

**DRAFT  
ANNUAL REPORT  
AND  
ACCOUNTS**

**ISLE OF WIGHT COUNCIL  
PENSION FUND  
2022-23**

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

Foreword.....	3
Financial Summary.....	5
Scheme management and advisers.....	9
Investment Policy and Performance Report.....	11
Investment Strategy Statement.....	18
Actuarial Statement 2022-23.....	38
Funding Strategy Statement.....	40
Pension Scheme Administration .....	74
Administration Strategy Statement.....	79
Governance Policy.....	117
Terms of Reference Pension Fund Committee.....	128
Terms of Reference Pension Board.....	131
Governance Compliance Statement.....	139
Pension Board Annual Report.....	174
Knowledge and Skills Framework Compliance Statements .....	182
Risk Management Policy.....	185
Communications Policy Statement.....	198
ACCESS Pool Annual Report.....	209
Financial Statements year ended 31 March 2023.....	223
APPENDIX A – Glossary of Terms.....	269

## **Isle of Wight Pension Fund Annual Report 2022-23**

### **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.

Market volatility, following the invasion of Ukraine by Russian forces, continued to impact financial markets globally during 2022-23. Soaring interest rates and inflation throughout 2022, offset by falling energy prices and strong labour markets, led to an improved economic outlook at the start of 2023. The overall impact of this uncertainty in global markets, across all asset classes resulted in value of the fund's investment assets improving in the second half of the year, reaching a value of £685.3 million at 31 March 2023, compared to £723.8 million at 31 March 2022 – a decrease of £38.5 million in the financial year.

Membership of the committee remained relatively consistent throughout the financial year to 31 March 2023, although a number of changes have happened since that date, due to political proportionality changes within the Council.

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:

- Completed the triennial valuation at 31 March 2022, resulting in a funding value of 102 per cent. Employer contribution rates were agreed, and the Funding Strategy Statement was adopted.
- Transitioned its UK Equity holdings within the ACCESS pool, from Liontrust to Black Rock.
- Adopted a new comprehensive risk register for the fund, delegating review and maintenance of the register to the Local Pension Board.
- Commissioned an independent review of the operational and governance structure of the fund. The results from this review are still being considered by the Council as administering authority.
- Adopted an updated communication strategy.
- Commenced the review of its strategic asset allocation following the results of the 2022 triennial valuation.
- Continually monitored procurement and contract management activities, including the re-procurement of the global custodian contract and the award of a new member tracing service contract.
- Continued its engagement with the ACCESS pool, with officers and councillors attending meetings throughout the year. No additional actively managed assets were transitioned into the pool during the year; at 31 March 2023 72.1 per cent of the fund's investments were under pooled management.
- Received regular updates on the developments in administration of the fund.

Following the revision of the constitution and membership of the pension board during 2021-22, the newly constituted board met for the first time in April 2022, with three further meetings held at County Hall. Full membership of the board (three

scheme member representatives, three employer representatives and an independent chair) remained consistent throughout the year.

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 2023 is presented within this document.

2023-24 has been a very busy year to date and continues to be, with the following key areas being covered by both committee and board:

- Review of the fund's statutory documentation, including the governance compliance statement, reporting breaches of the law policy, policy on academy funding, and complaints and disputes procedures.
- Adoption and implementation of the revised investment strategy following the 2022 triennial valuation.
- Continued engagement with the ACCESS pool, including the development of investment solutions for illiquid assets.
- Response to the government's consultations on next steps for investment in the LGPS.
- Support in place for both governance and administration activities of the fund.

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

## Financial Summary

### Analytical review

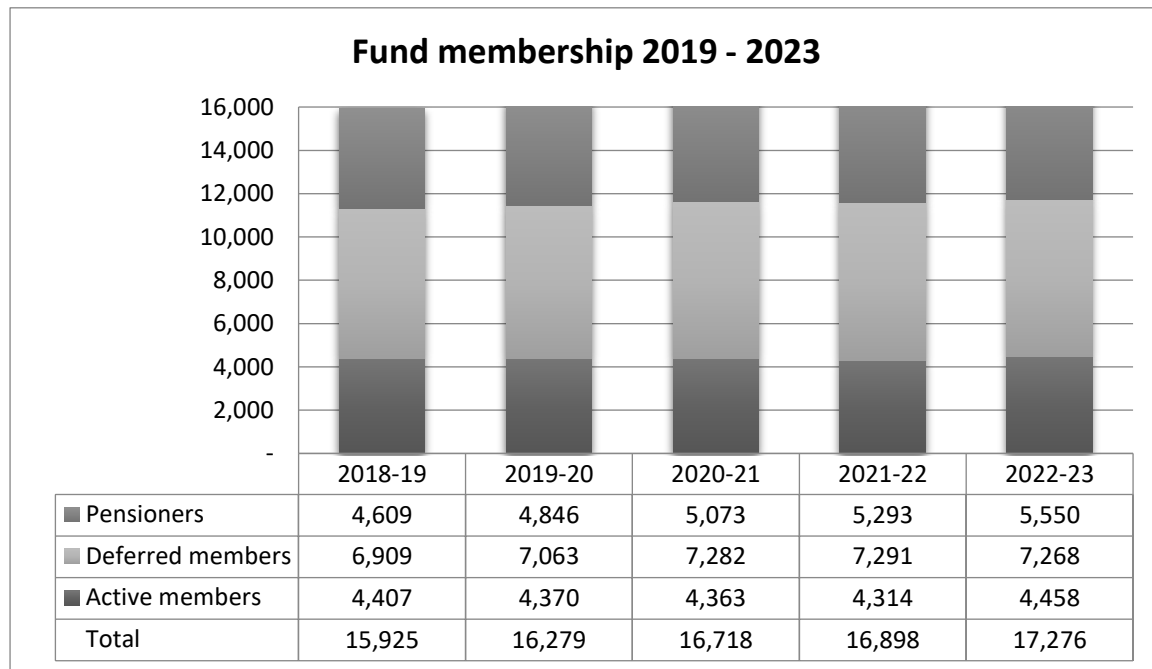
<b>Fund account</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>	<b>Notes</b>
Net withdrawals from dealings with members	<b>(2,835)</b>	(2,979)	Increase in basic contributions; increase in transfers in; inflationary increases in benefits paid & increase in number of pensioners; increased payments to leavers and on death
Management expenses	<b>(6,021)</b>	(5,674)	Initial contract charge re new Admin software contract ; Additional Actuaries Charges re 2022 valuation
Net return on investments	<b>(28,341)</b>	<b>46,276</b>	Decrease in value of holdings especially Equities and Bonds
Net decrease in net assets	<b><u>(37,197)</u></b>	<u>37,623</u>	

<b>Net Assets Statement</b>	<b>2022-23 £000</b>	<b>2021-22 £000</b>	<b>Notes</b>
Pooled Investment Vehicles	<b>598,628</b>	633,779	Reduction in value of holdings due to change in market valuations
Property	<b>37,133</b>	44,453	
Private Debt	<b>26,111</b>	23,605	Increased direct Investment into fund during year
Infrastructure	<b>14,277</b>	7,949	Increased direct Investment into fund during year
Cash deposits	<b>9,187</b>	14,003	Cash holdings reduced due to investment into Private Debt and Infrastructure funds
Other net assets / (liabilities)	<b>5,787</b>	4,531	Increase in operating cash balances
Total net assets	<b>691,123</b>	728,320	

Further detail can be found in the financial statements and notes on pages 223 to 254.

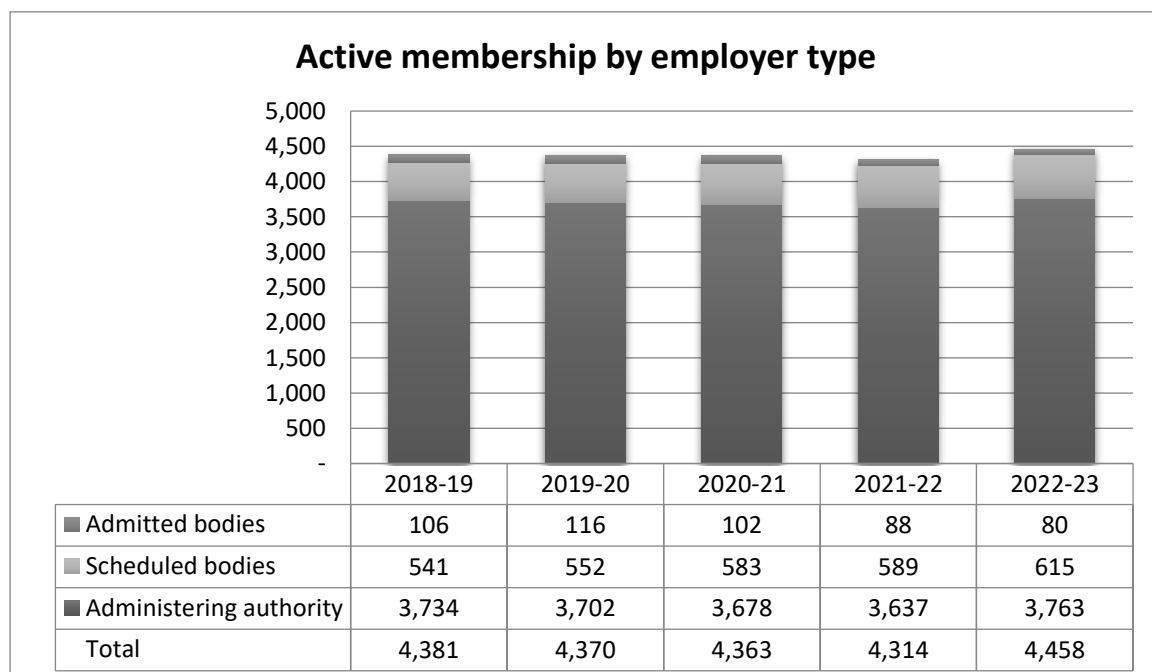
## Membership data

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



Details of the changes in the composition of the employers in the fund can be found below the contributions analysis on pages 225-226.

The Isle of Wight Council remains the largest employer in the fund, and its share of the active members has taken an upturn in real numbers during 2022/23. The proportion of the active members in the Isle of Wight Council has increased from 85.2% in 2018/19 to 84.4% in 2022/23. The composition of active membership numbers is shown below:



## Contributions analysis

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

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

	Active members at 31-Mar-23	Employee basic conts £000	Employer basic conts £000	Instances payment late	Instances return late
<b>Administering Authority</b>					
Isle of Wight Council <sup>6</sup>	3,763	4,078	15,250	-	1
	<u>3,763</u>	<u>4,078</u>	<u>15,250</u>	<u>-</u>	<u>1</u>
<b>Scheduled Bodies</b>					
Isle of Wight College	261	220	861	-	-
Ryde Academy	70	57	226	-	-
Cowes Enterprise College	59	68	262	-	2
Lanesend Academy	55	41	156	-	-
Northwood Primary	38	19	74	-	-
St Francis Primary	38	17	70	-	1
Island Free School	36	42	138	-	-
St Blasius Academy	20	15	59	-	1
Ryde Town Council	17	24	91	-	-
Newport and Carisbrooke Community Council	7	11	39	-	-
Shanklin Town Council	3	5	18	-	-
Cowes Town Council	2	2	10	-	-
Sandown Town Council	2	2	9	-	-
Bembridge Parish Council	2	1	3	-	-
Wootton Parish Council	2	1	5	-	-
Gurnard Parish Council	1	1	3	-	-
Northwood Parish Council	1	1	2	-	-
Fishbourne Parish Council	1	-	-	-	-
	<u>615</u>	<u>527</u>	<u>2,026</u>	<u>0</u>	<u>4</u>
<b>Admitted Bodies</b>					
Sovereign Housing	22	64	264	-	-
Island Roads	19	45	-	-	-
Key Group <sup>1</sup>	9	14	55	-	1
Barnardo's	6	8	31	-	-
Southern Vectis	6	4	8	-	-
CleanTEC	6	3	14	-	-
St Catherine's School <sup>2</sup>	5	13	51	5	8
Southern Housing	3	8	37	1	-
Cowes Harbour Commissioners	1	2	8	-	-
Ventnor Botanic Gardens	1	2	-	-	-
Caterlink Limited	1	1	4	-	-
Top Mops	1	-	2	3	4
Yarmouth Harbour Commissioners <sup>3</sup>	-	3	12	-	-
RM Limited <sup>4</sup>	-	1	2	-	-
Solutions 4 Health <sup>5</sup>	-	-	2	-	-
	<u>80</u>	<u>168</u>	<u>490</u>	<u>9</u>	<u>13</u>
<b>TOTAL</b>	<b><u>4,458</u></b>	<b><u>4,773</u></b>	<b><u>17,766</u></b>	<b><u>9</u></b>	<b><u>18</u></b>

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 232.

- 1 Accomplish Group and Key Group merged in June 22.
- 2 St Catherine's School have rejoined the fund with effect from 1 April 2022.
- 3 Yarmouth Harbour Commissioners left the fund in February 2023.
- 4 RM Limited left the fund in July 2022.
- 5 Solutions 4 Health left the fund in July 2022.
- 6 The instance of a late return was due to the school's information processed by Capita being received late.



## Isle of Wight Council Pension Fund 2022/23 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 Alliance	Chair		
Councillor D Andre	Alliance			
Councillor P Brading	Conservative			
Councillor V Churchman	Conservative	Vice-chair (from 17 May 2023)		
Councillor A Garratt	Liberal Democratic	Vice-chair (from 18 May 2022)		17 May 2023
Councillor K Lucioni	Alliance		17 May 2023	
Councillor M Oliver	Conservative			7 July 2022
Councillor R Quigley	Labour			18 May 2022
Councillor I Ward	Conservative		20 July 2022	

The Committee is advised by:

Mr C Ward, Director of Finance and section 151 officer

Mr D Walker, Investment Consultant – Hymans Robertson LLP

Mrs J Thistlewood, Pension Fund Manager

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

### ACCESS Pool Operator

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

### Investment Managers through Pool

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

Liontrust Investment Partners LLP (to  
February 2023)  
2 Savoy Court  
London WC2R 0EZ

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

BlackRock (from February 2023)  
12 Throgmorton Avenue  
London EC2N 2DL

#### 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

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  
Wessex House  
19 Threefield Lane  
Southampton SO14 3QB

#### 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).

# Investment Policy and Performance Report

## Report and Accounts for the period ending 31 March 2023

### Introduction

The Fund's investments have been managed during the year under review by Liontrust Asset Management (transitioned to an ACCESS Sub Fund managed by Blackrock Asset Management in Q1 2023), Newton Investment Management, UBS, Baillie Gifford, Goldman Sachs Merchant Banking Division, Partners Group and Schroders. The Liontrust/Blackrock, Newton and Baillie Gifford funds are accessed through the ACCESS pool.

The strategic benchmark allocation as at 31 March 2023 was:

Manager	Mandate	Allocation	Control ranges	Benchmark
Liontrust / 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	10.0%	6.0% – 14.0%	UK Base Rate + 3.5%
UBS	Global Equities	18.75%	16.75% – 20.75%	FTSE All-World Developed Index
Partners	Infrastructure	5.0%	N/A	Not managed to a benchmark
Schroders	UK Bonds	22.0%	18.0% – 26.0%	50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts
Schroders	UK Property	8.0%	4.0% – 12.0%	IPD Pooled Property Fund indices All Balanced Funds Median
Goldman Sachs	Private Debt	5.0%	N/A	Not managed to a benchmark
<b>Total</b>		<b>100.0%</b>	-	

Source: Investment Strategy Statement

### Summary of strategic changes

The Committee previously agreed to several strategic changes in order 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 2023 represented 3.8% of the Fund's assets. A commitment was also made to Partners Direct Infrastructure Fund which continues to draw down funds with 2.0% of the Fund's assets invested in the mandate as at 31 March 2023. These allocations will continue to be built up over time.

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

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. Correspondingly, a selection exercise started in September 2023 is expected to identify suitable opportunities to meet the new target allocations, with commitments expected to be made through a reduction of the allocation to Diversified Growth by 10%.

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 is expected to be finalised in Q4 2023, with Royal London replacing Schrodgers 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>Liontrust / Blackrock – UK Equity (ACCESS)</b>	99,534	<b>98,341</b>	13.7	<b>14.3</b>	12.5
<b>Newton – Global Equity (ACCESS)</b>	149,384	<b>147,398</b>	20.6	<b>21.5</b>	18.75
<b>Baillie Gifford – Diversified Growth (ACCESS)</b>	113,532	<b>103,858</b>	15.7	<b>15.1</b>	10.0
<b>UBS – Global Equity</b>	139,377	<b>138,205</b>	19.3	<b>20.2</b>	18.75
<b>Partners - Infrastructure</b>	7,975	<b>16,082</b>	1.1	<b>2.0</b>	5.0
<b>Schrodgers – UK Bonds</b>	131,508	<b>111,222</b>	18.2	<b>16.2</b>	22.0
<b>Schrodgers – UK Property</b>	45,100	<b>37,819</b>	6.2	<b>5.5</b>	8.0
<b>Goldman Sachs – Private Debt</b>	23,571	<b>25,970</b>	3.3	<b>3.8</b>	5.0
<b>Cash</b>	14,000	<b>9,185</b>	1.9	<b>1.3</b>	-
<b>Total</b>	<b>723,982</b>	<b>686,285</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 and Private Debt. The existing Infrastructure and Private Debt allocations continue to draw down capital, with new mandates 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 2023, except for the Global Equity and Diversified Growth mandates which marginally exceeded targets and the UK Bonds allocation, which was slightly underweight.

### Market Background

#### Investment Markets

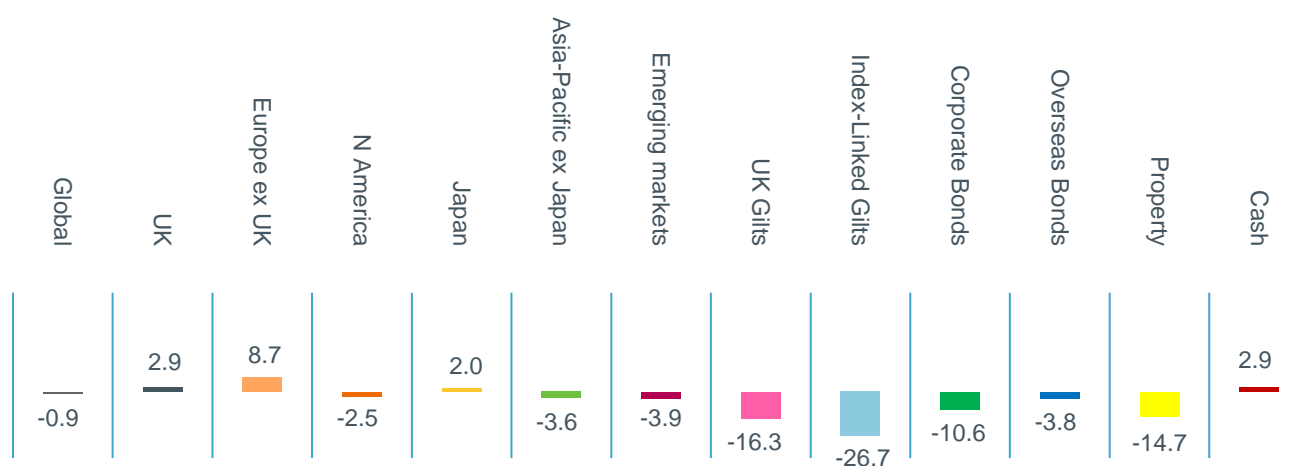
Global growth slowed over 2022 amid soaring interest rates and inflation but falling energy prices, strong labour markets, and firm consumption have led to an unexpected resilience in recent economic data. As a result, 2023 GDP forecasts for the major advanced economies have seen upwards revisions in recent months. However, the

quarterly pace of global growth is expected to ease from here as the lagged impact of interest rate increases weighs on activity and the boost from China’s re-opening fades.

Year-on-year headline CPI inflation peaked at 11.1%, 10.6% and 9.1% in the UK, eurozone and US, respectively in the second half of 2022. Despite an easing in inflation, largely owing to falling energy prices, headline CPI remains elevated in March 2023, at 10.1%, 6.9% and 5.0% in the UK, eurozone and US, respectively. Core inflation measures, which exclude volatile energy and food components, also remain well in excess of central bank targets: year-on-year core CPI in the UK, eurozone and US stood at 6.2%, 5.7%, and 5.6% in March 2023.

In response, the major central banks have embarked on one of the most aggressive rate hiking cycles on record amidst concerns that core inflation might become ingrained. Interest rates were raised from historically low levels; reaching 5.0% p.a., 4.25% p.a., and 3.0% p.a., in the US, UK, and eurozone, respectively.

### 12 Month performance to 31 March 2023



### Equities

Despite rallying strongly since its low in October 2022, the FTSE All World Index Total Return Index fell 5.0% over the period. Energy was the best performing sector, boosted by surging oil and gas prices. Consumer discretionary and technology were among the worst performing sectors over the year amidst cost-of-living pressures and rising rates, while recent banking stresses resulted in a significant hit to financial stocks.

The improvement in consumer and business sentiment in Europe, on the back of falling gas prices, led European equities to outperform. UK equities also experienced an outperformance due to above average exposure to the energy sector and sterling weakness for the most part of 2022, particularly against the dollar, which flattered the large proportion of overseas earnings in the index.

### Bonds

High inflation and interest rate rises saw yields and volatility rise sharply in government bond markets. In the wake of the UK’s mini-budget in September selling of gilts by leveraged investors threatened to get out of control, with yields only falling back from their September peak following intervention by the Bank of England. UK 10-year yields increased from 1.6% p.a. to 3.5% p.a. while equivalent US yields rose 1.2% p.a., to 3.5% p.a., and German yields increased 1.7% p.a., to 2.3% p.a.

### Property

The MSCI UK Monthly Property Total Return Index declined 14.7% year-on-year primarily due to a 18.8% fall in capital values. Values fell across the three main commercial sectors and were most pronounced in the industrial sector.

### Investment Performance

The Fund marginally underperformed its strategic benchmark over 12 months by 1.4%. The main contributor to this negative deviation from the 12-month performance benchmark was Baillie Gifford. The manager considerably underperformed its cash plus benchmark in an environment which negatively impacted equity, property and fixed income investments. The rising yields and expectations of further increases in interest rates also impacted the Schroders Bond and Property funds, which delivered significantly negative returns over the year.

The Fund is slightly ahead of its benchmark over 3 years returning 7.9% p.a. against a 7.2% p.a. aggregate target, with most managers delivering returns closely aligned to their individual benchmarks.

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

The table below provides the 12-month and 3-year performance of the Fund as at 31 March 2023.

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Liontrust / Blackrock – UK Equity (ACCESS)	1.1	-0.1	12.6	12.7
Newton – Global Equity (ACCESS)	0.4	-1.4	15.1	15.5
Baillie Gifford – Diversified Growth (ACCESS)	-8.2	5.9	4.1	4.4
UBS <sup>1</sup>	-0.9	0.5	-0.4	-0.2
Schroders – UK Bonds	-15.3	-13.7	-5.9	-6.3
Schroders – UK Property	-10.8	-9.5	1.1	2.2
<b>Total</b>	<b>-4.8</b>	<b>-3.4</b>	<b>7.9</b>	<b>7.2</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. As at 31 March 2023, the Committee have made allocations to investment solutions for both Private Debt and Infrastructure which have been drawing down funds since 2021.

In September 2023 the Committee approved a manager selection exercise to identify suitable Private Debt and Infrastructure opportunities to enable the Scheme to reach its newly adopted 10% strategic allocation to each of the asset classes. Commitments are expected to be finalised in Q4 2023, with drawdowns expected to commence in Q1 2024.

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

### Custodial Arrangements

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

Source: Investment Managers

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

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

### Environmental, Social and Governance considerations

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

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

The Fund 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> <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 is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</b></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 tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</p>	<p><b>Compliant</b> <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 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.</b></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 tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>	<p><b>Compliant</b> <b>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</b></p>



	<b>affordability of contributions and the strengths of their covenants.</b>
<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><b>Partially Compliant</b></p> <p><b>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.</b></p>
<p><b>Principle 5 Responsible Ownership:</b></p> <p>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 Statement of Investment Principles or Investment Strategy Statement.</li> <li>• Report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	<p><b>Partially Compliant</b></p> <p><b>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.</b></p> <p><b>The Committee needs to consider the implications of the new enhanced UK Stewardship Code issued in January 2021 and the extent to which it is compliant with the new requirements.</b></p>
<p><b>Principle 6 Transparency and Reporting:</b></p> <p>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><b>Compliant</b></p> <p><b>The Committee maintains minutes of meetings which are available on the council website. The Committee holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. An Admitted Bodies representative and a Member representative attend Committee meetings. The Investment Strategy Statement is published on the council website and is available to members on request. Other information on the scheme is available to members on the dedicated pension fund website.</b></p>

Prepared by:

David Walker, Partner

Chris King, Investment Consultant

Stefan Chilom, Investment Analyst

For and on behalf of Hymans Robertson LLP

# **Isle of Wight Council Pension Fund Investment Strategy Statement**

**February 2021**

## 1. Document Information

Title:	Isle of Wight Council Pension Fund Investment Strategy Statement
Status:	Draft
Current Version:	v 3.01
Author:	Jo Thistlewood Financial Services <a href="mailto:Jo.Thistlewood@iow.gov.uk">Jo.Thistlewood@iow.gov.uk</a> 01983 821000 x 6371
Sponsor:	Chris Ward Director of Finance and section 151 officer <a href="mailto:Chris.ward@portsmouthcc.gov.uk">Chris.ward@portsmouthcc.gov.uk</a>
Consultation:	Investment consultants (Hymans Robertson LLP) Pension Fund Committee Local Pension Board
Approved by:	Pension Fund Committee
Approval Date:	3 March 2021
Review frequency:	Every three years (or following significant strategic changes)
Next Review :	2022

### Version Control

Version	Date	
1.0	March 2017	Final following 2016 valuation
2.1	04 December 2018	Revision for updated objectives
2.2	14 December 2018	Formatting and consistency
2.3	19 December 2018	ESG statement update
2.3	29 January 2019	Committee approval
3.0	16 February 2021	Updated investment strategy Hymans draft
3.01	19 February 2021	JMT review

## 2. Contents

1.	Document Information .....	20
2.	Contents .....	21
3.	Introduction .....	22
4.	Investment Beliefs and Objectives.....	22
5.	Investment strategy and the process for ensuring suitability of investment.....	22
6.	Risk measurement and management.....	25
7.	Approach to asset pooling .....	31
8.	Voting Rights .....	32
9.	Environmental, Social and Corporate Governance policy and policy of the exercise of rights (including voting rights) attaching to investments .....	32
10.	Myners Principles .....	33
11.	Advice taken .....	33
	Appendix A - Investment Beliefs .....	34
	Appendix B – Myners Principles compliance statement.....	36

### **3. Introduction**

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

### **4. Investment Beliefs and Objectives**

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

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

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

### **Asset classes**

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

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

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

**Table 1:**

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

### Restrictions on investment

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

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

## Investment Managers

- 5.13. The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.
- 5.14. The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each investment manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the investment managers will maintain diversified portfolios through direct investment or pooled vehicles.
- 5.15. The individual investment manager mandates in which the Fund assets are currently invested (February 2021) are as follows:

**Table 2:**

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

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

## 6. Risk measurement and management

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



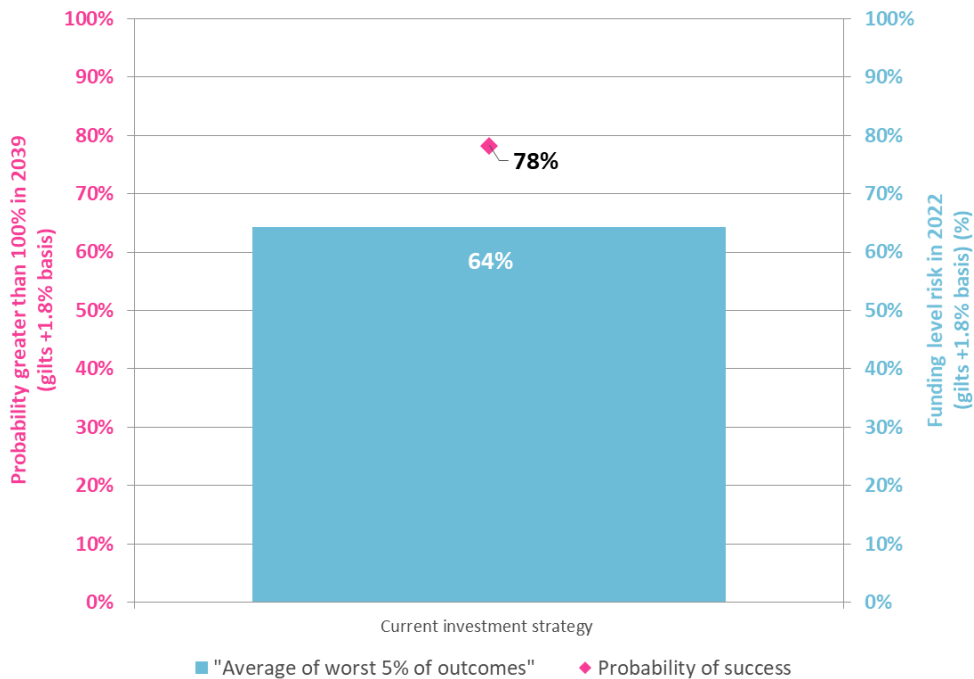
possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

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

### **A Investment risks**

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

**Chart 1**



## B Funding Risks

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

## C Asset risks

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

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

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

#### **D Other Provider Risks**

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

#### **E Demographic Risks**

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

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

## **F Cashflow Management Risks**

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

## **G Governance Risks**

6.35. The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks being missed, and have a detrimental effect on the funding level and deficit.

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

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

6.37. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

6.38. Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance factors on its investments.

6.39. Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

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

6.41. The Committee takes ESG matters, including climate change, seriously and regularly reviews its policies in this area and its investment managers' approach to ESG. The Committee have established a formal set of responsible investment ("RI") beliefs which are included in the appendix to this statement.

6.42. In 2021, the Committee undertook dedicated training sessions on the risks climate change poses to the Fund. This included climate change scenario modelling which aimed to illustrate how the Fund's funding position could be impacted in the future by climate and ESG risks under a variety of scenarios.

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

## 7. Approach to asset pooling

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

### Assets to be invested in the Pool

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

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

## **8. Voting Rights**

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

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

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

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

## **10. Myners Principles**

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

## **11. Advice taken**

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



## Appendix A - Investment Beliefs

### **Governance**

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

### **Strategy**

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

### **Risk**

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

### ***Responsible Investment***

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

## Appendix B – Myners Principles compliance statement

### Principle

#### Principle 1 Effective Decision Making:

Administering authorities should ensure:

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

#### Principle 2 Clear objectives:

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

#### Principle 3 Risk and liabilities:

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

#### Principle 4 Performance assessment:

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

### Response on Adherence

#### Compliant

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

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

#### Compliant

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

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

#### Compliant

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

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

#### Partially Compliant

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

### **Principle**

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

### **Principle 5 Responsible Ownership:**

Administering authorities should

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

### **Principle 6 Transparency and Reporting:**

Administering authorities should

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

### **Response on Adherence**

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

### **Partially Compliant**

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

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

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

### **Compliant**

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

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

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

Isle of Wight Pension Fund  
Funding Strategy Statement  
March 2023

## Document Information

Title:	<b>Funding Strategy Statement 2022</b>
Status:	FINAL
Current Version:	2.1
External Advisor:	Hymans Robertson LLP (actuaries)
Author:	Jo Thistlewood, Pension Fund Manager Financial Management ✉ <a href="mailto:jo.thistlewood@iow.gov.uk">jo.thistlewood@iow.gov.uk</a> ☎ (01983) 821000 ext. 6371
Sponsor:	Chris Ward, Director of Finance and Section 151 Officer Financial Management ✉ <a href="mailto:chris.ward@portsmouthcc.gov.uk">chris.ward@portsmouthcc.gov.uk</a> ☎ (01983) 821000
Consultation:	Employers Pension Fund Committee Local Pension Board Investment Consultants
Approved by:	Pension Fund Committee
Approval Date:	8 February 2023
Review Frequency:	Triennially
Next Review:	March 2026

Version History		
Version	Date	Description
1.0	11 November 2022	Hymans Robertson first draft
2.0	09 December 2022	Hymans updated for additional appendices
	22 December 2022	Sent to employers, committee, board for consultation
	08 February 2023	Presented to Committee for adoption
2.1 FINAL	28 March 2023	For publication

# Contents

Isle of Wight Pension Fund – Funding Strategy Statement		Page
1	Welcome to Isle of Wight Pension Fund’s funding strategy statement	1
2	How does the fund calculate employer contributions?	3
3	What additional contributions may be payable?	6
4	How does the fund calculate assets and liabilities?	7
5	What happens when an employer joins the fund?	8
6	What happens if an employer has a bulk transfer of staff?	10
7	What happens when an employer leaves the fund?	11
8	What are the statutory reporting requirements?	13

## Appendices

- Appendix A – The regulatory framework
- Appendix B – Roles and responsibilities
- Appendix C – Risks and controls
- Appendix D – Actuarial assumptions
- Appendix E – Contribution review policy
- Appendix F – Cessation policy

# 1 Welcome to Isle of Wight Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for Isle of Wight Pension Fund.

The Isle of Wight Pension Fund is administered by Isle of Wight Council, known as the administering authority. Isle of Wight council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for Isle of Wight Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [jo.thistlewood@iow.gov.uk](mailto:jo.thistlewood@iow.gov.uk)

## 1.1 What is the Isle of Wight pension fund?

The Isle of Wight pension fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

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

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

### Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

### Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

### Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.



Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

#### **1.4 How does the funding strategy link to the investment strategy?**

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [Investment Strategy Statement 2021 | Isle of Wight Pension Fund](#).

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

#### **1.5 Does the funding strategy reflect the investment strategy?**

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

#### **1.6 How is the funding strategy specific to the Isle of Wight pension fund?**

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

## 2 How does the fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

**Table 1: contribution rate calculation for individual or pooled employers**

Type of employer	Scheduled bodies			CABs and designating employers		TABs
	Local Authority	Academies	Other scheduled bodies	Open to new entrants	Closed to new entrants	Without pass-through agreements*
<b>Funding target*</b>	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
<b>Minimum likelihood of success</b>	75%	75%	75%	75%	75%	75%
<b>Maximum time horizon</b>	20 years	20 years	15 years	15 years	15 years or future working lifetime, if less	15 years or contract length, if less
<b>Primary rate approach</b>	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
<b>Secondary rate</b>	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll

Type of employer	Scheduled bodies			CABs and designating employers		TABs
	Local Authority	Academies	Other scheduled bodies	Open to new entrants	Closed to new entrants	Without pass-through agreements*
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus (assessed at valuation date)	Total contribution rate must be set at least at the primary rate. However, reductions may be permitted by the administering authority subject to additional consideration of any funding surplus			Total contribution rate must be set at least at the primary rate. However, reductions may be permitted by the administering authority subject to additional consideration of the low-risk exit basis position		Total contribution rate must be set at least at the primary rate. However, reductions may be permitted by the administering authority subject to additional consideration of any funding surplus
Phasing of contribution changes	Covered by stabilisation arrangement	Up to 3 years	Up to 3 years	Up to 3 years	Up to 3 years	None

\*Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting employer, subject to Administering Authority approval. For pass-through arrangements let by Isle of Wight Council, the contribution rate is set equal to the Isle of Wight Council contribution rate.

\*\* See [Appendix D](#) for further information on funding targets.

## 2.2 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year. Stabilisation criteria and limits are reviewed during each triennial valuation process.

The administering authority believes a stabilised approach is a prudent long-term strategy and the robustness of this approach was once again tested by extensive asset liability modelling (ALM) carried out by the Fund actuary at the 31 March 2022 funding valuation.

**Table 1: current stabilisation approach**

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

### 2.3 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is in [Appendix E](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

### 2.4 What is pooling?

The administering authority may operate contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

### 2.5 What are the current contribution pools?

- Council – the council pool includes various employers associated with the council including maintained schools. Academies are also permitted to elect to pay the council contribution rate.
- Multi Academy Trusts – academies in the Fund who operate under the same multi academy trust are permitted to pay a MAT contribution rate.

### 2.6 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund may permit the prepayment of employer contributions in specific circumstances. Further details are available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

## 3 What additional contributions may be payable?

### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread over an appropriate period if the administering authority agrees.

### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

To mitigate this, employers may choose to use external insurance.

## 4 How does the fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

### 4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## 5 What happens when an employer joins the fund?

### 5.1 When can an employer join the fund?

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

### 5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

For contribution rate purposes there are three options:

- The new academies' individual contribution rate will be calculated based on the current funding strategy (set out in section 2) and the transferring membership.
- If they are part of a MAT, the new academy can be combined with the other academies in the same MAT to set a combined MAT contribution rate.
- The new academy may elect to pay the council contribution rate.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's full policy on academy participation is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

### 5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement. The Fund's policy on pass through is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

### 5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

### 5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).



## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

## 7 What happens when an employer leaves the fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is in [Appendix F](#).

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

#### **7.4 How do employers repay cessation debts?**

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is available on request from [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

#### **7.5 What if an employer has no active members?**

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at each formal valuation
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included issuing a draft version to participating employers and inviting comments.

### A3 How is the FSS published?

The FSS is made available through the following routes:

- publishing on the fund's website at [www.isleofwightpensionfund.org](http://www.isleofwightpensionfund.org)
- emailing copies to each employer
- including the full statement in the annual report and accounts
- making copies freely available on request.

### A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

### A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at [www.isleofwightpensionfund.org](http://www.isleofwightpensionfund.org).

## Appendix B – Roles and responsibilities

### **B1 The administering authority:**

- 1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the fund against employer default
- 9 works with the fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

### **B2 Individual employers:**

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the fund.

### **B3 The fund actuary:**

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary Department so they can carry out their statutory obligations
- 3 advises on fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

**B4 Other parties:**

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- 3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## Appendix C – Risks and controls

### C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the Isle of Wight Council constitution which can be found at:

<https://www.iow.gov.uk/Council/how-it-works/Democratic-Services/Constitution1>

Details of the key fund-specific risks and controls are below.

### C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>



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

### C3 Demographic risks

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

**C4 Regulatory risks**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The outcome of the McCloud court case has been built into the liabilities at the 2022 valuation.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2022 valuation.</p>
Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p> <p>The ongoing funding of FE/HE bodies is being considered as part of the 2022 valuation.</p>

**C5 Governance risks**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the Rates and Adjustments Certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and is recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>

Risk	Summary of Control Mechanisms
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors (Transferee Admission Bodies) to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever.</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals.</p> <p>Reviewing contributions well ahead of cessation if thought appropriate.</p>
An employer ceasing to exist resulting in an exit credit being payable	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

### C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

### C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has included climate scenario stress testing in the contribution modelling exercise at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide

assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

## Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

### D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

### D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

**Table: Summary of assumptions underlying the ESS, 31 March 2022**

		Annualised total returns									Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
		Fixed Interest Gilts (medium)	UK Equity	Property	UK Infrastructure Debt	Diversified Growth Fund (medium equity beta)	All World Equity GBP Hedged	Asset Backed Securities (A rated) GBP	Direct Lending (private debt) GBP Hedged	CorpMedium A Medium					
5 years	16th %ile	-1.4%	-2.7%	-2.5%	-1.7%	0.1%	-2.8%	0.9%	0.8%	-0.6%	3.4%	-2.3%	2.3%	-2.2%	1.1%
	50th %ile	1.1%	5.5%	4.0%	2.0%	4.0%	5.7%	2.3%	5.8%	2.5%	4.9%	-1.4%	3.9%	-1.3%	2.1%
	84th %ile	3.6%	13.9%	11.0%	5.6%	7.8%	14.1%	3.5%	10.7%	5.3%	6.5%	-0.5%	5.5%	-0.4%	3.3%
10 years	16th %ile	-0.3%	-0.4%	-0.6%	-0.3%	1.4%	-0.3%	1.2%	2.7%	0.5%	2.4%	-1.7%	1.6%	-1.7%	1.1%
	50th %ile	1.1%	5.7%	4.4%	2.2%	4.3%	5.9%	2.6%	6.0%	2.3%	4.1%	-0.5%	3.3%	-0.5%	2.5%
	84th %ile	2.4%	11.6%	9.5%	4.3%	7.1%	11.9%	4.0%	9.2%	4.0%	5.7%	0.7%	4.9%	0.7%	4.3%
20 years	16th %ile	0.7%	1.7%	1.4%	1.2%	2.5%	1.9%	1.7%	4.3%	1.7%	1.6%	-0.7%	1.2%	-0.7%	1.3%
	50th %ile	1.5%	6.2%	5.0%	2.7%	4.9%	6.4%	3.3%	6.8%	2.7%	3.1%	1.0%	2.7%	1.1%	3.2%
	84th %ile	2.2%	10.6%	8.9%	4.2%	7.4%	11.0%	5.1%	9.2%	3.8%	4.7%	2.7%	4.3%	2.7%	5.7%
	<b>Volatility (Disp) (1 yr)</b>	7%	20%	15%	9%	9%	20%	3%	12%	9%	1%		1%		

### D3 What financial assumptions were used?

#### Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
<b>Ongoing basis</b>	All employers except transferee admission bodies and closed community admission bodies	1.8%
<b>Low-risk exit basis</b>	Community admission bodies closed to new entrants	0%

#### Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 3.7% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 75% likelihood that the fund's assets will future investment returns of 3.7% over the 20 years following the 2022 valuation date.

#### Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

#### Salary growth

The salary increase assumption at the latest valuation has been set to 1.0% above CPI pa plus a promotional salary scale.

#### D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

#### Life expectancy

The longevity assumptions are a fund average set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

### Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	0.5% of members will choose the 50:50 option.

### Males

Incidence per 1000 active members per year									
Age	Salary scale	Death before retirement		Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT	
20	105	0.17	444.74	975.61	0	0	0	0	
25	117	0.17	293.77	644.43	0	0	0	0	
30	131	0.2	208.44	457.17	0	0	0	0	
35	144	0.24	162.85	357.15	0.1	0.07	0.02	0.01	
40	150	0.41	131.12	287.46	0.16	0.12	0.03	0.02	
45	157	0.68	123.16	269.95	0.35	0.27	0.07	0.05	
50	162	1.09	101.52	222.27	0.9	0.68	0.23	0.17	
55	162	1.7	79.95	175.12	3.54	2.65	0.51	0.38	
60	162	3.06	71.25	156.02	6.23	4.67	0.44	0.33	

### Females

Incidence per 1000 active members per year									
Age	Salary scale	Death before retirement		Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT	
20	105	0.1	422.91	560.85	0	0	0	0	
25	117	0.1	284.56	377.33	0.1	0.07	0.02	0.01	
30	131	0.14	238.54	316.25	0.13	0.1	0.03	0.02	
35	144	0.24	205.88	272.86	0.26	0.19	0.05	0.04	

40	150	0.38	171.35	227.01	0.39	0.29	0.08	0.06
45	157	0.62	159.9	211.81	0.52	0.39	0.1	0.08
50	162	0.9	134.81	178.38	0.97	0.73	0.24	0.18
55	162	1.19	100.59	133.24	3.59	2.69	0.52	0.39
60	162	1.52	81.07	107.24	5.71	4.28	0.54	0.4

## D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

### Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are the same as the ongoing basis.



## Appendix E – Contribution review policy

### Aims and objectives

The Fund's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### Background

The Fund may amend contribution rates between valuations for a 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

### Guidance and regulatory framework

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following:

- Regulation 64 (4) – allows the Fund to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the Fund may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

### Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The Fund reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the Fund, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to affected employers.
- Advice will be taken from the Fund Actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

### Circumstances for review

The Fund would consider one or more of the following circumstances as a potential trigger for review:

- in the opinion of the Fund there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the Fund that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Fund that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the Fund that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Fund.

### Employer requests

The Fund will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The Fund will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the Fund in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### Other employers

When undertaking any review of contributions, the Fund will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.

- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The Fund will consult with other Fund employers as necessary.

#### **Effect of market volatility**

Except in circumstances such as an employer nearing cessation, the Fund will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal triennial valuation.

#### **Documentation**

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the Fund to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates

## Appendix F – Cessation policy

On cessation, the Administering Authority will instruct the Fund Actuary to carry out a cessation valuation to determine whether there is any surplus or deficit.

### F1 – Where there is a surplus on exit

#### Exit Credits

Where there is a surplus, the administering authority will determine the amount of exit credit to be paid in accordance with the Regulations.

The administering authority's entitlement to determine whether exit credits are payable shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

- a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

### F2 – Where there is a deficit on exit

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full as a single lump sum.

#### Deferred spreading arrangement (DSA)

However, the fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in extreme circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.

- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

#### Deferred Debt Agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing. (including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements

- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring of the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

### Breakdown of New Pensioners in 2022/23

The new pensioners that arose during 2022/23 can be broken down as follows:

Redundancy	4
Ill-Health	5
Early Retirement	212
Flexible Retirees	6
Normal Retirement	3
<b>Total New Pensioners</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 31/03/2023			Year ended 31/03/2022		
	Recharged by IWC	Incurred Directly	Total	Recharged by IWC	Incurred Directly	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	265	-	265	241	-	241
IT expenses	32	476	508	29	219	248
Professional Subscriptions	5	23	28	10	7	17
Professional Fees	-	-	-	-	-	-
Premises Expenses	49	-	49	47	-	47
Sundry Office Expenses	-	1	1	1	1	2
<b>Total</b>	<b>351</b>	<b>500</b>	<b>851</b>	<b>328</b>	<b>227</b>	<b>555</b>

# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Aggregate membership statistics @ 28 February 2023

MEMBERSHIP NUMBERS BY STATUS	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Actives	4,321	4,474	4,477	4,433	4,365	4,266	4,419	4,463	4,481	4,494	4,478
Frozen Refund	952	977	989	1,005	1,006	1,021	1,037	1,042	1,084	922	873
Deferreds (including undecided)	6,310	6,369	6,343	6,337	6,416	6,477	6,495	6,447	6,369	6,455	6,480
Pensioners	5,311	5,324	5,338	5,356	5,370	5,402	5,431	5,454	5,463	5,495	5,518
<b>TOTALS</b>	<b>16,894</b>	<b>17,144</b>	<b>17,147</b>	<b>17,131</b>	<b>17,157</b>	<b>17,166</b>	<b>17,382</b>	<b>17,406</b>	<b>17,397</b>	<b>17,366</b>	<b>17,349</b>

% MEMBERSHIP BY STATUS	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Actives	26%	26%	26%	26%	25%	25%	25%	26%	26%	26%	26%
Frozen Refund	6%	6%	6%	6%	6%	6%	6%	6%	6%	5%	5%
Deferreds (including undecided)	37%	37%	37%	37%	37%	38%	37%	37%	37%	37%	37%
Pensioners	31%	31%	31%	31%	31%	31%	31%	31%	31%	32%	32%
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

% HISTORIC MEMBERSHIP BY STATUS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Active members	26%	25%	24%	28%	27%	26%	26%
Deferred members	46%	47%	49%	43%	43%	44%	43%
Pensioners	28%	28%	27%	29%	30%	30%	31%
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Historic membership data extracted from *Pension Fund Annual Report*



# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

## Pensioner payroll statistics @ 28 February 2023

Category	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Closing LIVE Count Previous Month	5,944	5,973	5,985	5,993	6,004	6,013	6,035	6,068	6,088	6,090	6,116
Starters	34	34	27	29	28	31	53	43	18	41	43
Leavers	5	22	19	18	19	9	20	23	16	15	16
Sub-total (LIVE Count)	5,973	5,985	5,993	6,004	6,013	6,035	6,068	6,088	6,090	6,116	6,143
Suspended	102	95	79	81	80	84	85	84	80	82	78
Total number of pensioners paid	5,871	5,890	5,914	5,923	5,933	5,951	5,983	6,004	6,010	6,034	6,065
<b>Suspended Reason</b>											
Account Closed	14	12	13	9	8	10	9	9	9	9	10
Deaths	61	58	43	50	50	54	57	58	59	60	55
Gone Away	27	25	23	21	21	19	18	16	11	10	10
Children's pension over 18	0	0	0	1	1	1	1	1	1	3	3
Total	102	95	79	81	80	84	85	84	80	82	78
Unresolved after 12 months	54	54	47	41	40	41	39	38	32	31	29

# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 28 February 2023

Category	TASK	Detail	Days to complete	2022/23 achieved	Target	Current average	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Payment of Benefits	SETUPPAY	Set up of new pension and lump sum within 10 working days of receipt of all documents	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	22	21	18	31	24	39	38	29	27	32	46
						Within target	22	21	18	31	24	39	38	29	27	32	46
Benefits Estimates Members	MEMQUOTE	Estimates of benefits to Members within 20 working days	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	20	20	24	26	15	10	25	12	4	17	30
						Within target	20	20	24	26	15	10	25	12	4	17	30
Benefits Estimates Employers	ERSQUOTE	Estimate of benefits to Employers within 5 working days	10		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	3	2	3	8	1	8	9	5	4	8	10
						Within target	3	2	3	8	1	8	9	5	4	8	10
Annual Benefit Statements - active members	ACTABS	Produce the required standard to statutory timescale by 31 <sup>st</sup> August each year		Published 18 Aug 2022	100%	100.00%					100.00%						
						Members Processed					4015						
						Within target					4015						
Annual Benefit Statements - deferred members	DEFABS	Produce the required standard to statutory timescale by 31 <sup>st</sup> August each year		Published 05 Aug 2022	100%	100.00%					100.00%						
						Members Processed					6277						
						Within target					6277						
Transfers In Payments	TVIN	Payment made within 5 working days of receipt of all documentation	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	9	6	1	8	3	3	12	8	6	13	6
						Within target	9	6	1	8	3	3	12	8	6	13	6
Transfers in Quotes	TRANINQ	Issued within 20 working days of notification and all information required to produce a quote	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	1	8	16	21	7	14	16	14	16	16	10
						Within target	1	8	16	21	7	14	16	14	16	16	10
Transfers Out Payments	TVOUT	Payment made within 5 working days of receipt of all documentation	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
						Processed	8	3	2	6	6	1	5	10	8	5	4
						Within target	8	3	2	6	6	1	5	10	8	5	4
Transfers Out Quotes	TRANOUTQ	Issued within 20 working days of notification and all information required	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

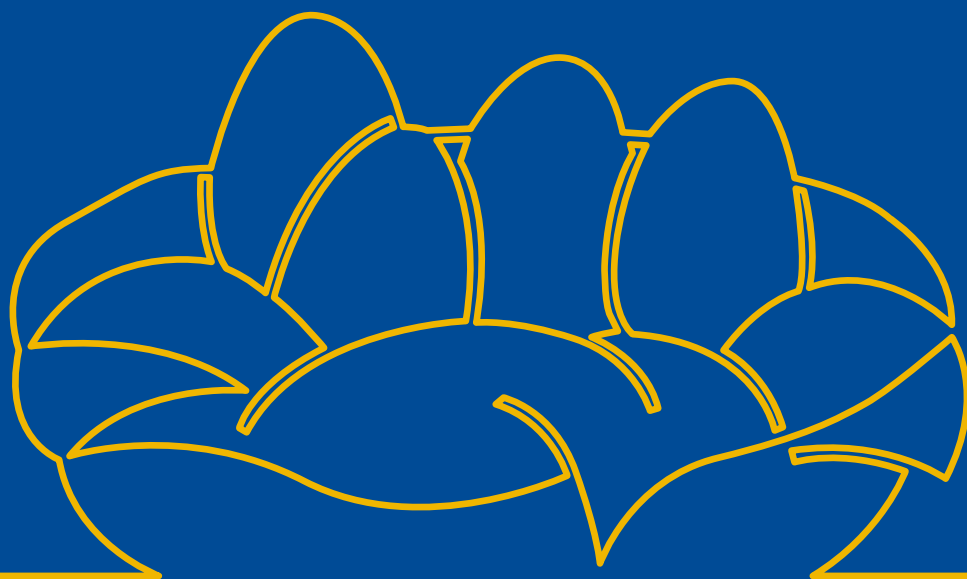
# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 28 February 2023

Category	TASK	Detail	Days to complete	2022/23 achieved	Target	Current average	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	
		Information required to produce a quote				Processed	8	8	16	14	10	16	25	20	10	26	20	
						Within target	8	8	16	14	10	16	25	20	10	26	20	
Deaths	DEATHS	Payment of Death Grant and set up Widow pension within 10 working days	10		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
						Processed	18	22	17	15	18	13	21	24	21	24	25	
						Within target	18	22	17	15	18	13	21	24	21	24	25	
Pensioner Payroll		Payment of pension benefits to member by last working day of month			100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
						Date completed	21/04/2022	23/05/2022	23/06/2022	20/07/2022	24/08/2022	22/09/2022	24/10/2022	23/11/2022	14/12/2022	23/01/2023	20/02/2023	
						Processed	5,869	5,888	5,911	5,920	5,931	5,949	5,981	6,002	6,011	6,032	6,063	
						Starters	34	34	27	29	28	31	53	43	18	41	43	
						Variations	0	0	0	0	0	0	0	0	0	0	0	
Statutory Reports		Statutory reports, finance reports etc.			95%	Report	-	Club Vita Valuation	-	Hymans Triennial Valuation	-	-	-	-	-	-	-	
						Method	Data uploaded				Data uploaded							
						Date completed	04/05/2022				20/07/2022							

Isle of Wight Council  
Pension Fund

# Pension administration strategy



May 2023

# Document information

---

<b>Title:</b>	Isle of Wight Council Pension Fund – Pension administration strategy
<b>Status:</b>	Draft
<b>Current version:</b>	2.03
<b>Author:</b>	Matthew Collier Matthew.collier@iow.gov.uk Tel: 01983 821000 ext 8854
<b>Sponsor:</b>	Jo Thistlewood Jo.Thistlewood@iow.gov.uk 01983 821000 ext 6371
<b>Consultation:</b>	Financial Services Pension Services Legal Services Governance consultants (Hymans Robertson LLP) employers (including schools) Pension fund Committee Local Pension Board
<b>Approved by:</b>	Pension fund Committee
<b>Approval date:</b>	24 May 2023 (estimated)
<b>Review frequency:</b>	Triennially, unless significant changes are required
<b>Next review:</b>	2026

## Version history

---

<b>Version</b>	<b>Date</b>	<b>Description</b>
1.0	18 July 2018	First draft from Hampshire PF adapted
1.1	10 August 2018	First review Isle of Wight Council
1.2	7 September 2018	Following internal comments
1.3	19 September 2018	Following Hymans review
1.3.1	3 October 2018	For external consultation
1.4	24 October 2018	Following LPB 23/10
1.5 (final)	9 November 2018	Recommendation to Pension Committee
1.6	23 November 2018	Adopted
2.0	December 2022	Admin team update, JMT review

# Contents

---

<b>1 Introduction</b> .....	<b>6</b>
<b>2 Legislative background</b> .....	<b>7</b>
<b>3 Aims and objectives</b> .....	<b>8</b>
<b>4 Record keeping</b> .....	<b>9</b>
<b>5 Development of the fund’s administration</b> .....	<b>9</b>
5a i-Connect .....	9
5b Member self-service.....	10
<b>6 Roles and responsibilities</b> .....	<b>11</b>
6a The administering authority’s roles and responsibilities .....	11
6b The employer’s roles and responsibilities.....	11
<b>7 Performance reporting</b> .....	<b>13</b>
7a Monitoring performance and compliance .....	13
7b Addressing the cost of underperformance.....	14
7c Charges .....	15
7d Feedback from employers .....	15
<b>8 Audit</b> .....	<b>16</b>
<b>9 General Data Protection Regulations (GDPR)</b> .....	<b>16</b>
9a Privacy notice .....	18
9b Memorandum of understanding .....	18
<b>Appendix 1 – The employer’s roles and responsibilities</b> .....	<b>19</b>
<b>Appendix 2 – The administering authority’s roles and responsibilities</b> .....	<b>29</b>
<b>Appendix 3 – Recovery of additional costs</b> .....	<b>35</b>
<b>Appendix 4 – Overriding legislation</b> .....	<b>38</b>

# 1 Introduction

---

This is the pension administration strategy (the strategy) of the Isle of Wight Council Pension Fund (the fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the Isle of Wight Council (the administering authority). This is the current strategy in force and replaces all previous versions.

In this strategy, the following terms will be used:

- **The fund** which deals with LGPS investments, actuarial valuation processes and collection of contributions and is based at County Hall, Newport, Isle of Wight.
- **Employers** who participate in the LGPS as a scheduled body or as a designating body, such as a town or parish council, or as a non-local government organisation (an admission body). In this PAS the term 'employers' also includes any other body or school that uses outsourced payroll services.

The LGPS is a statutory pension scheme and governed by regulations. The current regulations governing administration are The Local Government Pension Scheme Regulations 2013 (as amended). The following link to the Local Government Association (LGA) website provides an up-to-date version of the LGPS Regulations 2013: [lgpsregs.org/schemeregs/lgpsregs2013](https://lgpsregs.org/schemeregs/lgpsregs2013)

In discharging their roles and responsibilities under these regulations, the administering authority and employers are also required to comply with any overriding legislation and follow any regulatory guidance or code of practice issued by The Pensions Regulator regarding:

- data quality;
- completeness;
- timeliness.

This strategy sets out the standard of performance and best practice that the administering authority and the employers should aim to meet when carrying out their scheme functions. It will be reviewed triennially and will be revised to reflect changes to:

- LGPS regulations;
- policies determined by the administering authority;
- administrative practices executed by the administering authority and its employers in fulfilling its functions.

This strategy applies not only to existing employers but will also apply to all new future employers of the fund. Schools (other than academies, free schools and university technical colleges (UTCs)) are included under the LEA of the relevant council even if they have their own payroll or have outsourced it to a third party.

If you require any further information about anything in or related to this strategy, please contact the administering authority ([pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk)).

## 2 Legislative background

---

The legal context of the strategy is regulation 59 of the LGPS Regulations 2013, which provides authority for administering authorities to create a pension administration strategy. This strategy sets out requirements to facilitate best practice and efficient customer service in respect of the following:

- The levels of performance which the administering authority and employers are expected to achieve in carrying out their scheme functions.
- Ensuring the administering authority and employers comply with statutory requirements in respect of those functions.
- Improving the communication between the administering authority and employers to carry out those functions.

This strategy also includes a schedule of additional administration costs in **appendix 3**, in accordance with regulation 70 of the LGPS Regulations 2013, which provides scope for the administering authority to recover costs where, in its opinion, additional costs are being incurred due to an employers level of performance.

Levels of performance achieved, by both the administering authority and employers, are reported:

- as part of a pension administration report at the administering authority's Pensions and Investments Committee;
- at Local Pension Board meetings;
- in the fund's annual report and accounts.

This strategy is published on the fund's website ([isleofwightpensionfund.org/resources](http://isleofwightpensionfund.org/resources)). This is following its formal approval by the Pensions and Investments Committee in its role as the administering authority of the fund. A copy will also be submitted to the Secretary of State as required in regulation 59 of the LGPS Regulations 2013.



# 3 Aims and objectives

---

The aims of this strategy 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.

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 strategy should help ensure that the administering authority and employers understand their respective roles and responsibilities under the LGPS regulations to deliver these administrative procedures.

This strategy sets out the expected levels of performance of the administering authority and employers. The Strategy 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 strategy is implemented from 1 June 2023 following a period of consultation with the administering authority and employers. The administering authority will continue to keep the strategy under review and update as required to reflect changes in scheme regulations and fund working practices.

The Local Pension Board, in its role of assisting the administering authority to ensure the effective administration and governance of the scheme, will also monitor the operation of the strategy.

# 4 Record keeping

---

Record keeping is an essential part of running a scheme such as the LGPS. The administering authority and scheme employers have a legal obligation to collate and maintain certain data which is key to managing the scheme.

The administering authority must keep accurate, up-to-date and long-term records, within the parameters of data protection legislation to ensure it can govern and administer the scheme efficiently for all scheme members.

employers provide the data needed by the administering authority and must ensure that they are meeting their legal obligations to the scheme.

The administering authority has a legal duty to provide its members with accurate and timely information about their benefits, which cannot be issued without data from employers.

# 5 Development of the fund's administration

---

## 5a i-Connect

---

The key to delivering efficiencies in our pension administration is the full implementation of i-Connect. i-Connect is an online portal which allows for the secure transfer of member data from employers' payroll systems to the administering authority's administration system on a monthly basis.

By onboarding the fund's scheme employers onto i-Connect, this will:

- reduce the need for manual inputting of pension related data;
- allow ongoing validation and a timelier response to queries;
- reduce the workload on year-end reconciliation and reporting;
- ensure the maintenance of a stable and accurate membership database;
- receive data in line with statutory rules thus avoiding the risk of enforcement action and financial penalties by The Pensions Regulator for breaching legislative time limits and other requirements;
- enhance the member experience by having up to date monthly data readily available.

Maintaining accurate member records ensures the accurate calculation of employers' pension contribution rates and the provision of a better service for scheme members.

The administering authority will maintain adequate training and support for employers submitting data through the i-Connect portal.

This strategy sets out a deadline of 31 March 2024, for the full implementation of the monthly digital transfer of data from all employers via i-Connect.

Employers who have not engaged with the administering authority towards commencing arrangements for the implementation of i-Connect should contact the administering authority by email without delay ([Pensions@iow.gov.uk](mailto:Pensions@iow.gov.uk)).

If by 1 April 2025, an employer is not onboarded onto i-Connect then the employer may be invoiced up to £1,000 (depending on size of employer) for the costs incurred in maintaining alternative procedures for the administration of data relating to active members of the fund outside of the i-Connect process. A table of potential recharges will be issued to each employer by 31 March.

These costs may be in addition to any other costs incurred due to an employer's poor performance, as detailed elsewhere in this strategy.

## **5b Member self-service**

---

The fund has launched a secure, online portal to allow its members to:

- update their personal information;
- view their pension record and scheme documents;
- project their pension benefits.

This online service will become the default method for the administering authority of communication with scheme members ([iwcpensions.co.uk](http://iwcpensions.co.uk)).

The administering authority is currently promoting this service to scheme members as stipulated in the fund's communications policy. Employers are expected to actively promote this online service and encourage their employees participating in the LGPS to register for this service.

Member self-service is the default method for supplying annual statements to active and deferred members, however, all fund members can opt to receive their annual statement by post.

Member self-service is the default method for supplying payment advice slips and P60s to pensioner and dependant pensioner members, however, members can opt to receive their payment advice slips and P60s by post.

# 6 Roles and responsibilities

---

The aims of this strategy will be achieved by:

- clearly defining the respective roles of scheme employers and the administering authority;
- setting clear and achievable standards of service levels for the functions carried out by scheme employers and the administering authority;
- setting out clear procedural guidance for the secure and effective exchange of information between scheme employers and the administering authority, including the mandatory implementation of i-Connect by all participating employers;
- monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve where required;
- applying additional charges where an Employer consistently fails to meet deadlines and standards set out in this strategy, including not engaging with the implementation of i-Connect

## 6a The administering authority's roles and responsibilities

---

The responsibilities for the administering authority are to:

- administer the LGPS in respect of all scheme members (active, deferred and pensioner members) in accordance with legislation and as set out in this strategy;
- maintain and review the fund's policies, strategies, statements, reports and all other matters relating to the governance of the scheme. The fund's policies, strategies and statements can be viewed on the fund's website ([isleofwightpensionfund.org/resources](http://isleofwightpensionfund.org/resources));
- communicate and engage with employers on LGPS matters;
- provide support and training to scheme employers;
- maintain and develop an effective web presence for the benefit of members and employers.

A guide to the administering authority's main roles and responsibilities are set out in **appendix 2**. The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the key areas which involve interaction and liaison with employers and/or scheme members.

## 6b The employer's roles and responsibilities

---

The key responsibilities for scheme employers are:

- **Communicate**  
details of the LGPS to eligible staff and participating members of the LGPS.
- **Apply LGPS regulations**  
The following link to the Local Government Association (LGA) website provides an up-to-date version of the LGPS Regulations 2013: [lgpsregs.org/schemeregs/lgpsregs2013](http://lgpsregs.org/schemeregs/lgpsregs2013)
- **Report information to the administering authority**  
as set out in this strategy or upon request.

A guide to the employer's roles and responsibilities are set out in **appendix 1**. The guide includes a summary of duties which defines the main functions of the employer role which, in turn, enables the administering authority to deliver an efficient, accurate and high-quality pension service to scheme members.

Each employer will designate a named individual to act as the main point of contact (nominated representatives) regarding any aspect of administering the LGPS. Please let the administering authority know immediately if a nominated representative leaves your organisation and the name of the replacement representative.

The key responsibilities for the nominated representative will be to:

- act as a conduit for communications to appropriate staff within the scheme employer, for example, human resources, payroll teams, directors of finance;
- ensure that standards and levels of service that are set out in this strategy are achieved;
- ensure that details of all nominated representatives and authorised signatories are correct and to immediately notify the administering authority of any changes;
- assure data quality and ensure the timely submission of data through i-Connect to the administering authority;
- ensure payments due to the administering authority are made in accordance with legislation and as set out in this strategy;
- ensure that the employer has an up to date statement of employer discretions;
- arrange distribution of communications literature when required;
- assist and liaise with the administering authority on promotional activities;
- inform the administering authority of any TUPE of LGPS eligible staff as soon as possible;
- inform the administering authority of changes to payroll provider or any other service delivery agreement;
- notify the administering authority of breaches of the LGPS and related statutory regulations;
- notify the administering authority of all applications received under the adjudication of disagreements procedure (AADP)

# 7 Performance reporting

---

The partnership between the administering authority and scheme employers is important for the successful, ongoing administration of the scheme. The administering authority has a duty to support employers in meeting their responsibilities. The cost of underperformance on the part of one employer is to be charged to that employer, rather than being shared across all employers.

If employers have concerns about the data they provide, they should contact the administering authority without delay. This will allow the administering authority to help to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

The performance of each employer in providing all necessary data required by legislation and as set out in this strategy will be monitored.

It is the responsibility of the administering authority and the scheme employers to comply with the LGPS regulations and the standards set out in this strategy. This section describes how the administering authority:

- monitors performance and compliance;
- addresses the costs of underperformance;
- sets the potential charges.

Regulation 70 of The Local Government Pension Scheme Regulations 2013 provides the administering authority with the ability to recover any additional administrative costs that have been incurred, because of a scheme employer's underperformance.

## 7a Monitoring performance and compliance

---

The administering authority will monitor, measure and report on the administering authorities and scheme employers' compliance with the agreed service standards outlined in this document on a regular basis to the Local Pension Board and Pensions and Investments Committee.

The administering authority monitors its own performance against internal key performance indicators (KPIs). Monitoring is carried out on a monthly basis and is reported to the Pensions and Investments Committee and the Local Pension Board periodically. The performance of scheme employers against the standards set out in this document, including data accuracy, are also reported to the Local Pension Board and Pensions and Investments Committee.

The administering authority will report back to employers where required about their individual performance, identifying any areas for improvement including outstanding data items.

Where an employer declines to work with the administering authority to resolve problems and consistently fails to meet its responsibilities under the LGPS Regulations, the administering authority (or stakeholders such as the Local Pension Board) has a duty to report such breaches to The Pensions Regulator, who has the regulatory power to take enforcement action and, if necessary, apply financial penalties.

## 7b Addressing the cost of underperformance

---

The administering authority monitors any additional costs incurred in the administration of the scheme as a direct result of underperformance and reserves the right, at its own discretion, to recover these costs, having taken the following steps:

### 1 Write to the scheme employer

Setting out the area(s) of poor performance; and if necessary, meet with the employer to discuss the area(s) of poor performance and how these can be addressed. This may include attendance at a training session if required.

### 2 Arrange a meeting with administering authority representatives

A scheme employer will be asked to attend a meeting with representatives of the administering authority to discuss area(s) of non-compliance with performance standards and to agree an improvement plan where the scheme employer has not:

- demonstrated improvement;
- taken the agreed actions;
- responded to the initial letter.

Where appropriate in respect of admission bodies, the outsourcing or letting employer will be informed and expected to work with the administering authority to resolve the issues.

### 3 Issue formal written notice

Where no improvement is demonstrated by the employer or where there has been a failure to take agreed action by the employer, in accordance with regulation 70 of the LGPS Regulations 2013. The written notice will include:

- the reasons for issuing the notice;
- the amount that the employer must pay;
- the relevant provisions of the strategy.

An invoice will then be issued to the scheme employer with a notification setting out the calculations of any additional administration costs incurred by the administering authority, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scales set out in this document.

A report will be presented to the Pensions and Investments Committee and the Local Pension Board meeting detailing charges levied against scheme employers and outstanding payments. This will also be reported in the fund's published annual report.

If poor performance continues and impacts the administering authorities ability to perform statutory functions or measures are not being taken by the employer to address this, the administering authority will report the employer to The Pension Regulator.

Where it is necessary to ensure that members' benefits are not delayed unduly due to employers' underperformance in providing the required information, the administering authority reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will

be explained to the member and employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the employer.

## 7c Charges

---

In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employer, the administering authority will seek to recover any additional costs arising.

A summary of the additional costs that the administering authority will seek to recover is provided in **appendix 3**. In addition, any third-party costs or regulatory fines incurred by the administering authority because of administrative failures or poor performance will be recovered from the respective employer.

These may include:

- fines imposed by the courts or The Pensions Ombudsman;
- additional charges in respect of actuarial fees, legal fees, third party charges;
- additional printing and distribution costs.

The administering authority will recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any employer (including the administering authority). With the objective of ensuring fairness across employers in avoiding employers paying more to cover the higher administration costs incurred by others.

Where an employer fails to pay any amount due to the administering authority (other than monthly contributions) within 30 days, interest for late payment may be charged accordingly. This includes charges and recharges levied under this strategy.

## 7d Feedback from employers

---

The administering authority will monitor its performance against the standards in this strategy, as set out in **appendix 2**, from the event date (e.g. date of leaving or retirement, or the date that all necessary data has been received or is available) to the date of the completion of the task.

Employers who wish to provide feedback on the performance of the administering authority against the standards in this strategy should send their comments to: [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk)

Please begin the subject line of your email with 'Performance'. Any feedback received will be responded to and incorporated into the reports provided by the administering authority to the Local Pension Board.



# 8 Audit

---

The administering authority is subject to regular audits of its processes and internal controls. The administering authority and scheme employers will be expected to fully comply with any requests for information from both internal and appointed external auditors. Any subsequent recommendations made will be considered by the administering authority and where appropriate duly implemented.

# 9 General Data Protection Regulations (GDPR)

---

In May 2018, the EU's General Data Protection Regulation (GDPR) came into force. The regulation changed the way organisations process and handle data, with the key aim of giving greater protection and rights to individuals.

GDPR applies to the processing of personal data that is:

- wholly or partly by automated means; or
- the processing other than by automated means of personal data which forms part of, or is intended to form part of, a filing system.

The UK's Data Protection Act 2018 is the UK's implementation of GDPR and controls how personal information is used by organisations, businesses and the government. Under the Data Protection Act 2018, everyone responsible for using personal data must follow strict data protection principles. They must make sure the information is:

- used fairly, lawfully and transparently;
- used for specified, explicit purposes;
- used in a way which is adequate, relevant and limited to only what is necessary;
- accurate and, where necessary, kept up to date;
- kept for no longer than is necessary;
- handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing.

In addition, organisations have an obligation for better data management and a new regime of fines were introduced for use when an organisation is found to be in breach of the GDPR. You can obtain further information about these rights from the Information Commissioner's Office. ([ico.org.uk](https://ico.org.uk))

Employers necessarily supply the administering authority with personal data relating to their employees.

Personal data collected or held by the administering authority includes:

- **Contact details** – name, address, telephone number and email address.
- **Identifying details** – date of birth, national insurance number and employee number and folder reference.
- **Assessment information** – used to calculate and assess eligibility for benefits, for example length of service or membership and salary information.
- **Financial information** – relevant to the calculation or payment of benefits, for example bank account and tax details.
- **Family information** – dependents or personal circumstances, for example marital status and information relevant to the distribution and allocation of benefits payable on death.
- **Health information** – to assess eligibility for benefits payable on ill health.
- **Criminal convictions** – if this has resulted in a member owing money to their employer or the administering authority and the employer or the administering authority may be reimbursed from the member's benefits.

Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations 2013, to provide certain personal data for their members, including (but not exhaustively): the pay reference number; post number; national insurance number; surname; forenames (or initials); title; gender; date of birth; address; postcode; date pensionable service started; marital status; hours; weeks; pay; basic employee and employer contributions paid; additional employee and employer contributions paid; date left pensionable service; reason left pensionable service; and periods of absence from pensionable service.

The administering authority uses members' personal data to:

- contact members;
- assess eligibility for pension benefits, to calculate benefits and to provide members (and their beneficiaries upon their death) with benefits;
- identify members' potential or actual benefit options;
- allow alternative ways of delivering benefits (for example under a power of attorney);
- carry out statistical and financial modelling and for reference purposes (for example when the administering authority assesses how much money is needed to provide members' benefits);
- comply with the administering authorities legal and regulatory obligations;
- address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the administering authority;
- manage the liabilities of the administering authority;
- to support the sale, merger or corporate reorganisation or transfer of a business by employers that participate in the administering authority;

Employers must ensure that the personal data supplied to the administering authority is correct. The supply of incorrect data (in particular, incorrect contact details) can lead to a data breach.

A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. Breaches of personal data can expose the administering authority to substantial fines from the Information Commissioner's Office (ICO) [www.ico.org.uk](http://www.ico.org.uk), financial claims from individuals whose personal information has been inappropriately disclosed, and to severe reputational damage.

## **9a Privacy notice**

---

The fund has published a privacy notice in line with the GDPR requirements, setting out why certain data is held; the reason for processing the data; who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available from the fund's website ([isleofwightpensionfund.org/resources](http://isleofwightpensionfund.org/resources)).

## **9b Memorandum of understanding**

---

The administering authority has issued a memorandum of understanding to its scheme employers, which confirms the joint roles and responsibilities with regards to the sharing of information that enables which enables it to provide an efficient and effective service to scheme members and stakeholders. The memorandum of understanding is available from the administering authorities website ([isleofwightpensionfund.org/resources](http://isleofwightpensionfund.org/resources)).

Employers should inform all new employees that their personal data is shared with the administering authority, in accordance with the statutory responsibilities of administering the LGPS.

# Appendix 1

## The employer's roles and responsibilities

The following tables set out in more detail each employers roles and responsibilities in respect of the administration of the scheme in the areas of:

- scheme governance and administration;
- individual member administration.

The performance standards expected are expressed as targets expected in normal circumstances.

On an exceptional basis, it is accepted that it may not be possible to achieve the target indicated and a pragmatic approach will be adopted. This is subject to employers using best endeavours to meet expected standards wherever possible.

### Scheme governance and administration

Function or task	Performance target
<b>Employer contacts</b>	
Confirm nominated representative(s) to the administering authority.	Within 30 days of employer joining the fund or change to nominated representative.
Appoint a person (the adjudicator) to consider disputes under stage one of the pension internal dispute resolution process (IDRP) and provide full up to date contact details to the administering authority.	Notify the administering authority within 30 days of becoming a scheme employer or following the resignation of the current adjudicator.
Appoint an Independent Registered Medical Practitioner(s) (IRMP) qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the administering authority, for the consideration of all ill-health retirement applications from active and deferred members.	Within 30 days of becoming a scheme Employer or within 30 days of a change in IRMP(s).
<b>Employer discretions policy</b>	
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS.	A copy of the policy document is to be submitted to the administering authority by 30 April 2020 and thereafter within 30 days of any change in policy.

Function or task	Performance target
<b>Communications</b>	
Distribute any information provided by the administering authority to scheme members or potential scheme members including the promotion of member self-service.	Within 10 working days of receipt of the information or as stipulated by the administering authority
In accordance with the Memorandum of Understanding, ensure that any personal data submitted to the administering authority outside of i-Connect is sent securely.	Ensure the security of all non i-Connect submissions to the administering authority at the point of sending.
Respond to queries from the administering authority.	Within 10 working days from receipt of enquiry unless stated otherwise.
<p>Notify the administering authority of any notifiable events including, but not restricted to, the following:</p> <ul style="list-style-type: none"> <li>• Material change in LGPS membership.</li> <li>• Material change in Employer payroll or pensionable pay.</li> <li>• Change in Employer’s legal status or constitution.</li> <li>• A decision which will restrict the Employer’s active membership in the fund in future.</li> <li>• Any restructuring or other event which could materially affect the membership in the fund in future.</li> <li>• Confirmation of wrongful trading.</li> <li>• Conviction of senior personnel.</li> <li>• Decision to cease business.</li> <li>• Breach of banking covenant.</li> </ul>	Within 10 working days of becoming aware of such an event.
<b>Appeals</b>	
The employer’s adjudicator to notify the administering authority of the receipt of a stage one appeal through AADP.	Within five working days of receipt of the appeal.
The employer’s adjudicator to notify the administering authority of the decision in respect of an appeal at stage one of AADP.	Within five working days of the decision.
The employer’s adjudicator to provide the administering authority with all documentation considered in the determination of the stage one appeal for consideration in the adjudication of the appeal at AADP stage two.	Within five working days of the receipt of the request from the administering authority.

Function or task	Performance target
<b>Outsourcing or TUPE arrangements</b>	
Notify the administering authority of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	At the point of deciding to tender.
Notify the administering authority of the main contacts managing the outsourcing of service provision before and during a contract where a prospective contractor may request to join the fund.	At determination of successful tender.
Work with the administering authority to arrange for the admission of a contractor as a new employer in the fund.	A minimum of two months in advance of the date of contract.
Provide the administering authority with relevant details, including copies of documentation, of agreements relating to responsibility for an LGPS funding deficit or surplus and requirements for bond or guarantor.	Within one week of the signed contractual agreement with the contractor.
Notify the administering authority of changes, extension or cessation of arrangements with a contractor.	As soon as decision is agreed.
Assist the administering authority in ensuring that the terms of the contractor's admission as a scheme employer (admission agreement) are complied with.	Notify the administering authority if the terms of the admission agreement have been breached.
<b>Strain or shortfall payments to the administering authority.</b>	
Make shortfall or strain payments to the administering authority in respect of early payment of benefits from redundancy, business efficiency and flexible retirements or where a member retires early with employer's consent.	Within 30 days of receipt of invoice from the administering authority.
<b>Pension contributions</b>	
Apply the employer contribution rate agreed with the administering authority on becoming a scheme employer and adjust as instructed by the administering authority from a date determined by the administering authority.	Immediately on receipt of information from the administering authority effective from a date determined by the administering authority following advice from the scheme actuary.
Calculate and review the correct employee contribution rate band for all members at commencement and on 1st April each year in accordance with LGPS regulations.  Also, to be reviewed at intervals during the year at the employer's discretion.	Immediately on commencement, on 1 April each year and as per the Employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year.

Function or task	Performance target
Ensure the correct application of assumed pensionable pay (APP) during periods of reduced or nil pay in accordance with the LGA's HR and payroll guides.	Review of eligibility for APP immediately upon a member moving to reduced or nil pay.
Remit employer and employee contributions to the pension fund bank account via BACS.	By 19th of the following month following deduction.
Arrange for the deduction of AVCs and payment over to the AVC providers and then schedule to be sent to the administering authority.	Payment by 19th of the following month following deduction.
Notify the administering authority of the commencement of salary sacrifice shared cost AVC arrangements.	Immediately on the commencement of arrangements.
Data returns	
Provide monthly, accurate and complete submission of i-Connect data in the format required.	By 19th of the month following the relevant calendar month.
To ensure optimum accuracy of monthly i-Connect data submission.	Less than five per cent of the active member count on 1 April to error on import into the pension administration system.
The rectification of an accurate monthly data file where it has been necessary to return the file due to data inaccuracies.	Within 10 working days of receipt of file.
To promptly resolve all queries relating to entries on i-Connect monthly submissions.	To acknowledge receipt to all queries from the administering authority within 10 working days of receipt of the query.
To ensure the administering authority receives accurate year to date information to 31 March through the month twelve i-Connect data submission.	No later than 15 April following the relevant year end.
Provide an accurate, fully reconciled and completed year-end return in the format set by the administering authority, in documentation issued by the administering authority.  Arrange payment without delay of charges for submitting data outside of i-Connect.	By the date set by the administering authority in the April following the year end.
To resolve all queries returned from the year end return.	To respond fully to all queries from the administering authority within 30 days of receipt of the query.  In circumstances where an employer submits a late year end return limiting the Administering Authorities time to complete its duties, the timescales may be reduced, as advised by the administering authority.

Function or task	Performance target
<p>Due to the 'McCloud judgement', we ask employers to keep service records for all members (including leavers) from 1 April 2014. The service details should include:</p> <ul style="list-style-type: none"> <li>• marital status;</li> <li>• contractual hours;</li> <li>• remuneration changes;</li> <li>• contribution rate;</li> <li>• employee number or post number;</li> <li>• absence – maternity, paternity and adoption, unpaid leave of absence, and industrial action.</li> </ul> <p>Each employer must ensure that this information is available to the administering authority if required As part of employer data retention policy.</p>	<p>As part of employer data retention policy.</p>
<b>Change of payroll provider</b>	
<p>To inform the administering authority of a change of payroll provider along with the contact details of the new provider.</p>	<p>As soon as possible and no later than 90 days prior to the transfer of duties and functions.</p>
<p>Ensure that the employer provides payroll references (specific to post) to the administering authority.</p> <p>This notification should include previous payroll references.</p>	<p>As soon as possible but no later than 20 working days before the first i-Connect data submission.</p>
<b>Miscellaneous</b>	
<p>Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the administering authority and the fund's actuary.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>
<p>Payments in respect of all other work carried out on behalf of or relating to the employer by the fund's Actuary including matters connected to funding reviews and data quality assurance undertaken by the administering authority.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>
<p>Prompt payment of invoices issued by the administering authority for specific services provided.</p>	<p>Immediate payment upon receipt of invoice from the administering authority.</p>



## Individual member administration

This section details the functions which relate to scheme member benefits from the LGPS.

Function or task	Performance target
<b>New starters</b>	
<p>Ensure administering authority approved wording relating to pensions is included in all contract or appointment communications for LGPS-eligible positions including direction to the fund's web presence and signposting to registration for member self service.</p>	<p>As part of standard contract and appointment templates.</p>
<p>LGPS eligible employees must be entered into the scheme from the commencement of their employment, except for employees with a contract of less than three months, or casual and relief employees.</p> <p>Employees not subject to contractual enrolment must be offered the opportunity to join the LGPS from commencement, or automatically entered upon meeting auto-enrolment criteria.</p>	<p>From date of commencement or joining the scheme.</p>
<p>Ensure that the correct contribution percentage and banding for member's LGPS contributions is applied to their payroll record and notify the member of initial contribution rate and any subsequent changes. The notification must also notify the employee of the right to appeal, including the processes and timescales involved.</p>	<p>From date of commencement or joining the scheme.</p>
<p>Notify the administering authority of new scheme joiners via the monthly i-Connect submission.</p> <p>Evidence of an employee's election to join must be retained by the Employer and a copy sent to the administering authority.</p> <p>If an employee is entered into the LGPS incorrectly, the employer is responsible for the reimbursement of employee contributions.</p>	<p>Within 30 days of member's entry into the scheme via contractual enrolment, auto-enrolment, re-enrolment date or election to join.</p>
<p>Where the member has more than one employment with the same Employer, each membership shall be maintained and reported upon separately (via i-Connect).</p>	<p>From date of commencement or joining the LGPS or starting or ceasing additional employments.</p>

<b>Function or task</b>	<b>Performance target</b>
<b>Changes in circumstances</b>	
Notify the administering authority via i-Connect of change, or correction to, employees' personal details: name; address; marital and civil partnership status; date of birth; NI number.	Within 30 days of the event or receipt of information.
Notify the administering authority via i-Connect of changes or corrections in employment details, including changes in hours and moving to or from the 50/50 section	Within 30 days of the event or receipt of information.
Notify the administering authority of periods of unpaid absence not covered by assumed pensionable pay (APP).	Within 30 days of the event or receipt of information.
Notify the administering authority where recovery of financial loss is sought from the dismissed employee's pension.	Notify the administering authority where recovery of financial loss is sought from the dismissed employee's pension.
<b>Additional pension contributions (APCs)</b>	
Ensure members are notified of the option to pay additional pension contributions following applicable unpaid absences.	Within 10 working days of the return to work.
Upon application from a scheme member to purchase lost pension, apply APCs on receipt of application from member and notify the administering authority with a copy of the application.	Apply to next available payroll and notify the administering authority within 30 days of receipt of members application.
Apply APCs on receipt of notification from the administering authority.	Apply to next available payroll.
Apply adjustments to APC amounts on notification from the administering authority.	Apply to next available payroll.
Include APC payments in member notifications via i-Connect to the administering authority.	Payment by 19th of the following month following deduction.
<b>Additional voluntary contributions (AVCs)</b>	
Arrange for the deduction of AVCs from scheme member's pay following notification from AVC provider.	Commence deduction of AVCs on the next available payroll as advised by payroll provider.
Ensure payment of AVC contributions to AVC provider within required timescale.	AVCs must be paid over to the AVC Provider by 19th of the following month.
Include AVC payments in member notifications via i-Connect to the administering authority.	Payment by 19th of the following month following deduction.

Function or task	Performance target
<b>Optant outs and 50/50 scheme</b>	
Apply an election to opt out of the LGPS to the member's payroll record.	From the 1st of the month for the next available payroll.
Apply an election to move to the 50/50 scheme of the LGPS to the member's payroll record.	From the 1st of the month for the next available payroll.
<p>If the member opts out within three months of joining, they are treated as having opted out upon entry and the employer is responsible for refunding the pension contributions.</p> <p>Evidence of an employee's election to opt-out must be retained by the employer and a copy sent to the administering authority.</p>	Within 30 days of the opt-out being actioned on payroll.
<p>If the member opts out three months or more from joining, the administering authority will determine if the member is eligible for a refund of pension contributions and contact them directly.</p> <p>Evidence of an employee's election to opt-out must be retained by the employer and a copy sent to the administering authority.</p>	Within 30 days of the opt-out being actioned on payroll.

Type of leaver	Function or task	Performance target
<b>Leaver Notifications</b>		
Leavers – over 55	<p>To notify the administering authority of the member's leaving date and reason for cessation of membership and all other relevant information on the leavers form.</p> <p>The leaver event is also to be reported via the i-Connect submission by the 19th of the following month of the scheme member leaving the LGPS.</p> <p>The i-Connect submission must clearly state the reason for leaving.</p>	Within 10 working days of leaving date, flexible retirement, or opt out.
Leavers – under 55	<p>To notify the administering authority of the member's leaving date and reason for cessation of membership and all other relevant information on the leavers form.</p> <p>The leaver event is also to be reported via the i-Connect submission by the 19th of the following month of the scheme member leaving the LGPS.</p> <p>The i-Connect submission must clearly state the reason for leaving.</p>	Within 20 working days of leaving date, flexible retirement, or opt out.

Type of leaver	Function or task	Performance target
Redundancy, or business efficiency and flexible retirement	<p>Notify the administering authority of an employer decision and authorisation for payment of pension benefits on the employer authorisation for early release of pension benefits form.</p> <p>This form evidences the decision and provides agreement to meet the shortfall or strain costs by the employer.</p>	Within 10 working days of the employer making the decision.
Death in service	<p>Notify the administering authority of the death of an employee who is a scheme member.</p> <p>As part of this notification ensure the administering authority are provided with next of kin details.</p>	Within three working days of the employer being notified of the death of an employee who is a scheme member.
<b>Ill health retirements</b>		
Active members	<p>To determine based on medical evidence and the advice of one of the administering authorities approved independent registered medical practitioners (IRMP) whether an ill health award is to be made and determine which tier 1, 2, or 3.</p> <p>Notification to be made by submitting the appropriate form.</p>	No later than 10 working days after employer decision.
Deferred members	<p>To determine based on medical evidence and the advice of one of the administering authorities approved independent registered medical practitioners (IRMP) whether an ill health award is to be made for the early release of deferred pension benefits on the grounds of ill-health.</p> <p>Notification to be made by submitting the appropriate form.</p>	No later than 10 working days after employer decision.
Tier 3 reviews	<p>To conduct an 18-month review of tier 3 ill-health retirement awards and interim reviews at other times as requested by the member.</p> <p>To notify the administering authority of the employers decision regarding the outcome of the tier 3 ill-health review.</p>	No later than 10 working days after employer decision.

Function or task	Performance target
<b>Scheme members with a progressive life-limiting condition</b>	
Notify the administering authority if an employee with LGPS membership has a progressive life-limiting condition.	Immediately.
<b>Communication with scheme members in respect of formal appeals against pension related decisions</b>	
The employer's adjudicator to acknowledge receipt of the stage 1 AADP.	Immediately.
Determine appeals against the employer at stage 1 of AADP in accordance with The Local Government Pension Scheme Regulations 2013 (regulations 74 and 75).	Within two months of receipt of the appeal (Where a decision cannot be reached within two months, notify the appellant of reasons for the delay and the date when a decision can expected to be reached).

# Appendix 2

## The administering authority's roles and responsibilities

### Scheme governance and administration

This section outlines the responsibilities of the Isle of Wight Council as the administering authority for the fund and the performance standards which scheme employers and scheme members should expect. It is focussed on the activities which involve interaction with scheme employers and / or scheme members and should not be viewed as an exhaustive list.

Function or task	Performance target
<b>Governance – policies, strategies and statements</b>	
Regularly review the strategy and consult with all scheme employers.	Triennially review the strategy and in addition review it following any material changes in service delivery or regulations relating to the strategy and consult with all employers on any changes.
The fund will review their respective funding strategy statements at each valuation (or material event), following consultation with employers and their fund actuary.	Publish by 31 March following the valuation date, or as required.
Review the respective fund's communications policy.	Triennially review and publish within 30 days of any revision to the policy being agreed by the respective pension fund committees.
Review the fund's governance and compliance statement.	Triennially review and publish within 30 days of any revision to the policy being agreed by the respective pension fund committees.
The fund should formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the LGPS.	Triennially review and publish within 30 days of any revision to the policy being agreed as above.
<b>Governance – reporting</b>	
Annual report of fund management and performance, including annual statement of accounts.	By 1 December each year.
Publish the fund's final audited and approved accounts.	By 31 July following the year-end (or other date as set by Government).
Information for TPR's maintenance of register of pension schemes (including employer details).	Upon receipt of scheme return notice from TPR.
Information relating to pension administration against key performance indicators and employer performance.	As required by the administering authority and Local Pension Board.

<b>Function or task</b>	<b>Performance target</b>
<b>Fund communications to employers</b>	
Provide scheme employers with year-end template and guidance.	No later than 28 February before the year-end.
Maintain and publish all forms required for completion by scheme employers.	Within 30 days of any revision.
Notify scheme employers of changes to key scheme regulations and requirements.	Within 30 days of the change(s) coming into effect.
Host joint meetings for all scheme employers, in person or remotely.	As required.
Notify the employer of issues relating to the employer's unsatisfactory performance.	If no response to the administering authorities request for action is received within 10 working days; second request marked 'escalation' to be issued, if no response within 10 working days matter referred for cost recovery.
Notify the employer in writing of decision to recover additional costs associated with the employer's unsatisfactory performance.	After 10 working days of second request for action and continued failure to improve performance as requested.
<b>Fund Communications with Scheme Members</b>	
Publish and keep up to date all forms required for completion by scheme members or prospective scheme members.	Within 30 days of any revision.
Management of registrations to the member self-service website.	Within five working days of activation key request.
Issue annual benefit statements to active and deferred members as at 31 March each year (on member self-service or by post).	By 31 August following year end.
Produce and issue pension saving statements (PSS) to members who have exceeded their annual allowance.	By 6 October following end of year (subject to receipt of all relevant information from the employer).
Provide payment advice statements to scheme members in receipt of a pension.	Payment advice statements are uploaded monthly to i-Connect. Postal statements are sent out in April each year and where the monthly pension amount changes by at least £50.
Provide P60s to scheme members in receipt of a pension.	By 31 May following year end.

<b>Function or task</b>	<b>Performance target</b>
<b>Pension contributions</b>	
Consult with employers on the outcome of the periodic fund valuation.	At least two months before the issue of the final rates and adjustments certificate.
Issue formal valuation results to individual scheme employer following the periodic fund valuation.	No later than one month before the issue of the final rates and adjustments certificate.
Notify new scheme employers of their contribution requirements.	Within two months of joining the fund.
<b>Scheme employer admissions and cessations</b>	
Process the admission of new scheme employers into the fund including signed admission, bond and guarantor agreements where required, and obtaining the fund actuary's contribution rate and opening funding position report.	Within two months of date joining the fund subject to the new scheme employer providing all relevant information upon request.
Arrange where required for employers who outsource services or functions to undertake, to the satisfaction of the fund, a risk assessment of the level of bond in order to protect other employers participating in the fund (For example, where the original employer is not a guarantor in respect of pension liabilities).	To be completed before the body is admitted to the fund subject to the new scheme employer providing all relevant information upon request.
Undertake a review of bonds or indemnity required to protect other scheme employers participating in the fund.	Annually, or three months prior to bond expiry as necessary.
Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the fund.	<p>Within two months of a cessation, subject to the employer providing all relevant information upon request.</p> <p>Where a cessation valuation reports a surplus position at the point of exit, the determination and payment of the exit credit to be completed within six months of the exit date.</p>
<b>Pensioner Payroll</b>	
Ensure payment of monthly pension to pensioner and dependant pensioner scheme members.	On the last working day of each calendar month. In December the payment date is the last working day before the 25th.



## Individual member administration

This section details the administering authority functions which specifically relate to the administration and processing of scheme member benefits from the LGPS.

Function or task	Performance target
<b>General enquiries</b>	
Acknowledge to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	Within five working days from receipt of an enquiry.
Respond to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	Within 10 working days from receipt of an enquiry.
Change of scheme member personal details including but not limited to: <ul style="list-style-type: none"> <li>• change of surname;</li> <li>• change of address;</li> <li>• change of marital status;</li> <li>• change of bank details;</li> <li>• update death grant nomination.</li> </ul>	Within 10 working days from receipt of all required information
Implementation of a power of attorney or court of protection order.	Within 10 working days from receipt of all required information.
<b>New scheme joiners and 50/50 elections</b>	
Set up a new starter pension record and provide the statutory notification to the member.	Within 30 days of the i-Connect notification.
Move member to the 50/50 section of the LGPS.	Within 30 days of the i-Connect notification.
<b>Aggregations, transfers and estimates</b>	
Issue statement to scheme member relating to the aggregation of previous LGPS membership.	Within 20 working days of receipt of all necessary information.
Commencement of transfer-in requests.	Within 10 working days of receiving transfer details from sending scheme.
Completion of transfer-in applications.	Information provided within 30 days of receipt of all required information.
Transfer-out quotations issued.	Within 20 working days of the date of request
Transfer-out payments processed and notification to scheme member.	If transfer-out finalised within three-month guarantee period, payment made within 30 days of guarantee date.
Cash equivalent transfer value (CETV) estimates for divorce purposes.	Within 20 working days of request.

<b>Function or task</b>	<b>Performance target</b>
Implementation of a pension sharing order.	Within 10 working days of receipt of court approved pension sharing order.
Provide requested estimates of benefits to scheme members.	<p>Within 20 working days of receipt of all required information.</p> <p>If the member holds additional voluntary contributions (AVCs) within 20 working days of confirmation of the members AVC fund valuation.</p>
Provide requested estimates of benefits to employers including any additional shortfall or strain costs in relation to the early payment of benefits.	<p>Within 20 working days of receiving all required information from the employer.</p> <p>Bulk requests of more than 20 estimates per month will be subject to prior agreement between the administering authority and the employer.</p>
<b>Additional contributions</b>	
Notify the scheme employer of any scheme member's election to purchase additional pension contributions (APCs), including all required information to enable deductions to commence.	Within 10 working days of receipt of election from scheme member to meet the employer's next available payroll.
Notify the scheme employer of any scheme member's election to purchase, amend or cease additional voluntary contributions (AVCs), including all required information to enable the change.	Within 10 working days of receipt of election from scheme member to meet the employer's next available payroll.
<b>Deferred benefits and refund of pension contributions</b>	
Notify member of deferment benefits options.	Within 20 working days of date of leaver notification.
Notify member of deferred refund benefits options.	Within 20 working days of date of leaver notification.
Process refund payments.	Within 10 working days of all completed forms.

Function or task	Performance target
<b>Retirements</b>	
Provision of retirement options letters detailing member options.	Within 10 working days of request or receipt of leaver notification.
Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits.	<p>Within 10 working days of the quoted retirement date or the administering authority receiving all completed forms and documents.</p> <p>Lump sum to be paid within 10 working days of quoted retirement date or the administering authority receiving all completed forms and documents.</p> <p>Pension to be paid from the administering authorities next available payroll.</p>
<b>Deaths</b>	
Notification of death.	Acknowledge within five working days of initial notification.
Processing of beneficiaries' pensions for payment.	Within 10 working days of completed forms and documents.
Processing of death grant for payment.	Within 10 working days of completed forms and documents.
<b>Appeals</b>	
Acknowledge receipt of AADP stage 2 appeal.	Within one week of receipt of AADP Stage 2 appeal.
Decide adjudicator for completion of the AADP stage 2 determination.	Within one week of receipt of AADP Stage 2 appeal.
Prepare information and evidence as required for adjudicator to consider AADP stage 2 appeal.	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
Ensure the issue of a formal letter to the appellant following the adjudicator's determination of the AADP stage 2 application.	Within one week of the adjudicator's decision.

The timescales for completing the tasks above are measured from the date the administering authority is in receipt of all the relevant information required to complete the task and is expressed in working days.

# Appendix 3

## Recovery of additional costs

Summary of the administering authorities determination of additional administration charges:

Reason for charge or fine	Level of charge
<b>Administration charges and fines</b>	
Late payment of employer or scheme member contributions. Plus any statutory charges.	£150 per occurrence plus interest as defined in as defined in regulation 71 of LGPS Regulations 2013.
Full implementation of i-Connect (i.e. on time submissions of the i-Connect files for three payroll periods in a row).	If by 1 April 2025, full implementation has not been achieved then administration recharges up to £1,000 (depending on size of employer) will be levied. Recharges will be levied to employers on a similar basis in each subsequent April if i-Connect remains unimplemented.
Late submission of monthly i-Connect data transmission.	Up to £1,000 per occurrence (depending on size of employer).
Incorrect submission of monthly i-Connect data resulting in a resubmission or manual intervention (An incorrect file means a file with an error rate greater than five per cent).	Up to £1,000 per occurrence (depending on size of employer).
Late provision of year end contributions returns in prescribed format.	Up to £1,000 (depending on size of employer) plus £100 for each week plus part week of continued non-provision.
Failure to respond to the administering authorities year end data query requests within 10 working days.	£50 per occurrence then £25 for every further 10 working days the information remains outstanding.
Late provision of starter information.	£50 per scheme member.
Failure to notify the administering authority of a change to a member's working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absence without permission) – within one month of the change of circumstances.	£50 per scheme member.

Reason for charge or fine	Level of charge
Late provision of leaver information.	£50 per scheme member.  If the late provision of leaver information generates additional cost for the administering authority this additional cost may also be recharged to an employer.
Charges for persistent incorrect and incomplete information provided by the employer to the administering authority (where the case has to be returned for incorrect information on more than two occasions).	£50 per occurrence.
<b>Governance charges and fines</b>	
Change of employer contact nominated representative details – the administering authority not notified of contact change or new contact within one month of alteration.	Reminder will be sent to employers who do not respond. Following the second chase correspondence will be charged at £10 per communication.
Failure to notify the administering authority of a contracting out involving a TUPE transfer before the transfer date.  Failure to inform the administering authority of a new Academy or Free School before their opening date	£200 per occurrence.
No response (or inaccurate response) to queries and reminders raised by the administering authority for information needed to perform a benefit calculation.	£50 per occurrence.
No response to the administering authority request for LGPS discretions statement.	£25 per reminder letter.
<b>Third party charges and fines</b>	
Fine from the pension's regulator.	Amount determined by the pension's regulator.
Fine from the pensions ombudsman (including 'distress and inconvenience' payments suggested by the Early Resolution Service).	Amount determined by the pension's ombudsman.
Delay causing unauthorised payments.	Cost of tax from the HM Revenue and Customs (HMRC) and or reimbursement of charges imposed by HMRC on the administering authority.
Fines from any other statutory body incurred due to the employer's actions.	As levied.

Underperformance charges will apply at the discretion of the Manager of the fund and will be calculated based on a combination of the standard tariff of charges plus time spent at the daily rate outlined below.

Charges for 'time spent' on underperformance issues will be made on a half day basis. For less than quarter of a day, no charge will be made. For more than half a day, the full day charge will be made.

### Charges by employer size

The following table outlines a breakdown of the charges that may apply depending on the size of an employer for failure to onboard onto i-Connect or the late monthly submissions of i-Connect returns:

Number of active members	Penalty charge per annum for failure to start monthly i-Connect returns	Once i-Connect monthly returns are live, penalty charge for third or more late return during the tax year (after 19th of month) per occurrence
0 to 10	£250	£250
11 to 99	£500	£500
100 to 999	£750	£750
1,000 or more	£1,000	£1,000

### Time spent – officer charges

Summary of officer charges for time spent on cases triggered by employer underperformance:

Time taken	Charge levels		
	Level 1 (Work at pensions assistant level)	Level 2 (Work at pension officer level)	Level 3 (Work at senior pension officer level)
Daily	£98	£142	£206
Half day	£49	£71	£103

Where the administering authority determines that such additional costs should be recovered it will give written notice to the employer stating the reasons, the amount, the basis of calculation and the relevant provisions of the strategy.

# Appendix 4

---

## Overriding legislation

---

In performing the role of administering the LGPS, the administering authority and employers must comply with overriding legislation (examples below) as amended:

- The Occupational Pension Schemes (Disclosure of Information) Regulations 2015.
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
- The Pensions Act 1995, 2004 and 2014.
- Extant transitional regulations.
- The Discretionary and Compensation Regulations 2006.
- The Disability Discrimination Act 2006.
- The Finance Act 2004.
- Employment Rights Act 2010.
- HMRC legislation.
- Public Service Pensions Act 2013.

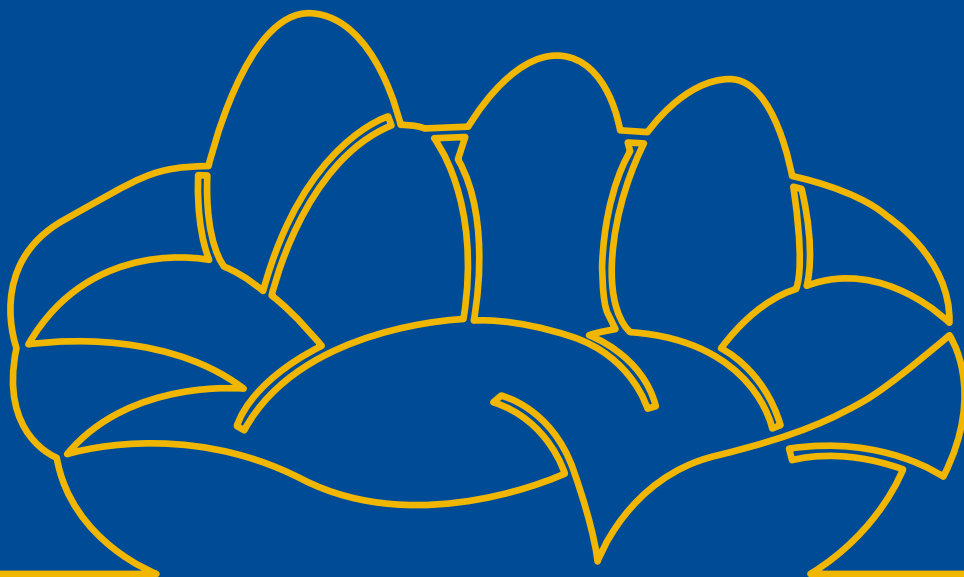
Overriding legislation dictates the minimum standards that pension schemes should meet in providing information to the various associated parties including, importantly, members. The LGPS regulations also identify several requirements for the administering authority and employers.

The strategy is designed to highlight the key areas for providing high quality administration of the LGPS but does not cover all regulatory administering authority or employers of their obligations under the LGPS or overriding legislation.





If you have difficulty in understanding this document, please contact us on 01983 823626 and we will do our best to help you.



5166CORP3/23 SC

# **Isle of Wight Council Pension Fund**

## **Governance Policy**

### **2020**

## 1. Document Information

<b>Title:</b>	Isle of Wight <i>Council</i> Pension Fund Governance Policy
<b>Status:</b>	Final
<b>Current version:</b>	v3.2
<b>Author:</b>	Jo Thistlewood Financial Management, Finance Directorate <a href="mailto:Jo.Thistlewood@iow.gov.uk">Jo.Thistlewood@iow.gov.uk</a> 01983 821000 x 6371
<b>Sponsor:</b>	Chris Ward Director of Finance <a href="mailto:Chris.ward@portsmouthcc.gov.uk">Chris.ward@portsmouthcc.gov.uk</a>
<b>Consultation:</b>	Financial services Pensions administration team Local Pension Board
<b>Approved By:</b>	<i>Pension Fund Committee</i>
<b>Approval Date:</b>	<i>02 September 2020</i>
<b>Review Frequency:</b>	Annually
<b>Next review:</b>	2021

Version history		
Version	Date	Description
1.0 draft	14 December 2017	Review by Pension Board
1.1 draft	31 January 2018	Presentation to Committee
1.1 FINAL	09 February 2018	Approved
2.0 draft	09 January 2019	Review for 2019 changes
2.1 draft	04 February 2019	Pension board review changes
2.1 FINAL	08 February 2019	For publication
3.0 Draft	20 March 2020	Review for 2020 changes
3.1 Draft	17 June 2020	Update for year end figures
3.2 draft	21 July 2020	Pension board review changes
3.2 FINAL	2 September 2020	For adoption

## 2. Contents

1.	Document Information.....	118
2.	Contents.....	119
3.	Purpose of Policy .....	120
4.	Legislation.....	121
5.	Policy Statement .....	122
	5.1 About the Isle of Wight Council Pension Fund .....	122
	5.2 Governance Structure.....	122
	5.3 Role of the Pension Fund Committee .....	122
	5.4 Role of Officers .....	124
	5.5 Role of Local Pension Board .....	124
6	Investment Pooling .....	126
7	Review .....	127

### 3. Purpose of Policy

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

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

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

Each administering authority is required to:

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

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

## 4. Legislation

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

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

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

## 5. Policy Statement

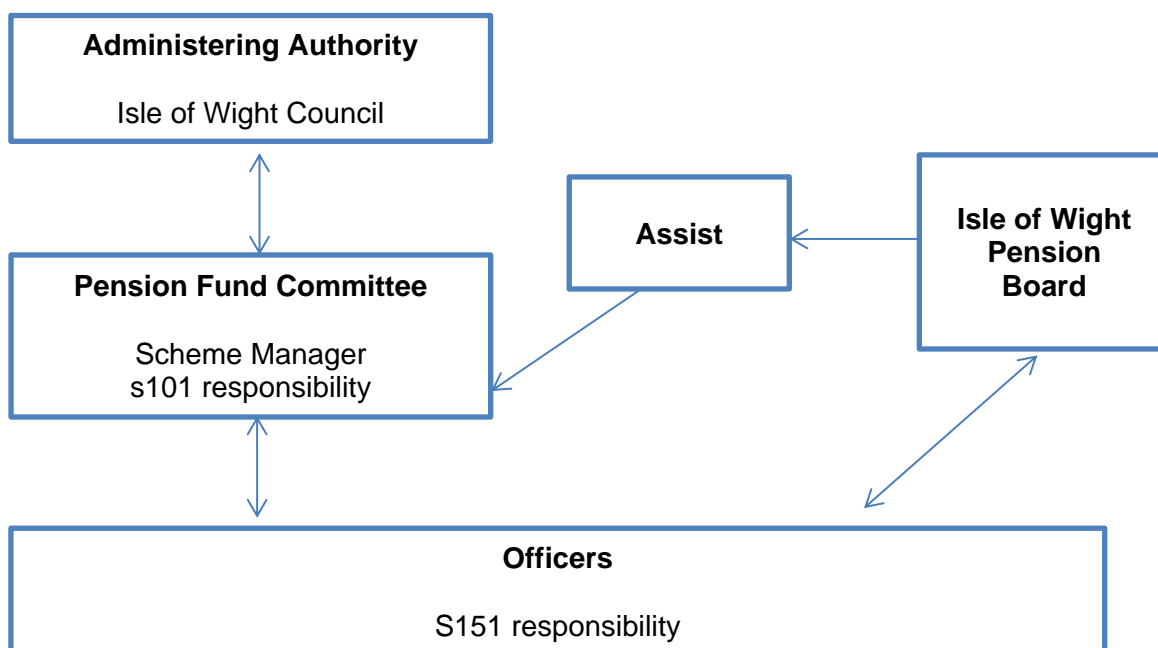
### 5.1 About the Isle of Wight Council Pension Fund

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

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

### 5.2 Governance Structure

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



### 5.3 Role of the Pension Fund Committee

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

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

- a) Maintaining appropriate accounting records:

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



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

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

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

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

The committee consists of:

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

#### **5.4 Role of Officers**

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

#### **5.5 Role of Local Pension Board**

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

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

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

The role of the board is to:

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

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

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

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

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

## 6 Investment Pooling

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

The ACCESS pool has established the following strategic objectives:

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

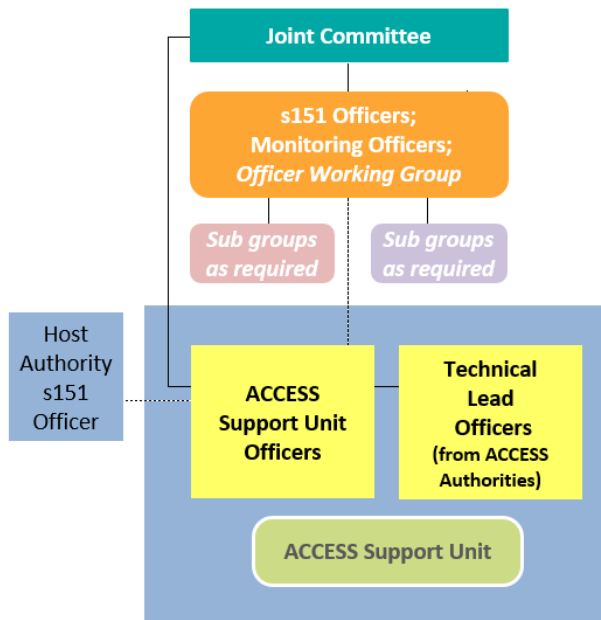
In order to achieve these objectives, the participating authorities have established a set of governing principles, summarised below:

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

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

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

The ACCESS pool governance structure is illustrated below:



## 7 Review

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

**Terms of Reference of Pension Fund Committee** (7 members and 1 non-voting employee representative and 1 non-voting employer representative)  
Extracted from the council's Constitution August 2022 v9.1

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

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

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

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

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

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

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

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

# Terms of Reference of Local Pension Board (4-8 members plus an independent chairman)

Extracted from the council's Constitution August 2022 v9.1

## **1. Establishment**

- 1.1 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').
- 1.2 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
- 1.3 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.
- 1.4 The Board is accountable to the Scheme Manager and the Pensions Regulator.

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

- 2.1 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.
- 2.2 The Administering Authority retains ultimate responsibility for the administration and governance of the scheme.
- 2.3 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.
- 2.4 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.
- 2.5 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.

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

3.1 The Administering Authority shall determine its membership.

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

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

3.2 No substitute members are permitted.

3.3 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*

3.4 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.

3.5 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.

3.6 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.

3.7 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.

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

#### *Scheme representatives*

- 3.9 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.
- 3.10 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.
- 3.11 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.
- 3.12 Where a scheme representative vacancy occurs the Administering Authority shall seek to appoint a replacement as soon as practicable.

#### *Independent chairman*

- 3.13 There shall also be an independent chairman, appointed by the Administering Authority.
- 3.14 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.
- 3.15 Where a vacancy occurs for the independent chairman position, the Administering Authority shall seek to appoint a replacement as soon as practicable.

#### *Vice-chairman*

- 3.16 The Board may appoint a vice-chairman on an annual basis from amongst its own number or in-year should a vacancy arise.
- 3.17 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*

- 3.18 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.
- 3.19 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').
- 3.20 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*

- 3.21 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.
- 3.22 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.
- 3.23 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.
- 3.24 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*

- 3.25 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.
- 3.26 Any Board member can be removed by the Administering Authority for good cause. Without prejudice to the generality, it includes removal on the grounds of the employer representative appointed due to being a councillor ceasing to be an elected councillor for the Isle of Wight Council, the nominating body withdrawing their representative, a conflict of interest that cannot be managed, non-attendance, breach of code of conduct and non-participation in training.
- 3.27 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.
- 3.28 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.

**4. Register of Interests and Code of Conduct**

- 4.1 A register of interests is maintained by the Board to record and monitor its members interests and responsibilities.
- 4.2 The register of interests is reviewed annually by the Board and published on the scheme's website.

- 4.3 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.
- 4.4 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.
- 4.5 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).
- 4.6 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.

## **5. Meetings**

### *Frequency*

- 5.1 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*

- 5.2 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.
- 5.3 The agenda and supporting papers shall be distributed to members of the Board normally at least 5 clear working days prior to the meeting.
- 5.4 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.
- 5.5 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*

- 5.6 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*

- 5.7 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*

- 5.8 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.
- 5.9 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*

- 5.10 The Administering Authority shall ensure that a formal record of Board proceedings is maintained, whether in electronic format or in writing.
- 5.11 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.
- 5.12 The accuracy of the final minutes shall be agreed at the next suitable meeting of the Board.

#### *Publication*

- 5.13 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.

### **6. Advisers**

- 6.1 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.
- 6.2 Any cost associated with the use of advisers to the Board must first be agreed with the Administering Authority.

### **7. Powers of the Board**

- 7.1 The Board only has those powers granted to it under statutory provision and so only has a very defined and limited jurisdiction.
- 7.2 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.
- 7.3 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.
- 7.4 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).

## **8. Reporting Duty of the Board**

- 8.1 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.
- 8.2 The annual report will also be published on the Pension Fund's website.
- 8.3 Any concerns requiring reporting outside the annual process should be raised with the Pension Fund Committee.

## **9. Budget and Expenses**

- 9.1 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.
- 9.2 The Board shall seek the prior approval from the Administering Authority's Section 151 Officer for any expenditure to be made.
- 9.3 The expenses of the Board are to be regarded as part of the costs of administration of the fund held by the Administering Authority.
- 9.4 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.
- 9.5 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.

## **10. Accountability**

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

## **11. Review of terms of reference**

- 11.1 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.
- 11.2 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 Governance Compliance Statement Updated 06 October 2023




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

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

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



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



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


Key	Last report dated:	31 August 2022
	Improvement in level of compliance since last reported	
	Maintain level of compliance since last reported	
	Deterioration in level of compliance since last reported	





**Establishment of the local pension board**



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E1	<b>Local pension board to be established by 1 April 2015</b>	Local Pension Board terms of reference agreed and approved by the Council	Full compliance 	<p><i>Enter here the committee and date the terms of reference were agreed and link or reference to where this can be found</i></p> <p>The Isle of Wight Council Local Pension Board was established at the full council meeting in January 2015, including adoption of terms of reference for the board.  <a href="https://iow.moderngov.co.uk/CeConvert2PDF.aspx?MID=887&amp;F=Paper%20D.pdf&amp;A=1&amp;R=0">https://iow.moderngov.co.uk/CeConvert2PDF.aspx?MID=887&amp;F=Paper%20D.pdf&amp;A=1&amp;R=0</a>            The first board meeting was held on 14 August 2015.</p> <p>The terms of reference have been reviewed and amended several times since the original adoption. The board's current terms of reference can be found in Part 3, section 6 of the Council's Constitution:  <a href="https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&amp;Mid=1729&amp;Ver=4&amp;Info=1">https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&amp;Mid=1729&amp;Ver=4&amp;Info=1</a></p>
E2	<b>All pension board members to have a personalised training plan in place that is regularly monitored and updated</b>	The administering authority should have a person designated to take responsibility for ensuring training plans are followed and regularly review the members training requirements and keep appropriate records of their learning activities and the board as a whole	Non-compliance 	<p><i>Enter here whether individual training plans have been completed and where it can be found</i></p> <p>The fund participated in the Hymans Robertson National Knowledge Assessment 2022, with the results considered at the January 2023 board meeting and the February 2023 committee meeting; identifying areas for improvement of knowledge and understanding for both committee and board members.</p> <p>To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members. In addition, there remains a need to develop and implement a comprehensive induction programme for both board and committee members.</p> <p>The role profile for pension board members includes a requirement that all modules of the Pension Regulator's online toolkit be completed within six-months of joining the board. This has not been achieved by all board members.</p>




Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E3	<b>Expenses of the local pension board to be part of the expenses of administration of the pension fund</b>	Provision has been made in the accounting procedures to identify the costs incurred in the establishment and operational costs of the local pension board	Partial compliance 	<p><i>Enter here how the costs are being identified</i></p> <p>All cost of administering and operating the pension board are charged separately to the pension fund accounts within the Council's accounting system (SAP).</p> <p>There is no specific budget set for the costs incurred by the pension fund (other than the staffing budget within the council's accounts which is subsequently recharged), or for expenses of the pension board, although reasonable costs agreed with the Director of Finance and section 151 officer are borne by the fund.</p> <p>Adoption of a detailed budget is a recognised priority within the development programme.</p>
E4	<b>Local Pension Board to have equal number of scheme member representatives and employer representatives which is no fewer than 4 in total.</b>	The terms of reference will provide for an equal number of scheme member representatives and employer representatives which is no less than 4 in total	Full compliance 	<p><i>Enter here the number of scheme member and employer representatives</i></p> <p>The terms of reference for the Local Pension Board, published in the Council's Constitution <a href="#">Part 3, Section 6</a>, provide for total membership of between 4 and 8, in equal numbers of scheme member and employer representatives, with the addition of an independent chairman.</p> <p>The current membership of the board is 7, as follows:</p> <ul style="list-style-type: none"> <li>• Three scheme member representatives</li> <li>• Three employer representatives</li> <li>• One independent chair (non-voting)</li> </ul> <p>As at the date of completion there are currently two vacancies for employer representatives on the board: the elected member representative (considered at both July and September full council meetings, but no nominations received; political group leaders have been emailed), and the council's staff employer representative (CMT have asked for expressions of interest from the wider council staff, to be returned by 31 October 2023)</p>



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



Ref	Principle	Detail of best practice principle	Compliance (Full/Partial/Non)	Statement of Compliance
E6	<b>The administering authority to be satisfied that persons appointed to the local pension board do not have a conflict of interest.</b>	The administering authority will have a conflict of interest policy and procedure in order to identify and manage actual and potential conflicts of interest	Partial compliance 	<p><i>Enter here whether a conflicts of interest policy has been adopted, where it can be found and the review procedure.</i></p> <p><i>Is it to be a regular feature on the local pension board agenda?</i></p> <p><i>Is there a register of interests? Who is responsible for maintaining it?</i></p> <p><i>Are local pension board members aware of what could be considered a conflict of interest? (i.e. included in induction training)</i></p> <p>Pension Board members are subject to a conflict of interest policy based on upon the Council's Code of Conduct contained within the constitution.</p> <p>At 31 March 2023, current board members (other than those who are elected members of the council or are employed by the council) have not yet been asked to complete a declaration of interest on appointment.</p> <p>Board members are invited to declare any interests they may have on agenda items at the start of each board meeting.</p> <p>The creation of a fund-specific conflicts of interest policy is included on the fund's workplan for 2023-24.</p>
E7	<b>The administering authority to have regard to guidance issued by the Secretary of State</b>	The administering authority will have knowledge and access of the LGPS Advisory Board website ( <a href="http://www.lgpsboard.org">http://www.lgpsboard.org</a> ) and regularly check for updates and alerts.	Full compliance 	<p><i>Enter here the post title of the officer(s) responsible for regularly checking the LGPS Advisory Board website and any other methods by which the Fund is kept informed of any guidance issued.</i></p> <p>The task of regularly checking the LGPS Advisory Board website is not specifically allocated to an individual officer but falls within the remit of the Pension Fund Manager. Other methods of update include CIPFA and LGA bulletins, emails and networking events and Pension Regulator updates. Updates are provided at all committee and board meetings, with additional information circulated to committee and board members in between meetings.</p>

**The Pensions Regulator’s Code of Practice**



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P1</b>	<b>Knowledge and Understanding</b>			
<b>P1.1</b>	<b>A member of the local pension board must be conversant with the scheme rules and any document recording policy about the administration of the scheme adopted by the administering authority</b>	A training strategy has been adopted and a training plan drafted in which there is provision for informing local pension board members of the LGPS rules, regulations and the Fund’s documents and recording policy.	Partial compliance 	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p>The role profile for pension board members includes a requirement that all seven modules of the Pension Regulator’s online toolkit be completed within six-months of joining the board.</p> <p>At 31 March 2023, three members had failed to comply with this requirement.</p> <p>Board members have recently been re-enrolled on the Hymans Robertson Aspire LGPS Online Learning Academy v2.0 and have been encouraged to complete all eight modules by 31 March 2024. Progress will be reported at each board meeting.</p> <p>To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members.</p>
<b>P1.2</b>	<b>A process should be in place to ensure a member of the local pension board has the knowledge and understanding required of the law relating to pensions and other matters which are prescribed in the Regulations which is sufficient to enable them to perform their duties</b>	A training strategy has been adopted and a training plan drafted in which there is provision for informing local pension board members of the law relating to pensions and matters prescribed in regulations.	Partial compliance 	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p>The fund participated in the Hymans Robertson National Knowledge Assessment 2022, with the results considered at the January 2023 board meeting and the February 2023 committee meeting; identifying areas for improvement of knowledge and understanding for both committee and board members.</p> <p>A report on the completion of the Pension Regulator’s online toolkit and the Hymans Robertson LGPS Online Learning Academy v2.0 modules is presented at each board meeting.</p> <p>To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members.</p>




	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.3	<b>The administering authority should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding</b>	A training strategy has been adopted and a training plan drafted to establish the arrangements for local pension board members to acquire and retain knowledge and understanding.	Non compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> The fund participated in the Hymans Robertson National Knowledge Assessment 2022, with the results considered at the January 2023 board meeting and the February 2023 committee meeting; identifying areas for improvement of knowledge and understanding for both committee and board members.  To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members.
P1.4	<b>The administering authority should designate a person to take responsibility for ensuring that a training framework is developed and implemented.</b>	A training strategy has been adopted that contains details of the person designated to take responsibility for ensuring that a framework is developed and implemented	Partial compliance 	<i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i> <i>Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented</i> The fund publishes CIPFA Knowledge and Skills Framework compliance statements in its annual report and accounts, which designates the Section 151 officer as having responsibility for ensuring the framework is implemented.
P1.5	<b>The members of the pension board should be familiar with the AVC options offered by the Fund, including the choice of investments offered to members and the relative performance of those.</b>	Information of the AVC options are provided to the local pension board members	Non compliance 	<i>Enter here how information of the AVC options are provided to the local pension board members (e.g. induction training, contained in the training plan, provided with an information pack)</i> No information has been provided to board members on this matter.



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.6	<b>The administering authority to prepare and keep an updated list of the documents with which they consider pension board members need to be conversant, including the scheme rules and relevant Fund specific documentation.</b>	An updated list of documents is maintained	Full compliance 	<p><i>Enter here whether a list is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it and notifying local pension board members of updates.</i></p> <p>A list of key documents is maintained, based on current requirements and including new items arising from the Scheme Advisory Board's Good Governance Project. This list includes where each document can be found and when it is due for review.</p> <p>This is presented to the board annually (last presented June 2022)  <a href="https://iow.moderngov.co.uk/documents/s8264/ITEM%2011b%20-%20Documentation%20List.pdf">https://iow.moderngov.co.uk/documents/s8264/ITEM%2011b%20-%20Documentation%20List.pdf</a>                      The pension board work programme includes items for the review of all documents as they become due.</p> <p>It is the responsibility of the Pension Fund Manager for maintaining this list and ensuring documents are kept up to date.</p>
P1.7	<b>The roles and responsibilities of pension board members to be clearly documented.</b>	The terms of reference of the pension board should clearly set out the role, responsibility and duties of the pension board members	Full compliance 	<p><i>Enter here whether a policy has been adopted, where it is available and the post title(s) of the person(s) responsible for maintaining it</i></p> <p>The terms of reference for the Local Pension Board are published in the Council's Constitution <a href="#">Part 3, Section 6</a>,</p> <p>The role profile for pension board members, covering both employer and scheme member representatives, is published on the pension fund website. This sets out the responsibilities and expectations of board members.  <a href="#">Employer and Scheme Member Representatives on the Local Pension Board   Isle of Wight Pension Fund</a></p> <p>The role profile for the independent chair of the board is also published on the fund's website.  <a href="#">Independent Chair of the Local Pension Board Role Description   Isle of Wight Pension Fund</a></p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.8	<b>Local pension board members to be aware of their personal responsibilities in terms of knowledge and understanding</b>	Local pension board members should have personalised training plans in place, making them aware of their personal responsibilities in terms of knowledge and understanding	Full compliance 	<p><i>Enter here how this awareness is communicated (e.g. at induction training, contained within the training strategy, personal training plans, regular agenda item, monitoring by person designated to take responsibility for ensuring that a framework is developed and implemented)</i></p> <p>The role profile for pension board members, covering both employer and scheme member representatives, is published on the pension fund website. This includes the knowledge and understanding requirements and expectations for board members.</p> <p><a href="#">Employer and Scheme Member Representatives on the Local Pension Board   Isle of Wight Pension Fund</a></p> <p>An item on board members' knowledge and understanding is included on each board meeting agenda.</p>
P1.9	<b>The administering authority to assist individual local pension board members to determine the degree of knowledge and understanding to effectively carry out their role as a pension board member (including pre-appointment training and mentoring if appropriate)</b>	A monitoring system / procedure should be contained in the training strategy and in place in order to assist the local pension board member to attain the level of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member	Partial compliance 	<p><i>Enter here whether a training strategy and plan have been adopted, where it can be found and the review process.</i></p> <p><i>Also state the post title or name of the person designated to take responsibility for ensuring that a framework is developed and implemented and how this is achieved</i></p> <p>The fund participated in the Hymans Robertson National Knowledge Assessment 2022, with the results considered at the January 2023 board meeting and the February 2023 committee meeting; identifying areas for improvement of knowledge and understanding for both committee and board members.</p> <p>To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members.</p> <p>The Pension Fund Manager is the lead support officer for, and a key participant in, pension board meetings and plays a key role in identifying and procuring training needs.</p> <p>The fund publishes CIPFA Knowledge and Skills Framework compliance statements in its annual report and accounts, which designates the Section 151 officer as having responsibility for ensuring the framework is implemented.</p>





	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.10	<b>The administering authority to maintain individual training plans for local pension board members</b>	Individual training records are kept and maintained of the learning activities of the local pension board members.	Partial compliance 	<p><i>Enter here the post title or name of the person designated to take responsibility for maintaining the individual training records of the local pension board members.</i></p> <p><i>Are these regularly reported to the board / individual?</i></p> <p>An item on board members' knowledge and understanding is included on each board meeting agenda, this includes reports on members' progress in completing the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules.</p> <p>This information is maintained by the Pension Fund Manager.</p> <p>To date no progress has been made in developing a fund-specific knowledge and understanding policy or individual learning plans for both pension fund committee and pension board members.</p>
P1.11	<b>Local pension board members to invest sufficient time in their learning and development alongside their other responsibilities.</b>	There is provision in the individual training plans to monitor and record attendance at training events and whether sufficient time is being invested in learning and development.	Partial compliance 	<p><i>Enter here the post title or name of the person designated to take responsibility for maintaining the individual training records of the local pension board members.</i></p> <p><i>Are these regularly reported to the board / individual?</i></p> <p><i>When / how?</i></p> <p>Board members are encouraged to attend development sessions provided by the fund, normally held virtually outside of the formal meeting schedule. They are also supported to attend regional and national training event.</p> <p>A report on members' progress in completing the Pension Regulator's online toolkit and the Hymans Robertson LGPS Online Learning Academy modules is presented at each board meeting, along with reports from attendees at external training events.</p> <p>The record of development activities is maintained by the Pension Fund Manager.</p>




	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P1.12	<b>Pension board members complete tPR's e-learning programme</b>	Local pension board members are required to complete the Pensions Regulator's e-learning programme but this is not in isolation and is supplemented by specific LGPS and related Fund learning activities	Partial compliance 	<i>Enter here whether the training strategy sets out the requirement or method by which local pension board members complete the Pensions Regulator's e-learning programme and how this is recorded and monitored</i> The role profile for pension board members includes a requirement that all 7 modules of the Pension Regulator's online toolkit be completed within 6 months of joining the board.  A report on members' progress in completing the Pension Regulator's online toolkit modules is presented at each board meeting. At 31 March 2023, three members had failed to comply with this requirement.
<b>P2</b>	<b>Conflicts of Interest</b>			
P2.1	<b>The administering authority should have in place an appropriate conflicts of interest policy, clearly identifying individual roles in identifying and reporting potential conflicts of interest and to whom any potential conflict should be reported</b>	Administering authorities should ensure that there is an agreed and documented conflicts policy & procedure, which includes identifying, monitoring & managing potential conflicts of interest.	Non-compliance 	<i>Enter here whether a conflicts policy is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i> Pension Board members are subject to a conflict of interest policy based on upon the Council's Code of Conduct contained within the constitution, as are all committee members.  It has been identified that there needs to be a new conflicts of interest policy specific to the pension board, with a register of interest form relevant to board members. To date no progress has been made on the development of this policy.  The creation of a fund-specific conflicts of interest policy is included on the fund's workplan for 2023-24.
P2.2	<b>The conflicts of interest policy has a regular review date incorporated in it</b>	Regular review date specified within the policy.	Non-compliance 	<i>Enter here if a regular review date has been implemented</i> The council's constitution is subject to regular review. The new board-specific policy will contain a review date, but as yet no policy has been created.


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

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



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


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P4</b>	<b>Managing Risks</b>			
<b>P4.1</b>	<b>The administering authority is required to have in place internal controls that include adequate systems, arrangements and procedures for the administration and management of the Fund (including external service providers and third parties)</b>	There are in place systems, arrangements and procedures to ensure that the scheme is being run in accordance with the scheme rules as set out in regulations. This will include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme.	Partial compliance 	<p><i>Enter here details of hierarchy and reporting</i>  <i>The existence of a risk register and its review frequency</i>  <i>The auditing arrangements of the fund administration.</i>  <i>If outsourced or shared service how the service provider is monitored against service levels</i></p> <p>The administration of the pension fund is undertaken in-house by Pensions Services, which is part of the Council's Business Centre. Accounting, governance including support for committee and pension board, and oversight of funding and investment is undertaken by the LGPS Finance Team, within the Finance department.</p> <p>There remain concerns over insufficient resource in the LGPS finance team to cover all requirements, with a significant reliance on a single officer, and that administration team resources will be insufficient to deliver forthcoming projects without compromising business as usual activities. The results of the independent review of the pension fund structure will be discussed by the council's Chief Executive, Director of Finance and Director of Corporate Resources in early May 2023.</p> <p>The pension fund's risk management policy was reviewed and updated in December 2021. It is published on the fund's website.  <a href="#">Risk Management Policy   Isle of Wight Pension Fund</a></p> <p>The fund's risk register was first adopted by the pension fund committee in May 2022. The pension board is responsible for maintaining oversight of the risk management framework and risk register; the register is reviewed in detail at each Local Pension Board meeting and then recommended for adoption at the next available Pension Fund Committee meeting.</p> <p>The council's Key Financial Controls are reviewed annually by internal audit; all controls in place for the council's accounting processes are replicated for the pension fund.                      The pension administration service was last reviewed in full by internal audit in 2019-20, with follow-up reviews in following years each returning "reasonable assurance"</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P4.2	<b>The administering authority should have in place a risk register to record all risks and actions taken, which is reviewed regularly</b>	An appropriate risk register is produced, recording all identified risks and action taken. This should be a standing item at all Pension Board meetings.	Full compliance 	<i>Enter where (if) the risk register is available and the person responsible for maintaining it.</i> The fund's risk register was first adopted by the pension fund committee in May 2022. The risk register is maintained by the Pension Fund Manager. The Local Pension Board is responsible for maintaining oversight of the risk management framework and risk register. The register is reviewed in detail at each Local Pension Board meeting, with changes recommended for adoption at the next available Pension Fund Committee meeting.  The most recent review by the Local Pension Board was in April 2023 <a href="https://iow.moderngov.co.uk/documents/s11393/ITEM%208%20Risk%20Register.pdf">https://iow.moderngov.co.uk/documents/s11393/ITEM%208%20Risk%20Register.pdf</a>
P4.3	<b>The administering authority should regularly review the effectiveness of its risk management and internal control processes</b>	Scheduled review dates should be included within the business remit of the Administering Authority. A review report should be produced detailing the effectiveness and any adjustments required with the Schemes risk management and internal controls	Full compliance 	<i>Enter here if there are scheduled review dates and their frequency.</i> Internal control processes for the pension fund mirror those for the administering authority, which are subject to review periodically by the council's internal audit team.  The pension fund's risk management policy was reviewed and updated in December 2021. The policy has an annual review date, which has not been achieved. The policy is scheduled for review in November 2024.  The fund's funding strategy statement was updated as part of the March 2022 triennial valuation process, and published on 31 March 2023 <a href="https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/">https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/</a>
P4.4	<b>Risk management and internal controls should be a standing item on the Pension Committee and pension board agendas</b>	Risk Management and internal controls included as an agenda item with the Pension Committee and pension board agendas.	Full compliance 	<i>Enter here whether risk management and internal controls have been added to the agenda.</i> Risk management and the risk register are considered at each meeting of the <a href="#">Local Pension Board</a> and the <a href="#">Pension Fund Committee</a> . The matter remains a standing item on both meeting agendas' as demonstrated by the workplan. <a href="https://iow.moderngov.co.uk/documents/s11363/ITEM%2015%20Pensions%20Workplan%202023-25%20v1.1.pdf">https://iow.moderngov.co.uk/documents/s11363/ITEM%2015%20Pensions%20Workplan%202023-25%20v1.1.pdf</a>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P5</b>	<b>Scheme record keeping</b>			
<b>P5.1</b>	<b>The administering authority must be able to demonstrate that they keep accurate, up to date and enduring records to be able to govern and administer the LGPS effectively</b>	There is in place a reliable pension administration software system for the purpose of keeping accurate and up to date scheme member data.	Full compliance 	<p><i>Enter here the system operated and its industry acceptance</i>  <i>If outsourced or shared service how the data is monitored for accuracy or how member information is kept up to date and notified to the service provider</i></p> <p>The Isle of Wight Council continue to use the Heywood Pension Technologies (HPT) Altair system which is a well-known database enabling the administration of pensions. The system is externally hosted, which ensures that all system updates are actioned on a timely basis, and system and data issues can be investigated promptly.                      A procurement exercise completed in June 2022 has renewed the contract for this system for the next 10 years.</p> <p>There is regular attendance at HPT user group CLASS meetings to discuss any issues and seek resolutions to any difficulties.                      Pensions Services team members attend training sessions to keep them abreast of any system updates to ensure that records are maintained accurately.</p> <p>100% of the fund's employers are providing monthly electronic data submissions via the i-connect portal.</p>






	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.2	<b>The administering authority must ensure that scheme member data across all membership categories specified in the Record Keeping Regulations is complete and accurate and the data is subject to regular data evaluation</b>	<p>There is in place a procedure for all membership categories to pass on information with regard to changes in their own circumstances</p> <p>There is in place a procedure for scheme employers to advise of changes in circumstances of their scheme members</p>	<p>Full compliance</p> 	<p><i>Enter here whether such procedures exist to notify changes in scheme member data</i></p> <p>All members are encouraged to notify the pension administration team of any changes in their circumstances. The preferred method of notification is via the member self-service (MSS) portal which is a secure method of making changes to their member records.</p> <p>In addition, copies of change forms are available on the pension web pages. Members can also write or email in their changes.</p> <p>The use of the i-connect portal for monthly data submissions, with 100% of scheme employers expected to be onboard by April 2023, has significantly improved the timeliness of notification of changes to members' circumstances.</p> <p>The fund's actuary provided a data report following the 2022 triennial valuation exercise, which confirmed "<i>the membership data submitted by the Fund for the 2022 valuation is of great quality and fit the purpose of a funding valuation There are evident ongoing improvements in the data quality versus the 2019 valuation which resulted in a much streamlined data validation process.</i>"</p>
P5.3	<b>The administering authority must keep specific data which will enable it to uniquely identify a scheme member and calculate pension benefits correctly</b>	<p>Scheme members have a unique identifier on the pension administration software system.</p>	<p>Full compliance</p> 	<p><i>Enter here what identifier is used (e.g. NI number, payroll number, scheme reference number)</i></p> <p><i>Enter also whether or not scheme members can be identified by searching by surname or alternative if unique number not yet allocated or unavailable</i></p> <p>All members have their NI number recorded.</p> <p>All active members have a payroll number provided by their provider. This would be unique to their role. If a unique reference has not been provided by a payroll provider or employer a member would be able to be identified by name date of birth and address.</p> <p>Each employer within the fund is allocated a unique scheme reference number.</p> <p>A unique pensioner number is assigned when a member becomes a pensioner.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.4	<b>The administering authority should require participating employers to provide them with timely and accurate data</b>	Processes are established which facilitates the transmission of complete and accurate data. Employers are aware of the importance of accurate and timely submission of data and have access to expertise in order to resolve queries.	Full compliance 	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i></p> <p><i>Is there a pension administration strategy in place?</i></p> <p><i>Is there information for employers on the website?</i></p> <p><i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>From April 2023 it is anticipated that 100% of employers within the fund use the i-connect portal for the monthly submission of membership data. All new employers are set up on i-connect from the commencement of their engagement with the fund.</p> <p>The fund is in the process of consulting on a new Pension Administration Strategy – the draft of which was presented to the Local Pension Board meeting on 6 April 2023. <a href="https://iow.moderngov.co.uk/documents/s11369/ITEM%2011%20Pension%20Admin%20Strategy.pdf">https://iow.moderngov.co.uk/documents/s11369/ITEM%2011%20Pension%20Admin%20Strategy.pdf</a></p> <p>The strategy contains provision for the application of sanctions (including financial penalties where appropriate) for late or inaccurate submission of data.</p> <p>There is not currently a dedicated employer section on the fund's website, but this is under consideration. In the meantime, a timetable and guidance on the requirements for providing data (including copy forms) is provided to each employer and payroll provider at the start of each year.</p> <p>During the year ended 31 March 2023, there were 8 instances (3 employers) of late submission of data. There were 16 instances (7 employers) of late payment of contributions.</p>


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

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.6	<b>The administering authority should have policies and procedures in place for the regular monitoring of data</b>	Scheme managers must establish and operate adequate internal controls, which should include processes and systems to support record-keeping requirements and ensure that they are effective at all times.	Full compliance 	<p><i>Enter here whether there are policies and procedures in place, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p>The use of the i-connect portal by all fund employers will ensure that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events.</p> <p>The fund approved a new Pension Administration Strategy (PAS) in May 2023 <a href="https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/">https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/</a> The PAS is managed by the Pensions Manager (Administration) who is also responsible for monitoring and reporting compliance against the standards included therein.</p> <p>As part of the ongoing process of data quality monitoring, the fund regularly uses the Hymans Robertson data portal (as used for each triennial valuation) to identify any further issues for data accuracy.</p> <p>The fund's actuary provided a data report following the 2022 triennial valuation exercise, which confirmed "<i>the membership data submitted by the Fund for the 2022 valuation is of great quality and fit the purpose of a funding valuation There are evident ongoing improvements in the data quality versus the 2019 valuation which resulted in a much streamlined data validation process.</i>"</p>
P5.7	<b>The administering authority should carry out regular (at least annually) data reviews</b>	Administering authorities establish twice yearly dates to review the data quality held for the scheme. Internal process completed to investigate quality.	Full compliance 	<p><i>Enter here confirmation details of the data reviews</i></p> <p>Data quality scores are measured using the HPT software. The most recent evaluation was completed in September 2023 and resulted in the following scores: Common data Sep-23: 98.2% (Oct-22: 95.5%; Sep-21: 94.0%) Scheme specific data Sep-23: 97.0% (Oct-22: 96.8%; Sep-21: 94.0%)</p> <p>The fund's actuary provided a data report following the 2022 triennial valuation exercise, which confirmed "<i>the membership data submitted by the Fund for the 2022 valuation is of great quality and fit the purpose of a funding valuation There are evident ongoing improvements in the data quality versus the 2019 valuation which resulted in a much streamlined data validation process.</i>"</p>

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.8	<b>The administering authority should ensure that appropriate procedures and timescales are in place for scheme employers to provide updated information when member data changes</b>	Processes are established which details the timely transmission of complete and accurate data	Full compliance 	<p><i>Enter here whether an established process is in place for the timely and accurate transmission of data</i></p> <p><i>Is there a pension administration strategy in place?</i></p> <p><i>Is there information for employers on the website?</i></p> <p><i>Are there penalties for late submission or supply of inaccurate data?</i></p> <p>The use of the i-connect portal by all fund employers will ensure that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events.</p> <p>The fund approved a new Pension Administration Strategy (PAS) in May 2023 <a href="https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/">https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/</a></p> <p>The PAS is managed by the Pensions Manager (Administration) who is also responsible for monitoring and reporting compliance against the standards included therein.</p> <p>Employer compliance is reported to each Local Pension Board meeting. The latest report (at July 2023) can be found here: <a href="https://iow.moderngov.co.uk/documents/s12635/ITEM%208%20Admin%20Team%20Report%20-%20Appendix%204_Employer%20Compliance%2030%20July%202023.pdf">https://iow.moderngov.co.uk/documents/s12635/ITEM%208%20Admin%20Team%20Report%20-%20Appendix%204_Employer%20Compliance%2030%20July%202023.pdf</a></p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.9	<b>The administering authority should be able to trace the flow of funds into and out of the scheme, reconcile these and keep records of transactions</b>	There are audited processes in place that record transactions into and out of the Fund	Full compliance 	<p><i>Enter here confirmation that regular audits take place on the processes in accounting and reconciling monies into and out of the fund</i></p> <p>The fund uses the Logotech Public Sector Treasury Management System to record and monitor cash flows in and out of the fund, recording the anticipated contributions (timing and estimated values) and the actual amounts received, as well as forecast benefit payments against those actually paid. If funds are not received on the expected date, the administration team chase the missing information. This information is used to forecast the levels of operational cash maintained by the fund.</p> <p>The fund uses the SAP accounting system to record all financial transactions for the fund, and to produce regular accounting information for the pension fund committee and local pension board as well as the annual report and accounts. The treasury management processes for the fund are covered by the council's internal audit universe and are reviewed annually by the internal audit provider. The financial statements for the fund are audited annually by the fund's external auditors, Ernst &amp; Young.</p> <p>Reports from both sets of auditors are presented to the pension fund committee and local pension board.</p>
P5.10	<b>The administering authority must keep records of pension board meetings and discussions and records of decisions made other than at a local pension board meeting that is later ratified.</b>	Records are available that show decisions made and discussions at local pension board meetings and those that take place outside and are later ratified at a local pension board meeting	Full compliance 	<p><i>Enter here where the records are available</i></p> <p><i>Add link to webpage</i></p> <p>All board meeting agendas, papers and minutes are published on the council's democratic web pages  <a href="https://iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&amp;Year=0">https://iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&amp;Year=0</a></p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.11	<b>The administering authority should retain records for as long as they are needed and have in place an adequate system and process for record retention</b>	A policy on document retention is in place that includes the retention of local pension board papers and documents	Partial compliance 	<p><i>Enter here whether there is a policy document in place that includes the retention of local pension board papers and documents</i>  <i>Add the retention time limit</i>  <i>Add link to webpage</i></p> <p>Isle of Wight Council has replaced its data retention policy with a Records Management Policy, which defines a structure to ensure that adequate records, in any medium, are maintained, managed, stored and controlled effectively, commensurate with legal, operational and administrative needs.  <a href="https://wightnet.iow.gov.uk/DocumentLibrary/download/records-management-policy1">https://wightnet.iow.gov.uk/DocumentLibrary/download/records-management-policy1</a></p> <p>The new policy states that each service area should maintain an Information Asset Register (IAR), which will contain relevant document retention periods.</p> <p>The IAR for democratic services states that the council's data retention period for hard copies of council meeting papers and minutes is in perpetuity. Electronic public access will be retained for 6 years from the date of relevant meeting.</p> <p>The fund has not yet created its own IAR.</p>
P5.12	<b>Where the administering authority has identified poor quality or missing data there should be a data improvement plan in place</b>	A data improvement plan is in place which contains measures for the administering authority to monitor and a timeframe for attaining accurate data	Full compliance 	<p><i>Enter here whether a data improvement plan is in place with timescales for data improvement or what measures will be taken where inaccurate data is discovered</i></p> <p>The administration team have identified a number of key projects which will continue to improve the quality of the fund's data. These include the finalisation of the GMP reconciliation and rectification project; implementation of the McCloud remedy (in due course); onboarding the remaining payroll provider to the i-connect system; the use of the tracing service to confirm addresses and mortality screening; and the review of the most recent data quality score reports.</p> <p>There is currently no formal data improvement plan in place, although individual projects are monitored and progress is reported to each board meeting. The current governance workplan includes creation of a data maintenance plan to demonstrate activities in place.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P5.13	<b>The administering authority should reconcile member records with the relevant employers and be able to identify those scheme members who are approaching retirement, those who are active members and those that are deferred members</b>	Scheme member records are reconciled with the relevant employers at least on an annual basis. Pension Administration software systems can identify scheme members approaching retirement, active members and deferred members.		<i>Enter here when and how scheme member records are reconciled with their relevant employers. Confirm that the pension administration software system can identify scheme members approaching retirement, active members and deferred members. <b>Sent to Matt for comment 6 October</b></i>
P5.14	<b>The administering authority must ensure that processes created to manage scheme member data are compliant with the General Data Protection Regulation (GDPR) 2018, in association with the Data Protection Act 2018 and the data protection principles.</b>	GDPR and Data Protection Act are complied with and all relevant persons are aware of their responsibilities	Partial compliance 	<i>Enter here how this awareness is communicated</i> <i>Officers – internal</i> <i>Committee/LPB members –induction / info packs</i> The council continues to require all staff and elected members to complete online learning modules in respect of Data Protection Awareness, Information Security Awareness and Cyber Security Awareness. Completion of these courses is monitored at 121 meetings with supervisor. At the July 2022 pension committee meeting, committee members were asked to complete these modules to demonstrate their awareness. Progress on completion of these modules will be reported at each committee meeting. All members of the committee and board have been encouraged to complete the Pension Regulator’s online toolkit module on maintaining accurate member data  All members of the Pension Board have been encouraged to complete the Hymans Robertson LGPS Online Learning Academy modules.



Commented [TJ1]: (last year partial compliance, expect this as minimum maybe full this year)





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



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P6</b>	<b>Maintaining Contributions</b>			
<b>P6.1</b>	<b>The administering authority should ensure there are effective policies and procedures in place to identify payment failures and assess the materiality of any failures identified</b>	All employers are aware of the payment deadlines Procedures and processes are in place to monitor the payment of contributions, record payments of contributions to the Fund, manage overdue contributions and identified payment failures are reported to a senior officer.	Full compliance 	<p><i>Enter here how employers are made aware of their responsibilities to meet contribution payment deadlines (Pension Administration Strategy, Admission Agreement)</i></p> <p><i>Confirmation that procedures are in place to monitor and record payments of contributions to the</i></p> <p><i>The action taken when a payment failure is identified and the reporting responsibilities</i></p> <p>The fund approved a new Pension Administration Strategy (PAS) in May 2023 <a href="https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/">https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/</a></p> <p>The strategy sets out the deadlines for the submission of data and payment of contributions. It contains provision for the application of sanctions (including financial penalties where appropriate) for the late payment of contributions. Employers are reminded of the deadlines when the annual employer update is circulated prior to each new financial year.</p> <p>All employers now pay their contributions on a monthly basis by electronic bank transfer, with the exception of one parish council who still pay by cheque.</p> <p>A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer, with continued non-compliance reported to management.</p> <p>The receipt of contributions is monitored by both the pension administration team and the Council's treasury management team.</p> <p>Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting. During the year ended 31 March 2023, there were 16 instances (7 employers) of late payment of contributions. The escalation process, via the Pension Fund Manager, was instigated for one employer. No fines or penalties were issued during the year. Employer compliance is also reported in the fund's annual report and accounts.</p>


	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P6.2	<b>Employers should be provided with the necessary guidance to ensure they provide the required information to enable contributions to be monitored</b>	Employers are provided with the necessary scheme documents and training requirements to fulfil their obligations within the Scheme. - Contribution templates - Fund liaison contact for contributions	Full compliance 	<i>Enter here where the employer contribution documents are held and the person responsible for maintaining them.</i> <i>Detail the Fund's contact for contribution pay over.</i> At the start of each financial year, guidance is provided to all employers including the employer contribution rate for the forthcoming year, and the timetable for submission of data and contributions.  Following each triennial valuation, employers receive detailed communications about their funding level and required contribution rates. Meetings are offered with the fund's actuary to discuss and agree the contribution rate.  The funding strategy statement for each valuation (2022 valuation linked below) is then published on the fund's website – this contains the rates and adjustment certificate setting out contribution rates for the three years following the valuation. <a href="https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/">https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/</a>  A generic address is provided for employer queries: <a href="mailto:pensions@iow.gov.uk">pensions@iow.gov.uk</a>
P6.3	<b>Where the administering authority identify a payment failure they should follow a process to resolve issues quickly (e.g. monthly monitoring of employer payments to ensure contributions paid on time and in full) and maintain a record of investigations and communications in relation to such failures</b>	Records are maintained of investigations and communications (and outcomes) in relation to payment failures, together with communication with the employer	Full compliance 	<i>Enter here confirmation that a procedure and process is in place to resolve issues where there is a payment failure by an employer</i>  The fund approved a new Pension Administration Strategy (PAS) in May 2023 <a href="https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/">https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/</a>  The strategy sets out the deadlines for the submission of data and payment of contributions. It contains provision for the application of sanctions (including financial penalties where appropriate) for the late payment of contributions.  A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer, with continued non-compliance reported to management.  Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting.

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P6.4	<b>The administering authority should review processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.</b>	This will be identified on the fund's risk register A regular review of processes to detect fraud is undertaken	Full compliance 	<i>Enter here confirmation the process to detect situations where fraud may take place is recorded on the risk register (enter reference)</i> <i>Confirm that regular reviews of the process to detect fraud are undertaken (date of last review / date of next review)</i> The use of the i-connect portal by the vast majority of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events. It also ensures that the correct contribution rates are applied relative to the member's salary.  The fund tracing service confirms addresses of those deferred members with whom the fund has been unable to establish recent contact, and carried out mortality screening for both UK and overseas pensioners to prevent overpayment of benefits.  The council participates in the National Fraud Initiative (NFI) exercise to match data and ensure consistency.
P6.5	<b>The administering authority must report payment failures which are likely to be of material significance to the Regulator.</b>	Responsible officers are aware of the requirement and there is a procedure in place for reporting payment failures to the regulator in accordance with the code of practice	Full compliance 	<i>Enter here where the procedure is documented (reporting policy)</i> The fund updated its <i>Policy for recording and reporting breaches of the law</i> in September 2023. This was approved by Local Pension Board on 5 April 2023, and was adopted by the pension fund committee at its meeting on 6 September 2023. <a href="https://low.moderngov.co.uk/documents/s11354/ITEM%2010%20Recording%20and%20Reporting%20Breaches.pdf">https://low.moderngov.co.uk/documents/s11354/ITEM%2010%20Recording%20and%20Reporting%20Breaches.pdf</a>  Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting. Due to the size of the employers within the fund, it is unlikely that any failure to report and pay will be of material significance to the Pensions Regulator. However, all incidents will be included on the breaches log, with an assessment of significance.



Commented [TJ2]: Update this link once the new policy is uploaded onto the website

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P7</b>	<b>Member communication</b>			
<b>P7.1</b>	<b>Administering authority to provide an annual benefit statement to all active, deferred and pension credit members containing certain legal information and to ensure all AVC members are provided with a similar statement from their AVC provider</b>	Annual benefit statements are issued to each active, deferred pensioner and pension credit member. Statements must be issued no later than 5 months after the end of the Scheme year to which it relates The Administering Authority will have liaised with the Schemes AVC provider and ensured an appropriate timetabled production of the members AVC statement is produced.	Full compliance 	<i>Enter here the date annual benefit statements were issued to active, deferred and pension credit members and the relevant Scheme year to which it relates</i> <i>Enter here the Administering Authorities AVC provider and the agreement details for the member's annual benefit statement production.</i> Annual Benefits Statements (ABS) for all active, deferred and pension credit members are issued by 31 August in line with statutory deadlines, via the Member Self Service (MSS) portal. Performance against the statutory deadline is reported to the pension board as part of the administration report at each meeting.  The fund's AVC provider, Prudential, issue confirmation to individual members their ABS has been uploaded to their portal and provide instructions to the member to support access. The fund receives confirmation from Prudential that the statements have been distributed; AVC ABS for March 2023 was issued on 5 September 2023.
<b>P7.2</b>	<b>The administering authority must provide scheme members with basic scheme information, meeting minimum legal requirements</b>	The fund will have in place a communication policy which contains details of what information is provided to scheme members and the communication media.	Full compliance 	<i>Enter here confirmation that a communication policy is in place (link to webpage) which sets out what information is provided to scheme members and how it is communicated (scheme booklet, dedicated fund website, council webpage)</i> The fund's communications policy was updated in November 2022 and is published on the fund's website. <a href="https://www.isleofwightpensionfund.org/resources/communications-policy/">https://www.isleofwightpensionfund.org/resources/communications-policy/</a>  Recruitment material for all council vacancies includes reference to the Local Government Pension Scheme. New employees are provided with information in their contract of employment and access to the Member Self Service portal which holds individual data. A representative of the Pensions Services team delivers information about the LGPS at each council corporate induction event.  The pension fund website <a href="#">Home   Isle of Wight Pension Fund</a> provides up to date local information on the scheme to prospective and existing members, including links to the National LGPS website



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P7.3	<b>Disclosure regulations make provision for scheme members and others to receive information that is relevant to their pension rights and scheme entitlements and provided within certain legal timescales</b>	<p>The fund will have in place a communication policy that sets out how and when it will communicate with any of the following “relevant persons” within the prescribed legal timescales.</p> <ul style="list-style-type: none"> <li>• Active members</li> <li>• Deferred members</li> <li>• Pensioner members</li> <li>• Prospective members</li> <li>• Spouses, civil partners of members or prospective members</li> <li>• Other beneficiaries</li> <li>• Recognised trade unions</li> </ul>	<p>Full compliance</p> 	<p><i>Enter here confirmation that a communication policy is in place (link to webpage) which sets out what information is provided to scheme members and how it is communicated (scheme booklet, dedicated fund website, council webpage)</i></p> <p>The fund’s communications policy was updated in November 2022 and is published on the fund’s website.  <a href="https://www.isleofwightpensionfund.org/resources/communications-policy/">https://www.isleofwightpensionfund.org/resources/communications-policy/</a>                      The policy sets out the proposed methods and frequency of communications with scheme members and employers.</p> <p>2022-23 Annual Benefit Statements (ABS) for all active, deferred and pensioner credit members were published on the Member Self Service portal in advance of the 31 August 2023 statutory deadline.                      2022-23 Pension Saving Statements for impacted members were issued individually in advance of the 6 October 2023 deadline.</p> <p>A report on performance against service key performance indicators (KPIs) is provided to each pension board meeting, demonstrating the level of compliance with key activities against prescribed service standards. The report for the period ended 28 February 2023 was presented to the April 2023 board meeting.  <a href="https://iow.moderngov.co.uk/documents/s11373/ITEM%20%20Pensions%20Admin%20Report%20-%20Appendix%203_KPI%20statistics%2028%20February%202023.pdf">https://iow.moderngov.co.uk/documents/s11373/ITEM%20%20Pensions%20Admin%20Report%20-%20Appendix%203_KPI%20statistics%2028%20February%202023.pdf</a></p> <p>The pension fund website <a href="#">Home   Isle of Wight Pension Fund</a> provides up to date local information on the scheme to prospective and existing members, including links to the National LGPS website</p>
P7.4	<b>Where information is provided electronically it should comply with legal requirements</b>	<p>Administering authority ensuring that all electronically produced information complies with the legal requirement</p>	<p>Full compliance</p> 	<p><i>Enter here whether or not the administering authority has complied with the legal requirements.</i></p> <p>Annual Benefit Statements for active and deferred members are primarily published on the Member Self Service (MSS) portal.</p> <p>All active members have been informed of the MSS portal via internal communication at the council, and emails to school business partners and nominated payroll contacts at external employers.</p> <p>All deferred members have received a letter and Newsletter confirming their ABS is on the portal and how to register.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P7.5	<b>The administering authority should attempt to make contact with their scheme members and where contact is not possible carry out a tracing exercise to locate scheme members.</b>	A tracing service has been engaged to trace scheme members where contact details are considered incorrect		<p><i>Enter here whether or not a tracing service is used and the circumstances in which it is used.</i></p> <p>The fund appointed Target in September 2022 to carry out address tracing and mortality screening services for UK and overseas deferred members and pensioner members of the fund.</p> <p><i>emailed Matt 10 Oct for update on outcomes</i></p>
P7.6	<b>Requests for information should be acknowledged if information requested cannot be immediately provided.</b>	A customer service standard is in place that requires a written response to be provided within a specified timescale and where that response cannot be provided that a letter of acknowledgement is sent with an indicative response time.	<p>Full compliance</p> 	<p><i>Enter here to confirm that a customer service standard is in place and what the response timescales</i></p> <p>The fund's communications policy, published on the fund's website, establishes the timescales for responses to various requests for information.  <a href="https://www.isleofwightpensionfund.org/resources/communications-policy/">https://www.isleofwightpensionfund.org/resources/communications-policy/</a></p> <p>For communication received via the pension team generic e-mail account (<a href="mailto:pensions@iow.gov.uk">pensions@iow.gov.uk</a>), an automatic acknowledgement is delivered advising a response will be made within 5 working days. Members are also referred to the member self-service portal where some information is readily available.</p> <p>Key performance indicators of compliance with agreed service standards are reported to each meeting of the pension board.</p>

Commented [TJ3]: (Last year partial compliance, expect full compliance this year)

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
<b>P8</b>	<b>Internal Dispute Resolution Procedure</b>			
<b>P8.1</b>	<b>The administering authority has in place an Internal Dispute Resolution Procedure</b>	An Internal Dispute Resolution Procedure is in place in accordance with the LGPS regulations and it clearly states the procedure and process to apply for a dispute to be resolved including – - Who it applies to - Who the adjudicator is (stage 1) - Who to contact with a dispute - The information that an applicant must include - How the final decision is reached - How the dispute can be escalated if dis-satisfied - The appropriate timescales	Partial compliance 	<i>Enter here confirmation that there is an Internal Dispute Resolution Procedure in place in accordance with the LGPS regulations and the required information included in correspondence where required (inc. website, booklets, etc.)</i> Link to webpage The <i>Complaints and Internal Disputes Resolution Procedure</i> (adopted in November 2017) is published on the fund's website: <a href="https://www.isleofwightpensionfund.org/resources/idrp-guide/">https://www.isleofwightpensionfund.org/resources/idrp-guide/</a> This document is overdue for review; this review is included in the current governance improvement plan and will be completed by 31 March 2024.
<b>P8.2</b>	<b>The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes</b>	A 'specified person' has been nominated by the scheme employer. The appropriate timescales known by the scheme employer for their reply.	Non compliance 	<i>Enter here if a list of the 'specified person' for each employer is in existence, where it is held and who maintains it.</i> Unknown: as part of the approval process for the updated Internal Dispute Resolution Procedure, contact will be made with all scheme employers to determine and record their internal processes. No progress has been made on this issue since the last reporting period.



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P8.3	<b>The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (inc. the employer processes at stage 1)</b>	The administering authority to complete an annual review of its dispute process. Ongoing and completed disputes to be logged appropriately. Timescales for completion of dispute cases reviewed.	Non compliance 	<i>Enter here the details of the annual review, where it is held and the post title(s) of the person(s) responsible for maintaining it. Is this accessible on the Fund's website?</i> The published Complaints and Internal Disputes Resolution Procedure is overdue for review. This review is included in the current governance improvement plan and will be completed by 31 March 2024.
<b>P9</b>	<b>Breaches of the Law</b>			
P9.1	<b>The administering authority should be satisfied that those responsible for reporting breaches of the law are made aware of their legal requirements and the Pensions Regulator's guidance.</b>	Those responsible for reporting breaches are made aware of the legal requirements and the regulator code of practice. Relevant training should be provided to those responsible for reporting breaches. Sign off required on completion of training and understanding. All those that are responsible to report breaches, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligation.	Full compliance 	<i>Enter here the details of all training provided and the corresponding training documentation.</i> <i>-Include the procedures used</i> <i>-List of names and roles that should report breaches within the Fund</i> <i>-Training list document</i> <i>-Annual review of post holders involved</i> As part of the process for the adoption of the updated <i>Policy for the recording and reporting of breaches of the law</i> both local pension board and pension fund committee were provided with a short development session within their respective meetings, setting out the purpose of the policy, what could be considered a breach, who is responsible for reporting potential breaches, to whom these should be reported, when breaches should be reported to the Pensions Regulator, and the new breaches log. The session also included reference to the Pension Regulator's draft general code requirements in respect of breaches of the law.  In addition, all local pension board members are encouraged to complete the Pension Regulator's online toolkit module dealing with reporting breaches of the law within 6 months of their joining the board.

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P9.2	<b>The administering authority should have a breaches of the law policy in place</b>	Breaches of the law policy detailed within the Fund's annual governance statement	Full compliance 	<p><i>Enter here whether a policy is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i></p> <p>The fund updated its <i>Policy for recording and reporting breaches of the law</i> in September 2023. This was approved by Local Pension Board on 5 April 2023, and was adopted by the pension fund committee at its meeting on 6 September 2023.</p> <p><a href="https://low.moderngov.co.uk/documents/s11354/ITEM%2010%20Recording%20and%20Reporting%20Breaches.pdf">https://low.moderngov.co.uk/documents/s11354/ITEM%2010%20Recording%20and%20Reporting%20Breaches.pdf</a></p> <p>The Pension Fund Manager is responsible for reviewing and updating the policy.</p>
P9.3	<b>The administering authority should maintain a breaches log and have identified a person responsible for maintaining the breaches of the law policy, logging, reporting and recording processes</b>	Named person detailed within the Funds annual governance statement. Breaches log established, updated and maintained. Confirmation of the reporting of breaches.	Partial compliance 	<p><i>Enter here the post title(s) of the person(s) responsible.</i></p> <p>The new <i>Policy for recording and reporting breaches of the law</i> includes a template Breaches Log, which is updated and maintained by the Pension Fund Manager.</p> <p>The pension fund committee agreed that the breaches log would be presented to all future Local Pension Board meetings for scrutiny, and that the board would report back to the committee on all actions.</p> <p>Since the adoption of the new policy, there have been no Board meetings.</p>

Commented [TJ4]: Update this link once the new policy is uploaded onto the website

# Annual Report of Isle of Wight LGPS Pension Board for 2022/2023

## 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 2022 to 31 March 2023 during which the Board held 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.

I am pleased to say that, with the support of the Pension Fund Manager, Pensions Manager and the Chair of the Pension Committee, the Board made good progress in fulfilling its terms of reference during the 2022-23 financial year and the Board is 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.

During 2022-23 the Board undertook a wide range of work, as set out in the “Detailed Work of the Board” section of this Annual Report – including:

- In October 2022 a self-assessment of the Fund’s compliance with TPR Code of Practice 14. This review confirmed that whilst most of the areas reviewed were found to be adequately controlled and the risks well managed, in a small number of areas, compliance levels have fallen, reflecting the fact that new board members had not yet completed all required learning and development modules and that the fund had not reviewed its policies for recording and reporting breaches of the law, complaints and disputes. An action plan has been developed to address these areas of non-compliance.
- The Board has concerns that there is a significant key person dependency risk (the risk that losing key persons, due to resignation, disability, retirement, etc., will have substantial detrimental impact on the operation of the Fund). The Board, in October 2022, received a presentation from Barnett Waddingham on their review of the fund’s operational structure in light of current and future work requirements. This will be monitored by the Board during 2023-24.
- Also, cyber risk has been a priority for the Board and for the first time, data security assurances, including adherence to national data security standards have been obtained from our main IT partners. The Board will continue to work with fund officers to develop its understanding of the Fund’s cyber resilience.

Martin Doyle - Independent Chair of the Isle of Wight Local Pension Board.  
6 April 2023

## 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 2022-23 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	05-May-25
Ashley Curzon	Employer rep	19-Jan-22	18-Jan-26
Liz Kingston	Employer rep	01-Jun-22	31-May-26
Trevor Ould	Scheme member rep	17-Nov-21	16-Nov-25
Neil Cain	Scheme member rep	01-Apr-22	31-Mar-26
Barbara Milton	Scheme member rep	01-Apr-22	31-Mar-26

- 1.8. The Board was scheduled to meet on four occasions during the year. All meetings took 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.

	Indep. Chair	Employer rep 1	Employer rep 2	Employer rep 3	Scheme member rep 1	Scheme member rep 2	Scheme member rep 3	
06-Apr-22	√	aps	√		√	√	√	83%
15-Jun-22	√	√	√	√	√	√	aps	86%
26-Oct-22	√	√	√	√	aps	√	√	86%
17-Jan-23	√	√	√	√	√	√	√	100%
	100%	75%	100%	100%	75%	100%	75%	<b>89%</b>

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 2022-23 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £2,500 (2021-22: £145).
- 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 2022-23, the work of the Board included:
- Monitoring of KPI's for review at each Board Meeting
  - Review of the Fund Risk Management Policy – April 2022 meeting
  - Review of the new Pension Fund Risk Register – June 2022 meeting and then risk register considered at each subsequent meeting
  - Structure Review Update – October 2022 meeting
  - Review of the Governance Compliance Statement 2021-22 (compliance with pensions legislation) – October 2022 meeting
  - Review of the Climate Change/ ESG Activities – October 2022 meeting
  - Communications Strategy Review (new Communications Policy) – June 2022 meeting
  - Review of the Triennial Valuation process – October 2022 meeting
  - Review of cyber risk resilience – October 2022 meeting
  - Review of Funding Strategy Statement as part of the consultation process for the assumptions used for the Triennial Valuation – January 2023 meeting
  - Priorities for policies updates/reviews
  - LGA and legislation update
- 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 2022-23, 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 and there will be further training to be undertaken to improve knowledge in this area over the coming year.

### 3.5 Scheme Advisory Board (SAB)

3.5.1 The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings.

3.5.2 The SAB commissions periodic surveys of local pension boards, 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, following a decision by the ACCESS Pool Joint Committee to invite representation from local pension boards, two members from the Isle of Wight Board attended their 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-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2022.

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 2023-24 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 financial year.

Martin Doyle  
Chair, Isle of Wight Council LGPS Local Pension Board  
6 April 2023

## **Knowledge and Skills Framework Compliance Statements**

Dated: 23 November 2023

### **Policy statements**

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

### **Member and officer training report**

All committee and board members were required to complete The Pension Regulator's public sector online toolkit during the year. Despite frequent reminders, only four (out of eight) committee members completed the toolkit, as did four (out of seven) board members.

All board members were also required to complete the Hymans Robertson LGPS Online Learning Academy module during the year. By 31 March 2023, only two board members had completed all seven module, with three others having made progress on at least two modules.

Only two training and development workshops were delivered during 2022-23, outside of the normal committee meeting cycle. Members of both committee and board were invited to attend both events held.

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

- 28 October 2022: Investment Strategy.

- 09 November 2022: Pensions Dashboard project

Both workshops were facilitated by the fund's external advisers.

**Table 1: development attendance**

		28-Oct-22	09-Nov-22	
committee	Chair	√	x	50%
	Vice-chair	√	x	50%
	Elected member 1	√	x	50%
	Elected member 2	x	x	0%
	Elected member 3	√	x	50%
	Elected member 4	x	x	0%
	Elected member 5	x	√	50%
	Scheme member rep	x	√	50%
	Employer rep			n/a
board	Independent Chair	√	√	100%
	Employer 1	x	x	0%
	Employer 2	√	√	100%
	Employer 3	√	√	100%
	Scheme member 1	√	√	100%
	Scheme member 2	x	√	50%
	Scheme member 3	x	x	0%
Committee Total		50%	25%	<b>38%</b>
Board Total		57%	71%	<b>64%</b>

In addition to the above workshops, during the year the committee received presentations from three of the fund's seven investment managers in respect of the

performance of their portfolios, and relevant issues impacting the financial markets.

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

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

DRAFT - November 2023

# **Isle of Wight Council Pension Fund Risk Management Policy**

**November 2021**

## 1. Document information

Title	Isle of Wight Council Pension Fund Risk Management Policy
Status	Draft
Current Version	V2.1
Author	Jo Thistlewood, Technical Finance Manager Financial Management <a href="mailto:Jo.Thistlewood@iow.gov.uk">Jo.Thistlewood@iow.gov.uk</a> 01983 821000 ext. 6371
Sponsor	Chris Ward Director of Finance and Section 151 Officer <a href="mailto:chris.ward@portsmouthcc.gov.uk">chris.ward@portsmouthcc.gov.uk</a>
Consultation	Financial Management Pension Administration Team Organisational Development Legal Local Pension Board
Approved by	<i>Isle of Wight Pension Fund Committee</i>
Approval date	<i>24 November 2021</i>
Review frequency	Annually, or more frequently as required
Next review	2022

### Version Control

Version	Date	
1.0	06 September 2019	First draft from Hymans Robertson LLP
1.1	14 October 2019	Internal review
1.2	08 November 2019	For 19/11 Pension Board meeting
1.3	22 November 2019	Post board meeting
1.4	06 December 2019	For adoption
1.4	19 December 2019	FINAL
2.0	04 November 2021	Review Hymans Robertson LLP and TFM
2.1	10 November 2021	Call over review
2.1	24 November 2021	FINAL

---

## 2. Contents

1.	Document information .....	186
2.	Contents .....	187
3.	Introduction.....	188
4.	Aims and Objectives.....	188
5.	Scope .....	189
6.	Appetite for risk.....	189
7.	Risk Management Process.....	190
8.	Reporting.....	193
9.	Risks to success of policy.....	194
10.	Approval and review .....	194
11.	Related documents.....	195
	Appendix 1: Scoring Criteria.....	196



### **3. Introduction**

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

### **4. Aims and Objectives**

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

## 5. Scope

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

## 6. Appetite for risk

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

## 7. Risk Management Process

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

### Identification

7.2. Various methods have been adopted by the Fund in order to identify risks, including:

- risk assessment awareness exercises provided to the Pension Fund Committee, Local Pension Board and senior Fund officers.
- reviewing the Fund's Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).
- reviewing the Fund's Governance Compliance Statement.
- reviewing the Fund's administration policy.
- reviewing the Fund's communication policy.
- assessment against the Fund's agreed objectives and business plan.
- consideration by senior Fund officers.

7.3. Additionally, risks will be identified via:

- findings from internal and external audit reports.
- informal meetings of senior officers or other staff involved in the management and administration of the Fund.
- "horizon scanning" which involves analysis of future trends and emerging issues.
- liaison with other organisations and professional advisers.
- feedback from members of the Pension Fund Committee and Pension Board.

7.4. Risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of those risks.

### Analysis and evaluation

7.5. Identified risks are then considered and scored against both their likelihood of occurring and their impact if they did. This exercise is carried out before consideration of any mitigations that may be put in place in order to give an inherent score. Following the consideration of any mitigations that may be appropriate risks will be further assessed to provide a target score.

7.6. The gradings for likelihood and impact are combined to determine the overall risk rating for each risk, using the scoring grid below.

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

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

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

### Classification

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

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

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

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

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

## Control

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

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

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

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

## Monitoring

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

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

## 8. Reporting

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

---

## 9. Risks to success of policy

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

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

## 10. Approval and review

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

---

## 11. Related documents

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



## Appendix 1: Scoring Criteria

### 1 Likelihood / Probability criteria.

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

2 Impact / Severity criteria

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

# **Isle of Wight Council Pension Fund Communications Policy**

**November 2022**

## 1. Document Information

Title:	Isle of Wight Council Pension Fund Communications Policy
Status:	FINAL
Current Version:	V2.1
Author:	Jo Thistlewood Financial Services <a href="mailto:Jo.Thistlewood@iow.gov.uk">Jo.Thistlewood@iow.gov.uk</a> 01983 821000 x 6371
Sponsor:	Chris Ward Director of Finance <a href="mailto:Chris.ward@portsmouthcc.gov.uk">Chris.ward@portsmouthcc.gov.uk</a>
Consultation:	Financial Management Pension Services Communications and Engagement Local Pension Board Pension Fund Committee
Approved by:	Pension Fund Committee
Approval Date:	23 November 2022
Review frequency:	Every three years
Next Review :	2025

### Version Control

Version	Date	
1.0	21 September 2018	First draft from Hymans Robertson LLP
1.1	02 January 2019	Internal consultation
1.2	15 January 2019	Local Pension Board review
1.3	04 February 2019	For committee approval
1.3 FINAL	08 February 2019	For publication
2.0	5 September 2022	First revision JMT
2.1	14 September 2022	Following internal review (administration)
2.1	22 October 2022	Local Pension Board review
2.1	09 November 2022	For committee approval

---

## 2. Contents

1.	Document Information.....	199
2.	Contents .....	200
3.	Introduction.....	201
4.	Definitions.....	201
5.	Our audience .....	201
6.	Our objectives.....	202
7.	How we communicate.....	202
8.	Methods.....	202
9.	Fund contact.....	203
10.	Communication with active scheme members .....	204
11.	Deferred members.....	204
12.	Pensioner members.....	205
13.	Prospective scheme members.....	206
14.	Scheme employers .....	206
15.	Pension staff.....	207
16.	Pension Fund Committee .....	207
17.	Local Pension Board.....	207
	Appendix – Schedule of fund communication material to key audience.....	208

### 3. Introduction

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

### 4. Definitions

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

### 5. Our audience

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

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

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

## 6. Our objectives

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

6.2. To achieve these objectives, we will:

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

## 7. How we communicate

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

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

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

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

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

## 8. Methods

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

### **Website**

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

### **Member Self-Service**

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

## **9. Fund contact**

- 9.1. The fund has a generic email address for all enquiries: [pensions@iow.gov.uk](mailto:pensions@iow.gov.uk)
- 9.2. The fund has a dedicated telephone number 01983 823626.
- 9.3. You can write to us at LGPS Pension Services, County Hall, Newport, Isle of Wight PO30 1UD
- 9.4. Our office hours are Monday to Thursday: 8.30 am – 5.00 pm, Friday: 8.30 am – 4.30 pm.



9.5. As well as the general communications mentioned above, we also provide specific communications to each of our audiences, which are described in more detail in the following sections.

## 10. Communication with active scheme members

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

10.2. *Scheme literature* - A range of Scheme literature is produced by the fund and is provided to employing bodies and Scheme members directly. Copies of scheme guides, factsheets and policies are available on the fund's website.

10.3. *Newsletters* - A newsletter for current members of the fund is published on the fund's website at least once a year and uploaded to the members online record, covering current pension topics within the LGPS and the pensions industry in general plus important repeated messages.

10.4. *Annual benefit statements* – We provide a personalised statement each year, summarising each member's pension account balance as at 31 March, together with a projection of entitlement to their normal pension age. These statements are published to the Member Self-Service portal, in advance of the statutory deadline of 31 August each year.

10.5. *Correspondence* – this is by via email, telephone, Member Self- Service, or in writing, as circumstances dictate.

10.6. *Briefings and presentations* – we are able to provide educational sessions to scheme members, for example where there are major changes planned to the rules of the scheme or where an employer is going through a major restructuring and there are pension related implications (e.g. redundancy/flexible retirement). These sessions can be delivered either face-to-face or virtual. We are working together with the council's Learning and Development Team to develop pension modules to increase pensions knowledge and we attend and present at every corporate induction.

## 11. Deferred members

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

11.2. *Scheme literature* - A range of scheme literature is produced by the fund. Copies of the scheme guides, factsheets and policies are available on the fund's website.

11.3. *Newsletters* - A newsletter for deferred member of the fund is published at least once a year on the fund's website and uploaded to the members online record, the newsletter contains current pension topics within the LGPS and the pensions industry in general plus important repeated messages.

11.4. *Annual benefit statements* – we provide a personalised statement each year, providing a current value of the scheme member's pension entitlements. These statements are published to the Member Self-Service portal, in advance of the statutory deadline of 31 August each year.

---

11.5. *Correspondence* – this is by email, telephone, Member Self Service or in writing, as circumstances dictate.

## **12. Pensioner members**

12.1. The following methods are used to communicate with pensioner scheme members (including those in receipt of survivor benefits):

12.2. *Pay advice / P60* – Pay advices are published online on Member Self-Service and we email members each month to notify them their new advice is available to view/download. P60s are also published online in respect of the pension received in the previous financial year. Pensioner members can elect to receive hard copy versions of their P60. We notify pensioner members of the percentage rate by which their LGPS pension will increase from the first Monday of the new tax year in time for their April payment. We also issue pay advices where there has been a variation in the net monthly pension of £50.

12.3. *Pre-retirement sessions* – we are also able to participate in pre-retirement sessions run by our scheme employers, explaining the decisions scheme members will need to take in the run up to retirement and the processes we will follow in calculating and paying their pension benefits to them.

12.4. *Correspondence* – this is by via email, telephone, Member Self Service or in writing, as circumstances dictate.

---

## 13. Prospective scheme members

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

## 14. Scheme employers

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

---

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

## **15. Pension staff**

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

## **16. Pension Fund Committee**

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

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

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

## **17. Local Pension Board**

17.1. The Local Pension Board was established in April 2015 (in accordance with the Public Services Pensions Act 2013) to assist the Isle of Wight Council in its role as the administering authority in complying with scheme governance and administration and complying with the requirements of the Pensions Regulator's code of practice.

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

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

## Appendix – Schedule of fund communication material to key audience

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

**ACCESS**  
Annual Report  
2022/23



 Kings College, Cambridge

# Contents

<b>Foreword by Cllr Mark Kemp-Gee</b>	<b>211</b>
<b>Introduction by Kevin McDonald – Director ACCESS Support Unit</b>	<b>212</b>
<b>ACCESS Authorities Profile</b>	<b>213</b>
<b>ACCESS Background</b>	<b>214</b>
<b>Key Statistics</b>	<b>215</b>
<b>Pooling Progress</b>	<b>216</b>
<b>Performance</b>	<b>217</b>
<b>Savings</b>	<b>218</b>
<b>Business Plan 2022/23</b>	<b>219</b>
<b>Environmental, Social and Governance</b>	<b>220</b>
<b>Voting</b>	<b>221</b>

# Foreword

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

Whilst our initial steps to collaborate as eleven Authorities started in 2016, it was in 2018 that our first pool investments were made.

Having jointly procured UBS to provide passive investment mandates, we started 2018 with the migration of assets from legacy passive managers to UBS with £10bn held in passive assets at the end of March 2023.

Following the appointment of Link Fund Solutions (LFS) as Authorised Contractual Scheme (ACS) Operator, we saw the first actively managed sub-funds launched towards the end of 2018. Our range and depth of sub-funds has grown substantially since then, with over £24bn invested within the ACS at the end of March 2023.

As investors with a long-term focus, we find ourselves within the relatively early stages of our pooling journey. However, given that some of the earliest sub-funds now have between four and five years of history, it is right to highlight the performance trends we are starting to see.

Beyond listed assets our Pool has undertaken significant work in relation to property – which is our first non-listed asset class. During the year our Implementation Adviser MJ Hudson has undertaken a procurement process for two property mandates: UK Core Property and Global Real Estate. Towards the end of 2022/23 these processes concluded and saw the appointment of CBRE to both mandates.

Work is currently underway with CBRE, our advisers and the ACCESS Authorities on establishing the necessary arrangements for these investment opportunities. In the last twelve months we have published our updated Responsible Investment (RI) Guidelines and participated in the DLUHC consultation on climate related reporting, the outcomes of which we look forward to seeing. ACCESS also commenced the process for the procurement of advice and support for RI reporting which will conclude in later summer 2023.

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).



Cllr Mark Kemp-Gee,  
Chairman of the ACCESS Joint Committee.  
Chairman of the Hampshire Pension Fund Committee and Board.



 Hampshire



# Introduction

## It has been another busy and fulfilling year supporting the ACCESS Pool.

Every twelve months a process is undertaken to develop both a Business Plan and Budget for the forthcoming financial year. The Business Plan is fundamental to how ACCESS activity is both scoped and monitored, and its development serves as an illustration of the Pool's governance arrangements and how interaction with key stakeholder groups is structured.

The process commences with initial drafting by the ACCESS Support Unit (ASU) and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority who come together to constitute the Officer Working Group (OWG). This is followed by consideration by the s151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement (IAA) to make recommendations to the Joint Committee on business planning and budget matters. Subsequently, the Joint Committee reviews and considers both the Business Plan which is then recommended to each ACCESS Authority. The Joint Committee also determines the annual budget required to deliver the Business Plan.



The key milestones within the 2022/23 Business Plan are outlined later in this Annual Report.

2022/23 also saw processes commence in relation to two of ACCESS's strategic partners. ACS Operator Link Fund Solutions announced arrangements which will see its business purchased by Waystone Group. The sale process of Implementation Adviser MJ Hudson to Apex also commenced. It is important to emphasise that the teams and systems supporting the ACCESS Pool remain unaltered as a consequence of these announcements.

Shortly after the end of the year, the ASU welcomed Alistair Coyle as a new Client Manager. Alistair joins us having worked for our colleagues at Link Fund Solutions and brings a wealth of both ACS Operator and ACCESS experience. 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

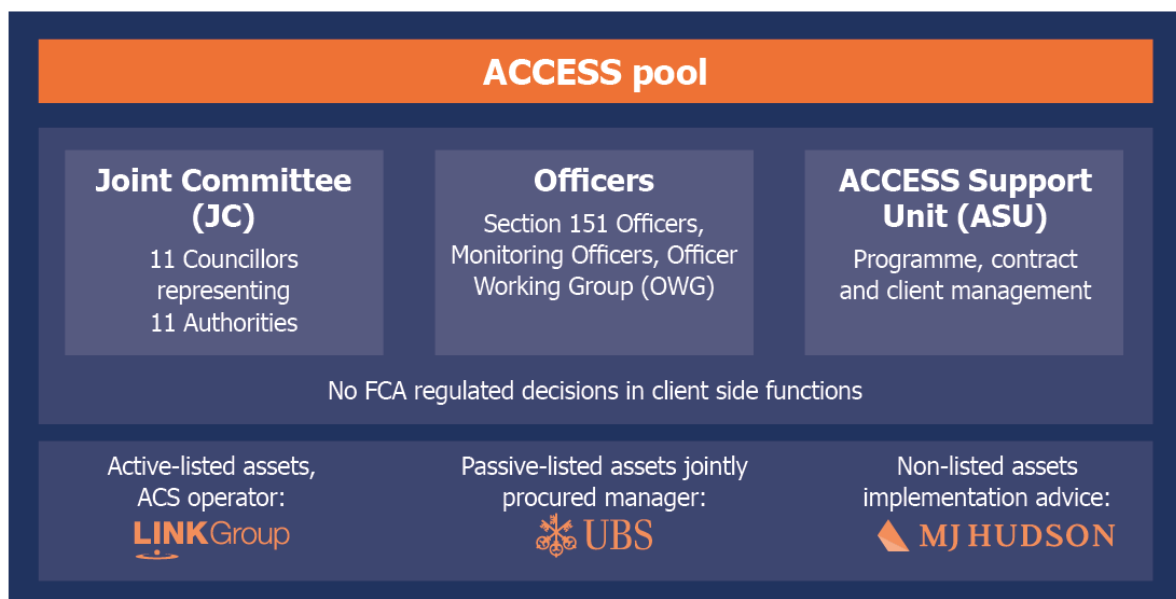


 Felixstowe, Suffolk

# ACCESS Authorities profile



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



# ACCESS Background



Thaxted, Essex

## ACCESS Background

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

The following strategic objectives are in place:

1



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

2



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

3



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

03

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

The governing principles are summarised below.



Collaboration



Risk management



Objective evidence based decisions



Equitable voice in governance



Professionalism



Equitable cost sharing



No unnecessary complexity



Evolution and innovation



Value for money

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

# Key Statistics

<p><b>3 Year Performance</b></p> <p><b>14% p.a.</b></p>	<p><b>Employers</b></p> <p><b>3,459</b></p>
<p><b>Members</b></p> <p><b>1.2 million</b></p>	<p><b>Pensioners</b></p> <p><b>340 thousand</b></p>
<p><b>Pooled Assets</b> As at March 2023</p> <p><b>ACS</b></p> <p><b>£24.5bn</b></p> <p><b>UBS (1 jointly procured provider)</b></p> <p><b>£9.9bn</b></p> <p><b>Pooling Progress</b></p> <p><b>59%</b></p>	<p><b>Costs &amp; Savings</b> Since inception to March 2023</p> <p><b>Gross Savings</b></p> <p><b>£98.9m</b></p> <p><b>Costs</b></p> <p><b>£27.6m</b></p> <p><b>Net Savings</b></p> <p><b>£71.4m</b></p>



# Pooling Progress

**Pooled assets represented 85% of all listed assets held by ACCESS Authorities and 59% of all assets held by ACCESS Authorities.**

Pooled Investments	£ Billion
Global Equity Funds	15.595
UK Equity Funds	2.590
Fixed Income	4.973
Diversified Growth	1.319
Passive Investments	9.940
<b>Total Pooled Investments</b>	<b>34.417</b>
<b>Pooled Assets % of Total Listed Assets</b>	<b>85%</b>
<b>Pooled Assets % of Total Assets</b>	<b>59%</b>

Pooling has continued throughout the year with the ACCESS Authorities investing within the sub-funds already set up.

One sub-fund was launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested with the investment manager.



 **Potter End, Hertfordshire**

# Performance

As at 31 March 2023 the ACCESS ACS contains a number of sub-funds across UK and Global Equities, Fixed Income and Diversified Growth Fund (DGF) Strategies.

Annualised investment performance for each of these asset classes is shown in the table below for the three years ending 31 March 2023 and since inception.

Asset class	£bn	Asset Managers	3 years to 31 March 2023 (annualised)			Since inception to 31 March 2023 (annualised)		
			Perf.	B/mark	+/-	Perf.	B/mark	+/-
UK equities	2.6	Schroders, Baillie Gifford, Liontrust & Blackrock	13.8%	13.5%	0.3%	6.0%	6.1%	-0.1%
Global equities (growth)	10.9	Baillie Gifford, Longview, Fidelity, Newton, J O Hambro, Capital, Mondrian & Arcadian	17.1%	16.0%	1.1%	13.0%	9.7%	3.3%
Global equities (value)	4.7	M&G, Dodge & Cox, Schroders & Macquarie						
Fixed income	5.0	Royal London, Baillie Gifford, M&G, Fidelity & Janus Henderson	-0.4%	-1.7%	1.3%	0.6%	0.2%	0.4%
DGF	1.3	Baillie Gifford, Ruffer & Netwon	7.4%	10.0%	-2.6%	4.7%	5.4%	-0.7%
<b>Total</b>	<b>24.5</b>		<b>14.0%</b>	<b>13.1%</b>	<b>0.9%</b>	<b>10.1%</b>	<b>7.5%</b>	<b>2.6%</b>

Both Global Equities (which account for the largest allocation of assets £15.6 billion, c.64% of all pooled assets) and Fixed Income saw investment outperformance over three years, and since inception, to 31 March 2023.

Despite negative returns from Diversified Growth Funds and on UK Equities (since inception), the emerging trend is one of overall positive performance.



 Blakeney, Norfolk

# Savings

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

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 – 2023		2016 – 2023	
	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	-	2.100	3.338	6.907
Ongoing Operational Costs	1.175	1.366	5.292	7.695
Operator & Depositary Costs	4.979	4.787	17.128	20.938
<b>Total Costs</b>	<b>6.154</b>	<b>8.253</b>	<b>27.582</b>	<b>36.940</b>
<b>Pool Fee Savings</b>	<b>28.645</b>	<b>17.800</b>	<b>98.945</b>	<b>65.550</b>
<b>Net Savings Realised</b>	<b>22.491</b>	<b>9.547</b>	<b>71.363</b>	<b>26.510</b>

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

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

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

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



 Freshwater Bay, Isle of Wight

# Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
  - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
  - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.



 Braunston, West Northamptonshire



# Environmental, Social & Governance

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

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

## Responsible Investment Guidelines

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms.



# Voting

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

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

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

Quarter	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

## Engagement:

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

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



This Page has been intentionally left blank

**ISLE OF WIGHT COUNCIL PENSION FUND**  
**DRAFT – SUBJECT TO AUDIT (01 AUGUST 2023)**

2021-22 £000	FUND ACCOUNT	Notes	2022-23 £000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
21,015	Contributions	7	23,271
953	Transfers in from other pension funds	8	2,143
15	Other income	9	28
<b>21,983</b>			<b>25,442</b>
(24,067)	Benefits	10	(25,324)
(895)	Payments to and on account of leavers	11	(2,953)
<b>(24,962)</b>			<b>(28,277)</b>
<b>(2,979)</b>			<b>(2,835)</b>
<b>(5,674)</b>	Management expenses	12	<b>(6,021)</b>
	<b>Returns on investments</b>		
14,156	Investment income	13	16,055
-	Taxes on income	14	23
32,125	Profit and losses on disposal of investments and changes in the value of investments	17A	(44,419)
(5)	Interest payable	16	-
<b>46,276</b>	Net returns on investments		<b>(28,341)</b>
<b>37,623</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>(37,197)</b>
690,697	Opening Net Assets of the Scheme		728,320
<b>728,320</b>	Closing Net Assets of the Scheme		<b>691,123</b>

## ISLE OF WIGHT COUNCIL PENSION FUND

2022 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2023 £000
709,786	Investment assets	17	676,161
14,003	Cash deposits	17	9,187
<b>723,789</b>			<b>685,348</b>
-	Investment liabilities	17	-
-	Short-term borrowings	19A	-
183	Long-term assets	23	134
4,935	Current assets	24	6,171
(587)	Current liabilities	25	(530)
<b>728,320</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>691,123</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 2022-23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

#### a) General

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

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

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

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

#### b) Membership

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

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

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

The scheduled bodies of the fund with active members at 31 March 2023 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
Isle of Wight 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 2023 are:

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

The membership of the scheme is shown below:

Year ended 31 March 2023

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	18	11	<b>30</b>
Number of contributors (Active members)	3,763	615	80	<b>4,458</b>
Number of frozen refunds <sup>1</sup>	736	96	4	<b>836</b>
Number of deferred pensioners <sup>2</sup>	5,639	665	128	<b>6,432</b>
Number of pensioners/ widows/dependant pensioners	4,937	399	214	<b>5,550</b>
	<b>15,075</b>	<b>1,775</b>	<b>426</b>	<b>17,276</b>

Year ended 31 March 2022

	<b>Administering Authority</b>	<b>Scheduled Bodies</b>	<b>Admitted Bodies</b>	<b>Total</b>
Number of employers with active members	1	16	14	<b>31</b>
Number of contributors (Active members)	3,637	589	88	<b>4,314</b>
Number of frozen refunds <sup>1</sup>	840	103	4	<b>947</b>
Number of deferred pensioners <sup>2</sup>	5,575	646	123	<b>6,344</b>
Number of pensioners/widows/dependant pensioners	4,719	360	214	<b>5,293</b>
	<b>14,771</b>	<b>1,698</b>	<b>429</b>	<b>16,898</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 2023 are detailed



below.

Range (Actual pensionable pay)	Contribution rate
Up to £15,000	5.50%
More than £15,001 and up to £23,600	5.80%
More than £23,601 and up to £38,300	6.50%
More than £38,301 and up to £48,500	6.80%
More than £48,501 and up to £67,900	8.50%
More than £67,901 and up to £96,200	9.90%
More than £96,201 and up to £113,400	10.50%
More than £113,401 and up to £170,100	11.40%
More than £170,101	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 2022-23 financial year and its position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022-23* 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%. 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, 88.8% 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 2022-23 no fees are based on such estimates (2021-22: nil)

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

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

**g) VAT**

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

**Net assets statement**

**h) Financial assets**

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

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

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

**i) Foreign currency transactions**

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

**j) Cash and cash equivalents**

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

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

**k) Financial liabilities**

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

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

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

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

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

**m) Additional Voluntary Contributions**

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

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

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

**n) Accruals of expenditure and income**

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.

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

**o) Contingent Liabilities and Contingent Assets**

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

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

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

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

**Pension fund liability**

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

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

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

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

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

The items in the net assets statement at 31 March 2023 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 increase in the pension fund deficit of £11m. A 0.1% increase in assumed earnings inflation would increase the deficit by approximately £1m. A 0.1% increase in assumed price inflation/pension increases would increase the deficit by approximately £11m. A one-year increase in assumed life expectancy would increase the deficit by approximately £26m.
<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 reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt investments are valued at £26.1m in the financial statements. There is a risk that this investment may be over or understated in the accounts.
<b>Infrastructure</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	Infrastructure investments are valued at £14.3m in the financial statements. There is a risk that this investment may be over or understated in the accounts.

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

## 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:

2021-22 £000		2022-23 £000
4,277	Employees' normal contributions	4,774
5	Employees' additional contributions	6
<b>4,282</b>		<b>4,780</b>
15,951	Employers' normal contributions	17,766
158	Employers' deficit recovery contributions	159
624	Employers' augmentation contributions	566
<b>16,733</b>		<b>18,491</b>
<b>21,015</b>		<b>23,271</b>

By type of employer:

2021-22 £000		2022-23 £000
17,364	Administering authority	19,391
2,322	Scheduled bodies	2,546
1,329	Admitted bodies	1,334
<b>21,015</b>		<b>23,271</b>



## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

2021-22 £000		2022-23 £000
-	Group transfers	-
953	Individual transfers	2,143
<b>953</b>		<b>2,143</b>

## 9. OTHER INCOME

2021-22 £000		2022-23 £000
15	Miscellaneous income	24
-	Contribution Equivalent Premiums	4
<b>15</b>		<b>28</b>

## 10. BENEFITS PAYABLE

### By category:

2021-22 £000		2022-23 £000
20,110	Pensions	21,096
3,207	Commutation and lump sum retirement benefits	3,470
750	Lump sum death benefits	758
<b>24,067</b>		<b>25,324</b>

### By type of employer:

2021-22 £000		2022-23 £000
20,824	Administering authority	22,002
1,422	Scheduled bodies	1,619
1,821	Admitted bodies	1,703
<b>24,067</b>		<b>25,324</b>

## 11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021-22 £000		2022-23 £000
80	Refund to members leaving service	159
-	Group transfers	-
815	Individual transfers	2,794
<b>895</b>		<b>2,953</b>

## 12. MANAGEMENT EXPENSES

2021-22 £000		2022-23 £000
557	Administrative costs	861
4,562	Investment management expenses	4,556
555	Oversight and governance costs	604
<b>5,674</b>		<b>6,021</b>

### 12A. INVESTMENT MANAGEMENT EXPENSES

2022-23	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	434	179	-	255
Pooled Investments *	2,570	1,383	-	1,187
Pooled Property Investm	588	489	-	99
Private Debt	463	246	173	44
Infrastructure	484	557	-	(73)
	<b>4,539</b>	<b>2,854</b>	<b>173</b>	<b>1,512</b>
Custody Fees	17			
<b>Total</b>	<b>4,556</b>			

\* Included £2.5m charged to the pension fund by ACCESS regional asset pool (£2.6m in 2021-22)

2021-22	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	366	278	-	88
Pooled Investments *	2,623	1,903	-	720
Pooled Property Investm	554	449	-	105
Private Debt	242	105	104	33
Infrastructure	752	718	-	34
	<b>4,537</b>	<b>3,453</b>	<b>104</b>	<b>980</b>
Custody Fees	25			
<b>Total</b>	<b>4,562</b>			

### 13. INVESTMENT INCOME

2021-22 £000		2022-23 £000
	Income from pooled investment vehicles:	
2,801	- ACCESS Global Equity	2,048
2,273	- ACCESS UK Equity	2,152
1,597	- ACCESS Diversified Growth	2,128
3,779	- Property	3,685
1,398	- Bonds	1,686
1,059	- Private Debt	2,120
1,252	- Infrastructure	1,874
3	- Interest on cash deposits	362
(6)	- Other	-
<b>14,156</b>		<b>16,055</b>

### 14. TAXATION

2021-22 £000		2022-23 £000
-	- Withholding tax - equities	(23)
-		<b>(23)</b>

### 15. EXTERNAL AUDIT COSTS

2021-22 £000		2022-23 £000
62	Payable in respect of external audit	27
<b>62</b>		<b>27</b>

### 16. INTEREST PAYABLE

2021-22 £000		2022-23 £000
5	Interest on short term borrowing	-
<b>5</b>		<b>-</b>

## 17. INVESTMENTS

Market value 31 March 2022 £000		Market value 31 March 2023 £000
	<b>Investment assets</b>	
	<b>Pooled Investment Vehicles</b>	
99,534	Pooled UK Equity	98,342
288,761	Pooled Global Equity	285,604
131,952	Pooled Fixed Income unit trusts	110,824
113,532	Pooled Diversified Growth Fund	103,858
<b>633,779</b>		<b>598,628</b>
	<b>Other Investments</b>	
44,453	Pooled Property Investments	37,133
23,605	Private Debt	26,111
7,949	Infrastructure	14,277
<b>76,007</b>		<b>77,521</b>
14,003	Cash deposits	9,187
-	- Recoverable withholding tax	12
<b>14,003</b>		<b>9,199</b>
<b>723,789</b>	<b>Total investment assets</b>	<b>685,348</b>

### 17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value 01/04/22 £000	Purchases during year £000	Sales during year £000	Change in Mkt value £000	Mkt Value 31/03/23 £000
Pooled Investment Vehicles	<b>633,779</b>	106,203	(103,147)	(38,207)	<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>(108,922)</b>	<b>(44,197)</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>(44,419)</b>	<b>685,348</b>

	Market value 01/04/21	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/22
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	<b>648,719</b>	150,376	(190,468)	25,152	<b>633,779</b>
Pooled Property Investments	<b>37,459</b>	1,240	(105)	5,859	<b>44,453</b>
Private Debt	<b>9,186</b>	15,573	(2,031)	877	<b>23,605</b>
Infrastructure	-	11,544	(3,340)	(255)	<b>7,949</b>
	<b>695,364</b>	<b>178,733</b>	<b>(195,944)</b>	<b>31,633</b>	<b>709,786</b>
Cash deposits	-			492	<b>14,003</b>
Recoverable withholding tax	<b>21</b>			-	-
<b>Net investment assets</b>	<b>695,385</b>			<b>32,125</b>	<b>723,789</b>

## 17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2022			Market value 31 March 2023	
£000	%		£000	%
<b>Investments Managed by ACCESS pool:</b>				
149,384	21.0%	ACCESS – Global Equities - Newton	147,399	21.8%
113,532	16.0%	ACCESS - Diversified Growth - Baillie Gifford	103,858	15.4%
99,534	14.0%	ACCESS - UK Equities - Liontrust (Majedie)		
		ACCESS - UK Equities - Liontrust (Blackrock)	98,342	14.5%
139,377	19.6%	UBS Life Climate Aware World Equity Fund	138,205	20.4%
<b>501,827</b>	<b>70.7%</b>		<b>487,804</b>	<b>72.1%</b>
<b>Investments Managed outside ACCESS pool:</b>				
131,952	18.6%	Schroder Investment Management – Bonds	110,824	16.4%
44,453	6.3%	Schroder Investment Management – Property	37,133	5.5%
23,605	3.3%	Goldman Sachs - Private Debt	26,111	3.9%
7,949	1.1%	Partners Investment - Infrastructure	14,277	2.1%
<b>207,959</b>	<b>29.3%</b>		<b>188,345</b>	<b>27.9%</b>
<b>709,786</b>	<b>100.0%</b>		<b>676,149</b>	<b>#####</b>
-	0.0%	Recoverable withholding tax	12	0.0%
<b>709,786</b>	<b>100.0%</b>		<b>676,161</b>	<b>#####</b>

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

Market value 31 March 2022			Market value 31 March 2023	
£000	%		£000	%
149,384	20.52%	ACCESS – Overseas Equities - Newton	147,399	21.33%
139,377	19.14%	UBS Life Climate Aware World Equity Fund	138,205	20.00%
131,952	18.12%	Schroder Institutional Sterling Broad Market X Account	110,824	16.04%
113,532	15.59%	ACCESS - Diversified Growth - Baillie Gifford	103,858	15.03%
		ACCESS - UK Equities - Blackrock	98,342	14.23%
99,534	13.67%	ACCESS - UK Equities - Liontrust		
44,453	6.11%	Schroder UK Property Fund	37,133	5.37%

**17C. STOCK LENDING**

The fund's investment strategy sets the parameters for its stock-lending programme. Prior to joining the ACCESS pool, the fund did not undertake stock lending.

Since transitioning to the pool, the fund participates in a collateralised stock lending programme undertaken for each of the sub-funds by the pool's custodian, Northern Trust.

During the year the average value of the fund's share of the quoted equities on loan was £7.8m (2021-22: £9.0m).

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 2022 Goldman Sachs report, rolled forward to end of 31 March 2023 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	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	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,

		<p>accordance with US GAAP. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs Asset Management Private Credit Funds have been given unqualified opinions without any identified exceptions.</p>	<p>Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques.</p>	<p>EBITDA and recent transaction prices.</p>
<b>Infrastructure</b>	Level 3	<p>Fair values as per International Private equity and venture capital guidelines (2012)</p>	<p>valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples</p>	<p>Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.</p>



**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 2023.

	Potential variation in fair value	Value at 31 March 2023 £'000	Potential value on increase £'000	Potential value on decrease £'000
Private Debt	+ / - 10%	26,111	28,722	23,500
Infrastructure	+ / - 10%	14,277	15,705	12,849
<b>Total</b>		40,388	44,427	36,349

**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 2022					31 March 2023			
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
633,779	44,453	31,554	709,786	Financial assets at fair value through profit and loss	598,628	37,133	40,388	676,149
-	-	-	-	Financial liabilities at fair value through profit and loss	-	-	-	-
<b>633,779</b>	<b>44,453</b>	<b>31,554</b>	<b>709,786</b>	<b>Net investment assets</b>	<b>598,628</b>	<b>37,133</b>	<b>40,388</b>	<b>676,149</b>

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

	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>

	Private Debt £'000	Infrastructure £'000	Total £'000
Value at 1 April 2021	9,186	-	9,186
Purchases	15,573	11,544	27,117
Sales	(2,031)	(3,340)	(5,371)
Unrealised Gains and Losses *	824	(135)	689
Realised Gains and Losses *	53	(120)	(67)
<b>Value at 31 March 2022</b>	<b>23,605</b>	<b>7,949</b>	<b>31,554</b>

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

Investment into Private debt commenced in January 2021.

Investment into Infrastructure commenced in July 2021.

## 19. FINANCIAL INSTRUMENTS

### 19A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2022				31 March 2023		
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>			
678,232	-	-	Pooled investment vehicles	635,761	-	-
23,605	-	-	Private Debt	26,111	-	-
7,949	-	-	Infrastructure	14,277	-	-
-	18,290	-	Cash	-	14,619	-
-	-	-	Other investment balances	12	-	-
-	8	-	Debtors	-	5	-
<b>709,786</b>	<b>18,298</b>	-		<b>676,161</b>	<b>14,624</b>	-
			<b>Financial liabilities</b>			
-	-	(379)	Creditors	-	-	(314)
-	-	-	Borrowings	-	-	-
-	-	(379)		-	-	(314)
<b>709,786</b>	<b>18,298</b>	<b>(379)</b>		<b>676,161</b>	<b>14,624</b>	<b>(314)</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 2022-23 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Had the market price of the fund investments increase/decreased in line with the percentages below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

	Value as at 31 March 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	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
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	12	0.00%	12	12
<b>Total</b>	<b>685,348</b>		<b>713,371</b>	<b>657,325</b>

	Value as at 31 March 2022 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Bonds	131,952	3.30%	136,307	127,598
Pooled Investment vehicles:				
UK Equities	99,534	2.40%	101,923	97,145
Global Equities	149,384	3.60%	154,762	144,006
Diversified Growth Fund	113,532	2.80%	116,711	110,353
UBS Climate Aware	139,377	3.00%	143,558	135,196
Pooled Property Investments	44,453	4.10%	46,279	42,633
Private Debt	23,605	19.90%	28,302	18,907
Infrastructure	7,949	23.40%	9,809	6,089
Cash & Cash Equivalents	14,003	0.00%	14,003	14,003
Recoverable withholding tax	-	0.00%	-	-
<b>Total</b>	<b>723,789</b>		<b>751,654</b>	<b>695,930</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 2023, and as at the previous period end:

	<b>Asset value as at 31 March 2023 £000</b>	<b>Asset value as at 31 March 2022 £000</b>
Private Debt	26,111	23,605
Infrastructure	14,277	7,949
Investment Income	3,994	2,311
	<b>44,382</b>	<b>33,865</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 6.62% (2021-22: 7.10%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.67% 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 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>

	<b>Value as at 31 March 2022 £000</b>	<b>Value on increase +7.10% £000</b>	<b>Value on decrease -7.10% £000</b>
Private Debt	23,605	25,669	21,540
Infrastructure	7,949	8,161	7,737
Investment income due	2,311	2,437	2,185
	<b>33,865</b>	<b>36,267</b>	<b>31,462</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 surplus cash held with the custodian in diversified money market funds.

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

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

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund

has not experienced any actual defaults in recent years. All contributions due at 31 March 2023 and 31 March 2022 (£458k and £495k 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 2023 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 Ac	23.5	23.5	23.5
Cowes Harbour Commissioners	32.8	32.8	32.8
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College (from 1 August)	22.1	22.1	22.1
Keys Group (Formerly Accomplish Ltd)	23.5	23.5	23.5
Lanesend Academy	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
RM Ltd	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust	23.5	23.5	23.5
Solutions 4 Health	23.5	23.5	23.5
Southern Vectis (Wightbus)	Nil	Nil	Nil
Southern Housing Group	32.8	32.8	32.8
Sovereign Housing Group	31.7	31.7	31.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	25.4	25.4	25.4
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Ventnor Botanical Gardens	Nil	Nil	Nil

in addition, certain employers make a lump sum contribution

Employer Name	Minimum Contributions for		
	2024 Lump Sum £000	2025 Lump Sum £000	2026 Lump Sum £000
Cowes Harbour Commissioners	20	20	20
Southern Housing Group	150	150	150
Sovereign Housing Group	18	18	18

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

Employers that have joined the fund since the last valuation have opted to pay the administering authority's contribution rate. This will be reviewed at the next valuation, 31 March 2025.

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

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

### Method

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

### Assumptions

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

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

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

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

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

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

	<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 and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's

liabilities.

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

## 22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

### Present value of promised retirement benefits

Year ended	31 March 2023 £m	31 March 2022 £m
Active members	207	318
Deferred members	137	223
Pensioners	318	380
<b>Net Liability</b>	<b>662</b>	<b>921</b>

The promised retirement benefits at 31 March 2023 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 2023 and 31 March 2022. The actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £340m. The actuary estimates that the

impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £6m.

Financial assumptions

<b>Year ended</b>	<b>31 March 2023 % p.a.</b>	<b>31 March 2022 % p.a.</b>
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.95%	4.20%
Discount Rate	4.75%	2.70%

(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 2021 model, with a 10% 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	21.6 years	24.3 years
Future Pensioners *	22.2 years	25.7 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:

<b>change in assumption at 31 March 2023</b>	<b>Approximate % increase to promised retirement benefits</b>	<b>Approximate monetary amount (£m)</b>
0.1% p.a. decrease in the discount rate	2%	11
1-year increase in member life expectancy	4%	26
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	11

### **23. LONG TERM ASSETS**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
	Debtors	
29	Contributions due - employers	30
154	Reimbursement of annual tax allowances	104
<b>183</b>		<b>134</b>

### **24. CURRENT ASSETS**

<b>31 March 2022 £000</b>		<b>31 March 2022 £000</b>
	Debtors	
99	Contributions due - employees	93
396	Contributions due - employers	365
<b>495</b>		<b>458</b>
8	Taxation	13
8	Sundry debtors	5
137	Payments in advance	263
4,287	Cash balances	5,432
<b>4,935</b>		<b>6,171</b>

## 25. CURRENT LIABILITIES

31 March 2022 £000		31 March 2023 £000
	Creditors	
208	Taxation	239
360	Accruals	272
19	Sundry creditors	19
<b>587</b>		<b>530</b>

## 26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2022 £000		Market value 31 March 2023 £000
824	Prudential life and pensions	972

AVC contributions of £194 thousand were paid directly to Prudential Life and Pensions during the year (2021-22: £148 thousand).

The final annual reports from Prudential have not yet been received, but they have provided provisional figures which are incorporated above.

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 £539 thousand (2021-22: £522 thousand) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £15.3 million in 2022-23 (2021-22: £13.7 million) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £43.7 thousand (2022: £39.6 thousand), 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 2022-23 the pension fund did not take advantage of this facility so the balance due to the council at 31 March

2023 is Nil (2021-22: Nil) and no interest (2021-22 5.1 thousand) 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 note 29 formed the Isle of Wight Pension Fund Committee as trustees at 31 March 2023.

**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 2022 £000		Year ended 31 March 2023 £000
60	Short-term benefits	72
13	Post-employment benefits	15
-	Other long-term benefits	-
-	Termination benefits	-
-	Share-based payments	-
<b>73</b>		<b>87</b>

**28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS**

At 31 March 2022 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £8 thousand (2022: £4 thousand) payable by the Pension Fund. These sums do not form part of the net assets of the fund.

In October 2018 a decision was made to join a Class Action against BHP Billiton which seeks to recover some of the loss in share value suffered because of BHP Billiton’s alleged failure to disclose material information and its alleged misleading and deceptive conduct. It is estimated that there is a possible benefit to the Pension Fund of £6 thousand (2022: £6 thousand). This case is still ongoing. The sums do not form part of the net assets of the fund.

One admitted body employer in the Isle of Wight Pension Fund holds a 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 2022-23 (2021-22 Nil).



During the financial year the Pension Fund has committed to investing into a Private Debt and an Infrastructure Fund. Each of these funds are calling the capital in instalments, the value of which depend on the investments the funds are making at the time. The balance that has been committed but not paid as at the 31 March 2023 is as per the table below:

	31 March 2023				31 March 2022			
	Private Debt		Infrastructure		Private Debt		Infrastructure	
	\$'000	£'000	€'000	£'000	\$'000	£'000	€'000	£'000
Total amount Committed	39,300	31,837	41,000	36,095	39,300	29,890	41,000	34,532
Total Invested	33,169	26,871	45,965	13,175	30,065	22,866	9,225	7,770
Balance committed but not yet paid	6,131	4,967	26,035	22,920	9,235	7,024	31,775	26,762

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

## 29. TRUSTEES REPORT 2022-23

The trustees of the Isle of Wight Council Pension Fund are the members for the time being of the Isle of Wight Pension Fund Committee, who at 31 March 2023 were Cllrs Andre, Brading, Churchman, Critchison, Garratt (vice chair), Jarman (chair) and Ward. In addition, a non-voting representative of the scheme members (selected by UNISON) attends the committee. Throughout the year, the position of non-voting representative of the scheme employers (selected by the fund's external employers) was vacant.

Throughout the year the committee has been advised by the Director of Finance and Section 151 Officer, the Pension Fund Manager, and Hymans Robertson LLP (the fund's actuaries, investment consultants and governance consultants).

### Investment Performance

The net assets of the fund at 31 March 2023 were £691.1 million, a decrease of 5.1% on the 31 March 2022 valuation of £728.3 million. The fund's total investments underperformed compared to the agreed benchmarks by 1.5% during the year.

With the exception of a small over-performance by the fund's active global equity portfolio, all other portfolios underperformed against their respective benchmarks in the year to 31 March 2023, most notably the diversified growth portfolio, which underperformed by 13.3%.

### Funding Level

The Fund's last triennial actuarial valuation was undertaken at 31 March 2022, showing a funding level of 102%, compared to 95% at the previous valuation at 31 March 2019. The results of this latest valuation, in terms of revised contribution rates, were implemented with effect from April 2023.

### Governance – pension fund committee

There were four scheduled pension fund committee meetings during the year 2022-23. All meetings were held in person at County Hall, Newport, Isle of Wight.

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

- The completion of the 2022 actuarial valuation of the fund, including adoption of the updated funding strategy statement.
- Approval of the draft 2021-22 annual report and accounts, and regular updates on the progress of the much-delayed external audit.
- Adoption of the fund’s updated communications policy.
- Implementation of the decision to switch the fund’s UK Equity portfolio fund manager.
- Consideration of the fund’s response to the government’s consultation on climate change risk reporting
- Reports from the board on the fund’s risk register.
- Procurement and contract management activities.
- Knowledge and understanding requirements and activities.
- Regular updates on the ACCESS pool.

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

Development sessions were held outside the schedule of regular committee meetings, covering the planning for the Strategic Asset Allocation review in 2023-24 and the pensions dashboard project. Board and Committee members also took part in the Hymans Robertson National Knowledge Assessment, and received the output of that exercise, which is being used to develop a future training programme for the fund.

A summary of committee members’ attendance for the year 2022-23 is detailed in table 1 below. Membership of the committee changed throughout the year, but the total number of members remained the same.

**Table 1: committee attendance**

	Chairman	Vice chairman	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member	Employer rep	
25-May-22	√	√	√	aps	√	√	aps	aps		63%
27-Jul-22	√	√	√	√	√	aps	√	√		88%
23-Nov-22	√	√	√	√	√	√	√	√		100%
08-Feb-23	√	√	√	aps	√	√	√	√		88%
	100 %	100 %	100 %	50%	100 %	75%	75%	75%		<b>85%</b>

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

Governance – local pension board

During the year 2022-23, the membership of the board was as follows:

- Three scheme member representatives: one of whom is nominated by recognised trade unions and the other two appointed following expressions of interest sought from all active, deferred and pensioner members of the fund.
- Three employer representatives: one an elected councillor of the Isle of Wight Council; one a senior officer of the Council, nominated by the corporate management team; the other appointed from nominations sought from the external employers in the fund.
- An independent chairperson (non-voting) appointed following external advertisement.

The final employer representative was appointed with effect from 1 June 2022, and membership has been consistent throughout the period.

There were four scheduled local pension board meetings during the year 2022-23. All meetings were held in person at County Hall, Newport, Isle of Wight. As the board is not a committee constituted under the Local Government Act 1972, members are given the opportunity to attend meetings virtually, and still be counted towards quorum and allowed to fully contribute to the meetings.

**Table 2: board attendance**

	Independent Chairman	Employer rep 1	Employer rep 2	Employer rep 3	Scheme member	Scheme member	Scheme member	TOTAL	Employer %	Scheme member %
06-Apr-22	√	√	n/a	aps	√	√	√	83%	50%	100%
15-Jun-22	√	√	√	√	√	aps	√	86%	100%	67%
26-Oct-22	√	√	√	√	√	√	√	100%	100%	100%
17-Jan-23	√	√	aps	√	√	√	√	86%	66%	100%
	100%	100%	67%	75%	100%	75%	100%	<b>89%</b>	<b>82%</b>	<b>92%</b>

Please note the percentage attendance at each meeting (final column) is based on a total board membership of seven, except where a member had not been appointed for that meeting (shown as “n/a”) when membership is counted as six.

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

- An induction session for the newly constituted board.
- Detailed monitoring and review of the fund’s risk register, and recommendation of updates to the committee, including consideration of cyber security risks.
- Consideration of the fund’s response to the government’s consultation on

- climate change risk reporting
- Reports from the administration team on employer compliance with the fund's administration strategy, major projects, key performance indicators, breaches and complaints.
- Review of the fund's key documents list, and ensuring policies are up to date:
  - Recommendation of the fund's updated communications policy to the committee for adoption.
  - Recommendation of the Policy for Recording and Reporting Breaches of the Law to the committee for adoption.
- Knowledge and understanding requirements and activities.

All Local Pension Board members have an open invitation to attend all committee meetings and are invited to participate in those meetings by the chair of the Committee. The chairman of the Pension Fund Committee attended three of the four board meetings during the year.

## **APPENDIX A – Glossary of Terms**

### Accrual rate

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

### Accrued liabilities

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

### Accrued income

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

### Active members

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

### Actuarial assumptions

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

### Actuarial liability

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

### Actuarial valuation

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

### Actuary

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

### Additional voluntary contributions (AVCs)

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

### Administering authority

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

### Admitted bodies/transferee admission bodies

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

### All Share Index

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

### Asset allocation

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

### Asset classes

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

### Asset/liability modelling

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

### Automatic enrolment

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

### Authorised Unit trusts

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

### Benchmark

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

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

### Bond

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

### Bonus issue

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

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

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

### Cash

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

### Corporate governance

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

### Coupon

The interest payments on bonds.

### Currency hedging

An approach aimed at eliminating or reducing foreign exchange risks.

### Custody/custodian

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

### Deferred members

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

### Defined benefit scheme

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

### Defined contribution scheme

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

### Discount rate

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

### Diversification

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

### Dividend

A payment distributed by a company to equity shareholders

### Equities

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

### ESG

Environmental, social and governance.

### Ethical investment

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

### Ex

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

### Financial Conduct Authority (FCA)

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

### Fund managers

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

### Funding Strategy Statement (FSS)

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

### FTSE

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

### Futures

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

### Gilts

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

### Hedging

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

### IAS 19

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

### Index-linked securities

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

### Investment adviser

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

### IRR

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

### Listed security

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

### Mandate

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

### Market value

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

### Maturity

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

### Member

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

### Mid-price

Halfway between the bid price and the offer price



### Mortality assumptions

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

### Pooled fund

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

### Realised

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

### Responsible investment (RI)

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

### Return

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

### Rights issue

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

### Risk

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

### Scheduled bodies

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

### Scrip dividend

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

### Securities

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

### Stock

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

### Strategic asset allocation

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

### Transfer value

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

Unit trust

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

Unquoted security

A security which is not quoted on stock exchange

Unrealised Gains/(Losses)

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

Withholding tax

A tax deducted from overseas investment income.

Yield

A measure of the return earned on an investment.