



## PAPER B

Purpose: For Decision

# Committee report

Committee	<b>PENSION FUND COMMITTEE</b>
Date	<b>13 JULY 2018</b>
Title	<b>ANNUAL REPORT AND ACCOUNTS 2017-18</b>
Report of	Technical Finance Manager

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### EXECUTIVE SUMMARY

1. The Local Government Pension Scheme (LGPS) Regulations 2013 (the regulations) require that pension funds publish an annual report on or before 1 December each year. The regulations also specify the content of this report.
2. This report presents to the committee the draft annual report and accounts for the Isle of Wight Pension Fund for the year ended 31 March 2018. The external audit work for the pension fund accounts has been completed; the outcomes of the audit are reported separately on the agenda for this meeting.
3. The accounts contained within the annual report will form part of the accounts of the Isle of Wight Council, as administering authority for the fund, which will be approved by the Audit Committee on 30 July 2018.
4. Following the approval of the council's accounts, and the finalisation of the audit of the pension fund accounts, the annual report will be published on the council's website.
5. Subject to the completion of the external audit, the committee is asked to approve:
  - (a) The accounts for inclusion in the council's accounts.
  - (b) The annual report and accounts for publication.

## BACKGROUND

6. The draft financial result for the pension fund for the year ended 31 March 2018, including investment performance and membership numbers, was presented to the committee in May 2018. This report contains the same information, but presented in accordance with statutory reporting guidelines.
7. Regulation 57 of the regulations covers the requirement for, content of, and publication arrangements for LGPS pension fund annual reports.
8. The annual report and accounts attached to this report as Appendix 1, contains the following information, most of which has already been seen and approved by this committee

<b>Introductory foreword</b>	
	To be inserted.
<b>Management and financial performance report</b>	
Scheme management and advisers.	Same format as previous years.
Financial performance	Same format as last year. Includes summary out-turn, membership numbers, and details of employers (membership numbers, contributions paid and late paid contributions) as presented in May 2018
<b>Investment policy and performance report</b>	
Mercer Limited report.	Same format as last year. As presented to Pension Fund Committee in May 2018
<b>Actuarial statement</b>	
Hymans Robertson LLP report.	Same format as last year. Formal report of actuarial position, already summarised in Note 21 to the accounts
<b>Statement of responsibilities for the Statement of Accounts</b>	
Extract from council accounts.	To be inserted. Same format as last year.
<b>Annual accounts</b>	
Fund account. Net assets statement. Notes to the accounts.	Statutory format and content. No major changes to last year's format. Information previously presented in summary at May 2018 meeting. This is the section that will appear in the council's statement of accounts.
<b>Knowledge and Skills Framework compliance statements</b>	
Report on training undertaken and committee attendance at both committee meetings and training sessions.	Same format as last year. Information presented and approved at May 2018 committee meeting.

<b>Communications policy statement</b>	Same format as last year. Unchanged since last presented in 2012-13. <i>This will be updated in 2018-19 as part of the action plan from the governance review (separate item on this agenda).</i>
<b>Governance policy statement</b>	Same format as last year. Adopted at February 2018 committee meeting.
<b>Terms of reference of Pension Fund Committee</b>	
<b>Terms of reference of the Pension Board</b>	
Extracts from council's constitution.	Approved by Full Council in November 2017.
<b>Appendix A – Glossary of terms</b>	Same format as last year.
<b>Appendix B – market value of investments by sector</b>	Same format as last year. Industry breakdown of investments, supplementary to information included in note 17 to the accounts.
<b>Appendix C – investment strategy statement</b>	Same format as last year. Unchanged since last presented in 2016-17 ( <i>will be revised as part of the 2019 valuation</i> ).
<b>Appendix D – funding strategy statement</b>	Same format as last year. Unchanged since last presented in 2016-17 ( <i>will be revised as part of the 2019 valuation</i> ).
<b>Appendix E – governance compliance statement</b>	Same format as last year. Approved by committee in May 2018.
<b>Appendix F – progress report re ACCESS group pooling</b>	NEW appendix in 2017-18. Statement included in annual reports of all funds within the ACCESS pool, confirming progress with investment pooling.
<b>Independent auditors report</b>	To be inserted. Pending completion of audit.

## STRATEGIC CONTEXT

- 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 LGPS regulations and statutory provisions. The committee aims to operate 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.

10. Approval of the fund's draft annual report and accounts, and the overall stewardship of public funds, form an integral part of the fund's corporate governance framework.

### FINANCIAL / BUDGET IMPLICATIONS

11. There are no direct financial implications associated with this report.
12. The financial information included in this report was presented in summary at the committee meeting in May 2018. However, on an annual basis it is necessary to produce financial information in this format to comply with external reporting requirements, codes of practice and the specific requirements of the Accounts and Audit (England) Regulations 2015, and with the Local Government Pension Scheme Regulations 2013.

### LEGAL IMPLICATIONS

13. The pension fund annual accounts form part of the council's annual statement of accounts. The Accounts and Audit (England) Regulations 2015 require approval of the council's statement of accounts by the council sitting as a whole, or by a committee with delegated powers to make such a decision, no later than 31 July each year.
14. The Local Government Pension Scheme Regulations 2013 require that LGPS funds prepare an annual report, including specified contents, which must be published on or before 1 December each year.
15. The audit of the pension fund accounts is substantially complete, the results of which are presented elsewhere on the agenda for this meeting. The external auditors expect to issue their report and opinion on the accounts before 31 July 2018, the statutory date for publication of the council's audited statement of accounts.
16. The independent report of the external auditor on both the council's accounts and the pension fund accounts will be presented to the Audit Committee on 30 July 2018, prior to issue of their final report and audit certificate to be published with the council's statement of accounts.
17. The independent report of the external auditor for the pension fund accounts will be presented to this committee in November 2018, and will be published in the pension fund annual report and accounts before 1 December 2018.

### EQUALITY AND DIVERSITY

18. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics

are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

19. The approval of the fund's annual report and accounts has no impact on any of the above protected characteristics.

## RISK MANAGEMENT

20. The pension fund's accounts are not required to be separately published, but form part of the council's statement of accounts.
21. The key risks relate to not producing and approving the council's statement of accounts in accordance with external reporting requirements, codes of practice and relevant financial reporting standards, and the requirements of the Accounts and Audit Regulations 2015. Failure to approve the accounts in accordance with the timeframe set out in the regulations or comply with relevant reporting standards would represent a potential risk to the reputation of the council.
22. A similar reputational risk applies to the failure to publish the pension fund annual report in accordance with the Local Government Pension Scheme Regulations 2013.

## EVALUATION

23. To comply with the requirements of the Accounts and Audit Regulations 2015, the council must publish the approved statement of accounts by 31 July together with any certificate or opinion issued by the auditor. The council has delegated the authority to approve the statement of accounts to the Audit Committee.
24. To comply with the requirements of the Local Government Pension Scheme Regulations 2013, the council must publish the annual report of the pension fund by 1 December. As soon as the council's statement of accounts has been approved by the Audit Committee, the pension fund's annual report can be published on the council's website.

## RECOMMENDATION

25. Subject to the completion of the external audit, the committee is asked to approve:
  - (a) The accounts for inclusion in the council's accounts.
  - (b) The annual report and accounts for publication.

## APPENDICES ATTACHED

26. [Appendix 1](#) – Draft annual report and accounts 2017-18.

## BACKGROUND PAPERS

27. Draft year end financial results 2017-18 (Pension Fund Committee 18 May 2018, paper B)  
<https://www.iwight.com/Meetings/committees/IW%20Pension%20Fund/18-5-18/Paper%20B%20-%20Draft%20Year%20End%20Results.pdf>
28. Governance Policy (Pension Fund Committee 09 February 2018, paper D)  
<https://www.iwight.com/Meetings/committees/IW%20Pension%20Fund/9-2-18/PAPER%20D.pdf>
29. Governance Compliance Statement year ended 31 March 2018 (Pension Fund Committee 18 May 2018, paper C)  
<https://www.iwight.com/Meetings/committees/IW%20Pension%20Fund/18-5-18/Paper%20C%20-%20GCS%20Report.pdf>

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