

Isle of Wight Council Pension Fund

Funding and risk report as at 30 June 2018

| | 30 June 2018 | Ongoing funding |
|-----------------|-------------------|-----------------|
| HEADLINE | Assets | £592m |
| | Liabilities | £623m |
| | Surplus/(deficit) | (£31m) |
| | Funding level | 95.0% |

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 30 June 2018, for the Isle of Wight Council Pension Fund (“the Fund”). It is addressed to Isle of Wight Council in its capacity as the Administering Authority of the Fund and has been prepared in my capacity as your actuarial adviser.

At the last formal valuation the Fund assets were £474m and the liabilities were £518m. This represents a deficit of £44m and equates to a funding level of 91.5%. Since the valuation the funding level has increased by 3.5% to 95.0% as detailed in the table above.

This report has been produced exclusively for the Administering Authority. This report must not be copied to any third party without our prior written consent.

Should you have any queries please contact me.

Craig Alexander AFA

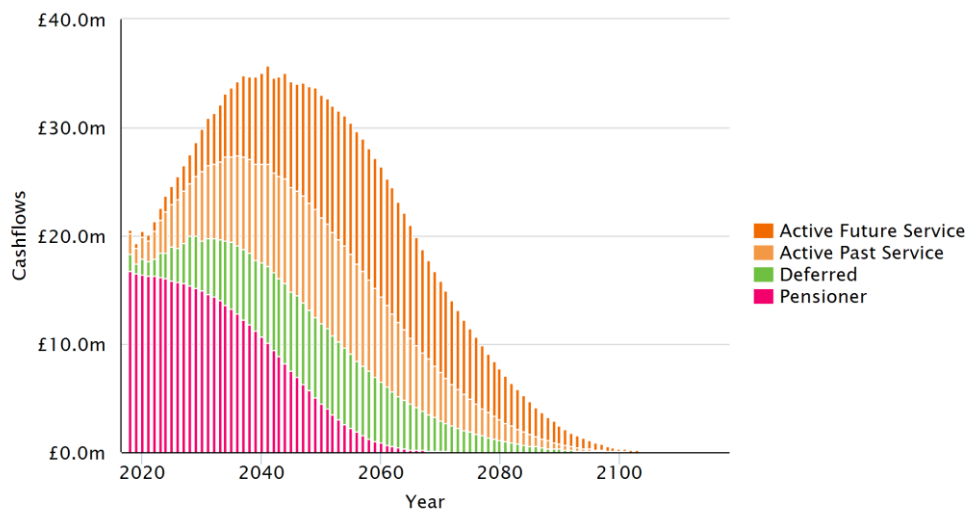
CURRENT POSITION

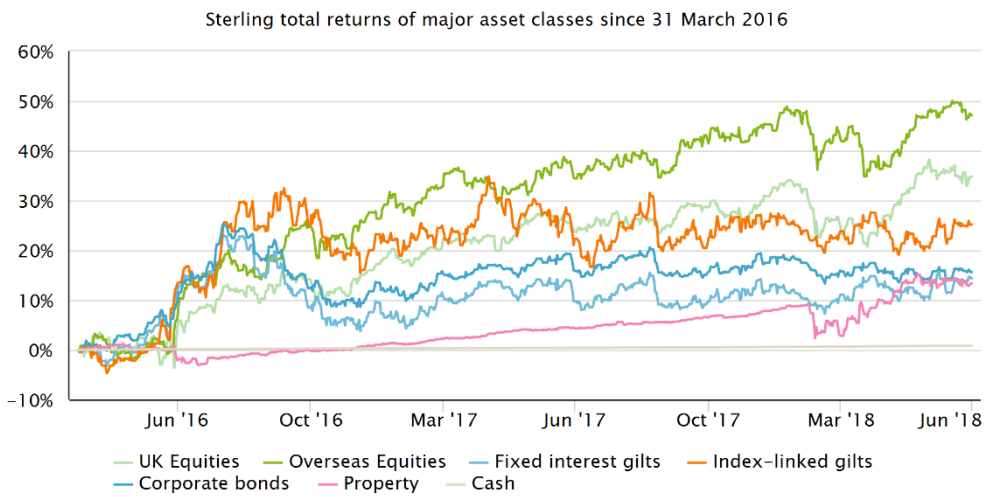
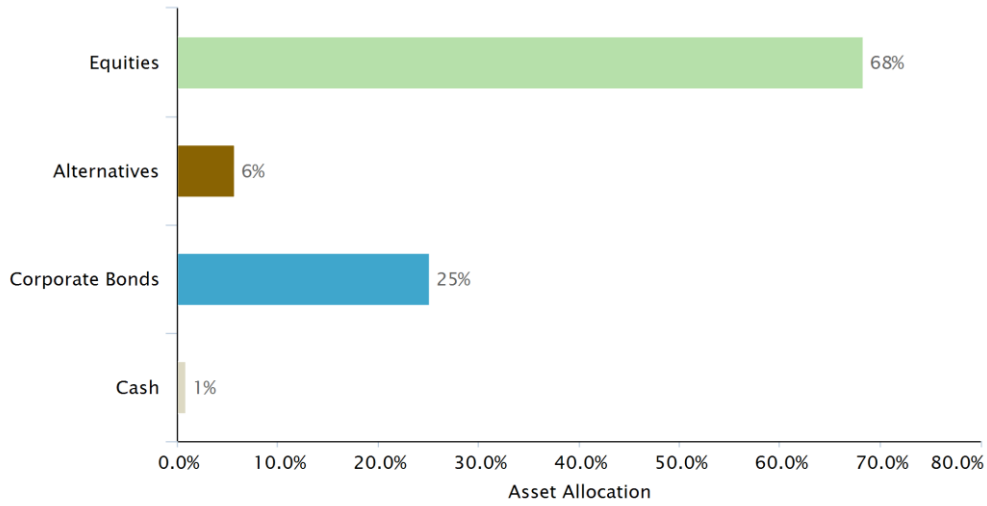
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|-------------------|-----------------|
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| Surplus/(deficit) | £m |
|--|------|
| Surplus/(deficit) as at 31/03/2016 | (44) |
| Contributions (less benefits accruing) | (5) |
| Interest on surplus/(deficit) | (4) |
| Excess return on assets | 83 |
| Impact of change in yields & inflation | (61) |
| Surplus/(deficit) as at 30/06/2018 | (31) |

| | 31 March 2016 | 31 March 2018 | 30 June 2018 |
|----------------------|---------------|---------------|--------------|
| Market Yields (p.a) | | | |
| Fixed Interest Gilts | 2.17% | 1.63% | 1.67% |
| Index-linked Gilts | -0.96% | -1.65% | -1.57% |
| Implied Inflation | 3.16% | 3.34% | 3.29% |
| AA Corporate Bonds | 3.36% | 2.58% | 2.72% |
| Price Indices | | | |
| FTSE All Share | 3,395 | 3,894 | 4,202 |
| FTSE 100 | 6,175 | 7,057 | 7,637 |

PROGRESS





Sensitivity Matrix as at 03 August 2018 for basis Ongoing funding (£m)

| | | Shift in equity level (using FTSE 100 levels as proxy) | | | | | | |
|-------------------------------|------|--|-----------|-----------|------------|-------------|-------------|--------|
| | | 5361 | 6127 | 6893 | 7659 | 8425 | 9191 | 9957 |
| | | -30% | -20% | -10% | 0% | 10% | 20% | 30% |
| Shift in bond yields (% p.a.) | 0.6 | (107) | (62) | (17) | 27 | 72 | 117 | 161 |
| | 0.4 | (123) | (78) | (33) | 12 | 56 | 101 | 146 |
| | 0.2 | (139) | (95) | (50) | (5) | 39 | 84 | 129 |
| | 0.0 | (157) | (112) | (68) | (23) | 22 | 66 | 111 |
| | -0.2 | (176) | (131) | (87) | (42) | 3 | 47 | 92 |
| | -0.4 | (196) | (152) | (107) | (62) | (18) | 27 | 72 |
| | -0.6 | (218) | (173) | (129) | (84) | (39) | 5 | 50 |
| | | < 50% | 50% - 85% | 85% - 95% | 95% - 100% | 100% - 105% | 105% - 115% | > 115% |

Reliances and limitations

This report was commissioned by and is addressed to Isle of Wight Council in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.