
|---|---|---|---|
| Cash and cash equivalents | 9,200 | 9,292 | 9,108 |
| Cash balances | 1,432 | 1,446 | 1,418 |

| Income source | Interest receivable in year to 31 March 2026 £000 | Impact of 1% increase £000 | Impact of 1% decrease £000 |
|---|---|---|---|
| Cash deposits, cash and cash equivalents | 605 | 611 | 599 |

| Income source | Interest receivable in year to 31 March 2025 £000 | Impact of 1% increase £000 | Impact of 1% decrease £000 |
|---|---|---|---|
| Cash deposits, cash and cash equivalents | 1,124 | 1,135 | 1,113 |

### c) Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Pension 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.

**Currency risk – sensitivity analysis**

The following tables summarise the Pension Fund's currency exposure and provides analysis of historical data on which the Pension Fund, in consultation with the investment advisors, considers the likely volatility associated with foreign exchange rate movements to be 8.7% (as at 31 March 25: 9.1%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 8.7% strengthening/weakening of the pound against the various currencies in which the Pension Fund holds investments would increase/decrease the net assets, and income receivable thereon, available to pay benefits as follows:

| Year to 31 March 2026 | Value as at 31 March 2026 £000 | Value on increase + 8.7% £000 | Value on decrease - 8.7% £000 |
|---|---|---|---|
| Private debt | 14,689 | 15,967 | 13,411 |
| Infrastructure | 68,363 | 74,311 | 62,415 |
| Income from above investments | 10,940 | 11,892 | 9,988 |
| | **93,992** | **102,170** | **85,814** |

The 31 March 2025 previously reported figures have been restated due do an identified error where sterling-denominated assets had been included, however these do not expose the Pension Fund to foreign currency risk.

| Year to 31 March 2025 | Restated Value as at 31 March 2025 £000 | Restated Value on increase + 9.1% £000 | Restated Value on decrease - 9.1% £000 |
|---|---|---|---|
| Private Debt (restated) | 20,538 | 22,407 | 18,669 |
| Infrastructure | 62,170 | 67,827 | 56,513 |
| Income from above investments | 13,874 | 15,137 | 12,611 |
| | **96,582** | **105,371** | **87,793** |

The table below outlines how the 31 March 2025 previously reported figures have been restated for the sterling-denominated assets as discussed above:

| Year to 31 March 2025 | Value as at 31 March 2025 £000 | Value on increase + 9.1% £000 | Value on decrease - 9.1% £000 |
|---|---|---|---|
| Figures previously reported | 50,083 | 54,641 | 45,525 |
| Adjustment to 31 March 2025 | (29,545) | (32,234) | (26,856) |
| Figures where restated | 20,538 | 22,407 | 18,669 |

### d) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers, custodian and investment managers minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

The Pension 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 Pension 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 Pension Fund invests such internally held cash in diversified money market funds, as well as with a UK Bank.

The Pension Fund is exposed to counterparty risk in its operational activities through securities lending, via the ACCESS pool. This risk is managed through the pool's custodian bank holding non-cash collateral as security, at the typical market rate of 102% of stock lent, or 105% for cross-currency, to allow for foreign exchange exposure.

The Pension 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 2025 and 31 March 2026 (£435k and £345k respectively) were received in the first month of the financial year.

### e) Liquidity Risk

Liquidity risk represents the risk that the Pension Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Pension Fund maintains a cash balance to meet working requirements, which is supported by an available credit line from the Isle of Wight Council. Note 26 includes details of borrowing from the Council for this purpose. Management prepares periodic cash flow forecasts to understand and manage the timing of the Pension Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Pension Fund's investment strategy.

A substantial portion of the Pension Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though they are held in pooled funds. However, the main liability of the Pension Fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. The Pension 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 2026 are due within one year.

### f) Refinancing risk

The key risk is that the Pension Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Pension Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

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## Note 20 Funding Arrangements

In accordance with the Local Government Pension Scheme Regulations 2013, the Pension 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 2025 and the next valuation will take place as at 31 March 2028.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2026.

**In summary, the key funding principles are as follows:**

• take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependents.

• use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.

• where appropriate, ensure stable employer contribution rates.

• reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.

• use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

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

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £810 million, were sufficient to meet 149% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £267 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Fund's funding policy as set out in its FSS.

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Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below: -

| Employer name | Minimum contributions for the year ended 31 March | | |
|---|---|---|---|
| | 2026/27 | 2027/28 | 2028/29 |
| Isle of Wight Council | 19.5% | 18.5% | 17.5% |
| Ryde Academy | 19.5% | 18.5% | 17.5% |
| Diocese of Chichester Academies Trust (St Blasius, St Francis, Lanesend Primary) | 18.1% | 17.1% | 16.1% |
| Ormiston Academies Trust (Cowes Enterprise College, Hunnyhill Academy) | 19.5% | 18.5% | 17.5% |
| HISP Multi Academy Trust (Carisbrooke College, Medina College) | 19.5% | 18.6% | 18.6% |
| Cowes Harbour Commissioners | 0.0% | 0.0% | 0.0% |
| St Catherines School | 18.4% | 18.4% | 18.4% |
| Isle of Wight College | 18.1% | 17.1% | 16.1% |
| Go South Coast (Southern Vectis) | 0.0% | 0.0% | 0.0% |
| Ventnor Botanic Gardens | 0.0% | 0.0% | 0.0% |
| Island Roads | 0.0% | 0.0% | 0.0% |
| Northwood Academy | 21.6% | 21.6% | 21.6% |
| Island Free School | 15.6% | 14.6% | 13.6% |
| CleanTEC | 19.5% | 18.5% | 17.5% |
| Barnardos 2021 | 19.5% | 18.5% | 17.5% |
| KGB Cleaning | 19.5% | 18.5% | 17.5% |
| Polaris Community | 19.5% | 18.5% | 17.5% |

Up to 31 March 2025, Academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Five of the academies in operation at the time of the 2022 valuation opted to pool, and the pooled rates are shown above. From 1 April 2025, Academies have their own rate.

Town, Parish and Community Councils are included in the Isle of Wight Council “pool” for valuation purposes; hence they pay the same rate as the Isle of Wight Council.

Employers that have joined the fund since the last valuation have opted to pay the administering authority’s contribution rate.

## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2025 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.

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**The key financial assumptions adopted for the 2025 valuation were as follows:**

| Financial assumptions | 31 March 2025 |
|---|---|
| Discount rate | 6.1% |
| Salary increase assumption | 3.3% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Pension Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.8 years | 24.3 years |
| Future pensioners* | 22.4 years | 25.6 years |

*Aged 45 at the 2025 Valuation.

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Pension Fund and on the Pension Fund's website.

## Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Pension Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

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## Note 21 Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2025/26 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. The Pension Fund actuary, Hymans Robertson LLP, has been instructed by the Administering Authority to provide the necessary information for the Isle of Wight Council Pension Fund.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

**There are three options for its disclosure in the pension fund accounts:**

• showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;

• as a note to the accounts; or

• by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

### Present value of promised retirement benefits

| | Year ended 31 March 2026 | Year ended 31 March 2025 |
|---|---|---|
| Active members (£m) | 192 | 200 |
| Deferred members (£m) | 119 | 113 |
| Pensioners (£m) | 319 | 271 |
| **Total (£m)** | 630 | 584 |

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2026 and 31 March 2025. The actuary estimates that the impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £14m. The actuary estimates that the impact of the change in demographic assumptions is to decrease the actuarial present value by £11m.

**Financial assumptions**

| | Year ended 31 March 2026 % p.a. | Year ended 31 March 2025 % p.a. |
|---|---|---|
| Pension Increase Rate (CPI) | 3.00% | 2.75% |
| Salary Increase Rate | 4.00% | 3.75% |
| Discount rate | 6.20% | 5.80% |

**Demographic assumptions**

The longevity assumptions have changed since the previous IAS26 disclosure for the Pension Fund.

Life expectancy is based on the Pension Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.9 years | 24.4 years |
| Future pensioners (assumed to be aged 45 at the latest valuation date) | 22.5 years | 25.7 years |

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Pension Fund.

**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

| Change in assumption at 31 March 2026 | Approximate % increase to promised retirement benefits | Approximate monetary amount (£m) |
|---|---|---|
| 0.1% p.a. decrease in the Discount Rate | 2% | 10 |
| 1 year increase in member life expectancy | 4% | 25 |
| 0.1% p.a. increase in the Salary Increase rate | 0% | 0 |
| 0.1% p.a. increase in the rate of CPI Inflation | 2% | 10 |

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| Note 22 Long term assets | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Contributions due - Employers | 6 | 14 |
| Reimbursement of annual tax allowance | 137 | 113 |
| | **143** | **127** |

| Note 23 Current assets | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Contributions due - Employees | 94 | 67 |
| Contributions due - Employers | 251 | 368 |
| | 345 | 435 |
| Taxation | 2 | 75 |
| Sundry debtors | 688 | 21 |
| Payments in advance | 571 | 316 |
| Cash balances | 7,091 | 10,632 |
| | **8,697** | **11,479** |

| Note 24 Current liabilities | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Taxation | 400 | 361 |
| Accruals | 348 | 684 |
| Sundry creditors | 51 | 308 |
| | **799** | **1,353** |

## Note 25 Additional voluntary contributions (AVC's)

The 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 Pension Fund has appointed Prudential Life and Pensions as its AVC provider.

AVC amounts are not included in the Pension Fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The table below shows the valuation of the AVC scheme at the year-end and the amount of contributions paid directly by the Pension Fund to the scheme provider during the year:

| | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Valuation of the AVC scheme | 1,717 | 1,330 |
| AVC Contributions paid directly to the scheme | 572 | 307 |

## Note 26 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 in relation to the administration of the Pension Fund and was subsequently reimbursed by the Pension Fund for these expenses, see the table below:

| | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Costs incurred by the Council on behalf of the Pension Fund | 762 | 616 |
| Amounts due to the Council at the year-end | 212 | - |

The Council is also the single largest employer of members of the Pension Fund and made contributions as detailed in the table below:

| | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Employers' normal contributions | 17,534 | 16,576 |
| Employers' pension strain contributions | 422 | 124 |
| Amounts due from the Council at the year-end | 403 | 50 |

During the year, the Pension Fund had the facility to borrow funds from the Council to support its working cash flow requirements; interest would be charged on these borrowings at the broker local authority interest rate relevant to the amount and duration of the borrowing at the time it was made. No such transactions were undertaken in the year (year ended 31 March 2025, none).

## Governance

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

Each member of the Isle of Wight Pension Fund Committee and Pension Board is required to declare their interests at each meeting.

Council members named in the Pension Fund Annual Report formed the Isle of Wight Pension Fund Committee as trustees at 31 March 2026.

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## Note 26A Key management personnel

The key management personnel of the fund are members of the Isle of Wight Pension Fund Committee, the Director of Finance and S151 Officer, and the Strategic Manager: Pensions.

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

| | Year ended 31 March 2026 £000 | Year ended 31 March 2025 £000 |
|---|---|---|
| Short-term benefits | 100 | 57 |
| Post-employment benefits | 20 | 12 |
| **Total** | **120** | **69** |

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## Note 27 Contingent assets, liabilities and capital commitments

**McCloud**

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The Public Service Pensions and Judicial Offices Act 2022, the main purpose of which is to support implementation of the McCloud remedy, gained Royal Assent in March 2022 and revised regulations were published in September 2023. The financial impact of the remedy remains difficult to determine, but it is a future liability for the Pension Fund likely to be known during the year ended 31 March 2027.

**Employer Guaranteed Bonds**

During the year, one Admitted Body employer in the Pension Fund held a guaranteed bond to guard against the possibility of being unable to meet their pension obligations. This bond was drawn in favour of the Pension Fund and payment would only have been triggered in the event of an employer default. No such default occurred during the year ended 31 March 2026 (2025 none) and the employer exited the Pension Fund prior to the year end.

**Committed Investments not yet paid**

As at the of the financial year the Pension Fund had committed to investing into two Private Debt funds and an Infrastructure fund which are calling the capital in instalments. The value of these instalments will depend on the investments the funds are making at the time. The balance that has been committed but not paid as at the 31 March 2026 is as per the table below:

| | 31 March 2026 | | | | |
|---|---|---|---|---|---|
| | Private debt | | | Infrastructure | |
| | Goldman Sachs | | Pantheon | Partners | |
| | $000 | £000 | £000 | €000 | £000 |
| Total amount committed | 39,300 | 29,802 | 65,000 | 41,000 | 35,768 |
| Total invested | 35,487 | 26,911 | 44,328 | 31,283 | 27,291 |
| Balance committed but not yet paid | **3,813** | **2,891** | **20,672** | **9,717** | **8,477** |

| | 31 March 2025 | | | | |
|---|---|---|---|---|---|
| | Private debt | | | Infrastructure | |
| | Goldman Sachs | | Pantheon | Partners | |
| | $000 | £000 | £000 | €000 | £000 |
| Total amount committed | 39,300 | 31,126 | 65,000 | 41,000 | 35,028 |
| Total invested | 35,291 | 26,374 | 24,745 | 29,315 | 25,268 |
| Balance committed but not yet paid | **4,009** | **4,752** | **40,255** | **11,685** | **9,760** |

# Section 5 Investments and Funding

## 5.1 Investment and Funding Information

The Isle of Wight Council Pension Fund (Pension Fund) investments are invested in accordance with the Pension Fund's Investment Strategy Statement. This document is reviewed on an annual basis by both the Isle of Wight Pension Fund Committee (Committee) and the Local Pension Board (Board) and is then approved by the Committee. After each triennial valuation the Investment Strategy will be reviewed by the Pension Fund's investment consultant, Hymans Robertson LLP, to ensure that it is set to deliver the return target that has been determined by the actuary during the valuation, and with what has been included in the Funding Strategy Statement.

All of the Pension Fund's investments are managed by external investment managers, other than the cash which is managed by the Director of Finance and Section 151 Officer's staff. The full list of the Pension Fund's external investment managers including the portfolio they manage is available in **Section 5.2** of this annual report.

The Funding Strategy Statement has been implemented by collecting employer contributions paid in line with the rates certified in the 2025 triennial actuarial valuation. No bonds or other secured funding arrangements were entered into during the year. All admission bodies were managed in accordance with the Funding Strategy Statement.

Both the Investment Strategy Statement and Funding Strategy Statement are fully compliant with the applicable statutory guidance. They can be found on the Pension Fund's website at: Investment Strategy Statement 2024 | Isle of Wight Pension Fund, and Isle of Wight Council Pension Fund 2025 Funding Strategy Statement | Isle of Wight Pension Fund respectively.

The Pension Fund's investments are administered by Isle of Wight Council in their role as the Scheme Manager. The Pension Fund contracts with a Custodian (Northern Trust) who provides a variety of services to support the administration of investments providing:

- accounting and performance reporting on the Pension Fund individual investment portfolios and the Pension Fund in total
- cash facilities to enable the Pension Fund to make and receive payments for its investments.
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies.
- historic tax reclamation services
- historic filing of US-based class action lawsuits

Pooled investments are managed by the pool operator (Waystone) and are held in custody by their appointed custodian, which is also Northern Trust.

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## 5.2 Hymans Robertson LLP Investment Policy and Performance Report Report and Accounts for the period ending 31 March 2026

**Introduction**

The Pension Fund's investments have been managed during the year under review by Blackrock Asset Management, Newton Investment Management, UBS, Goldman Sachs Merchant Banking Division, Partners Group, JP Morgan Asset Management, Pantheon, Royal London and Schroders. The Blackrock, Newton and Royal London funds are accessed through the ACCESS pool.

The strategic benchmark allocation as at 31 March 2026:

| Manager | Mandate | Allocation | Control ranges | Benchmark |
|---|---|---|---|---|
| Blackrock (ACCESS) | UK Equities | 12.5% | 10.5% – 14.5% | FTSE All-Share Index |
| Newton (ACCESS) | Global Equities | 18.75% | 16.75% – 20.75% | MSCI AC (All Countries) World Index (Net dividends re-invested) |
| UBS | Global Equities | 18.75% | 16.75% – 20.75% | FTSE All-World Developed Index |
| Partners | Infrastructure | 5.0% | N/A | Not managed to a benchmark |
| JP Morgan | Infrastructure | 5.0% | N/A | Not managed to a benchmark |
| Royal London (ACCESS) | UK Bonds | 22.0% | 18.0% – 26.0% | 50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts |
| Schroders | UK Property | 8.0% | 4.0% – 12.0% | IPD Pooled Property Fund indices<br>All Balanced Funds Median |
| Goldman Sachs | Private Debt | 5.0% | N/A | Not managed to a benchmark |
| Pantheon | Private Debt | 5.0% | N/A | Not managed to a benchmark |
| **Total** | | **100.0%** | **-** | **-** |

*Source: Investment Strategy Statement*

**Summary of strategic changes**

The Committee have agreed to several strategic changes over the last few years to achieve its long-term target of continuing to be fully funded within the next 20 years.

In July 2020, the Committee agreed a new 5% allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the Pension Fund committed these allocations to Goldman Sachs Broad Street Loan Partners IV, now in its capital distribution phase representing 1.7% of the Pension Fund's assets as at 31 March 2026, and Partners Group Direct Infrastructure Fund, which is expected to switch to distributing funds over the next two years and represents 4.1% of the Pension Fund's assets as at 31 March 2026.

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A selection exercise over 2023 concluded with commitments made to the JP Morgan Infrastructure Fund and the Pantheon Private Debt Secondaries Fund. The JP Morgan fund was fully invested in one drawdown in March 2024 and represents 3.8% of the Pension Fund's assets as at 31 March 2026. The Pantheon mandate commitment continues to be drawn down, and accounts for 5.1% of Pension Fund assets as at 31 March 2026.

In 2023, the Committee concluded a further review of the Pension Fund's strategy and approved an increase in the strategic target benchmarks for private market investments, Private Debt and Infrastructure, from 5% to 10% each via a removal of the Pension Fund's diversified growth allocation. The Pension Fund subsequently disinvested from the Baillie Gifford Diversified Growth Fund and the corresponding proceeds were used to rebalance the Royal London UK bond allocation in line with its target.

A redemption request was submitted to Schroders UK Property in March 2025, with the Committee continuing to assess suitable property mandates amidst ongoing pooling developments. The Committee has focused on evaluating the implication of LGPS pooling for the Pension Fund's strategy over the year to 31 March 2026. Where appropriate, managers have been reviewed, with no changes deemed necessary.

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

| | Actual Asset Allocation | | | | |
|---|---|---|---|---|---|
| Manager/Asset Class | Start of Year (£000) | End of Year (£000) | Start of Year (%) | End of Year (%) | Benchmark Allocation (%) |
| Blackrock: UK Equity (ACCESS) | 114,881 | 120,363 | 14.4 | 13.9 | 12.5 |
| Newton: Global Equity (ACCESS) | 179,196 | 189,043 | 22.4 | 21.8 | 18.75 |
| UBS: Global Equity | 177,575 | 212,353 | 22.2 | 24.5 | 18.75 |
| Partners: Infrastructure | 30,930 | 35,529 | 3.9 | 4.1 | 5.0 |
| JP Morgan: Infrastructure | 31,220 | 32,839 | 3.9 | 3.8 | 5.0 |
| Royal London: UK Bonds (ACCESS) | 171,508 | 179,344 | 21.5 | 20.7 | 22.0 |
| Schroders: UK Property | 36,914 | 34,006 | 4.6 | 3.9 | 8.0 |
| Goldman Sachs: Private Debt | 20,558 | 14,689 | 2.6 | 1.7 | 5.0 |
| Pantheon: Private Debt | 27,979 | 44,500 | 3.5 | 5.1 | 5.0 |
| Cash | 8,000 | 3,500 | 1.0 | 0.4 | - |
| Total | 798,761 | 866,166 | 100.0 | 100.0 | 100.0 |

*Note 1: Figures may not sum to total due to rounding.*
*Note 2: Figures may not align to the investment values disclosed in the Pension Fund accounts due to variances in pricing methods and availability of information at the differing times of reporting.*

## Reasons for variance from Benchmark

The Pension Fund is overweight to UK and Global Equities relative to the strategic benchmark and correspondingly underweight to Property, Infrastructure and Private Debt. The Pantheon mandate will continue to draw down capital, sourced from the equity mandates, contributing to a closing of the allocation gap over the course of the next few years. Post year-end the Committee agreed a top-up of the JP Morgan Infrastructure allocation, to further close the allocation gap to this asset class.

Most portfolios were within their target ranges as at 31 March 2026, except for the Global Equity mandates, which exceeded targets due to strong performance over the year, and the Schroders UK Property mandate that fell marginally below its target due to poor performance over the year. As private market mandates draw down capital, it is expected that funds will be sourced from the Global Equity mandates, slowly reducing the overweight in the coming years. Greater certainty regarding private market fund options available via the Pension Fund's pooling partner in the coming year will enable new commitments to private market mandates to address the underweight.

## Market Background

### Investment Markets

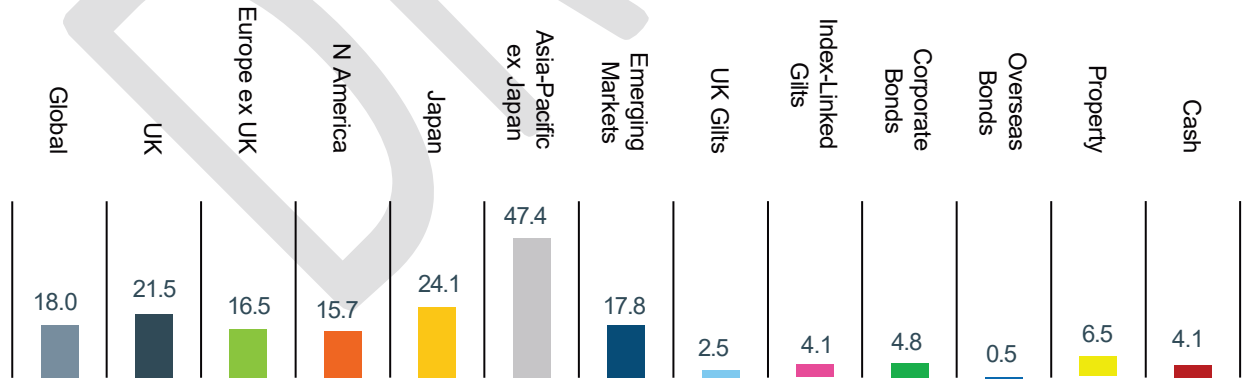
Despite a softer second half, 2025 proved resilient (expanding 2.8%), amid higher US tariffs and policy uncertainty. AI-related investment, fiscal support and monetary easing reinforce a reasonable global growth backdrop in 2026. However, supply-side risks from the US-Iran conflict add uncertainty.

US and UK headline inflation peaked in summer 2025. Tariff impacts on US inflation were milder; in the UK, wage and services inflation eased. However, higher energy costs have derailed disinflation progress, with US (3.3%), UK (3.3%) and eurozone (2.6%) inflation up in March.

Brent crude oil rose 58.3%, to $118 per barrel, over the period. Oversupply concerns weighed on oil prices in 2025; however, geopolitical tensions and the Strait of Hormuz (a vital route for 20% of global energy trade) closure drove oil prices up 63.1% in March and 94.5% in the first quarter (Q1).

After cutting borrowing costs, markets were pricing in UK and US rate reductions in 2026, prior to the conflict. However, energy-driven inflation fears reversed expectations. US rate cuts were erased. In the UK, two rate cuts by end-February became two rate hikes by end-March. Markets priced in a possible rate hike in the eurozone. In Japan, rates rose to 0.75% pa, the highest since 1995.

**12 Month performance to 31 March 2026 (in GBP)**




### Equities

Global equities are up over the period. Tech led growth (20.8%), outperforming value (17.8%). Developed Asia Pacific ex Japan led, with its semiconductor supply-chain role and increased AI-capex. Japan outperformed on higher fiscal spending, corporate reforms and a weaker yen. Strong energy sector performance and positive selection contributed to the UK's outperformance. Robust earnings, advances in Chinese AI and dollar weakness supported emerging markets. US equities lagged, due to weakness in mega-cap tech (primary AI-capex spenders) and lack of market breadth. Europe ex UK underperformed on an unfavourable sector mix and stock selection.

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## Bonds

Sovereign bond yields rose across major advanced markets in Q1. Short-term yields rose the most, as markets priced in rate hikes. US and UK 10-year bond yields increased, to 4.3% pa and 4.9% pa, respectively. Equivalent Japanese and German yields rose, to 2.4% pa and 3.0% pa, respectively, on increased issuance expectations. Concerns over greater bond issuance amid waning institutional demand have pressured long-end yields. Real yields rose on global competition for capital from the AI-investment boom. Despite widening in Q1, credit spreads remain down over 12 months and near historic lows.

## Property

The MSCI UK Monthly Property Total Return Index rose 6.5%; income was supplemented by a 0.8% gain in capital values. Industrial (2.3%) and retail (1.3%) annual capital value growth slowed, while offices declined (-2.7%).

### Investment Performance

The Pension Fund underperformed its strategic benchmark over 12 months by 2.4%. The Pension Fund's negative result was primarily due to the underperformance of the BlackRock UK Select Fund, the Newton Global Equity Fund, and the Schroders Property Fund. BlackRock's value-focused approach lagged the market, while Newton's active investment strategy missed some of the strong returns delivered by the narrow group of companies driving global equity market performance. Schroders Property was impacted by its overweight position in the underperforming office sector and pressures from a significant number of redemption requests received by the manager. The Pension Fund's return was supported by the benchmark outperformance of the UK Bonds allocation, alongside the meaningful outperformance of the UBS Climate Aware World Equity Fund of its benchmark by 1.3% over 12 months.

The Pension Fund is ahead of its benchmark over 3 years, returning 7.9% p.a. against a 7.3% p.a. aggregate target. Over the period, the Pension Fund's absolute performance benefited from a mild underweight position relative to target in the UK Bond and Property allocations, and a significant overweight to the strongly performing listed equity mandates.

The Private Debt and Infrastructure mandates' performance is not included in the table below, as private market manager's report performance using internal rates of return (IRR), which should not be aggregated with the time-weighted returns used for the Pension Fund's liquid assets. Performance information for the private market mandates continues to be monitored separately through the managers' quarterly reporting.

The table below provides the 12-month and 3-year performance of the Pension Fund as at 31 March 2026.

| | Last Year | | Last 3 Years | |
|---|---|---|---|---|
| **Manager/Asset Class** | **Pension Fund (%)** | **Benchmark (%)** | **Pension Fund (% p.a.)** | **Benchmark (% p.a.)** |
| Blackrock – UK Equity (ACCESS) | 7.4 | 21.5 | 9.8 | 13.3 |
| Newton – Global Equity (ACCESS) | 7.0 | 17.5 | 12.2 | 14.1 |
| UBS – Global Equity | 19.6 | 18.0 | 15.4 | 14.9 |
| Schroders / Royal London – UK Bonds (ACCESS) | 4.7 | 3.4 | 1.8 | -0.2 |
| Schroders – UK Property | -7.7 | 4.3 | -3.3 | 3.3 |
| **Total** | **7.6** | **10.3** | **7.9** | **7.3** |

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

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### Linking the Investment Strategy with the Funding Strategy

The Committee regularly reviews the investment strategy to ensure that it remains appropriate for the Pension Fund's liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every 3 years or after every actuarial valuation. The Committee reviewed the Pension Fund's investment strategy following the results of the 2019 Actuarial Valuation and agreed to make strategic allocations to Infrastructure and Private Debt and to restructure the Pension Fund's equities. The Committee have made allocations to investment solutions for both Private Debt and Infrastructure which have been drawing down funds since 2021 and the equity portfolio matches the designed structure, albeit it is overweight.

Over 2025, the Scheme underwent an actuarial valuation, which resulted in a reduction in contributions due to a strong funding position. Consequently, the Pension Fund placed greater reliance on the cashflows produced by the assets in the portfolio, particularly income assets, to meet scheduled payments. Over 2026 the Committee aims to review the portfolio and ensure sufficient income to meet ongoing outflow requirements.

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

## Custodial Arrangements

| Manager | Custodian |
|---|---|
| Blackrock (ACCESS) | Northern Trust |
| Newton (ACCESS) | Northern Trust |
| UBS | JP Morgan |
| Royal London (ACCESS) | Northern Trust |
| Partners Group | JP Morgan |
| JP Morgan Asset Management | Bank of America |
| Schroders | Northern Trust |
| Goldman Sachs | Goldman Sachs & Co. |
| Pantheon | JP Morgan |

*Source: Investment Managers*

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

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

### Environmental, Social and Governance considerations

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

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

The Pension Fund previously committed to the UK Stewardship Code 2012 as published by the Financial Reporting Council. An enhanced UK Stewardship Code is due to take effect on 1 January 2026. The Committee are yet to consider becoming a signatory to the new code and aims to work closely with its pooling partner on stewardship and engagement issues including ESG issues and voting rights.

In May 2021, the Committee undertook climate risk scenario analysis and commissioned an ESG and carbon report for the Pension Fund's assets. This aimed to illustrate how the Pension Fund's mandates perform from an ESG perspective and the carbon intensity of the Pension Fund's investments. The Committee consider the ESG implications of any strategic investment decisions they make. This is being repeated as part of the 2025 valuation process.

In line with the new expected LGPS regulations, the Pension Fund is working towards becoming compliant with the Taskforce for Climate-related Financial Disclosures ("TCFD") framework and will seek to report against the four key areas of governance, strategy, risk management, and metrics and targets.

In early 2025 the Officers committed to developing a formal Responsible Investment policy to assist the Committee with a clear decision-making framework on ESG issues. Over the rest of the year, the Committee reviewed and updated their set of investment beliefs and implemented an RI policy to reflect the beliefs. The aim of such a policy is to adequately account for the Committee members' views and ensure that ESG risk is adequately factored into the Pension Fund's investment portfolio. It also sets a framework for the Committee to engage with its pooling partner on these matters.

**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 Pension Fund. The following table is an extract taken from the Pension Fund's latest Investment Strategy Statement and provides an update on the Pension Fund's compliance with each of the 6 Myners Principles.

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| Principle | Response on Adherence |
|---|---|
| **Principle 1 - Effective Decision Making:**<br>Administering authorities should ensure:<br>• 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<br>• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. | **Compliant**<br>Decisions are taken by the Committee which is responsible for the management of the Pension Fund.<br>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.<br>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. |
| **Principle 2 - Clear objectives:**<br>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. | **Compliant**<br>The Committee has established objectives for the Pension 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 Pension Fund. This is reflected in the investment mandates awarded to the asset managers.<br>There is dialogue with admitted bodies within the Pension Fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide. |
| **Principle 3 - Risk and liabilities:**<br>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.<br>• These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. | **Compliant**<br>The investment strategy is considered in the light of the nature of the Pension Fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity.<br>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. |

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| | |
|---|---|
| **Principle 4 - Performance assessment:**<br>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.<br>• 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. | **Partially Compliant**<br>The performance of the Pension Fund and its individual managers are monitored on a regular basis.<br>The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender.<br>The Committee is developing formal processes to measure its own effectiveness. |
| **Principle 5 - Responsible Ownership:**<br>Administering authorities should<br>• Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.<br>• Include a statement of their policy on responsible ownership in the Statement of Investment Principles or Investment Strategy Statement.<br>• Report periodically to scheme members on the discharge of such responsibilities. | **Partially Compliant**<br>The Committee encourages its investment managers and Pool to adopt the ISC Statement of Principles on the responsibilities of shareholders and agents on the Pension Fund's behalf.<br>The Committee adopted a detailed Responsible Investment Policy in 2026, which will be used to engage with managers and the Pension Fund's pooling partner.<br>The Investment Strategy Statement includes a statement on the Pension Fund's policy on responsible ownership.<br>The Committee needs to consider the implications of the new enhanced UK Stewardship Code issued in January 2026 to achieve the aspiration of becoming a signatory in the future. |
| **Principle 6 - Transparency and Reporting:**<br>Administering authorities should<br>• 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.<br>• Should provide regular communication to scheme members in the form they consider most appropriate. | **Compliant**<br>The Committee maintains minutes of meetings which are available on the council website.<br>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.<br>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. |

**Prepared by:**
Emma Garrett, Senior Investment Consultant
Stefan Chilom, Associate Investment Consultant
Gemma Osborne, Investment Analyst

**For and on behalf of Hymans Robertson LLP**

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## 5.3 ACCESS annual report for the year ended 31 March 2026

### Foreword

As will be widely known, in April 2025, Government Ministers took decisions which set in train processes ultimately leading to the reduction in the number of Local Government Pension Scheme (LGPS) investment pools from eight to six.

In practice this meant that each of the eleven ACCESS Authorities were invited to select a new pool in which to participate from April 2026. Consequently, 2025/26 in many ways marked the last full year of ACCESS activities under our original business model prior to the commencement of the new arrangements.

Whilst there is an inevitable sense of disappointment that our proposals did not find Ministerial support, this is coupled with a sense of real pride in what ACCESS did manage to achieve during the last 10 years. Our successes included:

• the establishment of an Authorised Contractual Scheme (ACS) operated by Waystone, totalling £32bn of actively listed assets across 31 sub funds as at 31 March 2026;
• active listed asset performance since inception to 31 March 2026 of 9.3% compared to a benchmark of 8.7%;
• a groundbreaking passive listed assets mandate with UBS managing £14bn;
• listed asset investment management fee savings assessed by ClearGlass as £49m (18bps; 7th percentile) based on 2024 CTi data;
• a range of non-listed asset offerings in real estate, infrastructure, timber and private debt totalling £7bn; and
• signatory status to the UK Stewardship code achieved in 2025

Of course, the above also helps to explain the status ACCESS has held as the largest LGPS pool.

Working towards the new arrangements has dominated much of the last year and placed additional specific demands on LGPS officers at all Authorities which will continue for the foreseeable future. Underpinning this has been the ACCESS Support Unit (ASU), whose work formally ends in September 2026 following a six-month overlap with the new pools to facilitate the initial months of the new business models.

On behalf of the ACCESS Joint Committee, I would therefore like to place on record my thanks and appreciation for the unique contribution of the ASU since its commencement in 2018 at the very heart of our pool. In doing so I also want to recognise the hard work and dedication of the partner-funds' LGPS officers, not only throughout the challenging last 12 months, but since ACCESS's inception in early 2016.

ACCESS has collaboration in its DNA and we have been fortunate to have had the support and contribution of our legal advisers Squire Patton Boggs and investment consultants Hymans Robertson, who have been with us throughout our journey, along with insurance advisers Price Forbes and web designers Creative Sponge. We have also benefitted from our partnerships with Apex on non-listed assets, Tavistock & MHP on communications and PIRC & Minerva on Responsible Investment. Central to our offer has been Waystone, our ACS operator and the active investment managers it has appointed on our behalf, along with UBS's passive mandates.

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In closing I must pay tribute to the all Councillors who have served so diligently on the ACCESS Joint Committee it has been my privilege to Chair following in the footsteps of Hampshire's Cllr Mark Kemp-Gee whom we sadly lost in August 2026. Cllr Kemp-Gee had been part of ACCESS since its 2016 formation, and as our longest serving Chairman will be greatly missed.

The dialogue and engagement at the Joint Committee, initially chaired by Suffolk's Cllr Andrew Reid, has consistently embodied the collective principles that shaped our pool. It has been the combined efforts of the Joint Committee, as well as the eleven s101 Committees and Local Pension Boards, whose Members observed our meetings, that have enshrined fiduciary duty and democratic accountability in the oversight of our partner-funds' LGPS assets. I am confident that our legacy of collaboration will form the basis of the success for the next chapter of LGPS asset pooling.

Cllr Susan Barker
Chairman of the ACCESS Joint Committee
Chairman of the Essex Pension Fund Strategy Board.

## At a glance

### Assets

| | | |
|---|---|---|
| **£14.2bn**<br>passively managed with UBS | **£3.3bn**<br>infrastructure, timber & private debt | =<br><br>**£53.4 bn**<br>74% of assets within pooled arrangement |
| **£3.8bn**<br>in real estate | **£32.1bn**<br>actively managed in ACS sub funds | |

### Performance

| | | |
|---|---|---|
| **+9.3%**<br>**investment return**<br>on active listed assets since inception | **+8.7%**<br>**benchmark**<br>on active listed assets since inception | **+0.6%**<br>**outperformance**<br>on active listed assets since inception |

### Costs & savings since inception

| | | |
|---|---|---|
| **£202.0m**<br>gross savings | **£53.3m**<br>costs | **£148.7m**<br>net savings |

### People & employers

| | |
|---|---|
| **3,400**<br>Employers | **1.3**<br>million people |

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## Cost and savings

The table below summarises the financial position for 2025/26 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2025/26 saw an underspend.

| £ | 2025-2026 | | 2016-2026 | |
|---|---|---|---|---|
| | Actual in year £m | Budget in year £m | Actual cumulative £m | Budget cumulative £m |
| Set up costs | - | - | 1,824 | 1,400 |
| Transition costs | - | - | 3,338 | 6,907 |
| Ongoing operational costs | 1,971 | 3,327 | 10,434 | 13,895 |
| Operator & Depositary Costs | 9,572 | 6,427 | 37,755 | 39,263 |
| Total costs | 11,543 | 9,754 | 53,351 | 61,465 |
| Pool fee savings | 36.910 | 22.500 | 202.043 | 129.350 |
| Net savings realised | 25.367 | 12.746 | 148.692 | 67.885 |

Operator and depositary fees are payable by each Authority in relation to assets invested within the ACS established by Waystone as pool operator.

The 2025/26 fee savings have been calculated using the CIPFA price variance methodology and based upon the asset average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, throughout its lifetime ACCESS demonstrated excellent value for money whilst delivering a level savings in excess of those envisaged at the Pool's formation.

## Environment, Social and Governance (ESG) and Responsible Investment (RI)

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

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best interest long term interests of their LGPS stakeholders to achieve the best 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.

The ACCESS voting guidelines set out the principles of good corporate governance. During the year votes took place at a total of 12,568 meetings on 148,773 resolutions.

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## Closing statement

The developments within the LGPS pooling landscape arising out of the Fit for the Future Review have been fundamental and it is a matter of public record that ACCESS was extremely disappointed that Government did not support our February 2025 proposal to build an investment management company regulated by the Financial Conduct Authority (FCA). Almost all 2025/26 activity was a consequence of that Ministerial decision on 9 April 2025.

The early months of the year saw both dialogue with Government on their decision in addition to initial exploration with other pools around the potential for collective merger. Ultimately, dialogue throughout the LGPS has led to an outcome that sees 11 ACCESS Authorities, along with 10 from Brunel join four other pools. This prompted our launch of "Project Connect" to facilitate and support the ACCESS Authorities transition to their chosen target pools of Border to Coast and LGPS Central.

Working with stakeholders including the two target pools and ACS operator Waystone with depositary Northern Trust, an approach to a measured transition of active listed assets has been identified that will both appropriately mitigate risk and enable compliance with 2026 LGPS Investment Pooling Regulations. Arrangements for target pool oversight of passive and non-listed assets have also been facilitated.

Although the outcome of Fit for the Future may not have been our preference, that does not diminish contribution ACCESS has made to the sector. The eleven like-minded Authorities that came together in early 2016 already had a number of established commonalties which formed the foundations upon which ACCESS was built. For a community that was already well connected, LGPS investment pooling magnetised dialogue which enabled Authorities to share best practice, test boundaries and develop far reaching solutions. In her foreword Cllr Barker rightly lists ACCESS achievements.

All of this work has drawn on the strong ethos of collaboration throughout the LGPS and investment management industry. In turn this also now provides the basis for the next chapter of LGPS investment pooling which I am confident will be as groundbreaking and successful as the first ten years.

Throughout that time, I have been very fortunate to work alongside fantastic people. Across the ACCESS Authorities officers who work day-to-day on the LGPS have continually demonstrated a collaborative mindset and a willingness to share expertise and promote learning.

The Officer Working Group (supplemented by a number of sub-groups to work through detail and complete particular projects) brought together specialists to act as the engine room of our pool. It has been in this area that LGPS experts from each of the eleven Authorities came together to provide insight, constructive challenge and thought leadership necessary to develop and finalise the key ingredients for a successful pool.

Individual officers Samantha Andrews (Essex), Russell Wood (East Sussex), Andrew Boutflower (Hampshire), Sharon Tan (Suffolk) & Rachel Wood (West Sussex) have played key roles as Technical Leads.

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Kent's Democratic Services team, led by Joel Cook have supported our Joint Committee since its formation in 2017. At different times, Authorities have stepped forward to undertaken specific roles, including Kent, Hertfordshire, Suffolk, Essex and Hampshire to spearhead procurements.

Section 151 officers, currently chaired by Ian Gutsell (East Sussex) have been vital in creating and shaping the strategic space for what has been an incredible journey. Elected Members have represented their respective Funds with passion and embraced open engagement in pursuit of common objectives.

As a pool, we have been benefitted from a strategic partnership with Waystone, under the leadership of CEO Karl Midl. As our ACS Operator Waystone appointed Northern Trust as Depositary and investment managers for active listed mandates. UBS were jointly procured by the Authorities for passive listed assets. In addition to the organisations highlighted by the Chairman, I must single out John Wright and the team at Hymans Robertson along with Kirsty McClean, Clifford Sims and colleagues at Squire Patton Boggs have provided us with investment and legal advice at each stage of our development – both were essential.

Ultimately, I must pay a particular tribute to my colleagues who have been part of the ACCESS Support Unit with whom it has been my privilege to work: Mark Paget, Dawn Butler, Paul Tysoe, Sallie Wilson, Alistair Coyle, Richard Smith, Rawda Ali & Isaac McHugh. It has been their insight, hard work and endless dedication that made everything possible and to whom I remain indebted.

Thank you. Kevin McDonald
Director – ACCESS Support Unit

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## Section 5.4 - Investment pooling including supplemental reporting

The Isle of Wight Council Pension Fund (Pension Fund) was part of the ACCESS pool (a collaboration of Central, Eastern and Southern shires), along with a further ten Local Government Pension Schemes (LGPS). The pool was created in June 2017 and will cease in 2026. The Pension Fund is currently relocating to an alternative Government approved LGPS investment pool.

Investments are considered to be pooled if they are invested in a fund operated by Waystone as part of the Authorised Contractual Scheme, which has been developed for the use of the ACCESS authorities.

Assets that are described as being either “pool aligned”, or “under pooled management” are in funds whose oversight is managed by Waystone, but which are not necessarily procured by them. An example of this is the UBS Passive Climate Aware fund that the Pension Fund is invested in.

The table below shows the investment portfolios that the Pension Fund currently invests in via the ACCESS pool. At 31 March 2026, the Pension Fund had invested 81.2% of its investments in the pool. There are plans in place to transition the property holding into the pool once a suitable fund is available. The investment in private debt and infrastructure are in close ended funds, so as these funds mature then investment will transition into a suitable pooled fund.

**Investments in pooled investments at 31 March 2026**

| Fund | Pooled £000 | Pool aligned £000 | Not pooled £000 | Total £000 |
|---|---|---|---|---|
| Equities | 309,407 | 212,353 | - | 521,760 |
| Bonds | 179,344 | - | - | 179,344 |
| Property | - | - | 32,446 | 32,446 |
| Private debt | - | - | 58,749 | 58,749 |
| Infrastructure | - | - | 68,363 | 68,363 |
| Cash | 524 | - | 3,500 | 4,024 |
| Total | 489,275 | 212,353 | 163,058 | 864,686 |
| Percentage | 56.6 | 24.6 | 18.9 | 100.0 |

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## Investments management fees

The following table shows the Pension Fund's investment costs split between those inside the ACCESS pool and those outside. The costs are broken down into the following categories:

• Direct Fees – these are invoiced to the Pension Fund directly by its investment managers.
• Indirect Fees – these are charged directly against the Pension Funds investment funds both within and without the pool.
• Transaction Costs – These comprise broker commissions incurred in the purchase and sale of investments, costs incurred in the private debt and infrastructure funds and property expenses in the property portfolio.
• Custody costs – these are the fees paid to the Pension Fund's custodian for the custody and administration of the Pension Fund's investments

| Type of cost | Pooled £000 | Pool aligned £000 | Not pooled £000 | Total £000 |
|---|---|---|---|---|
| Direct fees | - | 87 | - | 87 |
| Indirect fees | 1,568 | - | 5,386 | 6,954 |
| Transaction costs | - | 18 | 60 | 78 |
| Custody costs | 2 | - | 1 | 3 |
| Total | 1,570 | 105 | 5,447 | 7,122 |

The Department for Ministry of Housing, Communities and Local Government requires pension funds to report on investments in the UK, which is shown in the table below.

The Pension Fund invests in mandates that are not set to a geographical limit, except for the property fund and UK equities, but there is an expectation that some of these investments will be in the UK. The table below shows the value of the Pension Fund's investments in certain categories of assets, but these will not add up to whole of our investment as above.

| Geographical area | Pooled £000 | Pool aligned £000 | Not pooled £000 | Total £000 |
|---|---|---|---|---|
| UK listed equities | 309,407 | 212,353 | - | 521,760 |
| UK Government bonds | 179,344 | - | - | 179,344 |
| UK Infrastructure | - | - | 34,975 | 34,975 |
| UK private debt | - | - | 44,060 | 44,060 |
| Total | 488,751 | 212,353 | 79,035 | 780,139 |

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# Section 6 Administration

## 6.1 Administration Overview

The Pension Fund's administration services are delivered in-house by the pensions administration team.

Pension Fund members can contact the administration team via:

- Email at pensions@iow.gov.uk
- Engage (the members self-service portal)
- The Isle of Wight Council's contact centre

Pension Fund employers can contact their designated contact via:

- Email at IOWPFEmployers@iow.gov.uk

In addition, all employers themselves are required to have a designated point of contact their active members can approach.

The administration team underwent a restructure of its service during the year ended 31 March 2026. The objectives of the Pension Fund's workforce plan sought to redefine its operational function, recruit sufficient staff to manage that function, maintain continuity of service and facilitate staff retention. The outcome of the plan being to build a resilient pension's dept and enable succession management through the introduction of an associated training and development strategy and career graded framework.

The new workforce plan was approved in September 2025. Whilst delivery of this plan will continue into the year ended 31 March 2027, during the year ended 31 March 2026 the Pension Fund's administration team saw 4 new appointments and 4 other promotions, with only 1 member of staff deciding to retire. With new roles and staff, a significant emphasis has been placed on training and development, with a platform for professional qualifications due to be rolled out in the summer/autumn of 2026. A core objective being to bring new talent into the profession by tapping into the Island's workforce.

As a result of the Pension Fund's workforce plan it was able to reduce its reliance on Hymans Robertson LLP's (Hymans) administration service, taking back all outsourced casework by the end of the scheme year. Its long-term plan being to phase out its support on Hymans altogether during the year ended 31 March 2027. With the restructure Hymans service provision now seeks to focus on the delivery of single strategic exercises, in particular the McCloud remedy.

In the year ended 31 March 2026 the administration team completed several projects including its onboarding to the Pensions Dashboard and migration to a new on-line member self-service portal called Engage. It also successfully fulfilled its statutory role relating to the triennial valuation 2025, completion of a second independent pension increases exercise and the issuance of member annual benefit and pension saving statements. It has reconfigured its service delivery towards its scheme employers too and set up a project office designed to focus on implementing changes occurring within the LGPS, notably the imminent work required to deliver changes anticipated by the Access & Fairness and Access & Protections consultations.

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The administration team is currently in the process of managing the delivery of other key projects including a new mortality screening and data cleansing application, Enhanced Admin to Pay, a function designed to manage payroll adjustments more efficiently and has reset its paused GMP Rectification exercise, recommenced in the summer of 2026. The team assisted too with the implementation of new and updated policies approved by the Pension Fund's Pension Committee, relating to Administrating Authority's discretions, its Internal Dispute Resolution Process and its employer cessation arrangements, as well as administrative changes required by the Pension Fund's Funding Strategy Statement.

Whilst the Pension Fund's own overall casework KPI target percentage dipped slightly below its minimum of 90% in the year ended 31 March 2026, casework output increased by over a third against the volume completed in the year ended 31 March 2025. However, KPI achievement against regulatory requirements remained high at 94.5%. In noting the Pension Fund's KPI performance it can be highlighted that this was impacted by staff resource being assigned to manage queries arising from Strictly Educations withdrawal from the payroll provider market as well as work associated with the McCloud and Engage mailshots, the latter of which aimed to encourage re-registration of members following migration to a new platform. Staffing resource was also deployed to the recruitment process to fulfil the administration team's new departmental restructure.

During the year ended 31 March 2026 the administration team assisted with the completion of internal and external audits, with a "reasonable assurance" rating being achieved in respect of the Pension Fund's internal controls. A further internal audit is anticipated in respect of the administration team's executed workforce management strategy.

A significant review of the Pension Fund's Employer Relationship framework was also undertaken in the year ended 31 March 2026, with the introduction of cross practice monthly meetings co-ordinating the Pension Fund's internal controls relating to employer contribution submissions and employer compliance with the Pension Regulator's code of practice. Development of new employer, TUPE transfer and ceasing employer processes also occurred. The outcome of this review leading to a reduction in the number of late submissions of contributions by employers towards the end of the scheme year.

Furthermore, the Pension Fund supported special exercises requested by employers, including work relating redundancy exercise and relationship matters.

With the changes implemented in the year ended 31 March 2026 the administration team seeks to move in the year ended 31 March 2027 by developing a new Pension Administration Strategy, to align with its restructured service, and enhanced digital platform. A platform which it seeks to develop again with the proposed implementation of Enhanced Admin to Pay. All of which will continue to give consideration to the efficient delivery of member benefits.

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The Pension Fund's Pension Administration Strategy will set out the service level expectations in relation to the administration of the scheme and enable stakeholders to be held to account. It is published on the Pension Fund website at: Pension Administration Strategy | Isle of Wight Pension Fund and is therefore accessible to both employers and members.

The aim of the strategy is to help the administering authority and employers understand their respective roles and responsibilities under the LGPS regulations along with the expected levels of performance by which they fulfil those responsibilities. The Strategy also provides details about the monitoring of those performance levels and the action(s) that could be taken where standards are not met and/or when persistent non-compliance occurs.

**Data quality and protection**

The Pension Fund has a suite of internal controls, software and training in place to manage its information and data estate as well as its security. In 2025 cyber security and business continuity policies were updated, and additional software has been procured to sit alongside the existing framework of controls, to ensure data and benefit calculation accuracy is maintained. The Pension Fund is also actively seeking to manage the emerging risks associated with AI to ensure arrangements are in place to maintain member confidentiality.

## 6.2 Performance and Monitoring

The Pension Fund's performance reporting seeks to fully comply with the CIPFA benchmarking as outlined in the tables below. During the year ended 31 March 2026 the Pension Fund achieved a 94.5% casework compliance target overall, despite the ongoing impact of lower than a required number of staff for much of the year. This is seen as a huge achievement for the Pension Fund which also saw incoming casework increase by over a third during the year and a reduction in its casework backlog by approximately 25%. This achievement was supported by the continued support from the Pension Fund's professional advisers, Hymans Robertson LLP (Hymans) which enabled a consolidation of knowledge and experience within the team and the recruitment drive to rebuild it.

Monthly data quality improved during the year with overall data quality levels achieving 98% for common data and 95% for scheme specific data. As part of the Pension Fund's data quality verification process it has continued to use Hymans 'the Brain' to support its on-going data quality checks.

Annual Benefit Statements were issued to both active and deferred members by the 31 August 2025, with 100% being issued to both categories of members in line with statutory guidance and deadline. As part of this achievement, it was noted that the Pension Committee approved an extension to the statutory concerning the implementation the McCloud remedy for members who would be entitled to the remedy to 31 August 2026. The Pension Fund's compliance with its issuance of Pension Savings Statements was also fulfilled by the 5 October 2025 deadline.

In the year ended 31 March 2026, the Pension Fund saw a further development of its performance and monitoring arrangements for scheme employers. This framework covered the monitoring, escalations and breach reporting functions, all of which was reported to the Local Pension Board and the Pension Fund Committee. Whilst a material difference in performance for the year cannot be demonstrated, Pension Fund officers are confident that the implementation of the new framework in the year ended 31 March 2026 will be demonstrated in improved performance levels by employers in the year ended 31 March 2027, in line with the regulatory requirements.

## ADMINISTRATION KEY PERFORMANCE INDICATORS

### Table A - Total number of casework

| Ref | Casework KPI | Total number of cases open as at 31 March (starting position) | Total number of new cases created in the year (1 April to 30 March) | Total number of cases completed in year | Total % of cases completed in year | Total number of cases completed in previous year | Total % of cases completed in previous year |
|---|---|---|---|---|---|---|---|
| A1 | Deaths recorded of active, deferred, pensioner and dependent members | 3 | 208 | 208 | 98.6% | 156 | 98.1% |
| A2 | New dependent member benefits | 1 | 182 | 179 | 97.8% | 125 | 99.2% |
| A3 | Deferred member retirements | 0 | 74 | 74 | 100.0% | 92 | 100.0% |
| A4 | Active member retirements | 0 | 242 | 242 | 100.0% | 230 | 100.0% |
| A5 | Deferred benefits | 2 | 434 | 435 | 99.8% | 398 | 99.5% |
| A6 | Transfers in (including interfunds in, club transfers) | 2 | 45 | 43 | 91.5% | 31 | 93.9% |
| A7 | Transfers out (including interfunds out, club transfers) | 1 | 50 | 41 | 80.4% | 40 | 97.6% |
| A8 | Refunds | 0 | 104 | 104 | 100.0% | 86 | 100.0% |
| A9 | Divorce quotations issued | 0 | 42 | 40 | 95.2% | 33 | 100.0% |
| A10 | Actual divorce cases | 0 | 2 | 2 | 100.0% | 2 | 100.0% |
| A11 | Member estimates requested either by scheme member and employer | 1 | 182 | 182 | 99.5% | 162 | 99.4% |
| A12 | New joiner notifications | 19 | 1651 | 1117 | 66.9% | 734 | 97.5% |
| A13 | Aggregation cases | 13 | 167 | 167 | 92.8% | 242 | 94.9% |
| A14 | Optants out received after 3 months membership | 0 | 70 | 70 | 100.0% | 21 | 100.0% |

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## Table B - Time taken to process casework

| Ref | Casework KPI | Suggested fund target* | % completed within fund target in year | % completed in previous year |
|---|---|---|---|---|
| B1 | Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member | 5 days | 72.6% | 80.1% |
| B2 | Communication issued confirming the amount of dependents pension | 10 days | 62.6% | 44.0% |
| B3 | Communication issued to deferred member with pension and lump sum options (quotation) | 15 days | 93.8% | 87.7% |
| B4 | Communication issued to active member with pension and lump sum options (quotation) | 15 days | 91.5% | 96.0% |
| B5 | Communication issued to deferred member with confirmation of pension and lump sum options (actual) | 15 days | 86.4% | 100.0% |
| B6 | Communication issued to active member with confirmation of pension and lump sum options (actual) | 15 days | 92.1% | 100.0% |
| B7 | Payment of lump sum (both actives and deferreds) | 15 days | 100.0% | 99.2% |
| B8 | Communication issued with deferred benefit options | 30 days | 66.2% | 91.0% |
| B9 | Communication issued to scheme member with completion of transfer in | 15 days | 100.0% | 44.8% |
| B10 | Communication issued to scheme member with completion of transfer out | 15 days | 63.4% | 42.5% |
| B11 | Payment of refund | 10 days | 94.2% | 90.7% |
| B12 | Divorce quotation | 45 days | 87.5% | 100.0% |
| B13 | Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order | 15 days | 100.0% | 0.0% |
| B14 | Communication issued to new starters | 40 days | 56.5% | 85.7% |
| B15 | Member estimates requested by scheme member and employer | 15 days | 95.7% | 95.0% |

*Days in this column are a suggested fund target for completion and not the statutory timescale.

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## Table C - Communications and engagement

| Ref | Engagement with online portals | Percentage as at 31 March |
|---|---|---|
| C1 | % of active members registered | 59.8% |
| C2 | % of deferred member registered | 45.0% |
| C3 | % of pensioner and survivor members | 48.8% |
| C4 | % total of all scheme members registered for self-service | 49.8% |
| C5 | Number of registered users by age | u/k |
| C6 | % of all registered users that have logged onto the service in the last 12 months | 43.90% |

| Ref | Communication | Number |
|---|---|---|
| C7 | Total number of telephone calls received in year | 1047 |
| C8 | Total number of email and online channel queries received | 2639 |
| C9 | Number of scheme member events held in year (total of in-person and online) | 0 |
| C10 | Number of employer engagement events held in year (in-person and online) | 3 |
| C11 | Number of active members who received a one-to-one (in-person and online) | u/k |
| C12 | Number of times a communication (i.e newsletter) issued to: | |
| | a) Active members | 1 |
| | b) Deferred members | 1 |
| | c) Pensioners | N/A |

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## Administration KPI table D – Resources

| Ref | Resources | |
|---|---|---|
| D1 | Total number of all administration staff (FTE) | 11 |
| D2 | Average service length of all administration staff | 2.7 |
| D3 | Staff vacancy rate as % | 8% |
| D4 | Ratio of all administration staff to total number of scheme members (all staff including management) | 1,723 to 1 |
| D5 | Ratio of administration staff (excluding management) to total number of scheme members | 2,370 to 1 |

## Table E - Data Quality

| | **Annual Benefit Statements** | |
|---|---|---|
| E1 | Percentage of annual benefit statements issued as at 31 August | 100.0% |
| E2 | Short commentary if less than 100% | n/a |
| | **Data category** | |
| E3 | Common data score | 98.3% |
| E4 | Scheme specific data score | 95.0% |
| E5 | Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | 1.0% |
| E6 | Percentage of active, deferred and pensioner members with an email address held on file | 77.1% |
| | **Employer performance** | |
| E7 | Percentage of employers set up to make monthly data submissions | 100% |
| E8 | Percentage of employers who submitted monthly data on time during the reporting year | 92.4% |

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## 6.3 Pension Fund members and employers

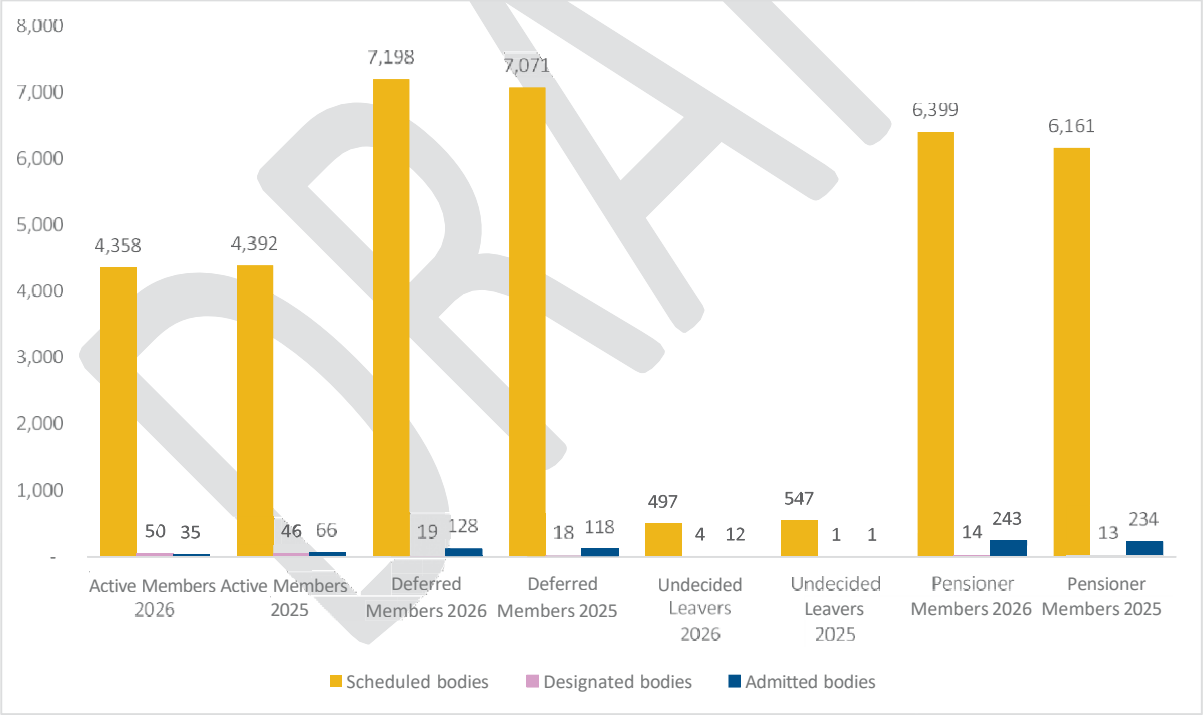
### 6.3A Pension Fund membership

The table and chart below show a summary of the Pension Fund members analysed by type of employer:

| As at 31 March 2026 | | | | | | |
|---|---|---|---|---|---|---|
| Employer Type | Active Employers | Ceased Employers* | Active Members | Deferred Members | Undecided Leavers | Pensioner Members |
| Scheduled bodies | 12 | 3 | 4,358 | 7,198 | 497 | 6,399 |
| Designated bodies | 10 | 2 | 50 | 19 | 4 | 14 |
| Admitted bodies | 9 | 18 | 35 | 128 | 12 | 243 |
| Total | 31 | 23 | 4,443 | 7,345 | 513 | 6,656 |

| As at 31 March 2025 | | | | | | |
|---|---|---|---|---|---|---|
| Employer Type | Active Employers | Ceased Employers* | Active members | Deferred members | Undecided Leavers | Pensioner members |
| Scheduled bodies | 11 | 3 | 4,392 | 7,071 | 547 | 6,161 |
| Designated bodies | 10 | 2 | 46 | 18 | 1 | 13 |
| Admitted bodies | 12 | 14 | 66 | 118 | 1 | 234 |
| Total | 33 | 19 | 4,504 | 7,207 | 549 | 6,408 |

* Ceased Employers are those with no active members but with some outstanding liabilities.




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## 6.3B Contribution analysis

The table below sets out the employers of the Pension Fund including the number of active members plus the normal employees and employers' contributions receivable for the year.

| No. | Employer | Active members At 31 March 2026 No. | Employer normal contribution Year ended 31 March 2026 £000 | Employee normal contribution Year ended 31 March 2026 £000 |
|---|---|---|---|---|
| **Administrative Authority (a Scheduled body)** | | | | |
| 1 | Isle of Wight Council | 3,531 | 17,534 | 4,703 |
| **Scheduled and Designated bodies** | | | | |
| 2 | Bembridge Parish Council | 2 | 13 | 3 |
| 3 | Carisbrooke College | 50 | 239 | 61 |
| 4 | Cowes Enterprise College | 71 | 355 | 91 |
| 5 | Cowes Town Council | 3 | 14 | 3 |
| 6 | Fishbourne Parish Council | 1 | 2 | - |
| 7 | Gurnard Parish Council | 1 | 4 | 1 |
| 8 | Hunnyhill Academy | 59 | 104 | 25 |
| 9 | Island Free School | 40 | 167 | 50 |
| 10 | Isle of Wight College | 284 | 900 | 250 |
| 11 | Lanesend Primary | 66 | 169 | 46 |
| 12 | Medina College | 102 | 378 | 95 |
| 13 | Newport and Carisbrooke Community Council | 7 | 45 | 11 |
| 14 | Northwood Parish Council | 1 | 2 | 1 |
| 15 | Northwood Primary School | 33 | 71 | 18 |
| 16 | Ryde Academy | 78 | 334 | 83 |
| 17 | Ryde Town Council | 26 | 158 | 40 |
| 18 | Sandown Town Council | 5 | 30 | 8 |
| 19 | Shanklin Town Council | 2 | 23 | 6 |
| 20 | St Blasius Primary Academy | 15 | 46 | 11 |
| 21 | St Francis Academy | 29 | 66 | 17 |
| 22 | Wootton Bridge Parish Council | 2 | 9 | 2 |
| **Admitted bodies** | | | | |
| 23 | Barnardo's 2021 | 3 | 18 | 4 |
| 24 | CleanTEC Services | 4 | 14 | 3 |
| 25 | Cowes Harbour Commissioners | 1 | 12 | 2 |
| Exited | Keys Group Limited | - | 25 | 6 |
| 26 | KGB Cleaning | 1 | 13 | 3 |
| 27 | Island Roads | 14 | - | 39 |
| 28 | Polaris Community | 1 | 6 | 1 |
| Exited | Southern Housing | - | 7 | 2 |
| 29 | Southern Vectis | 3 | - | 2 |
| Exited | Sovereign Housing | - | 214 | 52 |
| 30 | St Catherine's School | 7 | 61 | 19 |
| Exited | Top Mops Limited | - | 1 | - |
| 31 | Ventnor Botanic Gardens | 1 | - | 1 |
| Total | | 4,443 | 21,034 | 5,659 |

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## 6.4 Communications Policy

In line with the Pension Fund's Communications Policy published on its website at: Communications Policy | Isle of Wight Pension Fund the core strategy for Pension Fund communications is to provide scheme members with a range of statutory communications during the scheme year, including starter packs for new members and leaflets at their employee induction sessions. The Pension Fund will also provide annual benefits statements to active & deferred members including the issuance of annual AVC statements, payslips to pensioner members where changes in payments of more than £50 has occurred and annual P60's to all pensioner members. In addition, active & deferred scheme members also received annual newsletters and the Pension Fund participated in the LGPS's annual pension awareness week, scheduled each September.

Communication exercises to scheme members were also conducted relating to the management of Pension Fund projects. In particular, mailshots relating to the execution of the McCloud remedy and reregistration to the Pension Fund's new member self-service platform, called Engage, following migration from the old platform.

To deliver these published communications the Pension Fund used a variety of tools along with a schedule setting out the review dates for the different communications and materials.

Communication with employers and other stakeholders were also offered, with regular meetings with many employer contacts and an employer forum held in December 2025, aimed at delivering the preliminary Pension Fund's valuation results. An employer consultation period associated with the delivery of those results followed. Officers also took the opportunity at the forum to raise awareness on the proposed pooling arrangements of the Pension Fund's assets and the roles and responsibilities of scheme employers.

Further scheme employer engagements were conducted through attendance at the Island's School Business Managers meetings, as well as communication updates relating to the new contribution rates, year-end requirements and employer responsibilities associated with the new Access & Fairness and Access & Protections guidance. In summary, an active management approach was taken by the Pension Fund in its engagement with its scheme employer contacts. In the year ended 31 March 2027 it is intended to develop this approach, providing employers with greater training and associated materials to assist them with their general knowledge, understanding and awareness of the Pension Fund's processes.

Throughout the year ended 31 March 2026 Pension Fund officers also provided updates to the Local Pension Board and Pension Committee, provided training to members and enabling public access to both groups minutes and meetings packs detailing the Pension Fund's business during the year.

Like most pension funds the Isle of Wight Council Pension Fund's website plays a central role in its communication strategy for both members and employers, and during the scheme year ended 31 March 2026 officers started a strategic review of the website to ensure that all the documentation, policies, procedures, factsheets and forms, remained compliant with the anticipated new legislation. This strategic review of the website will continue into the year ended 31 March 2027 during which the Pension Fund will seek changes to its appearance and services, notably to its scheme employers.

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Further engagement with the Pension Fund's scheme members and employers is planned in the year ended 31 March 2027, with the publication of a new pension administration strategy which will align with its communication strategy.

Finally, to ensure members are kept up to date with the latest news and developments, the Pension Fund liaises with the LGPS Joint Communication Group. This engagement includes meetings and drafting of newsletter items which can be adapted and shared with other Pension Fund's for their members.

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## 6.5 Value for money statement

During the year ended 31 March 2026, much of the software procured in previous scheme years was implemented to increase the Pension Fund's digital platform, leading to greater efficiency and value for money in the longer term. A multi-year business plan from 2026 to 2028 was also developed replacing the business plan 2025 to 2026, the aim of which seeks to implement the remaining software, complete historic record rectification exercises and apply the new legislative requirements associated with Access & Fairness & Access & Protections. In addition, it's anticipated that the introduction of new LGPS legislation in the year ended 31 March 2027 will assist the Pension Fund's partnership approach in managing its own budget and administrative expensing with its Administering Authority (the Isle of Wight Council), allowing a newly appointed LGPS Senior Officer to better quantify and demonstrate the Pension Fund's service provision on a value for money basis.

With the introduction of a workforce plan, recruitment drive and staff training strategy, the Pension Fund was able to reduce its reliance on administrative support from professional advisers from its high point of 120 hours per month, down to 15 hours per month by December 2025. Although, external administrative support is still being provided, support is now more strategic and targeted and has led to improved cost control of the delivery of the Pension Fund's administrative service. Coupled with an increased focus on contract management, further improvements are anticipated in the longer-term.

The service costs highlighted have been reflected in the management expenses table within this annual report and accounts in **Section 3**.

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## 6.6 Dispute resolution

The Pension Fund has an established Internal Dispute Resolution Procedure (IDRP) approved in May 2024 and published on its website. The procedure has been shared with its scheme employers and employer contacts are also asked to advise the Pension Fund of their nominated person (IDRP adjudicator). The process for a complaint or internal dispute resolution is set out within the procedure at: Complaints and Internal Dispute Resolution Procedure (IDRP) | Isle of Wight Pension Fund and all employers are reminded of their responsibilities to communicate and share the policy with members. The Pension Fund operates an independent two stage resolution process, however, in the rare event that a complainant is still not satisfied with the determination they have received they have the right to refer their case to the Pensions Ombudsman.

During the year ended 31 March 2026 Pension Fund officers received four complaints (not through the IDRP), two of which were upheld and two not upheld, with part of this process also involving the reporting of complaints to the Local Pension Board and Pension Committee to enable their oversight. Whilst the number of complaints received have increased during the year ended 31 March 2026 (2025: none), it was considered that the primary reason for this increase was the implementation of a formal administrative framework to manage complaints. A framework which also assesses the root cause analysis of cases and where identified will take targeted corrective action to improve the Pension Fund's services.

No internal dispute resolution requests were received during the year ended 31 March 2026 (2025: none), and no cases were referred to the Pensions Ombudsman.

Further developments to the Pension Fund's administration of complaints and compliments will seek to improve the Pension Fund's capture of its employer and member satisfaction levels.

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## Section 7 Actuarial report

### Isle of Wight Council Pension Fund (Pension Fund) Actuarial Statement for the year ended 31 March 2026

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 Pension 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 April 2026.

**In summary, the key funding principles are as follows:**

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

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

#### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2025. This valuation revealed that the Pension Fund's assets, which at 31 March 2025 were valued at £810 million, were sufficient to meet 149% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £267 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Pension 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 2025 valuation report.

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## 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 2025 valuation were as follows:

| Financial assumptions | 31 March 2025 |
|---|---|
| Discount rate | 6.1% |
| Salary increase assumption | 3.3% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|---|---|---|
| Current Pensioners | 21.8 years | 24.3 years |
| Future Pensioners* | 22.4 years | 25.6 years |

**Aged 45 at the 2025 Valuation.*

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Craig Alexander
FFA C.Act 13
May 2026
For and on behalf of Hymans Robertson LLP

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## 8. External audit report for the year ended 31 March 2026

The external audit report will be added following completion of the audit.

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# Section 9 Additional information

## 9.1 Internal audit report for the year ended 31 March 2026

Over the course of the year to 31 March 2026 Internal Audit has completed five reviews, comprising of three full audits, one additional review (at the request of management) and one follow-up review.

No audit has resulted in a 'no assurance' opinion and one area has been rated as 'limited assurance', these are all assessed as being discrete to specific areas and not indicative of a widespread control failure.

The limited assurance report relates to implementation of actions to align the Pension Fund with the Pension Regulator’s Code of Practice (CoP). While the Pension Fund team have an appropriate action plan, to align with the CoP, progress has been not been as timely as desirable, resulting in the limited assurance opinion.

The overall annual opinion for the first year of the Internal Audit service provided to the Pension Fund is 'reasonable assurance'.

Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions and no other indicators of significant control failures the annual audit opinion would be reasonable or full assurance.

As a result of the findings identified the audit opinion for the year ended 31 March 2026 is Reasonable Assurance.

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## 9.2 Summary of freedom of information requests

During the year ended 31 March 2026 the Isle of Wight Council Pension Fund (Pension Fund) received 10 freedom of information requests.

The Pension Fund complies fully with the Freedom of Information Act and where information is not commercially sensitive to the Pension Fund, or is otherwise classed as confidential, it is sent to the requesters.

Below is a summary of requests received, classified by topic:

| Topic | Number of requests |
|---|---|
| Investments | 8 |
| Actuary costs | 1 |
| Contributions receivable | 1 |

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