



**Isle of Wight  
Council**

**Isle of Wight Council**

**Pension Fund**

**DRAFT**

**ANNUAL REPORT**

**AND ACCOUNTS**

**2023/24**

Registration number with the Registrar of Occupational and Personal Pensions Schemes  
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## Foreword

As the Chairman of the Pension Fund Committee, I am pleased to introduce the annual report and accounts of the Isle of Wight Council Pension Fund for the year ended 31 March 2024, setting out the overall financial activity of the fund.

During 2023/24, the financial markets have seen something of a recovery from the previous year when market volatility was high following global market uncertainty arising out of the invasion of Ukraine by Russian forces, with high inflation and sharply increased interest rates also impacting. Economic conditions in the UK remained quite challenging during the year. Domestically, UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24 but remained above the Bank of England's target level of 2% by the year-end.

The overall impact has seen the value of assets held by the fund move in a positive direction. Investment assets reached a value of £757.6 million at 31 March 2024, compared with £685.3 million at 31 March 2023 – an increase of £72.3 million (or 10.6%) over the financial year. These figures are still subject to audit.

The committee held four meetings during the year, each held in person at County Hall, with each meeting covering all aspects of pension fund business. During the year the committee:

- Adopted a policy on recording and reporting breaches of the law with regard to the pension scheme.
- Adopted an updated policy on pension administration for the fund and received regular updates on the work and developments within pensions administration.
- Implemented the agreed Investment Strategy, which included a commitment to an infrastructure as well as a private debt fund, with allocations made.
- Continued to monitor the performance of the investments held by the fund.
- Adopted a policy and statement of funding in relation to academies and the pension fund.
- Following a review, formulated an action plan, including arrangements for monitoring progress, to ensure the fund is fully compliant with all standards of good governance expected to apply.
- 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.
- Continued its engagement with the ACCESS pool, collaborating with 10 other Local Government Pension Funds to achieve better investment opportunities and outcomes. Officer and Councillors attended ACCESS meetings throughout the year.

At 31 March 2024 approximately 87 per cent of the fund's investments were under pooled management, or in pool aligned investments. The pool allows the pension fund to access a wide range of investment assets whilst also ensuring local



democratic accountability and the ability of authorities to continue to meet their fiduciary responsibilities.

The Local Pension 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 fund and reviewing policies. At each of its meetings the board received reports on the fund's risk register, administration matters, and knowledge and understanding matters. The annual report from the Local Pension Board for the year ended 31 March 2024 is presented within this document.

Looking beyond the last financial year, the current year has and continues to be a very busy year, with the following key areas either having commenced or will commence during the remainder of the financial year:

- A new Code of Practice has been introduced by the Pension Regulator. The Fund has been assessing what has changed within the Code and ensuring the Fund can comply with the requirements it sets out.
- On Administration, the Authority continues to assess the implications of the McCloud judgment. 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.
- Work will commence on the fund valuation, which is an important health check on the finances of the fund. Setting employer contribution rates from the 1 April 2026 will be part of this process.
- The new Government, elected in July 2024, has made clear its intention to review pensions including the LGPS and introduce reforms. The Isle of Wight Fund will engage with this review, both individually and as a member of the ACCESS Pool.

The annual report for 2023/24 has been amended to reflect new national guidance aimed at standardising reports.

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

**Councillor Chris Jarman JP**  
**Chair – Isle of Wight Pension Fund Committee**





# **Isle of Wight Council**

## **Pension Fund**

### **Section 1**

## **Overall Fund Management**



## Isle of Wight Council Pension Fund 2023/24 Scheme management and advisers

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

			<b>Joined</b>	<b>Resigned</b>
Councillor C Jarman	Empowering Islanders	Chair		
Councillor D Andre	Alliance (Independent)			20 September 2023
Councillor P Brading	Conservative			
Councillor V Churchman	Conservative	Vice-chair (from 17 May 2023)		
Councillor C Critchison	Alliance (Green)			15 November 2023
Councillor P Fuller	Alliance (Independent)		15 November 2023	28 February 2024
Councillor A Garratt	Liberal Democrat	Vice-chair (to 17 May 2023)		17 May 2023
Councillor K Lucioni	Alliance (Island Independent Network)		17 May 2023	
Councillor N Stuart	Liberal Democrat		20 September 2023	
Councillor I Ward	Conservative			

The Committee is advised by:

Mr C Ward, Director of Finance and section 151 officer

Mr D Walker, Investment Consultant – Hymans Robertson LLP

Mrs J Thistlewood, Pension Fund Manager (until 19 April 2024)

Mr S Harrison, Strategic Manager – Pensions (from 09 September 2024)

In addition, a non-voting representative of the staff union attends the Pension Fund Committee meetings. There has been a vacancy for a non-voting representative of the admitted/scheduled bodies through out the year.



### Asset Pool

ACCESS – A Collaboration of Central,  
Eastern and Southern Shires

### ACCESS Pool Operator

Waystone Management UK,  
LF ACCESS Pool Authorised  
Contractual Scheme  
London EC2V 7NQ

### Investment Managers through Pool

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

BlackRock  
12 Throgmorton Avenue  
London  
EC2N 2DL

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

Royal London Asset Management  
8 Fenchurch Street  
London  
EC3M 4BY

### Direct Investment Managers

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

Partners Group (UK) Ltd  
14<sup>th</sup> Floor  
110 Bishopsgate  
London EC2N 4AY

Pantheon Ventures (UK) Ltd  
10 Finsbury Square  
4<sup>th</sup> Floor  
London EC2A 1AF

J.P Morgan Asset Manager  
60 Victoria Embankment  
London  
EC4Y 0JP

Schroder Investment Management  
Limited  
31 Gresham Street  
London EC2V 7QA

UBS Asset Management  
5 Broadgate  
London EC2M 2QS

### Actuarial Services

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

### Investment Consultants

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

### AVC Provider

Prudential  
AVC Customer Services  
Stirling FK9 4UE

### Custodian

Northern Trust  
50 Bank Street  
London E14 5NT



Bankers

Lloyds Bank  
3 Town Quay  
Southampton  
SO14 2AQ

Auditors

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

Scheme Administrator

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

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



## Risk Management

Risks identified for the Fund are managed using the Isle of Wight Council's risk management framework with assurance provided through the work of Isle of Wight Council's internal audit function. The Fund has also adopted a [Risk Management Policy](#) to help the Committee, Board and Officers, with the identification and management of risks that are specific to the pension fund. The procedures for identifying, managing and reviewing Fund risks are set out in the policy which can be viewed on the [Fund website](#).

The Fund also 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 Fund. The Fund risk register is reviewed quarterly by the Pension Committee and Local Pension Board. The register covers risks in key areas such as investment, governance, and administration. This includes financial risks to the Fund's investments such as market, interest rate and foreign currency risks (reported in Note 20 in the Pension Fund's Accounts which is reproduced in this report), as well as risks to the Fund's other main functions of governance and administration.

Officers tasked with the day-to-day management of risks, consider risk management of the Fund when assessing organisational processes, business planning, performance management, audit and assurance and business continuity management. Where necessary, risks associated with the 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 Fund to identify risks, including:

- Reviewing the Fund's Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).
- Reviewing the Fund's Governance Compliance Statement.
- Reviewing the Fund's administration policy.
- Reviewing the Fund's communication policy.
- Reviewing of internal controls when there have been substantial changes to the scheme including scheme personnel, service providers, scheme advisors and/or administration and/or 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 Fund's agreed objectives, annual action plan and business plan.
- Assessment of the Fund against external requirements such as the Pension Regulator's General Code of Practice.

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



## Principal Key Risks

### Administering Authority

The Fund is integrated into the Isle of Wight Council processes where services are available within the Council and are beneficial to the Fund. This provides a cost-effective solution for the Fund and its members. This also ensures that a good understanding of the Fund is maintained by the local Administering Authority and agile services can be provided with the ever-changing complex legal, regulatory and macro-economic updates. Where specialist services or advice is required, this is procured externally with the help of the Isle of Wight Council procurement team. The Fund also benefits from support being provided by Council employees that dedicate 100% of their time to the Fund. This includes employees that provide in-house administration services, treasury and finance, governance compliance and strategic management services to the 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 Fund, and potential conflicts of interest are mitigated, and internal controls are maintained. The [Fund's Conflict of Interest Policy](#) is available to download on the Fund's website.

### Third Party Risks

Services provided by third parties (excluding the services provided by the administering authority) are provided in areas such as investment advice and administration software services due to the 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.

In terms of other third-party risks to the Fund, such as late payment of contributions and provision of data by scheme employers, a benefit of being a relatively modest size is that the Fund is able to maintain close relationships with its 30 employers. Areas such as late payment of contribution and provision of data by scheme employers is monitored monthly by the in-house administration team and is reported quarterly to the Board and Committee. The administration strategy also sets out recourse in event that scheme employers to not pay contributions or provide data by the specified timeframes. The [Pension Administration Strategy](#) can be found on the Isle of Wight Pension Fund website.



## Investment Risks and Pooling Arrangements

The Fund's Investment Strategy Statement (ISS) sets out the investment beliefs and objectives. To manage the Fund's investments in line with the ISS and investment beliefs, the Fund has appointed nine external investment managers: Newtons (Global Equity), Diversified Growth (Baillie Gifford), Blackrock (UK Equity), Royal London (Bonds), Schroders (Property), UBS (UK Equity passive), Goldman Sachs (Private Debt), Partners (Infrastructure), Pantheon (Private Debt) and JP Morgan (Infrastructure).

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 Fund's investment consultant to provide advice before making investment decisions. As a standard procedure, the 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. There are also objectives in place in line with the CMA order for investment consultancy and fiduciary management services and these are assessed on an annual basis. The Committee also invites investment managers to Committee meetings to provide updates on performance of the Fund's investments which enables the Committee to challenge investment managers directly rather than via the 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, the Committee are invited to take part in training sessions as well as Hymans Robertson LLP Knowledge Progress Assessment ("KPA") annually. The annual assessment of knowledge and understanding helps to identify potential gaps in the Committee's knowledge so future training plans can be set accordingly.

The 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 Isle of Wight 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 Fund benefits from accessing a greater range of investment vehicles and opportunities through the Pool, giving the Fund the chance to diversify and improve investment risk. Updates are regularly received from ACCESS officers and the Fund is invited to send officers to attend ACCESS meetings throughout the year.



## **Cyber Security Risks**

A key risk for the Fund is monitoring and management of cyber security controls to protect the data and assets of the Fund. Cyber mitigation arrangements for the Fund include roles and responsibilities for cyber risk management set out under the overall governance framework, cyber security training, data mapping, assurance, monitoring of the risk on the risk register and incident response planning.

To help the Fund manage cyber risks, the 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 Isle of Wight 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 IWC Cyber Incident Response Plan would be activated. The IWC Cyber Incident Response Plan provides a structured and systematic incident response process for all cyber security incidents that affect any of the Isle of Wight 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 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.





# **Isle of Wight Council**

## **Pension Fund**

### **Section 2**

## **Governance and Training**



## Governance & Training

### Overview of Fund Governance Structure

The [Fund's Governance policy](#), and the related [Governance Compliance Statement for the year ended 31 March 2024](#), outline the governance arrangements for the Isle of Wight Council Pension Fund, as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013.

An overview of the governance structure, meeting attendance and training records for Committee and Board members during the year are outlined below.

### Pension Fund Committee

Under the terms of its constitution the Isle of Wight Council, as the administering authority of the Fund, has delegated certain functions to its Pension Fund Committee in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The Pension Fund Committee is a s102 committee of Isle of Wight Council and is defined as the Scheme Manager under the Public Service Pensions Act 2013 (PSPA13).

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

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

The Chair, Vice-Chairman and elected Committee members on the Committee at 31 March 2024 are outlined below (please see page 6 for the full list of councillors on the committee throughout the year):

- [Councillor Christopher Jarman](#) (Chairman)
- [Councillor Vanessa Churchman](#) (Vice-Chairman)
- [Councillor Paul Brading](#)
- [Councillor Karen Lucioni](#)
- [Councillor Nick Stuart](#)
- [Councillor Ian Ward](#)
- Vacancy

Scheme members and employer representatives with an observer capacity from 1 April 2023 – 31 March 2024:

- Steve Milford (Co-opted – UNISON, Scheme Member Representative – non-voting)
- Vacancy (Co-opted - Scheme Employer Representative – non-voting)



The Committee is required to meet formally four times a year with ad hoc sessions arranged as required, as set out in the [Committee Terms of Reference](#).

The Committee members attendance at meetings during 2023/24 are outlined below:

	24 May 2023	06 Sept 2023	22 Nov 2023	14Feb 2024	% Attendance
Chairman	Y	Y	Y	Y	100%
Councillor 1	Y	Y	N/A	N/A	100%
Councillor 2	Y	Y	Y	Y	100%
Councillor 3	Y	Y	APS	Y	75%
Councillor 4	Y	APS	N/A	N/A	50%
Councillor 5	N/A	N/A	Y	N/A	100%
Councillor 6	N/A	N/A	N/A	N/A	N/A
Councillor 7	Y	APS	Y	APS	50%
Councillor 8	N/A	N/A	Y	Y	100%
Councillor 9	Y	Y	Y	APS	75%
% Attendance	100%	71%	86%	67%	81%

## Local Pension Board

To support the Committee, a Local Pension Board was established in 2015, in line with the LGPS Governance Regulations by the Public Service Pensions Act 2013. The Isle of Wight Council Pension Fund Local Pension Board (the Pension Board) is accountable to the Scheme Manager and Pension Regulator.

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

The role of the Local Pension Board is to assist the Scheme Manager in ensuring appropriate standards of governance and administration are maintained, as set out in the PSPA13.

The Pension Board comprises an equal number of scheme member representatives and employer representatives with voting rights, and an independent chairman with no voting rights. The names of board members, details about representative and matters for which the Board are responsible are outlined on the [pension website](#).

The Pension Board's role is to work closely in partnership and assist the Scheme Manager in relation to the following matters:



- Securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS and any statutory pension scheme that is connected with it.
- Securing compliance with requirements imposed in relation to the LGPS and any connected scheme by the Pensions Regulator.
- Ensuring any breach of duty is considered and dealt with under the Fund's procedure for reporting to the Pensions Regulator and to the Scheme Manager.
- Such other matters as the scheme regulations may specify.
- Ensuring the effective and efficient governance and administration of the LGPS for the Isle of Wight Council Pension Fund.
- Provide reports and information to the Pension Committee on matters within the Board's remit.

The [Board Terms of Reference](#) as set out in the Isle of Wight Council Constitution allow the Board to consist of a minimum of four and a maximum of eight members, as well as an independent chairman.

Board membership during 2023-24 comprised three representatives of the Scheme employers, and three representatives of the Scheme members, all of whom are voting members. In addition, a non-voting independent chairman has been appointed.

The Board members attendance at meetings during 2023/24 is outlined in the Board Report in section 2.3 of the Annual Report on page 19.

All meeting agendas, papers and minutes are published on the Isle of Wight Council's [democratic web pages](#).

A summary of the work undertaken by the Board during 2023/24 is also out in the Board Report on pages 19-27.

## Training

The Isle of Wight Pension Fund objectives relating to knowledge and skills are:

- The Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise, and that the knowledge and expertise is maintained in the changing environment.
- The persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, manage conflicts of interest and ensure their decisions are robust and well based.



- The Pension Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and the delivery of the administration functions of the funds.

The ultimate aim is to ensure that the Isle of Wight Council Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. To assist in achieving these objectives, the Fund aims to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework and Code of Practice to meet the skills set within the Framework.

The Fund's approach to training aims to be supportive and flexible to ensure that it delivers Pension Committee members, Local Pension Board members and officers the appropriate method to attain and maintain the required skills and knowledge through the most effective manner. The various methods used include:

For Pension Committee and Local Pension Board Members	For Officers
<ul style="list-style-type: none"> <li>• Using the TPR public service toolkit, LGPS Online Learning Academy and other e-training facilities</li> <li>• Attending courses, seminars, and external events</li> <li>• Face-to-face training sessions</li> <li>• Manager and Advisor sessions provided at Committee/Board Meetings</li> <li>• Updates from officers and/or advisors</li> <li>• Knowledge gained from other roles</li> <li>• Self-study</li> </ul>	<ul style="list-style-type: none"> <li>• Using the TPR public service toolkit, LGPS Online Learning Academy and other e-training facilities</li> <li>• Attending courses, seminars, and external events</li> <li>• Desktop/work based training</li> <li>• Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, CIPP, PMI)</li> <li>• Internally developed sessions</li> <li>• Shared training with other Funds or Frameworks</li> </ul>

Every Board and Committee member has their own individual training plan which reflects the different stages of their training and knowledge.

Induction training is provided for all new Officers and Pension Committee and Board members.

Every year, Committee and Board members are expected to take part an annual knowledge assessment. This is so the collective skills and experience of the Board can be assessed, and gaps and imbalances can be identified and built into training plans.

## Governance

It is important that those managing the Fund adhere to the highest standards of public office. The Isle of Wight Council's Members Code of Conduct (contained in the Council's Constitution) applies to all members or voting co-opted members of the



Council. In addition, the code has been adopted to apply to all members of the Pension Fund Committee and Local Pension Board.

The Fund recognises the potential that actual or perceived conflicts of interest may arise from time to time. For example, the Isle of Wight Council is the administering authority but is also a participating employer in the Fund as well as key service provider. Individuals involved in managing, overseeing or advising the Fund may also have professional or personal obligations outside the Fund, which could give rise to a perceived or actual conflict of interest requiring management. The Fund has therefore adopted a Conflicts of Interest Policy. The Conflicts of Interest policy sets out how the administering authority will identify, manage and mitigate potential conflicts of interest.

The Fund's aims and objectives related to the management of conflicts of interest are as follows:

- To outline how conflicts of interest will be identified, monitored and managed.
- To ensure that those involved in the operation of the Fund fulfil their duties to act in the interests of the Fund's employers and scheme members.
- To provide confidence to scheme members, employers, regulators or any other interested parties that those responsible for the Fund are fully committed to identifying, managing and monitoring conflicts of interest.
- To minimise the risk to the Fund that conflicts of interest crystallise.
- To promote openness, transparency and a commitment to the Seven Principles of Public Life in all aspects of the Fund's business.

To ensure oversight is maintained as part of effective governance of the pooling arrangements, the Committee receives regular updates on investment pooling and the performance of assets managed within the pool. This is carried out by officers representing the administering authority in various officer groups. The Vice-Chairman of the Committee is also a member of the ACCESS pool's Joint Committee. Board members are also invited to attend as observers on invite. These arrangements have been set up to ensure the administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities. Further information on the governance arrangements for the ACCESS pool can be found on the pool's website.

The Isle of Wight 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

Key officers responsible for the Fund are outlined in the Annual Report on page 6 of this report.



## Local Pension Board Annual Report 2023-24

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

Welcome to the Annual Report of the Local Pension Board (“the Board”) of the Isle of Wight Pension Fund. This report covers the period from 1 April 2023 to 31 March 2024 during which the Board is due to hold four meetings.

The focus of the Board has been on ensuring compliance with the Public Service Pensions Act, all of the relevant LGPS regulations, LGPS best practice guidance issued by the Scheme Advisory Board and the Chartered Institute of Public Finance and Accountancy (CIPFA) and the requirements of the Pensions Regulator (TPR). Section 2 “Functions and Operation of the Board” in this report gives more detail on our aims and responsibilities.

As Board Chair, I formally present to each Pension Committee an Executive Summary from each Board meeting indicating any specific recommendations made by the Board and any other matters considered to be relevant to the Committee.

The Board’s work during 2023-24, is set out in the “Detailed Work of the Board” section of this Annual Report.

Each year, the Board seeks assurances with evidence from the Fund and external bodies that the Administering Authority is meeting its objectives and managing its risks.

In August 2023, the Fund actuary, Hyman Robertson, conducted a review (Isle of Wight Pension Fund Governance Outlook report) of the Isle of Wight Pension Fund’s ability to comply with its statutory duties. Their conclusions include the following:

“There is a risk that the Fund may be unable to fulfil its statutory duties because of subject matter experts leaving, leading to the Fund being unable to execute some of its basic functions e.g., paying pensioners.

There is a risk that the Fund may be unable to fulfil its statutory duties because of an overreliance on key members of staff.

There is a risk that the Fund will not deliver to existing exceptionally high service standards because of key people leaving the Fund leading to reputational risk and potential backlogs.

There is a risk that the Fund’s climate reporting approach has not been progressed as a result of other priorities leading to the Fund being non-compliant when the regulations come into effect.”

The Board agree with this assessment and has conveyed its opinion to the Pensions Committee and senior officers within the Council. The Board is currently not able to provide assurance that the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is complying with its statutory duties. Although statutory requirements have been met in the year, there are significant



weaknesses in key governance and administration areas, which put the Administering Authority's objectives at risk.

## 1 Constitution, Representation and Attendance

- 1.1. The Local Pension Board of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is established under s.5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2. The Board is established in the interests of the Fund, by the Administering Authority and operates independently of the Pension Fund Committee. The Board is accountable to the Scheme Manager and the Pensions Regulator
- 1.3. The Board is not a committee constituted under s.101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided.
- 1.4. Pension board meetings are not required to be open to members of the public.
- 1.5. The board held its first meeting on 14 August 2015.
- 1.6. The terms of reference allow the Board to consist of a minimum of four and a maximum of eight members, as well as an independent chairman.
- 1.7. Board membership during 2023-24 comprised three representatives of the Scheme employers, and three representatives of the Scheme members, all of whom are voting members. In addition, a non-voting independent chairman has been appointed.

<b>Name</b>	<b>Category</b>	<b>date of appointment</b>	<b>end of term</b>
Martin Doyle	Independent Chairman	07-Mar-22	06-Mar-26
Michael Lilley	Employer rep	21-Jul-21	17-May-24
Ashley Curzon	Employer rep	19-Jan-22	18-May-24
Paul Fuller	Employer rep	29-Feb-24	01-May-25
Liz Kingston	Employer rep	01-Jun-22	31-May-26
Tonya Jayston	Employer rep	09-Nov-23	08-Nov-27
Trevor Ould	Scheme member rep	17-Nov-21	16-Nov-25
Neil Cain	Scheme member rep	01-Apr-22	7-Mar-24
Barbara Milton	Scheme member rep	01-Apr-22	31-Mar-26

- 1.8. The Board is scheduled to meet on four occasions during the year. All meetings take place in person at County Hall, Newport, Isle of Wight. The board's terms of reference allow members to attend these meetings virtually if required.





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

1.10. Members' attendance at each of the meetings is detailed on the following table.

Board Member	Board Meetings					
	5 April 2023	12 July 2023	13 Sep 2023	13 Dec 2023	5 April 2024	
Independent Chair	✓	CANCELLED	✓	✓	✓	100%
Employer Rep 1	Aps		✓	✓	Aps	50%
Employer Rep 2	✓		n/a	n/a	n/a	100%
Employer Rep 3	✓		n/a	n/a	n/a	100%
Employer Rep 4	n/a		n/a	✓	✓	100%
Employer Rep 5	n/a		n/a	n/a	✓	100%
Scheme Member Rep1	✓		✓	✓	✓	100%
Scheme Member Rep 2	✓		✓	✓	✓	100%
Scheme Member Rep 3	✓		Not present	Not Present	Not Present	25%
	85.7%			80%	83.3%	71.4%

1.11. To facilitate the operation of the Board, all the board members are invited as observers to meetings of the Isle of Wight Pension Fund Committee ("the Committee").

## 2 Functions and Operation of the Board

2.1 The primary functions of a Local Pension Board (LPB) (as defined by the Public Services Pension Act 2013) are to assist the Administering Authority to:

- ensure effective and efficient governance and administration of the LGPS.



- ensure compliance with relevant laws and regulations.
- ensure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pension Regulator.
- such other matters as the scheme regulations may specify.

- 2.2 It therefore has a monitor/assist/review/scrutinise purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda and can be selective and probe particular topics in more depth than the Committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.
- 2.6 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Department for Levelling Up, Housing & Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Pension Fund Manager and Democratic Services and operates under Terms of Reference which were initially agreed by Isle of Wight Council in January 2015.
- 2.8 The current Terms of Reference are included in the Council's constitution version 9.1  
<https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&MId=1529&Ver=4&Info=1> .
- 2.9 In 2023-24 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £2,492 (2022-23: £2,500).
- 2.10 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council.
- 2.11 The budget for 2023-24 is set at £3,500 (2022-23 budget was also set at £3,500), and actual spend will be monitored against this. The budget is set at a level to show the Boards' commitment to technical updating and training.
- 2.12 Mindful of delivering value for money, the Board endeavours to work in a cost-



effective manner, as its costs are reflected in employer contribution rates.

### **3 Detailed Work of the Board**

#### **3.1 Overview**

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

3.1.2 In 2023-24, the work of the Board included:

- Monitoring of KPI's and review of risk register at each Board Meeting
- Receiving updates from meetings of the Pension Fund Committee at each Board Meeting
- Monitoring governance support provided by Hymans Robertson at each meeting
- Review of the final Triennial Valuation 2022 report – April 2023 meeting
- Review of the new Pension Administration Strategy – April 2023 meeting
- Review of the key cyber security controls in place from the two major IT suppliers to the Fund – Isle of Wight Council and Heywood Pension Technologies – April 2023 meeting
- Review of draft Recording and Reporting Breaches of the Law Policy
- Consideration of the DLUHC consultation: Local Government Pension Scheme (England and Wales): Next steps on investments – September 2023 meeting
- Review of the fund's new Academy Participation Policy – September 2023 meeting
- Noting Hyman Robertson's Isle of Wight Pension Fund Fund Governance Outlook – September 2023 meeting
- Review of the draft governance compliance statement for the year ended 31 March 2023 – December 2023 meeting
- Review of the External Audit Results Report 2021-22 – December 2023 meeting
- LGA and legislation updates

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

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

#### **3.2 Risk management**

3.2.1 The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021. At that meeting it was agreed that the risk



register would be created and presented in due course for adoption.

3.2.2 At the pension fund committee meeting on 25 May 2022, the committee adopted the Isle of Wight Pension Fund risk register and agreed that the Local Pension Board be asked to maintain oversight of the risk management framework and risk register, to be reported to the committee at each future meeting.

3.2.3 Risk scoring uses the previously agreed risk scoring matrix, set out in the June 2022 board report.

### 3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Fund's administration and governance on an ongoing basis and the Fund reports on its performance in these areas each year.

3.3.2 A key achievement of the Board has been to commence, with the Pension Fund Manager, a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14.

3.3.3 The assessment identifies areas in which the Fund needs to make improvements.

3.3.4 The Board monitors TPR's annual review of its priorities and reflects these in agenda setting.

### 3.4 Reporting and Recording Breaches

3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its agenda.

3.4.2 During 2023-24, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority.

3.4.3 The Board has received training to improve skills and knowledge on their Board member responsibilities along with the Hymans Robertson LGPS Online Learning Academy training with regard to the identification of a breach.

### 3.5 Scheme Advisory Board (SAB)

3.5.1 The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings. The SAB commissions periodic surveys of local pension boards, although there was no survey during 2022-23.

### 3.6 Review of Investment Issues

3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.



- 3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.
- 3.6.3 The Board continued to receive updates on progress by the ACCESS Pool on pooling of assets. In addition, two members from the Isle of Wight Board attended the ACCESS Pool Joint Committee December meeting.
- 3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

### 3.7 Scheme documents

- 3.7.1 The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.
- 3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

## 4 **Ensuring Compliance with Regulatory Deadlines.**

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

## 5 **Training**

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.
- 5.2 CIPFA's Knowledge & Skills Framework identified six areas of knowledge and skills as the core technical requirements for those working in public sector pensions - these are:
- Pensions legislative and governance context
  - Pensions accounting and auditing standards
  - Financial services procurement and relationship management
  - Investment performance and risk management



- Financial markets and products knowledge
- Actuarial methods, standards and practices.

5.3 The Fund has procured the Hymans LGPS Online Learning Academy for all Board members which covers the training for these core areas along with the TPR Toolkit.

5.4 In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference. (Board members attended various events in year, including the LGA Governance Conference, and various webinars).

5.5 Board members are encouraged to attend LGPS-focused seminars/conferences each year.

5.6 Board Members also attend in-house training, provided by the Isle of Wight Council to both Board and Committee members, as well as viewing relevant webinars.

## **6 Workplan**

6.1 A work plan has been implemented for both Board and Committee members. Specifically, it incorporates the following areas of activity for 2023-25 for Board Members:

- Pension Fund Annual Report and Accounts.
- Triennial valuation: completion confirmation.
- Administration, including Key Performance Indicators, the Data Improvement Plan and the launch of the Pensions Administration Strategy.
- Audit and risk management, including the Risk Register, cyber risk and climate change.
- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with the expected TPR's General Code of practice, and the regulations implementing the Good Governance Project.
- Investments, including developments with the ACCESS Pool: implications for Administering Authorities.
- Training.
- Member communications.
- Communications between the Board and Committee.
- Policy updates: Reporting breaches, conflicts of interest, complaints/disputes.

6.2 There is flexibility to allow for any additional reviews and developments.

## **7 Public accountability**

7.1 The agendas, minutes and the Board's Terms of Reference are available on the pension fund's website at the following address: [Local Pension Board | Isle of Wight Pension Fund](#)



## **8 Acknowledgment**

- 8.1 I am grateful to the Pension Fund Manager, the Pensions Manager and the Chair of the Pension Committee and other fund officers for their support of the Board.
- 8.2 Finally, the Pension Board can only function effectively with the input of all Board members and I would like to thank my fellow Board members for their support and commitment to their roles on the Local Pension Board during the last year.

Martin Doyle  
Chair, Isle of Wight Council LGPS Local Pension Board  
23 February 2024



## **Extract from Constitution of the Isle of Wight Council (v9.1)**

### **Pension Fund Committee (7 members and 1 non-voting employee representative and 1 non-voting employer representative)**

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

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

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





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



- (iii) the Board's terms of reference.
- (iv) Board papers, agendas and minutes of meetings (redacted to the extent that they contain confidential information and/or data covered by the Data Protection Act 2018).

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

The committee comprises seven elected councilors. In addition, there is one non-voting employee representative nominated by a recognised trades union and one non-voting representative nominated by external employers of the fund.

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

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



## **Extract from Constitution of the Isle of Wight Council (v9.1)**

### **Local Pension Board (4-8 members plus an independent chairman)**

#### ***Establishment***

The Isle of Wight Council is the Administering Authority and Scheme Manager for the Isle of Wight Council Pension Fund, part of the Local Government Pension Scheme, as defined in s.4 of the Public Service Pensions Act 2013 ('the Act').

It has established the Local Pension Board ('the Board') under s.5 of the Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended), and the Board operates independently of the Pension Fund Committee

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

The Board is accountable to the Scheme Manager and the Pensions Regulator.

#### ***Responsibility and Role of the Board***

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

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

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

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

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

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

The activity of the Board can also include:

- (a) reviewing the Fund's governance and policy documents, for adoption by pension committee.
- (b) reviewing compliance with the Fund's governance and policy documents.



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

### ***Membership, Eligibility, Nominations, and Appointments***

The Administering Authority shall determine its membership.

#### *Minimum and Maximum Numbers and Types of Board membership*

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

No substitute members are permitted.

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

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

#### *Employer representatives*

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

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

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

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

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

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



### *Scheme representatives.*

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

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

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

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

### *Independent chairman*

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

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

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

### *Vice-chairman*

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

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

### *Conflict of interests*

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

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

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

### *Duty to comply with role profile and to attend arranged training.*

All Board members, whether scheme member or employer representatives, will be expected to



comply with the role profile for Board members, published on the Pension Fund's website.

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

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

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

#### *Length of term of office and removal from office*

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

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

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

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

#### ***Register of Interests and Code of Conduct***

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

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

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

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



their position on the Board and complete a register of interests.

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

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

### **Meetings**

#### *Frequency*

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

#### *Notice*

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

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

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

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

#### *Quorum*

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

#### *Holding of meeting*

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

#### *Voting*

No member of the Board shall have a right to vote on any question unless that member is an





employer representative or a scheme member representative.

It is expected the Board will as far as possible, reach a consensus, but where a deadlock has been reached on any matter under consideration which has been the subject of a tied vote the matter shall be referred to the Pension Fund Committee and/or Administering Authority together with the views of the members on the matter.

### *Minutes*

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

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

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

### *Publication*

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

### ***Advisers***

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

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

### ***Powers of the Board***

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

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

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

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

### ***Reporting Duty of the Board***

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





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

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

### ***Budget and Expenses***

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

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

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

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

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

### ***Accountability***

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

### **Review of terms of reference**

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

These terms of reference were adopted on 17 November 2021.

NB. The following documents/regulations have been referred to in formulating the Board's terms of reference:

- Local Government Pension Scheme (LGPS) – Guidance on the creation and operation of Local Pension Boards in England and Wales (issued by the Shadow Scheme Advisory Board)
- The Public Service Pensions Act 2013
- The Local Government Pension Scheme Regulations as amended.
- Code of Practice No. 14 governance and administration of public service pension schemes (issued by the Pensions Regulator)
- The Local Government Pension Scheme (LGPS) – Questions and Answers on Local Pension Boards (issued by the Shadow Scheme Advisory Board)
- Template Terms of Reference for a Local Pension Board (issued by the Shadow Scheme Advisory Board).



# **Isle of Wight Council**

## **Pension Fund**

### **Section 3**

## **Financial Performance**



## Financial Summary

### Analytical review

<b>Fund account</b>	<b>2023-24 £000</b>	<b>2022-23 £000</b>	<b>Notes</b>
Net withdrawals from dealings with members	<b>(2,047)</b>	(2,835)	Increase in basic contributions; increase in transfers in; inflationary increases in benefits paid & increase in number of pensioners; increased payments to leavers
Management expenses	<b>(7,065)</b>	(5,999)	Increase in management fees re Infrastructure s investment into fund increased. Reduction in fees for UK Equities due to change in investment manager
Net return on investment	<b>93,451</b>	(28,363)	Increased performance
Net decrease in net assets	<b>84,339</b>	(37,197)	

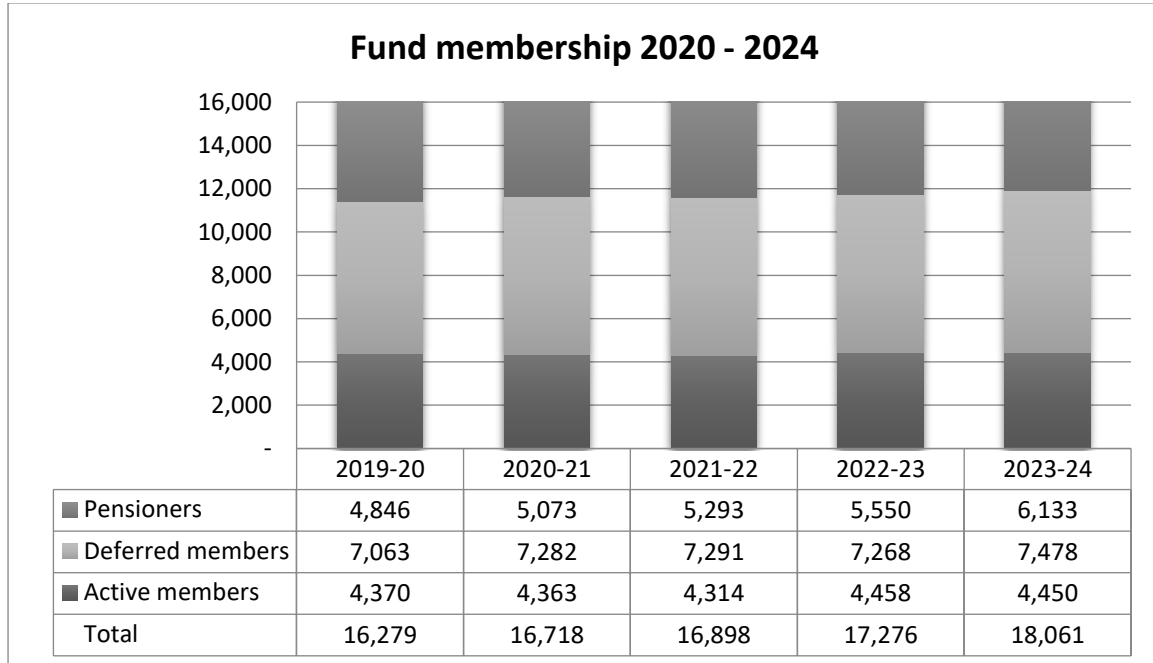
<b>Net Assets Statement</b>	<b>2023-24 £000</b>	<b>2022-23 £000</b>	<b>Notes</b>
Pooled Investment Vehicles	<b>629,049</b>	598,628	Increase in market values of holdings
Property	<b>35,163</b>	37,133	
Private Debt	<b>25,363</b>	26,111	
Infrastructure	<b>25,842</b>	14,277	Increased direct Investment into fund during year
Cash deposits	<b>42,188</b>	9,187	Current year inflated due to investment into the JPM Infrastructure fund which was actioned over year end.
Other net assets / (liabilities)	<b>17,857</b>	5,787	Increase in cash holdings
Total net assets	<b>775,462</b>	691,123	

Further detail can be found in the financial statements and notes on pages 45 to 84.



## Membership data

Total membership of the fund continues to increase year on year. The profile of membership numbers from 2019 to 2023 is shown below:



The actual number of active members has decreased slightly during 2023/24, whilst the total number of members has continued to increase.

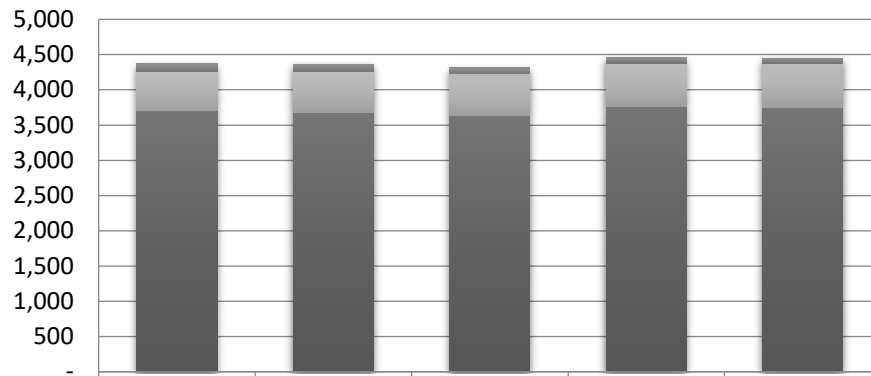
The Isle of Wight Council remains the largest employer in the fund.

The proportion of the active members in the Isle of Wight Council has also decreased from 84.71% in 2019/20 to 84.40% in 2023/24.

The composition of active membership numbers is shown below broken down by employer type:



### Active membership by employer type



	2019-20	2020-21	2021-22	2022-23	2023-24
Admitted bodies	116	102	88	80	72
Scheduled bodies	552	583	589	615	622
Administering authority	3,702	3,678	3,637	3,763	3,756
Total	4,370	4,363	4,314	4,458	4,450

### Contributions analysis

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

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



	Type	Active members at 31-Mar-24	Employee basic conts £000	Employer basic conts £000	Instances payment late	Instances return late
<b>Administering Authority</b>						
Isle of Wight Council	AA	3,756	4,325	16,287	-	1
		<u>3,756</u>	<u>4,325</u>	<u>16,287</u>	<u>-</u>	<u>1</u>
<b>Scheduled Bodies</b>						
Isle of Wight College	SB	250	221	802	-	-
Wootton Parish Council	SB	2	2	7	-	1
Northwood Parish Council	SB	1	1	2	-	2
Newport and Carisbrooke Community Council	SB	7	11	40	-	-
Ryde Town Council	SB	16	27	101	-	-
Cowes Town Council	SB	1	3	11	-	-
Ryde Academy	SB	82	70	278	-	-
Northwood Primary	SB	35	19	72	-	-
St Blasius Academy	SB	20	14	57	-	2
Lanesend Academy	SB	59	43	160	-	1
Island Free School	SB	36	44	146	-	1
Cowes Enterprise College	SB	63	76	295	-	-
Gurnard Parish Council	SB	1	1	3	-	-
Shanklin Town Council	SB	3	5	20	-	-
St Francis Primary	SB	40	19	77	-	1
Sandown Town Council	SB	3	4	16	1	-
Bembridge Parish Council		2	3	13	-	-
Fishbourne Parish Council		1	-	2	-	-
		<u>622</u>	<u>563</u>	<u>2,102</u>	<u>1</u>	<u>8</u>
<b>Admitted Bodies</b>						
Cowes Harbour Commissioners	AB	1	2	10	-	-
St Catherine's School	AB	7	14	54	1	-
Sovereign Housing	AB	21	60	260	-	-
Southern Housing	AB	3	8	42	-	-
Southern Vectis	AB	4	3	-	-	-
Ventnor Botanic Gardens	AB	1	2	-	-	-
Island Roads	AB	16	41	-	-	-
Top Mops	AB	1	-	2	5	-
Caterlink Limited <sup>1</sup>	AB	0	1	2	-	-
Key Group	AB	9	13	52	2	1
Barnardo's	AB	4	5	18	-	-
CleanTEC	AB	5	3	13	-	-
		<u>72</u>	<u>152</u>	<u>453</u>	<u>8</u>	<u>1</u>
<b>TOTAL</b>		<u><b>4,450</b></u>	<u><b>5,040</b></u>	<u><b>18,842</b></u>	<u><b>9</b></u>	<u><b>10</b></u>

The level of contributions from both employers and employees can be found with in the financial statements, which are included within this report, on page 58.

- 1 Caterlink left the fund in July 2023.
- 2 Isle of Wight Council late return was for schools information held by Strictly received late .



# **Isle of Wight Council**

## **Pension Fund**

### **Section 4**

## **Fund Account**



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## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The council's responsibilities

The council is required to:

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

### The Director of Finance and Section 151 officer's responsibilities

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

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

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

The Director of Finance and Section 151 officer has also:

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

I certify that the statement of accounts for the year ended 31 March 2024 gives a true and fair view of the financial position of the Isle of Wight Council at the 31 March 2024 and its income and expenditure for the year then ended.

  
Chris Ward 27/09/2024

Chris Ward  
Director of Finance and Section 151 officer

Date: 27 September 2024

### Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit committee on (TBC)

Chair of Audit & Governance Committee

Dated:





## ISLE OF WIGHT COUNCIL PENSION FUND

2022-23 £000	FUND ACCOUNT	Notes	2023-24 £000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
23,271	Contributions	7	24,577
2,143	Transfers in from other pension funds	8	1,947
28	Other income	9	17
<b>25,442</b>			<b>26,541</b>
(25,324)	Benefits	10	(27,870)
(2,953)	Payments to and on account of leavers	11	(718)
(28,277)			(28,588)
<b>(2,835)</b>			<b>(2,047)</b>
<b>(5,999)</b>	Management expenses	12	<b>(7,065)</b>
	<b>Returns on investments</b>		
16,055	Investment income	13	24,767
23	Taxes on income	14	3
(44,441)	Profit and (losses) on disposal of investments and changes in the value of investments	17A	68,681
-	- Interest payable	16	-
<b>(28,363)</b>	<b>Net returns on investments</b>		<b>93,451</b>
<b>(37,197)</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>84,339</b>
728,320	Opening Net Assets of the Scheme		691,123
<b>691,123</b>	<b>Closing Net Assets of the Scheme</b>		<b>775,462</b>



## ISLE OF WIGHT COUNCIL PENSION FUND

2023 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2024 £000
676,161	Investment assets	17	715,431
9,187	Cash deposits	17	42,188
<b>685,348</b>			<b>757,619</b>
	- Investment liabilities	17	-
	- Short-term borrowings	19A	-
134	Long-term assets	23	145
6,171	Current assets	24	18,297
(530)	Current liabilities	25	(599)
<b>691,123</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>775,462</b>

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



## ISLE OF WIGHT COUNCIL PENSION FUND

### NOTES TO THE ACCOUNTS

#### 1. DESCRIPTION OF THE FUND

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

The following description of the fund is a summary. For more detail, reference should be made to the Isle of Wight Council Pension Fund Annual Report 2023-24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

##### a) General

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

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

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

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

##### b) Membership

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

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

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



The scheduled bodies of the fund with active members at 31 March 2024 are:

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

The admitted bodies of the fund with active members at 31 March 2024 are:

Barnados 2021	Southern Housing Group
CleanTEC	Southern Vectis
Cowes Harbour Commissioners	Sovereign Housing Group
Island Roads Limited	St Catherines School
Keys Group (Formerly Accomplish Group Ltd)	Top Mops Ltd
	Ventnor Botanic Gardens

The membership of the scheme is shown below:

Year ended 31 March 2024

	<b>Administering Authority</b>	<b>Scheduled Bodies</b>	<b>Admitted Bodies</b>	<b>Total</b>
Number of employers with active members	1	18	11	<b>30</b>
Number of contributors (Active members)	3,756	622	72	<b>4,450</b>
Number of frozen refunds <sup>1</sup>	712	98	3	<b>813</b>
Number of deferred pensioners <sup>2</sup>	5,825	718	122	<b>6,665</b>
Number of pensioners/ widows/dependant pensioners	5,483	427	223	<b>6,133</b>
	<b>15,776</b>	<b>1,865</b>	<b>420</b>	<b>18,061</b>



Year ended 31 March 2023

	Administerin g Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	18	12	31
Number of contributors (Active members)	3,763	615	80	4,458
Number of frozen refunds <sup>1</sup>	736	96	4	836
Number of deferred pensioners <sup>2</sup>	5,639	665	128	6,432
Number of pensioners/ widows/dependant pensioners	4,937	399	214	5,550
	<b>15,075</b>	<b>1,775</b>	<b>426</b>	<b>17,276</b>

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

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

### c) Funding

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

The pay bands and rates applicable for the year ended 31 March 2024 are detailed below.

Range (Actual pensionable pay)	Contributi on rate
Up to £16,500	5.50%
More than £16,501 and up to £25,900	5.80%
More than £25,901 and up to £42,100	6.50%
More than £42,101 and up to £53,300	6.80%
More than £53,201 and up to £74,700	8.50%
More than £74,701 and up to £105,900	9.90%
More than £105,901 and up to £124,800	10.50%
More than £124,801 and up to £187,200	11.40%
More than £187,201	12.50%



Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. The current and future employer contribution rates as determined by that valuation are detailed in note 21.

#### d) Benefits

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

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

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

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

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2023-24 financial year and its position at 31 March 2024. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2023-24* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

The Pension Fund's latest actuarial valuation, as at 31 March 2022, showed it to be



102% funded – an increase from the position 3 years prior of 95%. The March 2024 indicative funding level provided by the actuaries showed that the fund was 136% funded. Investment markets continued to be affected by the Russian invasion of Ukraine which commenced in February 2022 and was still ongoing throughout the year. The increase in inflation and interest rates have also had an impact on the investment returns.

The vast majority of employers in the pension scheme (98% of the Fund by active membership, are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance. In the unlikely event that investments need to be sold, 84.8% (88.8% in 2022-23) of the Fund's investments can be converted into cash within 3 months.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund account – revenue recognition**

##### **a) Contribution income**

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

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

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

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

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

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

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

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

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



transfer agreement.

**c) Investment income**

*i) Interest income*

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

*ii) Dividend income*

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

*iii) Distributions from pooled funds*

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

*iv) Movement in the value of investments*

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

**Fund account – expense items**

**d) Benefits payable**

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

**e) Taxation**

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

**f) Management expenses**

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*, as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

*Administrative expenses*

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

*Oversight and governance costs*





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

#### *Investment management expenses*

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

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

Where an investment manager's fee note has not been received by the year-end date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2023-24 no fees are based on such estimates (2022-23: nil)

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

A proportion of the time spent by officers on investment management is also charged to the fund.

#### **g) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

#### **Net assets statement**

#### **h) Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet complete, at 31 March each year as accounted for as financial instruments held at amortised and reflected in the reconciliation of movements in investments in Note 17A.

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).



**i) Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

**j) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

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

**k) Financial liabilities**

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

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

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

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 22).

**m) Additional Voluntary Contributions**

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential Life and Pensions as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

Each AVC contributor receives an annual statement showing the amount held in their accounts and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment Funds) Regulations 2016 but are disclosed for information in note 26.



#### **n) Accruals of expenditure and income**

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **o) Contingent Liabilities and Contingent Assets**

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

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

Contingent assets and liabilities are not recognised in the net asset statement but disclosed by way of a narrative in the notes (see note 28).

### **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

#### **Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 22.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/growth.



## 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could differ from the assumption and estimates made.

The items in the net assets statement at 31 March 2024 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
<b>Actuarial present value of promised retirement benefits</b> (Note 22)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: A 0.1% decrease in the discount rate assumption would result in a decrease in the pension fund surplus of £12m. A 0.1% increase in assumed earnings inflation would cause the surplus to be unchanged. A 0.1% increase in assumed price inflation/pension increases would decrease the surplus by approximately £11m. A one-year increase in assumed life expectancy would decrease the surplus by approximately £27m.
<b>Pooled Property Funds</b> (Note 18)	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments.
<b>Private Debt</b> (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the	Private Debt investments are valued at £25.8m in the financial statements. There is a risk that this investment may be over or understated in the accounts.



reporting period.

These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

**Infrastructure**  
(Note 18)

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 £25.4m in the financial statements.

There is a risk that this investment may be over or understated in the accounts.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

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

- those that provide additional information about conditions that existed at the end of the reporting period (adjusting events) and
- those that relate to events occurring after the reporting period (non-adjusting events)

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

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



## 7. CONTRIBUTIONS RECEIVABLE

By category:

2022-23 £000		2023-24 £000
4,774	Employees' normal contributions	5,040
6	Employees' additional contributions	7
<b>4,780</b>		<b>5,047</b>
17,766	Employers' normal contributions	18,842
159	Employers' deficit recovery contributions	490
566	Employers' augmentation contributions	198
<b>18,491</b>		<b>19,530</b>
<b>23,271</b>		<b>24,577</b>

By type of employer:

2022-23 £000		2023-24 £000
19,391	Administering authority	21,107
2,546	Scheduled bodies	2,653
1,334	Admitted bodies	817
<b>23,271</b>		<b>24,577</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2022-23 £000		2023-24 £000
-	Group transfers	-
2,143	Individual transfers	1,947
<b>2,143</b>		<b>1,947</b>

## 9. OTHER INCOME

2022-23 £000		2023-24 £000
24	Miscellaneous income	16
4	Contribution Equivalent Premiums	1
<b>28</b>		<b>17</b>



## 10. BENEFITS PAYABLE

### By category:

2022-23 £000		2023-24 £000
21,096	Pensions	23,300
3,470	Commutation and lump sum retirement benefits	3,844
758	Lump sum death benefits	726
<b>25,324</b>		<b>27,870</b>

### By type of employer:

2022-23 £000		2023-24 £000
22,002	Administering authority	24,424
1,619	Scheduled bodies	1,893
1,703	Admitted bodies	1,553
<b>25,324</b>		<b>27,870</b>

## 11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2022-23 £000		2023-24 £000
159	Refund to members leaving service	130
-	- Group transfers	-
2,794	Individual transfers	588
<b>2,953</b>		<b>718</b>

## 12. MANAGEMENT EXPENSES

2022-23 £000		2023-24 £000
861	Administrative costs	850
4,534	Investment management expenses	5,337
604	Oversight and governance costs	878
<b>5,999</b>		<b>7,065</b>



## 12A. INVESTMENT MANAGEMENT EXPENSES

2023-24	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	437	133		304
Pooled Investments *	2,277	1,187		1,090
Pooled Property Investr	753	440		313
Private Debt	585	185	326	74
Infrastructure	1,281	1,283		(2)
	<b>5,333</b>	<b>3,228</b>	<b>326</b>	<b>1,779</b>
Custody Fees	4			
<b>Total</b>	<b>5,337</b>			

\* Included £2.2m charged to the pension fund by ACCESS regional asset pool (£2.5m in 2022-23).

2022-23	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	434	179	-	255
Pooled Investments *	2,548	1,361	-	1,187
Pooled Property Investr	588	489	-	99
Private Debt	463	246	173	44
Infrastructure	484	557	-	(73)
	<b>4,517</b>	<b>2,832</b>	<b>173</b>	<b>1,512</b>
Custody Fees	17			
<b>Total</b>	<b>4,534</b>			

## 13. INVESTMENT INCOME

2022-23 £000		2023-24 £000
	Income from pooled investment vehicles:	
2,048	- ACCESS Global Equity	2,442
2,152	- ACCESS UK Equity	2,843
2,128	- ACCESS Diversified Growth	1,974
-	- ACCESS Core Bond	4,955
1,686	- Property	1,806
3,685	- Bonds	3,696
2,120	- Private Debt	2,960
1,874	- Infrastructure	3,511
362	- Interest on cash deposits	580
-	- Other	-
<b>16,055</b>		<b>24,767</b>





#### 14. TAXATION

2022-23 £000		2023-24 £000
(23)	Withholding tax - equities	(3)
(23)		(3)

#### 15. EXTERNAL AUDIT COSTS

2022-23 £000		2023-24 £000
27	Payable in respect of external audit	74
27		74

#### 16. INTEREST PAYABLE

2022-23 £000		2023-24 £000
-	Interest on short term borrowing	-
-		-



## 17. INVESTMENTS

Market value 31 March 2023 £000		Market value 31 March 2024 £000
	<b>Investment assets</b>	
	<b>Pooled Investment Vehicles</b>	
98,342	Pooled UK Equity	108,739
285,604	Pooled Global Equity	351,488
110,824	Pooled Fixed Income unit trusts	111,902
103,858	Pooled Diversified Growth Fund	56,920
<b>598,628</b>		<b>629,049</b>
	<b>Other Investments</b>	
37,133	Pooled Property Investments	35,163
26,111	Private Debt	25,842
14,277	Infrastructure	25,363
<b>77,521</b>		<b>86,368</b>
9,187	Cash deposits	42,188
12	Recoverable withholding tax	14
<b>9,199</b>		<b>42,202</b>
<b>685,348</b>	<b>Total investment assets</b>	<b>757,619</b>

### 17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value 01/04/23 £000	Purchases during year £000	Sales during year £000	Change in Mkt value £000	Mkt Value 31/03/24 £000
Pooled Investment Vehicles	<b>598,628</b>	120,403	(162,238)	72,256	<b>629,049</b>
Pooled Property Investments	<b>37,133</b>	1,592	(780)	(2,782)	<b>35,163</b>
Private Debt	<b>26,111</b>	5,987	(6,004)	(252)	<b>25,842</b>
Infrastructure	<b>14,277</b>	13,015	(1,637)	(292)	<b>25,363</b>
	<b>676,149</b>	<b>140,997</b>	<b>(170,659)</b>	<b>68,930</b>	<b>715,417</b>
Cash deposits	<b>9,187</b>			(249)	<b>42,188</b>
Recoverable withholding tax	<b>12</b>				<b>14</b>
<b>Net investment assets</b>	<b>685,348</b>			<b>68,681</b>	<b>757,619</b>



	Market value 01/04/22	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/23
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	<b>633,779</b>	106,203	(103,125)	(38,229)	<b>598,628</b>
Pooled Property Investments	<b>44,453</b>	1,466	(612)	(8,174)	<b>37,133</b>
Private Debt	<b>23,605</b>	4,709	(3,982)	1,779	<b>26,111</b>
Infrastructure	<b>7,949</b>	7,104	(1,181)	405	<b>14,277</b>
	<b>709,786</b>	<b>119,482</b>	<b>(108,900)</b>	<b>(44,219)</b>	<b>676,149</b>
Cash deposits	<b>14,003</b>			(222)	<b>9,187</b>
Recoverable withholding tax	-			-	<b>12</b>
<b>Net investment assets</b>	<b>723,789</b>			<b>(44,441)</b>	<b>685,348</b>

#### 17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2023			Market value 31 March 2024	
£000	%		£000	%
<b>Investments Managed by ACCESS pool:</b>				
147,399	21.8%	ACCESS – Global Equities - Newton	182,340	25.5%
138,205	20.4%	UBS Life Climate Aware World Equity Fund	169,148	23.6%
	0.0%	ACCESS - Core Bond (Royal London)	111,902	15.6%
98,342	14.5%	ACCESS - UK Equities - Liontrust (Blackrock)	108,739	15.2%
103,858	15.4%	ACCESS - Diversified Growth - Baillie Gifford	56,920	8.0%
<b>487,804</b>	<b>72.1%</b>		<b>629,049</b>	<b>87.9%</b>
<b>Investments Managed outside ACCESS pool:</b>				
110,824	16.4%	Schroder Investment Management – Bonds	-	0.0%
37,133	5.5%	Schroder Investment Management – Property	35,163	4.9%
26,111	3.9%	Goldman Sachs - Private Debt	25,842	3.6%
14,277	2.1%	Partners Investment - Infrastructure	25,363	3.6%
<b>188,345</b>	<b>27.9%</b>		<b>86,368</b>	<b>12.1%</b>
<b>676,149</b>	<b>100.0%</b>		<b>715,417</b>	<b>100.0%</b>
12	0.0%	Recoverable withholding tax	14	0.0%
<b>676,161</b>	<b>100.0%</b>		<b>715,431</b>	<b>100.0%</b>

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



Market value 31 March 2023			Market value 31 March 2024	
£000	%		£000	%
147,399	21.33%	ACCESS – Overseas Equities - Newton	182,340	23.56%
138,205	20.00%	UBS Life Climate Aware World Equity Fund	169,148	21.86%
-	0.00%	ACCESS - Core Bond (Royal London)	111,902	14.46%
98,342	14.23%	ACCESS - UK Equities - Blackrock	108,738	14.05%
103,858	15.03%	ACCESS - Diversified Growth - Baillie Gifford	56,920	7.36%
37,133	5.37%	Schroder UK Property Fund	35,163	4.54%
110,824	16.04%	Schroder Institutional Sterling Broad Market X Account	-	0.00%

## **17C. 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 fund's share of the quoted equities on loan was £9.6m (2022-23: £7.5m).

These equities continue to be recognised in the fund's financial statements. No liabilities are associated with the loaned assets.

All income earned by lending securities is accumulated in the sub-fund and is reported in the value of investments.

## **18. FAIR VALUE – BASIS OF VALUATION**

All investments are held at fair value in accordance with the requirements of the Code and IFRS13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not Required



<b>Exchange traded pooled investments</b>	Level 1	Closing bid value on published exchanges	Not required	Not Required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV- based pricing set on a forward pricing basis	Not Required
<b>Private Debt</b>	Level 3	The valuation is taken from the audited 31 December 2023 Goldman Sachs report, rolled forward to end of 31 March 2024 The quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (“Fair Value Measurements and Disclosures”) and in accordance with US GAAP. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited	Management's cash flow projections, estimates of growth expectations and profitability; profit margin expectations; gross domestic product; inflation; interest rates; discount rates; tax rates; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent transaction prices.



		accounts for Goldman Sachs Asset Management Private Credit Funds have been given unqualified opinions without any identified exceptions.		
<b>Infrastructure</b>	Level 3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples	Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.

### Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Potential variation in fair value	Value at 31 March 2024 £'000	Potential value on increase £'000	Potential value on decrease £'000
Private Debt	+ / - 10%	25,842	28,426	23,258
Infrastructure	+ / - 10%	25,363	27,899	22,827
<b>Total</b>		51,205	56,325	46,085

### 18A. FAIR VALUE HEIRARCHY

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



### Level 1

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

### Level 2

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

### Level 3

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

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

31 March 2023					31 March 2024			
Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000		Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
598,628	37,133	40,388	676,149	Financial assets at fair value through profit and loss	629,049	35,163	51,205	715,417
-	-	-	-	Financial liabilities at fair value through profit and loss	-	-	-	-
<b>598,628</b>	<b>37,133</b>	<b>40,388</b>	<b>676,149</b>	<b>Net investment assets</b>	<b>629,049</b>	<b>35,163</b>	<b>51,205</b>	<b>715,417</b>



## 18B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITH LEVEL 3

	Private Debt £'000	Infrastructure £'000	Total £'000
Value at 1 April 2023	26,111	14,277	40,388
Purchases	5,987	13,015	19,002
Sales	(6,004)	(1,637)	(7,641)
Unrealised Gains and Losses *	107	(292)	(185)
Realised Gains and Losses *	(359)	-	(359)
<b>Value at 31 March 2024</b>	<b>25,842</b>	<b>25,363</b>	<b>51,205</b>

	Private Debt £'000	Infrastructure £'000	Total £'000
Value at 1 April 2022	23,605	7,949	31,554
Purchases	4,709	7,104	11,813
Sales	(3,982)	(1,181)	(5,163)
Unrealised Gains and Losses *	(383)	405	22
Realised Gains and Losses *	2,162	-	2,162
<b>Value at 31 March 2023</b>	<b>26,111</b>	<b>14,277</b>	<b>40,388</b>

\* 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.

## 19. FINANCIAL INSTRUMENTS

### 19A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and the net assets statement heading. No financial instruments were reclassified during the accounting period.





31 March 2023				31 March 2024		
Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000
			<b>Financial assets</b>			
635,761	-	-	Pooled investment vehicles	664,212	-	-
26,111	-	-	Private Debt	25,842	-	-
14,277	-	-	Infrastructure	25,363	-	-
-	14,619	-	Cash	-	59,653	-
12	-	-	Other investment balances	14	-	-
-	5	-	Debtors	-	3	-
<b>676,161</b>	<b>14,624</b>	<b>-</b>		<b>715,431</b>	<b>59,656</b>	<b>-</b>
			<b>Financial liabilities</b>			
-	-	(314)	Creditors	-	-	(311)
-	-	-	Borrowings	-	-	-
-	-	<b>(314)</b>		-	-	<b>(311)</b>
<b>676,161</b>	<b>14,624</b>	<b>(314)</b>		<b>715,431</b>	<b>59,656</b>	<b>(311)</b>

## 20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Because the fund adopts a long-term investment strategy, the high-level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.



## **a) Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

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

### **Other price risk**

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

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

### **Other price risk - sensitivity analysis**

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2023-24 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Had the market price of the fund 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 2024 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Bonds	-	0.00%	-	-
Pooled Investment vehicles:				
UK Equities	108,739	1.00%	112,110	105,368
Global Equities	182,340	5.80%	192,916	171,764
Diversified Growth Fund	56,920	2.00%	58,058	55,782
Core Bonds	111,902	1.00%	113,021	110,783
UBS Climate Aware	169,148	5.70%	178,789	159,507
Pooled Property Investments	35,163	2.80%	36,148	34,178
Private Debt	25,842	3.10%	26,643	25,041
Infrastructure	25,363	17.70%	28,711	22,015
Cash & Cash Equivalents	42,188	0.00%	42,188	42,188
Amounts Receivable for Sales				
Investment Income due				
Recoverable withholding tax	14	0.00%	14	14
<b>Total</b>	<b>757,619</b>		<b>788,598</b>	<b>726,640</b>

	Value as at 31 March 2023 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Bonds	110,824	6.90%	118,471	103,177
Pooled Investment vehicles:				
UK Equities	98,342	1.20%	99,522	97,162
Global Equities	147,399	2.40%	150,937	143,861
Diversified Growth Fund	103,858	4.10%	108,116	99,600
UBS Climate Aware	138,205	2.70%	141,937	134,473
Pooled Property Investments	37,133	11.20%	41,292	32,974
Private Debt <sup>1</sup>	26,111	6.00%	27,678	24,544
Infrastructure	14,277	13.60%	16,219	12,335
Cash & Cash Equivalents	9,187	0.00%	9,187	9,187
Recoverable withholding tax	12	0.00%	12	12
<b>Total</b>	<b>685,348</b>		<b>713,371</b>	<b>657,325</b>



## b) Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### Interest rate risk - sensitivity analysis

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

The fund does not directly hold any fixed interest securities; hence a change in interest rates will not impact on the fair value of assets.

Changes in interest rates do not impact on the fair value of cash balances, but they will impact on the interest income earned.

## c) Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. For a sterling-based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

The following table summarises the fund's currency exposure as at 31 March 2024, and as at the previous period end:

	<b>Asset value as at 31 March 2024 £000</b>	<b>Asset value as at 31 March 2023 £000</b>
Private Debt	25,842	26,111
Infrastructure	25,363	14,277
Investment Income	6,472	3,994
	<b>57,677</b>	<b>44,382</b>



### Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to not exceed be 3.73% (2022-23: 6.62%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 3.73% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	<b>Value as at 31 March 2024 £000</b>	<b>Value on increase +3.73% £000</b>	<b>Value on decrease -3.73% £000</b>
Private Debt	25,842	26,997	24,687
Infrastructure	25,363	26,309	24,417
Investment income due	6,472	6,713	6,231
	<b>57,677</b>	<b>60,019</b>	<b>55,335</b>

	<b>Value as at 31 March 2023 £000</b>	<b>Value on increase +6.62% £000</b>	<b>Value on decrease -6.62% £000</b>
Private Debt	26,111	27,840	24,382
Infrastructure	14,277	15,222	13,332
Investment income due	3,994	4,258	3,730
	<b>44,382</b>	<b>47,320</b>	<b>41,444</b>

### d) Credit Risk

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

The fund does not hold any fixed interest securities directly, hence has limited credit risk through its underlying investments in bonds.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the fund's behalf by the council's treasury management team in line with the



council's Treasury Management Strategy which sets out the permitted counterparties and limits. The fund invests such internally held cash in diversified money market funds, as well as with a UK Bank.

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

The fund does not have any foreign exchange contracts, hence is not subject to credit risk in relation to the counterparties of the contracts.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2024 and 31 March 2023 (£0.51m and £0.45m respectively) were received in the first month of the financial year.

#### **e) Liquidity Risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The fund maintains a cash balance to meet working requirements, which is supported by an available credit line from the Isle of Wight Council. Note 27 includes details of borrowing from the council for this purpose. Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund's investment strategy.

A substantial portion of the fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though they are held in pooled funds. However, the main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. The fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments.

All financial liabilities at 31 March 2024 are due within one year.

#### **f) Refinancing risk**

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does



not have any financial instruments that have a refinancing risk as part of its investment strategy.

## **21. FUNDING ARRANGEMENTS**

In accordance with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

### **Description of Funding Policy**

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2023. In summary, the funding strategy objectives are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 75% likelihood that the Fund will achieve the funding target over 20 years.

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

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £728 million (2019: £596 million), were sufficient to meet 102% of the liabilities (2019: 95%)



(i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £15 million (2019: deficit £32 million).

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

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





Employer Name	Minimum Contributions for the Year Ending 31 March		
	2024 % of pay	2025 % of pay	2026 % of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	23.5	23.5	23.5
Caterlink	23.5	23.5	23.5
CleanTEC	23.5	23.5	23.5
Cowes Enterprise College, an Ormiston Academy *	23.5	23.5	23.5
Cowes Harbour Commissioners	32.8	32.8	32.8
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College	22.1	22.1	22.1
Keys Group (Formerly Accomplish Ltd)	23.5	23.5	23.5
Lanesend Academy	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
RM Ltd (ceased)	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust *	23.5	23.5	23.5
Solutions 4 Health (ceased)	23.5	23.5	23.5
Southern Vectis (Wightbus)	Nil	Nil	Nil
Southern Housing Group	32.8	32.8	32.8
Sovereign Housing Group	31.7	31.7	31.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	25.4	25.4	25.4
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Ventnor Botanical Gardens	Nil	Nil	Nil

in addition, certain employers make a lump sum contribution

Employer Name	Minimum Contributions for		
	2024 Lump Sum	2025 Lump Sum	2026 Lump Sum
Cowes Harbour Commissioners	20	20	20
Southern Housing Group	150	150	150
Sovereign Housing Group	18	18	18

\* Academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Five of the academies in operation at the time of the 2022 valuation opted to pool, and the pooled rates are



shown above.

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. This will be reviewed at the next valuation, 31 March 2025.

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

Full details of the methods and assumptions used are described in the 2022 valuation report.

#### Method

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

#### Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

<b>Financial Assumptions</b>	<b>31 March 2022 % p.a. Nominal</b>
Discount rate (Investment returns)	3.7%
Salary Increases	3.7%
Price inflation/Pension Increases	2.7%

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.5% p.a.

Based on these assumptions, the average future life expectancies at age 65 are as follows:



	<b>Males</b>	<b>Females</b>
Current Pensioners	21.9 years	24.5 years
Future Pensioners *	22.5 years	25.9 years

\* based on members aged 45 at the valuation date.

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Isle of Wight Pension Fund website [www.isleofwightpension.org](http://www.isleofwightpension.org).

### **Experience over the period since 31 March 2022**

Markets continued to be disrupted by the ongoing war in Ukraine as well as inflationary pressures, both of which impacted on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2%pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

## **22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 21). The actuary has also used valued ill health and death benefits in line with IAS 19.



## Present value of promised retirement benefits

Year ended	31 March 2024 £m	31 March 2023 £m
Active members	222	207
Deferred members	135	137
Pensioners	310	318
<b>Net Liability</b>	<b>667</b>	<b>662</b>

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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 above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. The actuary has not made any allowance for unfunded benefits.

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

## Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. The actuary estimates that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £35m. The actuary estimates that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £5m.

## Financial assumptions

Year ended	31 March 2024 % p.a.	31 March 2023 % p.a.
Pension Increase Rate (CPI)	2.75%	2.95%
Salary Increase Rate	3.75%	3.95%
Discount Rate	4.85%	4.75%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and are not a reflection of what actual pay rises will be in the



short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

## Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a.

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

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.4 years	24.1 years
Future Pensioners *	22.0 years	25.4 years

\* Future pensioners are assumed to be aged 45 at the most recent formal valuation date, 31 March 2022

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the 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 liabilities are set out below:

change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	12
1-year increase in member life expectancy	4%	27
0.1% p.a. increase in the Salary Increase Rate	0%	0
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	11



## 23. LONG TERM ASSETS

31 March 2023 £000		31 March 2024 £000
	Debtors	
30	Contributions due - employers	32
104	Reimbursement of annual tax allowances	113
<b>134</b>		<b>145</b>

## 24. CURRENT ASSETS

31 March 2023 £000		31 March 2024 £000
	Debtors	
93	Contributions due - employees	102
365	Contributions due - employers	405
<b>458</b>		<b>507</b>
13	Taxation	43
5	Sundry debtors	3
263	Payments in advance	279
5,432	Cash balances	17,465
<b>6,171</b>		<b>18,297</b>

## 25. CURRENT LIABILITIES

31 March 2023 £000		31 March 2024 £000
	Creditors	
239	Taxation	288
272	Accruals	291
19	Sundry creditors	20
<b>530</b>		<b>599</b>

## 26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2023 £000		Market value 31 March 2024 £000
982	Prudential life and pensions	1,087



AVC contributions of £236 thousand were paid directly to Prudential Life and Pensions during the year (2022-23: £194 thousand).

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

## **27. RELATED PARTY TRANSACTIONS**

### **Isle of Wight Council**

The Isle of Wight Council Pension Fund is administered by Isle of Wight Council. Consequently, there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £0.576m (2022-23: £0.539m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £16.8m in 2023-24 (2022-23: £15.3m) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £0.05m (2023: £0.04m), were paid during the year.

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. During 2023-24 the pension fund did not take advantage of this facility so the balance due to the council at 31 March 2024 is Nil (2022-23: Nil) and no interest (2022-23 Nil) was payable on the borrowings in the year.

### **Governance**

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

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

Council members named in the Pension Fund Annual Report formed the Isle of Wight Pension Fund Committee as trustees at 31 March 2024.



## 27A. KEY MANAGEMENT PERSONNEL

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

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

Year ended 31 March 2023 £000		Year ended 31 March 2024 £000
72	Short-term benefits	76
15	Post-employment benefits	16
-	Other long-term benefits	-
-	Termination benefits	-
-	Share-based payments	-
<b>87</b>		<b>92</b>

## 28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

### Contribution Equivalent Premiums

At 31 March 2024 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £0.008m (2022: £0.008m) payable by the Pension Fund. These sums do not form part of the net assets of the fund.

### Class Action

In October 2018 a decision was made to join a Class Action against BHP Billiton which seeks to recover some of the loss in share value suffered because of BHP Billiton's alleged failure to disclose material information and its alleged misleading and deceptive conduct. It is estimated that there is a possible benefit to the Pension Fund of £0.005m (2023: £0.006m). This case is still ongoing. The sums do not form part of the net assets of the fund.

### Employer Guaranteed Bonds

One admitted body employer in the Isle of Wight Pension Fund holds a guaranteed bond to guard against the possibility of being unable to meet their pension obligations. This bond is drawn in favour of the pension fund and payment will only be triggered in the event of an employer default. No such default has occurred during 2023-24 (2022-23 Nil).





## Committed Investments not yet paid

As at then 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 2024 is as per the table below:

	31 March 2024						
	Private Debt			Infrastructure			
	Goldman Sachs		Pantheon	Partners		JP Morgan	
	\$'000	£'000	£'000	€'000	£'000	\$'000	£'000
Total amount Committed	39,300	31,126	65,000	41,000	35,028	88,000	69,697
Total Invested	34,545	27,360	-	25,625	21,892	-	-
Balance committed but not yet paid	<b>4,755</b>	<b>3,766</b>	<b>65,000</b>	<b>15,375</b>	<b>13,136</b>	<b>88,000</b>	<b>69,697</b>

	31 March 2023			
	Private Debt		Infrastructure	
	Goldman Sachs		Partners	
	\$'000	£'000	€'000	£'000
Total amount Committed	39,300	31,837	41,000	36,095
Total Invested	33,169	26,871	14,965	13,175
Balance committed but not yet paid	<b>6,132</b>	<b>4,966</b>	<b>26,035</b>	<b>22,920</b>

The committed balances do not form part of the net assets of the fund.

The initial investment into the JP Morgan Infrastructure fund was called as at 01 April 2024.

The initial instalment in the Pantheon Private Debt fund had not been called as at 31 March 2024, but the investment into the fund had been agreed.



# **Isle of Wight Council**

## **Pension Fund**

### **Section 5**

## **Investment and Funding**



## Investment and Funding Information

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

All of the 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 Fund's external investment managers including the portfolio they manage is available on page 88 of this annual report.

The Funding Strategy Statement has been implemented by collecting employer contributions paid in line with the rates certified in the 2022 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.

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 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.



# Investment Policy and Performance Report

## Report and Accounts for the period ending 31 March 2024

### Introduction

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

The strategic benchmark allocation as at 31 March 2024 was:

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)
Baillie Gifford (ACCESS)	Diversified Growth	0.0%	N/A	UK Base Rate + 3.5%
UBS	Global Equities	18.75%	16.75% – 20.75%	FTSE All-World Developed Index
Partners	Infrastructure	5.0%	N/A	Not managed to a benchmark
JP Morgan	Infrastructure	5.0%	N/A	Not managed to a benchmark
Schroders / 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 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
<b>Total</b>		<b>100.0%</b>	<b>-</b>	

Source: Investment Strategy Statement

\*The Fund committed funds to Pantheon, however no investment was made as at 31 March 2024.



### **Summary of strategic changes**

The Committee previously agreed to several strategic changes to achieve its long-term target of being fully funded within the next 20 years which have been implemented over the last 3 years.

In July 2020, the Committee agreed a new 5% allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the Fund committed the 5% private debt allocation to Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV. This investment has continued to be drawn down and as at 31 March 2024 represented 3.4% of the Fund's assets. A commitment was also made to Partners Direct Infrastructure Fund which continues to draw down funds with 3.2% of the Fund's assets invested in the mandate as at 31 March 2024.

At the 24 May 2023 Pensions Committee meeting the Committee concluded a further review of the Pension Fund's strategy and approved an increase in the target allocations to private market investments. The strategic target benchmarks for Private Debt and Infrastructure were consequently adjusted from 5% to 10% each via an equivalent 10% reduction in the Fund's diversified growth target. Consequently, a selection exercise spanning September - November 2023 concluded with commitments made to the JP Morgan Infrastructure Fund and the Pantheon Private Debt Secondaries Fund. While the JP Morgan fund was fully invested in one drawdown on the 28 March 2024, the Pantheon mandate issued its first capital call after year end, in May 2024. As at 31 March 2024 the Baillie Gifford Diversified Growth Fund formed 7.5% of the Fund's assets, however the Committee is actively working to fully divest from this mandate given it no longer forms part of the strategic benchmark allocation.

Reflecting the opportunities presented by asset pooling and the direction from Government indicated by the new Investment consultation, the Committee approved moving the UK bond fund to an equivalent solution available under the ACCESS pool. This transition was finalised on 18 December 2023, with Royal London replacing Schroders as the Fund's fixed income manager.

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



## Asset Allocation

Manager/Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£'000)	End of Year (£'000)	Start of Year (%)	End of Year (%)	
<b>Blackrock – UK Equity (ACCESS)</b>	98,341	<b>108,738</b>	14.3	<b>14.4</b>	12.5
<b>Newton – Global Equity (ACCESS)</b>	147,398	<b>182,339</b>	21.5	<b>24.1</b>	18.75
<b>Baillie Gifford – Diversified Growth (ACCESS)</b>	103,858	<b>56,920</b>	15.1	<b>7.5</b>	0.0
<b>UBS – Global Equity</b>	138,205	<b>169,234</b>	20.2	<b>22.3</b>	18.75
<b>Partners - Infrastructure</b>	16,082	<b>24,319</b>	2.0	<b>3.2</b>	5.0
<b>JP Morgan - Infrastructure</b>	-	<b>30,132</b>	-	<b>4.0</b>	5.0
<b>Schroders / Royal London – UK Bonds (ACCESS)</b>	111,222	<b>111,902</b>	16.2	<b>14.8</b>	22.0
<b>Schroders – UK Property</b>	37,819	<b>35,849</b>	5.5	<b>4.7</b>	8.0
<b>Goldman Sachs – Private Debt</b>	25,970	<b>25,794</b>	3.8	<b>3.4</b>	5.0
<b>Pantheon – Private Debt</b>	-	-	-	-	5.0
<b>Cash</b>	9,185	<b>12,015</b>	1.3	<b>1.6</b>	-
<b>Total</b>	<b>686,285</b>	<b>757,281</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Note: Figures may not sum to total due to rounding.*

### Reasons for variance from Benchmark

The Fund is slightly overweight to UK Equities, Global Equities and Diversified Growth, relative to strategic benchmark and correspondingly underweight to UK Bonds, Property, Infrastructure and Private Debt. Both the newly implemented Pantheon mandate and the existing Infrastructure and Private Debt allocations with Partners and Goldman Sachs will continue to draw down capital, with the expected upcoming investments due to further close the allocation gap over the course of the next few years.

Most portfolios were within their target ranges as at 31 March 2024, except for the Global Equity which marginally exceeded targets and the UK Bonds allocation, which was slightly underweight. In order to address the latter discrepancy, the Committee is due to instruct a full divestment from the Baillie Gifford Diversified Growth Fund in Q2 2024 as well as a corresponding reinvestment of the proceeds into the Royal London UK Bonds allocation.



## Market Background

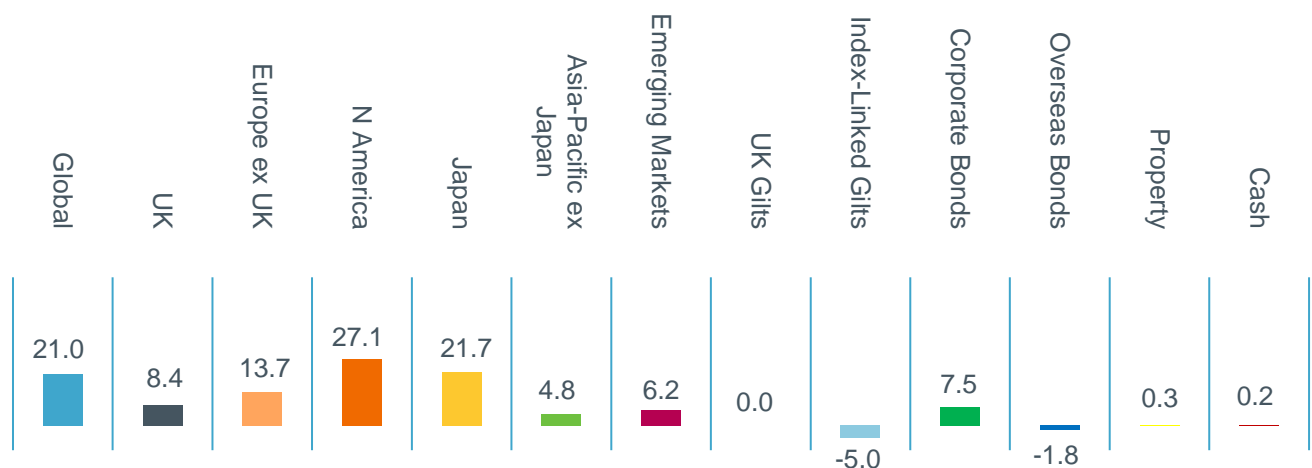
### Investment Markets

Global growth has been stronger than expected over the past 12 months, particularly in the US, and, given ongoing improvements in activity survey data, global growth forecasts for 2024 have also been revised up, and now suggest only a marginal slowdown in 2024 versus 2023.

Year-on-year headline CPI fell to 3.2%, 3.5% and 2.4%, in the UK, US and eurozone, respectively, in March 2024, from 10.1%, 5.0% and 6.9% a year earlier. Core inflation, which excludes volatile energy and food prices, fell less but still declined materially, to 4.2%, 3.8% and 2.9% in the UK, US and eurozone.

The US Federal Reserve raised rates 0.5% pa, to 5.5% pa, in the 12 months to end-March 2024, while the Bank of England and European Central Bank both raised rates by 1.0% pa, to 5.25% pa and 4% pa, respectively. However, amid progress on inflation, the major western central banks have left rates unchanged since the summer of 2023 and markets were expecting them to deliver between 2 and 3 interest rate cuts in 2024 at the end of Q1. In March, the Bank of Japan raised rates for the first time in 17 years, exiting negative interest rates.

### 12 Month performance to 31 March 2024 (in GBP)



### Equities

The FTSE All World Total Return Index rose 25.0% in local-currency terms amid improving economic activity, declining inflation, and enthusiasm for all things AI. Japan strongly outperformed as yen weakness lent support to the export-heavy index and optimism around corporate governance reforms gained momentum. North American equities also modestly outperformed, given their large exposure to the outperforming technology sector. Emerging markets and Asia Pacific ex-Japan notably underperformed as investors remained concerned about China's growth prospects amid ongoing property market weakness and disappointment with policy stimulus unveiled so far. The UK also underperformed, given little exposure to technology and above-average exposure to underperforming energy and basic materials.



## **Bonds**

Sovereign bond yields rose sharply in March amid expectations that rates might be cut less than previously anticipated. Over the past 12 months, UK and US 10-year bond yields rose 0.4% pa and 0.7% pa to 3.9% pa and 4.2% pa, respectively, while equivalent German yields remained broadly unchanged at 2.3% pa. Equivalent Japanese yields rose 0.4% pa, to 0.7% pa, as the Bank of Japan loosened its yield curve control policy and raised interest rates.

Global credit spreads fell, reflecting both the improved outlook and yield-driven demand from institutional investors. Global investment-grade credit spreads declined 0.5% pa, to 1.0% pa, over the past 12 months while global speculative credit spreads fell by 1.6% pa, to 3.4% pa. Despite a rise in underlying sovereign bond yields UK investment-grade and US high yield returned 7.4% and 11.0%, respectively.

## **Property**

The UK Monthly Property Index rose 0.3% over the last 12-month period as income offset a further 5.3% decline in capital values. Over the past 12 months, office capital values fell 16.3%, while retail sector values fell 5.6% and industrial values edged 0.8% higher. Values continue to fall in the office sector month-on-month, but the pace of decline in the UK Monthly Property Capital Value Index, which is 25% below its June 2022 peak, has slowed in recent months.

## **Investment Performance**

The Fund marginally underperformed its strategic benchmark over 12 months by 0.4%. The main contributor to this negative deviation from the 12-month performance benchmark was Baillie Gifford. The manager considerably underperformed its cash plus benchmark. The rising yields and expectations of further increases in interest rates also impacted the Schroders Property fund, which delivered significantly negative returns over the year. While the Fund's listed fixed income investments were also negatively impacted by the prevailing market conditions, the managers meaningfully outperformed their target.

The Fund is slightly behind its benchmark over 3 years returning 3.1% p.a. against a 3.7% p.a. aggregate target, with a majority of managers delivering returns closely aligned to their individual benchmarks.

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

The table below provides the 12-month and 3-year performance of the Fund as at 31 March 2024.





Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Liontrust / Blackrock – UK Equity (ACCESS)	13.7	8.4	6.9	8.0
Newton – Global Equity (ACCESS)	25.9	20.6	12.0	10.1
Baillie Gifford – Diversified Growth (ACCESS)	3.8	8.7	-0.4	6.1
UBS <sup>1</sup>	22.5	22.6	6.9	7.3
Schroders / Royal London – UK Bonds (ACCESS)	-1.1	-4.2	-7.6	-7.8
Schroders – UK Property	-5.0	-0.7	-1.9	1.5
<b>Total</b>	<b>7.5</b>	<b>7.9</b>	<b>3.1</b>	<b>3.7</b>

<sup>1</sup>UBS “Last 3 Years” performance is for the period since inception (i.e., December 2021) Figures shown are based on performance provided by the investment managers. Performance figures are gross of fees.

### Linking the Investment Strategy with the Funding Strategy

The Committee regularly reviews the investment strategy to ensure that it remains appropriate for the Fund’s liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every 3 years or after every actuarial valuation. The Committee reviewed the Fund’s investment strategy following the results of the 2019 Actuarial Valuation and agreed to make strategic allocations to Infrastructure and Private Debt and to restructure the Fund’s equities. 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.

In 2023 the Committee agreed to increase target allocations to Private Debt and Infrastructure and subsequently appointed two new managers to reach the adjusted benchmarks for the two asset classes. To implement the increased targets to private markets allocations a decision was made to remove the underperforming exposure to diversified growth. As at 31 March 2024 the Fund reassigned a portion of the diversified growth mandate to its new Infrastructure mandate, with the remaining assets due to be assigned towards the underweight fixed income portfolio.

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

**Custodial Arrangements**

<b>Manager</b>	<b>Custodian</b>
Blackrock (ACCESS)	Northern Trust
Newton (ACCESS)	Northern Trust
Baillie Gifford (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.

*Source: Investment Managers*

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

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

**Environmental, Social and Governance considerations**

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

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

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

In May 2021, the Committee undertook climate risk scenario analysis and commissioned an ESG and carbon report for the Fund's assets. This aimed to illustrate how the Fund's



mandates perform from an ESG perspective and the carbon intensity of the Fund's investments. The Committee consider the ESG implications of any strategic investment decisions they make.

In line with the new expected LGPS regulations, the 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.

### The Myners Review and Code of Best Practice

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

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

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

Principle	Response on Adherence
<p><b>Principle 1 Effective Decision Making:</b> Administering authorities should ensure:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.</li> </ul>	<p><b>Compliant</b> Decisions are taken by the Committee which is responsible for the management of the Fund. The Committee has support from council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions. The Committee can make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</p>
<p><b>Principle 2 Clear objectives:</b> An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme</p>	<p><b>Compliant</b> The Committee has established objectives for the Fund which takes account of the nature of fund liabilities and the contribution strategy. This involved discussions with the actuary to enable the Committee to set the overall risk budget for the Fund. This is reflected in the</p>



<b>Principle</b>	<b>Response on Adherence</b>
<p>employers, and these should be clearly communicated to advisers and investment managers.</p>	<p>investment mandates awarded to the asset managers. There is dialogue with admitted bodies within the fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p><b>Principle 3 Risk and liabilities:</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>• These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>	<p>Compliant The investment strategy is considered in the light of the nature of the fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity. The Committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</p>
<p><b>Principle 4 Performance assessment:</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• 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.</li> </ul>	<p>Partially Compliant The performance of the Fund and its individual managers are monitored on a regular basis. The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender. The Committee is developing formal processes to measure its own effectiveness.</p>
<p><b>Principle 5 Responsible Ownership:</b> Administering authorities should</p> <ul style="list-style-type: none"> <li>• Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.</li> <li>• Include a statement of their policy on responsible ownership in the</li> </ul>	<p>Partially Compliant The Committee encourages its investment managers to adopt the ISC Statement of Principles on the responsibilities of shareholders and agents on the Fund's behalf. The Investment Strategy Statement includes a statement on the fund's policy on responsible ownership. The Committee needs to consider the implications of the new enhanced UK</p>



<b>Principle</b>	<b>Response on Adherence</b>
<p>Statement of Investment Principles or Investment Strategy Statement.</p> <ul style="list-style-type: none"><li>• Report periodically to scheme members on the discharge of such responsibilities.</li></ul>	<p>Stewardship Code issued in January 2021 and the extent to which it is compliant with the new requirements.</p>
<p><b>Principle 6 Transparency and Reporting:</b> Administering authorities should</p> <ul style="list-style-type: none"><li>• 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.</li><li>• Should provide regular communication to scheme members in the form they consider most appropriate.</li></ul>	<p>Compliant</p> <p>The Committee maintains minutes of meetings which are available on the council website.</p> <p>The Committee holds a formal annual meeting for members and meets periodically with sponsoring employer bodies. An Admitted Bodies representative and a Member representative attend Committee meetings. The Investment Strategy Statement is published on the council website and is available to members on request. Other information on the scheme is available to members on the dedicated pension fund website.</p>

Prepared by:

David Walker, Partner  
Chris King, Investment Consultant  
Stefan Chilom, Investment Analyst

For and on behalf of Hymans Robertson LLP





# ACCESS ANNUAL REPORT 2023/24

## Foreword

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

This has been another year when further significant progress has been made within our Pool. Driven by over **£5.4bn** of incoming investment activity within both the listed and non-listed asset classes, the total value of assets within pooled arrangements reached **£44.725bn** at the 31 March 2024. The result is that our pooling progress at the year-end was just short of 70% of all assets under management across the 11 ACCESS Authorities. Further investment activity since the end of the year places the pool progress above 70%.

The work undertaken on non-listed assets in particular has considerably expanded the range of pooled solutions ACCESS now offers. So in addition to listed assets, mandates covering different types of Real Estate and Infrastructure are now available. It is important to highlight that in aggregate, the geographic profile of ACCESS investments demonstrate that over 20% of assets are now invested within the UK.

A key theme during the year was the Government LGPS Pooling Consultation. Launched in July 2023 against a background of the Mansion House Reforms, the Consultation explored key areas on approaches to pooling, UK investment and future expectations. ACCESS Authorities undertook an extensive collective process of consideration and dialogue in producing a detailed Pool response. This has formed the basis for dialogue which continued after the Government's own response at the November 2023 Autumn statement and into the Ministerial Roundtables of late Spring 2024. It is

a dialogue we look forward to continuing with the new Government and MHCLG Ministers and colleagues.

One aspect of our evidence ACCESS submitted to Government was the findings of work undertaken by Dr Chris Sier at ClearGlass. Based on Cost Transparency Initiative data, his team of specialists produced an analysis of fees paid by ACCESS Authorities compared to those prevalent in the market. This concluded that across listed assets the ACCESS pool delivers around **£29m** of annual savings (or 27%).

During the year the Joint Committee approved two appointments following procurements which used the National LGPS Frameworks. As a result, PIRC are now advising our Pool on ESG / RI matters and Tavistock are now the Communications partner for ACCESS. We look forward to working with both organisations and building on the achievements made to date.

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



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**Cllr Mark Kemp-Gee**

Chairman of the ACCESS Joint Committee  
Chairman of the Hampshire Pension Fund  
Panel & Board



## Introduction

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2023/24 saw a number of key developments to further increase the asset classes covered by ACCESS and therefore expand the investment opportunity set of our 11 LGPS Authorities.

Our Implementation Adviser for non-listed assets, Apex, undertook a Property procurement process which concluded in 2023. The outcome of which is that CBRE will undertake both UK Core and Global Real Estate mandates. In addition, following a review, Apex recommended the AVIVA Lime Fund for Long Lease domestic Real Estate. As a consequence during 2023/24 property investment totalling **£2.2bn** switched to these Pooled arrangements. Additional Real Estate investment is anticipated, and a search is underway on Social Housing whilst work is being undertaken to explore the potential for investment in the Impact space.

Following a review of infrastructure opportunities undertaken by Mercer Consulting two funds: IFM and JPM have been designated as Pool-Aligned with a combined ACCESS investment of **£1.7bn**.

At the time of writing Apex concluded a Timber search which has resulted in JP Morgan Campbell and Stafford managing **£800m** in aggregate across two natural capital mandates.

Whilst much of our activity in the year has been around developing the non-listed part of our Pool, we now have 5 year performance data for our first 8 actively managed sub-funds. Collectively this blend of Global and UK equities have produced an annualised return of 9.8% against a benchmark of 8.9%. LGPS Authorities are, of course, long term investors, however a sustained annualised outperformance of 0.9% over our initial 5

years represents a significant milestone on our journey.

During the last year ACCESS and ACS Operator Waystone have rethought Pool Investor Days. What had tended to centre on presentations has now become a blend of debate, analysis and informal interaction. At events in November 2023 and June 2024, London venues have combined time and space for networking with both Waystone and their appointed ACS Investment Managers, along with formal sessions on markets, LGPS developments, RI expectations and geopolitical risk factors. The revised format has maximised engagement for delegates including s101 Committee Members, Local Pension Board Members, s151 officers and LGPS officers.

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



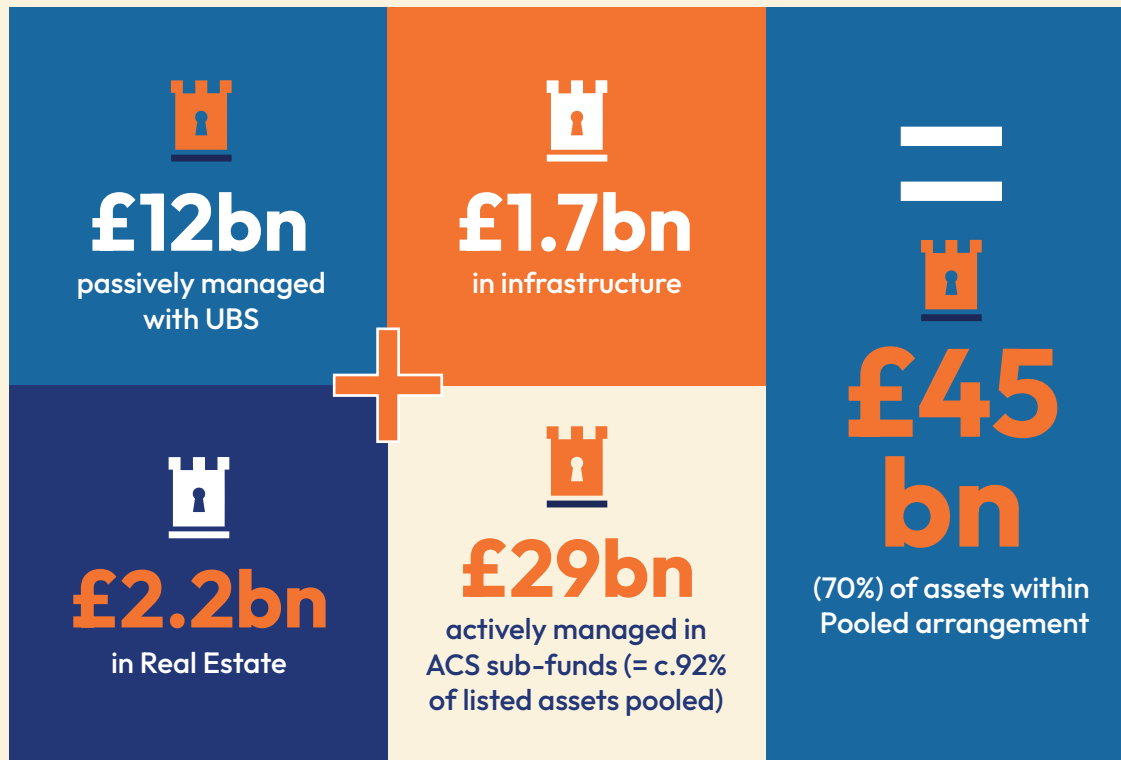
**Kevin McDonald**

Director, ACCESS Support Unit



# At a glance

## Assets



## People and employers



## Performance



## Costs & savings since inception



## Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of eleven Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council (West Northamptonshire from 1 April 2021); Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

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

## Governance

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

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

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool. The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS investment skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021. These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.





## The Operator: Waystone

Appointed in 2018, Waystone (formally Link Fund Solutions Ltd), provide the pooled operator service, overseeing, establishing and operating an Authorised Contractual Scheme (ACS) for the sole use of ACCESS Authorities. Waystone are also responsible for the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies.

## Pool Aligned Assets

UBS were appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the Pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and Global Property investments.

## Progress on Pooling

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestones set out. ACCESS currently has **£44.724** billion assets pooled, and net savings of **£92.4** million by March 2024. An additional **£1.250** billion has been committed to investments in the Pool for 2024/25. As at 31 March 2024, almost **70%** of assets have been pooled.

### Pooled Investments

£ Billions

Global Equity Funds	16.269
UK Equity Funds	1.987
Fixed Income	8.668
Diversified Growth	1.162
Emerging Markets	0.767
Passive Investments	11.989
Infrastructure	1.711
Real Estate	2.171
<b>Total Pooled Investments</b>	<b>44.724</b>

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

## Key milestones achieved in 2023/24

- Approval and launch of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Work with CBRE to implement the property mandates.
- Pool alignment of infrastructure funds.
- Procurement and implementation of long lease real estate.
- Procurement of timberlands mandate.
- Preparation for, and the commencement of the procurement of the operator services.
- Implementation of outcomes from third party review.
- Commencement of Responsible Investment reporting support for the Pool.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

## Objectives for 2024/25


ACCESS is well placed to continue to develop the pool and progress will continue. It is anticipated that 2024/25 will see key activities within the following themes:

- Reprocurement of the operator services.
- Implementation of private equity and private debt solutions established by Apex.
- Submission of UK Stewardship code application.
- Implementation of reviewed voting guidelines.
- Complete the implementation of outcomes from third party review.
- Review the arrangements of Local Pension Board observes at Joint Committee meetings.

## Expected v Actual Costs and Savings

The table below summarises the financial position for 2023/24 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. 2023/24 saw a slight overspend, primarily due to higher than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

	2023-2024		2016-2024	
	Actual In Year £' Million	Budget In Year £' Million	Actual Cumulative to date £' Million	Budget Cumulative to date £' Million
Set Up Costs	-	-	1.824	1.400
Transition Costs	-	-	3.338	6.907
Ongoing Operational Costs	1.608	1.559	6.900	9.254
Operator & Depository Costs	5.264	5.771	23.392	26.709
<b>Total Costs</b>	<b>6.872</b>	<b>7.330</b>	<b>35.454</b>	<b>44.270</b>
Pool Fee Savings	30.794	19.900	129.739	85.450
<b>Net Savings Realised</b>	<b>23.922</b>	<b>12.570</b>	<b>94.285</b>	<b>41.180</b>

Operator and depository fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Waystone as pool operator.

The 2023/24 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS

104 Authorities stemming from reduced charges.



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

## Environmental, Social and Governance (ESG) and Responsible Investment (RI) \_\_\_\_\_

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

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

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

PIRC have been appointed to provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

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

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year, votes on behalf of ACCESS Authorities were cast at **2,614** meetings on **37,483** resolutions and UBS voted at **11,577** meetings on **134,800** resolutions on ACCESS investments held with them.

*Mark W. Kemp-Gee*

### **Cllr Mark Kemp-Gee**

Chairman of the ACCESS Joint Committee  
Chairman of the Hampshire Pension Fund Panel & Board





## 6.5 Investment Pooling including supplemental reporting

The Isle of Wight Pension Fund (IWPF) is part of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool, along with a further ten Local Government Pension Scheme (LGPS). The pool was created in June 2017, and since then progress has been made in moving the investments of the IWPF into both fully pooled and pool aligned categories.

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 IWPF is invested in.

The table below shows the investment portfolios that the IWPF currently invests in via the ACCESS pool. As you can see at the end of March 2024 the IWPF had invested 83% 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 ACCESS fund.

### *Investments in pooled investments 31 March 2024*

	Pooled £m	Pool Aligned £m	Not Pooled £m	Total £m
Equities	291	169	-	<b>460</b>
Diversified Growth	57	-	-	<b>57</b>
Bonds	112	-	-	<b>112</b>
Property	-	-	35	<b>35</b>
Private Debt	-	-	26	<b>26</b>
Infrastructure	-	-	26	<b>26</b>
Cash	-	-	42	<b>42</b>
<b>TOTAL</b>	<b>460</b>	<b>169</b>	<b>129</b>	<b>758</b>
<b>%</b>	<b>61%</b>	<b>22%</b>	<b>17%</b>	<b>100%</b>

The following table shows the IWPF’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 IWPF directly by its investment managers.
- Indirect Fees – these are charged directly against the 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 fund’s custodian for the custody and administration of the fund’s investments.

	Pooled		Non-Pooled		Total	
	£'000	%	£'000	%	£'000	%
Direct Fees	65	0.01%	573	0.08%	<b>638</b>	<b>0.08%</b>
Indirect Fees	1,122	0.15%	1,794	0.24%	<b>2,916</b>	<b>0.38%</b>
Transaction Costs	1,090	0.14%	689	0.09%	<b>1,779</b>	<b>0.23%</b>
Custody Costs	-	-	4	0.00%	<b>4</b>	<b>0.00%</b>
<b>Total</b>	<b>2,277</b>	<b>0.3%</b>	<b>3,060</b>	<b>.40%</b>	<b>5,337</b>	<b>0.70%</b>

Cumulative Pooling costs and savings are shown here:

	2023/24 £'000	Cumulative £'000
Pool setup and ongoing costs	(146)	(803)
Transition costs	(362)	(362)
Gross investment management fee savings (additional costs) *	(248)	(4,796)
<b>Net saving (additional cost) of pooling to date</b>	<b>(756)</b>	<b>(5,961)</b>

\* The main driver for the additional investment management fees incurred is that prior to pooling IWPF had negotiated with the investment managers low management fees, but higher performance fees. The fees incurred since pooling are based on a higher management fee but there are no performance fees to pay.

DLUHC requires pension funds to report on investments in the UK, which is shown in the table below.

The IWPF 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 IWPF’s investments in certain categories of assets, but these will not add up to whole of our investment as above.

	Pooled £m	Pool Aligned £m	Not pooled £m	Total £000
UK Listed Equities	142	169	-	<b>311</b>
UK Government Bonds	38	-	-	<b>38</b>
UK Infrastructure	4	-	4	<b>8</b>
<b>Total</b>	<b>184</b>	<b>169</b>	<b>4</b>	<b>357</b>



Central Government has set a Levelling-up agenda for the UK with the following 12 medium term missions:

- Living standards.
- Research and development.
- Transport.
- Digital connectivity.
- Education.
- Skills.
- Health.
- Well-being.
- Pride in place.
- Housing.
- Crime.
- Local leadership.

The IWPF has not specifically invested in any assets that can be identified as being for Levelling-Up purposes as at the end of 2022/23.





# **Isle of Wight Council**

## **Pension Fund**

### **Section 6**

## **Administration**



## Administration Overview

The Fund's administration services are delivered in-house by the pensions administration team. The administration team use administration software packages provided by Heywood Pension Technologies ("HPT") to keep member records secure, to keep beneficiary information up to date and to run benefit calculations for members. This enables the scheme to hold accurate information regarding member pension benefits (both accrued and projected entitlements) and to ensure member data is kept confidential and secure. Members approaching retirement are also identified by the Altair system so specific communication be sent out pre-retirement. Reconciliations of data, transactions, and investments held are carried out annually via internal and external audits.

Electronic means are used where possible to transfer member data between employers and the Fund and to manage financial transactions for employer and member contributions. The transfer of electronic data and member records monthly is facilitated by HPT's i-Connect system. This enables employers to securely upload monthly data from their payroll systems. The system automatically reconciles employer data and any payments and data not sent by employers on time is flagged by the system, which enables timely reporting, monitoring and oversight by the Scheme Manager. In April, every year, employers are sent an email from the Fund administration team to remind them of their statutory obligations and the key dates by when data needs to be uploaded each month. These are also set out in the [Pension Administration Strategy](#).

Records of transactions relating to the pension fund are maintained on financial systems via the financial accounting team of the Isle of Wight Council. The Council's financial controls framework and internal procedures for financial arrangements are used to ensure the safe custody and security of the assets of the scheme that involve monetary assets.

Safe security of the schemes assets that involve personal data remains the responsibility of the Council as a data controller. The Isle of Wight Council Records Management Policy therefore applies to Fund records. The Isle of Wight Council Information Security policy outlines responsibilities in relation to confidentiality and processing of personal data. The Isle of Wight Council ICT Mobile and Home Working Policy also applies where officers, Councillors or Board members are remote.

The Isle of Wight Council runs cyber training annually for employees, as well as data protection and information security training. The council also maintain their Public Services Network (PSN) connection compliance certificate and carry out annually comprehensive penetration testing (simulated cyber-attacks on computer systems to check for exploitable vulnerabilities) as part of their standard cyber-security controls. Firewalls, anti-malware and anti-viral controls are updated regularly. Reassurances are also obtained annually by the Fund from the IW Council that critical systems and data is regularly backed up. Assurances are also obtained from HPT where member records are held and hosted independently on their system.



## **Pension Administration Strategy**

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the administering authority and employers, notably the timely exchange of accurate information in relation to scheme members. The [Pension Administration Strategy](#) is a key document that sets out the service level expectations in relation to the administration of the scheme which enables key stakeholders to be held to account. The document is published on the pension fund website to ensure it is accessible to employers and members.

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

The overall pension administration aims are to:

- support the provision of a high-quality pension service to fund members delivered through efficient working practices.
- clearly set out the respective roles and responsibilities of the administering authority and scheme employers.
- ensure that the fund operates in accordance with LGPS regulations and codes of practice issued by The Pensions Regulator.
- set out the quality and performance standards expected by the administering authority and its scheme employers in relation to each other.
- promote good working relationships, transparency and improve efficiency between the administering authority and its scheme employers for the benefit of the fund members.
- provide a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the fund.

## **Performance and Monitoring**

The administering authority keeps the Pension Administration Strategy under review. Updates are made to the Strategy as required to reflect changes in scheme regulations and fund working practices.

A report from the pension administration team is produced quarterly which includes a number of KPIs. This is presented at the Local Pension Board meetings for review. The Local Pension Board assists the Scheme Manager by monitoring the effective administration and governance of the scheme. The Board report to the Committee on a quarterly basis the key findings and outcomes from the latest administration reports.

During 2023/24, the summary of key services provided to all fund members and employers undertaken by the administration function during the year included:



- For the period 01 April 2023 – 31 March 2024: 91.8% KPI's completed within target.
- Annual Benefit Statements issued to members by 31 August 2023 in line with statutory guidance.
- Pensions Increases and P60's work completed.
- Newsletters issued to deferred and active members.

In addition, the administration team considered new legislation, IT and pensions administration systems developments and data quality improvements during the year. The activities included:

- On-going data quality checks including annual checking of common data (basic member information) and scheme specific data. The team also used Hyman Robertson's 'the Brain' to upload data and support on-going data quality checks. Software capabilities were considered to automate and improve administration and record-keeping, although member data continues to be checked manually to identify, record, validate, and where necessary to correct items.
- On-going implementation of technology and support provided to employers to ensure all employers continue to use i-Connect to upload their monthly data through the secure online portal. Data uploaded directly into the administration software systems helps the system to automatically provide validations and tolerances to the Fund, which in turn helps to ensure accurate data is provided to the Fund.
- On-going monitoring of statutory guidance in relation to McCloud including updates to members, the Board and Committee.
- On-going monitoring of Pension Dashboard guidance and undertook review of potential ISP providers to ensure smooth connection and data transfers between the Fund's administration system and the Governments dashboard portal.

The administration KPI's for the period 1 April 2023 - 31 March 2024 are set out on pages 113-118 of the Annual Report.

The number of members and employers by category are set out on pages 48-49 of the Annual Report.

## Communications

The Fund's [Communications Policy](#) is published on the fund website. This sets out the various communication tools available to the Fund including a schedule setting out the review dates for different communications / materials.

The pension [fund website](#) is a key communication tool that has information publicly available for all members (active, deferred and retired) and employers of the fund. The Pension Fund website aims to conform to the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines 2.0 at A level. The website provides a wide variety of regulatory, statutory and local information including information for new starters as well as those that wish to opt-out or re-join as well as pensioners. As



well as an information resource on the LGPS, the website contains downloadable forms and factsheets for members on a range of topics, including the fund's annual report and accounts, policy statements, Additional Voluntary Contributions (AVCs), newsletters etc. We also continue to offer our members the opportunity to receive communications via more traditional methods if required (e.g. hard-copy, post and telephone).

Information is shared during the year with members via the [Member Self Service portal](#) which can be accessed via the scheme website. For example, Annual Benefit Statements are issued by 31 August for all active, deferred and pension credit members through the portal which helps to ensure personal data is kept secure. Annual newsletters provided to active and deferred members are also uploaded to the Member Self Service portal.

The fund's AVC provider, Prudential, also issue statements to members annually.

To ensure members are kept up to date with the latest news and developments, the Fund participates in LGPS Regional Joint Communication meetings and newsletters that have been produced regionally are adapted and shared with members.

## **Dispute Resolution**

The Pension Fund Complaints and Internal Resolution procedure is published on the [Fund website](#) and shared with employers. All employers are reminded of their responsibilities to communicate and share the policy with members.

The Pension Fund Complaints and Internal Resolution procedure includes the latest regulatory requirements. To ensure oversight and regular monitoring of any complaints received to the Fund, the administration team produce a quarterly report which includes the number of complaints received by the pension fund. The report is reviewed by the Board quarterly and an update is provided subsequently to the Committee.

During the financial year ended 31 March 2024, the Fund received no complaints and there were no internal dispute resolution requests.



## Breakdown of New Pensioners in 2023/24

The new pensioners that arose during 2023/24 can be broken down as follows:

	2023/24	2022/23
Redundancy	9	4
Ill-Health	6	5
Early Retirement	0	212
Flexible Retirees	11	6
Normal Retirement	43	3
<b>Total New Pensioners</b>	<b>69</b>	<b>230</b>

## Net operating expenses of Pension Administration

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

The actual costs incurred are:

	Year ended 31/03/2024			Year ended 31/03/2023		
	Recharged by IWC	Incurred Directly	Total	Recharged by IWC	Incurred Directly	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	280	2	282	258	-	258
IT expenses	52	331	383	42	476	518
Professional Subscriptions	4	21	25	4	23	27
Professional Fees	-	112	112	-	-	-
Premises Expenses	47	-	47	52	-	52
Sundry Office Expenses	-	1	1	-	1	1
<b>Total</b>	<b>383</b>	<b>467</b>	<b>850</b>	<b>356</b>	<b>500</b>	<b>856</b>

# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

## Key Performance Indicators (KPI)

Summary of categories for financial year to 31 March 2024

KPI Category	Complete at End of Period	# Completed Within KPI Target	% Complete Within KPI Target
Aggregation - Initial Aggregation Letter	239	182	76.2%
Aggregation - Processing from election or auto after 12 months	285	131	46.0%
Deaths – initial letter acknowledging death of member	179	172	96.1%
Deaths – letter notifying amount of dependants pension	179	171	95.5%
Divorce quote – letter detailing cash equivalent value and other benefits	38	36	94.7%
Divorce settlement – letter detailing implementation of pension sharing order	0	0	0.0%
Emails - acknowledgment to email	1703	1690	99.2%
Employer Quote - letter notifying cost and benefit estimate	173	171	98.8%
Joiners – notification of date of enrolment/checking starters	1041	1019	97.9%
Member Quote - letter notifying estimate of benefits	86	84	97.7%
Payroll Input - to complete input	612	566	92.5%
Payroll Input checking - checking input	625	623	99.7%
Phone - calling member back/CRM	993	991	99.8%
Post - renaming and assigning follow on task	758	757	99.9%
Refund - Officer Check	228	217	95.2%
Refund - Process Refund Quote	241	235	97.5%
Refund – Process and pay a refund	193	191	99.0%
Retirement - RETOP - ill health, Redundancy, Flexible	28	6	21.4%
Retirement - Variation to pension	33	31	93.9%
Retirements – process and pay pension benefits on time	291	192	66.0%
Retirements – RETOP Normal/Early	573	371	64.7%
Transfer In - Membership Request - Quote	59	51	86.4%
Transfer in - processing transfer in altair - ACTUAL	34	27	79.4%
Transfer out - ACTUAL	23	12	52.2%
Transfer out - QUOTE	65	58	89.2%
Transfers in - requesting payment - ACTUAL	40	27	67.5%
Transfers in – letter detailing transfer quote	45	30	66.7%
<b>Grand Total</b>	<b>8,764</b>	<b>8,041</b>	<b>91.8%</b>

## Membership Analysis | Basic Details

Member Employment Records  
or Unique Members  
Unique Members

<b>Member Employment Records</b> 18,334	<b>Unique Members</b> 13,847	<b>Average Employments</b> 1.32	<b>Average Member Age</b> 55.7
--	---------------------------------	------------------------------------	-----------------------------------

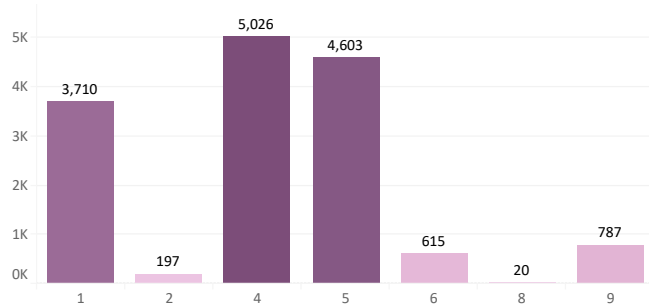
Scheme  
Multiple values

Status  
Multiple values

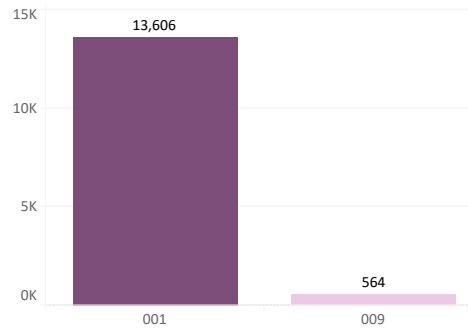
Members Employment Type  
All

Location/Employer  
All

Unique Members by Status



Unique Members by Scheme



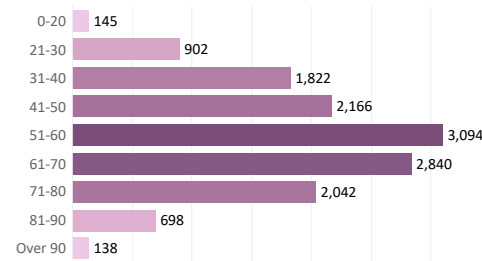
Unique Members by Part Time Indicator & Status

Status	C	F-T	N	V	Y
1	566	1,163	2		2,226
2	44	37			123
4	557	1,484	4	1	3,327
5	168	2,478	2		2,299
6		615			
8	6	3			11
9	128	142	1		523

Unique Members by Employment Type

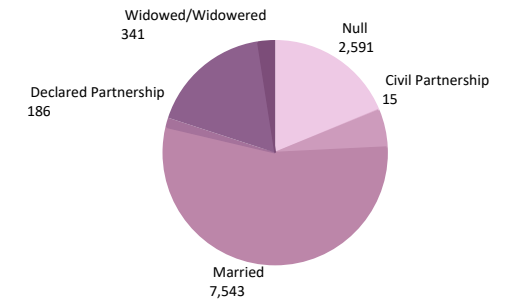
Members Employment Type	Count
01: Officer	12,463
02: Manual Worker	1,401
07: Female Granted Post 72 Service	307
PC: Pension Credit	20
03: Former Reg 21 (elig ret 60/5)	5
05: Coroner	3
04: Former Reg 23 (elig ret 55/25)	1
08: Female Officer (E12 applies)	1

Unique Members by Current Age



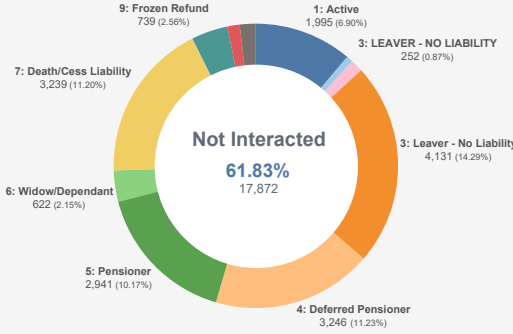
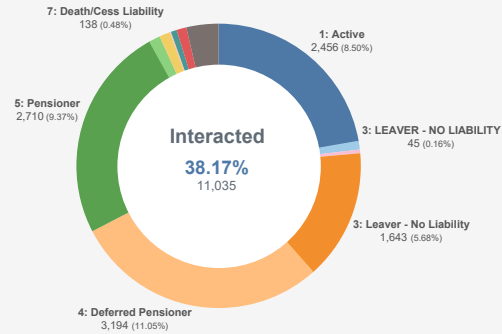
Note: By default this visualisation includes all statuses including deceased members. The age dis..

Unique Members by Partnership Status





Membership by Interaction With MSS & Member Status



Membership by MSS Authorisation Status & Member Status

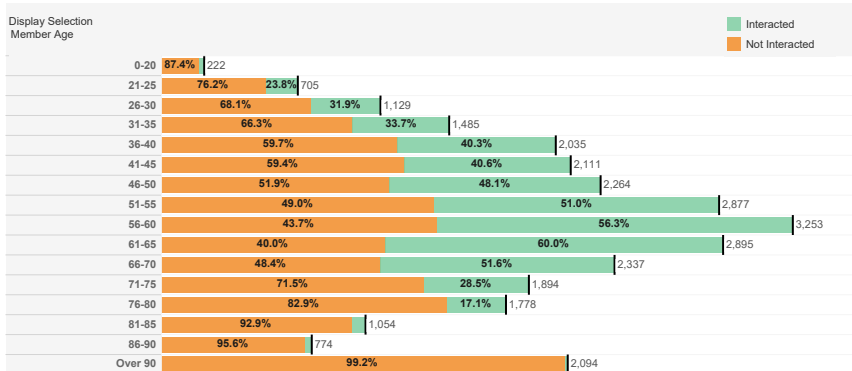
Member Status	Interacted				Not Interacted		Grand Total
	Account Activated by Email	Disabled	Password & Security Q Reset Issued	Password Reset Issued	Registered	Security Q Reset Issued	
1: Active	142	46	3	37	2,218	10	4,451
2: Undecided Leaver	6	3			91	1	225
3: LEAVER - NO LIABILITY	2	2			41		297
3: Leaver - No Liability	118	33	2	24	1,462	4	5,774
4: Deferred Pensioner	355	63	1	55	2,709	11	6,440
5: Pensioner	171	77	1	69	2,389	3	5,651
6: Widow/Dependant	9	5		5	117		758
7: DEATH							3
7: Death/Cess Liability	15	3		5	115		3,377
8: Awaiting Entry	2	1			11		20
9: Frozen Refund	11	2			61		813
O: Opt-Out	9	3		1	110		376
Z: Aggregation	17	2		7	375		722
<b>Grand Total</b>	<b>857</b>	<b>240</b>	<b>7</b>	<b>203</b>	<b>9,699</b>	<b>29</b>	<b>28,907</b>

Not Interacted/Registered Member Breakdown

Scheme Description	Location/Em..	Status Description	Count	Percentage
0001: Isle of Wight Council	00001: ISLE OF WIGHT C.C	3: Leaver - No Liability	210	1.2%
		4: Deferred Pensioner	25	0.1%
		5: Pensioner	260	1.5%
		6: Widow/Dependant	102	0.6%
		7: Death/Cess Liability	1,145	6.4%
		9: Frozen Refund	34	0.2%
		3: Leaver - No Liability	39	0.2%
00002: MEDINA B.C		4: Deferred Pensioner	3	0.0%
		5: Pensioner	75	0.4%
		6: Widow/Dependant	35	0.2%
		7: Death/Cess Liability	335	1.9%
00003: SOUTH WIGHT B.C		9: Frozen Refund	7	0.0%
		3: Leaver - No Liability	28	0.2%
		4: Deferred Pensioner	9	0.1%
		5: Pensioner	58	0.3%
6: Widow/Dependant	30	0.2%		

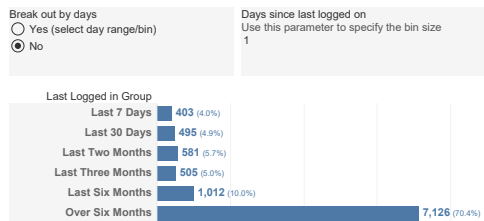
Membership by Interaction With MSS & Member Age

Chart is sorted by age profile  
Y axis can be changed using drop down



Membership by Days Since Last Logged on to MSS

If you like to break down the Days since last logged on into smaller group then please select "Yes" on the Break out by Days Parameter and specify the bin size.



Note that this dashboard purely relies on the Status History / Location History currently on members' records within Altair to show previous statuses and location/employers.

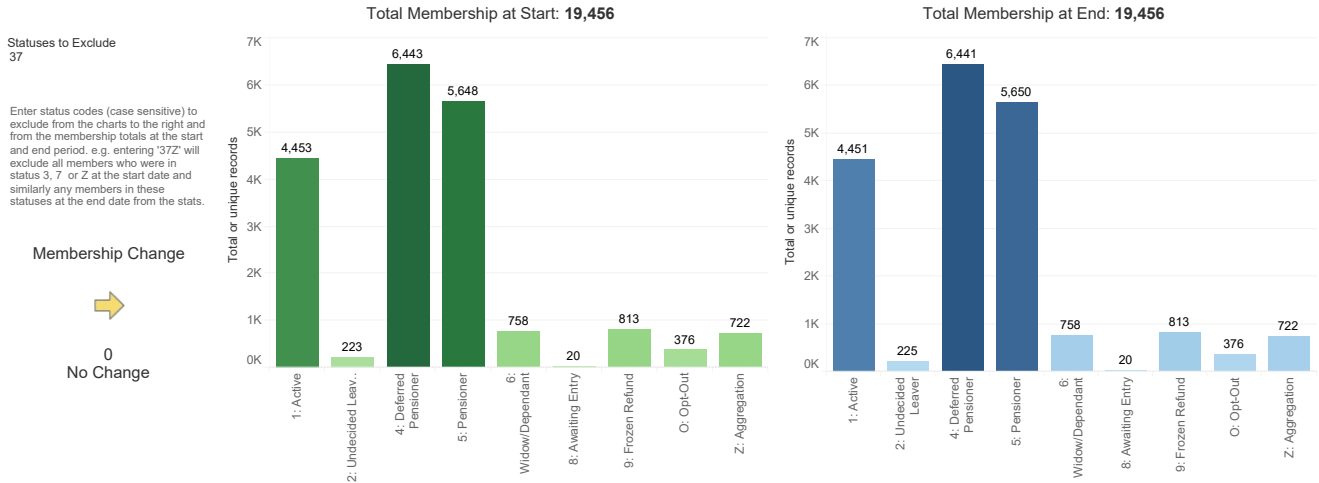
The Status/Location Histories on a member's record may show a member was a different status at a historic date, than their true current status was on that date. This is due to the ability to retrospectively update Status/Location histories. Therefore, this retrospective report for a historic date may not exactly match a current status report run on that date in the past.

Scheme  
All

Total or unique members  
Member Employment Records  
Start Date  
31/03/2024

End Date  
01/04/2024

## Status Breakdown Comparison



## Status Movement Table

Note a '0' N/A status at the start date represents a member that did not have a status on their status history on or prior to the start date (i.e. potentially were not a member of the scheme at this date)

Status at End Date	Status at Start Date										Grand Total	
	1	2	3	4	5	6	7	8	9	O		Z
1	4,451											4,451
2		223										223
3			6,071									6,071
4				6,441								6,441
5					2	5,648						5,650
6							758					758
7								3,380				3,380
8									20			20
9										813		813
O											376	376
Z												722
Grand Total	4,453	223	6,071	6,443	5,648	758	3,380	20	813	376	722	28,907

## Differences Reports

Differences Dimension  
 Status  
 Location/Employer

Note: the Location/Employer Difference visualisation will exclude any members from the membership that were in an excluded status at the start or end respectively. i.e. a negative difference will be shown if more members in a particular location died than joined during the period (if status 7 is on the excluded statuses list).  
 Please refer to the 'Statures to Exclude' parameter in the Status Breakdown Comparison section above.  
 This parameter is not used for the Status Difference visualisation to show the growth / shrinkage of all statuses

A Location/Employer with 0 included members at both the start and end point are excluded from the list.

Status Code	Status Membership at Start	Status Membership at End	Status Movement
1	4,453	4,451	-2
2	223	225	2
3	6,071	6,071	0
4	6,443	6,441	-2
5	5,648	5,650	2
6	758	758	0
7	3,380	3,380	0
8	20	20	0
9	813	813	0
A	0	0	0
O	376	376	0
Z	722	722	0
Grand Total			0



# **Isle of Wight Council**

## **Pension Fund**

### **Section 7**

## **Actuarial Report**



## Isle of Wight Pension Fund (“the Fund”)

### Actuarial Statement for 2023/24

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

#### **Description of Funding Policy**

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

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependents.
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term).
- 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 75% likelihood that the Fund will achieve the funding target over 20 years.

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

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £728 million, were sufficient to meet 102% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £15 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 2023 to 31 March 2026 were set in accordance with the Fund’s funding policy as set out in its FSS.



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

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### Method

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

### Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	3.7% pa
Salary increase assumption	3.7% pa
Benefit increase assumption (CPI)	2.7% pa

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Current Pensioners	21.9 years	24.5 years
Future Pensioners*	22.5 years	25.9 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 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 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Produced by Hymans Robertson LLP

Craig Alexander FFA

15 May 2024

For and on behalf of Hymans Robertson LLP



# **Isle of Wight Council**

## **Pension Fund**

### **Section 8**

## **External Audit Opinion**

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# **Isle of Wight Council**

## **Pension Fund**

### **Section 9**

## **Additional Information**



## Internal Audit Report

The Chief Internal Auditor for the Isle of Wight Council provides the Isle of Wight Pension Fund Committee and Local Pension Board with an opinion on the adequacy and effectiveness of Isle of Wight Pension Fund's frameworks of governance, risk management and control.

The Chief Internal Auditor for the Isle of Wight Council schedules an annual programme of work, which informs an annual opinion on the adequacy of the Council's governance, risk management and control environment, including areas directly applicable to the Pension Fund.

In 2023/24 one audit was completed, which covered elements of direct relevance to pensions:

- Payroll: reasonable assurance

Two more general reviews, which did not give assurance opinions also covered elements relevant to pensions:

- Anti-Fraud Arrangements
- Annual Governance Statement Controls Compliance

No significant issues were identified through the reviews listed above, with opinions concluding that generally controls were operating effectively.

The overall annual opinion for 2023/24, presented to the Governance and Audit Committee in July 2024 was 'reasonable assurance', with mainly medium or low risk exceptions raised through audit reviews. For clarity no critical or high-risk exceptions were raised of direct relevance to the Pension Fund.



## A summary of Freedom of Information requests

During 2023/24 Isle of Wight Council received two Freedom of Information requests that related to the Pension Fund.

The Council 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, then it is sent to the requestors.

Below is summary of the requests received, classified by topic.

Topic	Number of Requests
Alternative Investments	1
Investments in Asset Pools	1

## Glossary of Terms

### Accrual rate

The proportion of earnings that a defined benefit pension scheme pays as pension for each year of membership.

### Accrued liabilities

A measure of the value in today's money of all pension entitlements to be paid in the future that have been earned to date.

### Accrued income

The amount of dividend income declared on a shareholding but not paid at the accounting date.

### Active members

Current employees who are contributing to an organisation's pension scheme.

### Actuarial assumptions

The assumptions that an actuary must make in order to arrive at a valuation for a pension fund. These include life expectancy, rates of inflation, expected earnings and the income that will be received from pension scheme investments.

### Actuarial liability

The value placed on the accrued benefits of the fund using actuarial methods and assumptions for outgoing, including expenses, expected to fall on the fund after the valuation date based on benefits accrued for service up to the valuation date.

### Actuarial valuation

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

### Actuary

An independent consultant who carries out the actuarial valuation and may also advise on changes in funding plans and on investment strategies. The actuary will perform calculations based on information about prevailing circumstances and analysis of statistics.

### Additional voluntary contributions (AVCs)

An extra pension contribution which can be made by a member of an occupational pension scheme. AVCs can be made into the occupational scheme or to a standalone product called a freestanding AVC plan.

### Administering authority

A local authority required to maintain a pension fund under the local government pension scheme regulations.

### Admitted bodies/transferee admission bodies

Bodies, including those from the voluntary and charitable sectors and contractors, whose staff can become members of an LGPS fund by virtue of an admission agreement between the administering authority and the relevant body.

### All Share Index

Properly the FTSE All Share Index which summarises the composition of the UK equity market. It covers around 900 of the major UK industrial, commercial and financial companies.

### Asset allocation

The apportionment of a fund's assets between asset classes and/or markets. Asset allocation may be strategic, i.e. long-term, or tactical, i.e. short-term, aiming to take advantage of relative market movements.

### Asset classes

A specific category of assets or investments, such as stocks, bonds, cash, international securities and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations.

### Asset/liability modelling

A statistical tool designed to help establish the most appropriate asset mix for a pension fund, in the context of its liabilities.

### Automatic enrolment

A pension scheme where an individual is made a member by default and has to actively decide to leave the scheme.

### Authorised Unit trusts

A unit trust which is approved by the Financial Conduct Authority (FCA) to be sold to members of the public.

### Benchmark

A "notional" fund or model portfolio which is developed to provide a standard against which a manager's performance is measured.

A target return is generally expressed as some margin over the benchmark.

### Bond

A security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the main amount borrowed. Bonds may be secured over assets of the firm or they can be unsecured.

### Bonus issue

Bonus, scrip or free issue mean the same thing. Free shares are issued to existing shareholders out of company reserves.

### Career average revaluation of earnings scheme (CARE)

A defined benefit scheme that gives individuals a pension based on a percentage of the salary earned in each year of their working life.

### Cash

Cash is defined as cash instruments (e.g. money market deposits) and cash in bank and in hand.

### Corporate governance

Governance for local authorities is defined as how they ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems processes, culture and values, by which local government bodies are directed and controlled, and through which they account to, engage with and where appropriate lead their communities.

### Coupon

The interest payments on bonds.

### Currency hedging

An approach aimed at eliminating or reducing foreign exchange risks.

### Custody/custodian

Safe-keeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

### Deferred members

Scheme members who have left employment or ceased to be an active member of the scheme while remaining in employment, but retain an entitlement to a pension from the scheme.

### Defined benefit scheme

A scheme where the benefits are defined and paid, irrespective of contributions or investment performance.

### Defined contribution scheme

A scheme where the benefits paid are dependent on contributions paid and investment performance. These are also called money purchase schemes.

### Discount rate

Future benefit payments due need to be discounted to give the present value of the liabilities. A discount rate is chosen to reflect the investment return that is expected on the pension fund.

### Diversification

The spreading of a fund's investments among different asset classes, markets and geographical areas in order to reduce risk. Diversification is a basic principle of multi-asset management.

### Dividend

A payment distributed by a company to equity shareholders

### Equities

The general term for ordinary shares issued in UK and overseas companies.

### ESG

Environmental, social and governance.

### Ethical investment

Where investment is restricted to companies undertaking business in accord with an ethical definition. This could cover companies not engaging in arms manufacture.

### Ex

Without. If a share is sold ex-dividend, the buyer does not get the last dividend that was declared.

### Financial Conduct Authority (FCA)

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

### Fund managers

Firms of investment professionals appointed by an investment or pensions committee to make day-to-day investment decisions for the fund within the terms of an investment management agreement (IMA).

### Funding Strategy Statement (FSS)

The funding strategy statement provides a clear and transparent fund specific strategy for meeting an employer's pension liabilities in the future. It also defines a prudent longer term view of funding these liabilities while keeping within the regulatory framework to maintain a stable employer's contribution rate.

### FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

### Futures

The right to buy a fixed quantity of a commodity on a date in the future at a price fixed earlier

### Gilts

Fixed or index linked securities issues by the UK government (bonds).

### Hedging

A strategy which aims to eliminate the possibility of loss in an investment transaction or to minimise a risk by offsetting the exposure to a risk by entering into an investment with the exact opposite pay off pattern. Often used in the context of overseas investments to eliminate any potential currency loss (or profit).

### IAS 19

An international accounting standard that sets out the accounting treatment for employee benefits, including post-employment benefits such as pensions.

### Index-linked securities

UK government issued securities on which the interest and eventual repayment of the loan are based on movements in inflation.

### Investment adviser

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals, for a stated fee.

### IRR

Internal Rate of Return. Performance measure most suitable for closed-ended investment funds.

### Listed security

A security (a share) that is quoted on a major stock exchange.

### Mandate

Instructions given to the manager by the client on the performance target, restrictions on stocks etc.

### Market value

The price at which an investment can be bought or sold at a given date.

### Maturity

The maturity of a pension scheme indicates the number of active members relative to the number receiving pensions.

### Member

A person who has been admitted to membership of a pension scheme and is entitled to benefit under the scheme.

### Mid-price

Halfway between the bid price and the offer price



### Mortality assumptions

One of the greatest unknowns for a pension fund is how long benefits will be paid for. People are currently living longer than they did in the past. Actuaries assess future mortality, using tables based on research and additionally can access databases which enable mortality to be analysed and modelled at a detailed level within employer's geographical areas. Club Vita is an example of such a database.

### Pooled fund

A fund managed by a fund manager in which investors hold units. Stocks, bonds, properties etc. are not held directly by each client, but as part of a "pool". This contrasts with a segregated fund.

### Realised

This is when the value of loss or profit is received when an investment is sold

### Responsible investment (RI)

Investment where environmental social or governance considerations are taken into account in the selection, retention and realisation of the investment, and the responsible use of rights (such as voting rights) attached to investments.

### Return

This is the percentage change of the total value invested over a set period.

### Rights issue

An issue of new shares by a company, offered to existing shareholders in proportion to their holdings. The new shares are usually offered at a discount to encourage shareholders to buy. However, this can cause the existing price to fall.

### Risk

Generally taken to mean the variability of returns. Investments with a greater perceived risk must usually promise a higher return than a more stable investment before rational investors will consider buying them. Generally, the higher the potential return the higher the associated risk.

### Scheduled bodies

These are the organisations listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 1) and include county councils and district councils.

### Scrip dividend

A dividend paid in the form of additional shares rather than cash.

### Securities

Investments in company shares, fixed interest or index-linked stocks.

### Stock

Commonly used as a name for ordinary shares (common stock in the US) More correctly it is the name for UK gilts.

### Strategic asset allocation

Long-term allocation between the main asset classes with the aim of meeting the investors risk and return objectives.

### Transfer value

The amount of the transfer payment which is made to another pension arrangement.

### Unit trust

An open-ended trust investing in a wide spread of stocks, shares and cash (depending on FCA limits)  
Investors buy units directly from the fund manager.

### Unquoted security

A security which is not quoted on stock exchange

### Unrealised Gains/(Losses)

The increase/(decrease) at year end in the market value of investments held by the fund since the date of their purchase

### Withholding tax

A tax deducted from overseas investment income.

### Yield

A measure of the return earned on an investment.