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Monitoring Officer **Christopher Potter**

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genda

Name of meeting ISLE OF WIGHT PENSION FUND COMMITTEE

> Date **WEDNESDAY 27 JULY 2022**

Time 10.00 AM

Venue COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF

WIGHT

Members of the Cllrs C Jarman (Chairman), A Garratt (Vice-Chairman), committee

C Critchison, D Andre, P Brading, V Churchman and

Vacancy

S Milford (Non-Voting)

Democratic Services Officer: Megan Tuckwell

democratic.services@iow.gov.uk

1. Minutes (Pages 7 - 12)

To confirm as a true record the Minutes of the meeting held on 25 May 2022.

2. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.

3. **Public Question Time - 15 Minutes Maximum**

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore the deadline for written questions will be Friday 22 July 2022.





Details of this and other Council committee meetings can be viewed on the Isle of Wight Council's Committee website. This information may be available in alternative formats on request. Please note the meeting will be audio recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however parents/carers should be aware that the public gallery is not a supervised area.

Page 1

4. Pension Board Updates

To receive and note the following reports from the Local Pension Board:

- (a) Minutes of the meeting held on 15 June 2022 (Draft) (Pages 13 16)
- (b) Risk Register (Pages 17 38)

5. Legislation and Regulation Update

To receive a verbal update on current issues, including an update on government consultations.

6. Knowledge and Understanding Update (Pages 39 - 44)

To receive and note the update on training and development activities undertaken by committee members since the last meeting.

7. Annual Report and Accounts 2021-22 (Draft)

To receive and note the draft pension fund accounts for 2021-22, and the external audit planning report for 2021-22 (as presented to the Audit Committee on 25 July 2022).

- (a) Draft Pension Fund Accounts 2021-22 (Pages 45 86)
- (b) External Audit Planning Report 2021-22 (Pages 87 124)

8. **Triennial Valuation** (Pages 125 - 128)

To receive and note the update on progress with the triennial valuation.

9. Investment Performance and Funding Level

To receive and note the reports from the fund's investment consultants; including a summary of the investment assets (at 30 June 2022), and a summary overview of investment market performance for the quarter ended 30 June 2022. An update on the fund's actual performance for the quarter will be provided at the meeting.

- (a) Investment assets as at 30 June 2022 (Pages 129 130)
- (b) Hymans Robertson 2022 Q2 Flash Stats (Pages 131 132)

10. Items circulated for Members Attention

To note items circulated to committee members since the papers were published for last committee meeting, for information:

- a) Sent 01-Jun-22: Hymans Robertson Webinar Invite: Setting your Funding Strategy at the 2022 Valuation (20 June)
- b) Sent 20-Jun-22: Invitation: APPG for Local Authority Pension Funds Levelling Up and Local Authority Pension Funds(13 July)

- c) Sent 20-Jun-22: Invitation Joint Paris Alignment Forum and Place-Based Impact Investing Forum online afternoon tea with SilverStreet Capital (18 July)
- d) Sent 20-Jun-22: Scheme Advisory Board annual report 2021
- e) Sent 20-Jun-22: Hymans Robertson Conference Highlights PLSA Local Authority Conference 2022
- f) Sent 21-Jun-22: Hymans Robertson: June issue of The Edit
- g) Sent 21-Jun-22: internal development session invitation: investment strategy (14 September)
- h) Sent 23-Jun-22: Economic and interest rate forecast June 2022
- i) Sent 05-Jul-22: knowledge and understanding update request for action and information
- j) Sent 07-Jul-22: LGPS Bulletin 226
- k) Sent 07-Jul-22: Hymans Robertson: July issue of The Edit

11. **Workplan 2022-23** (Pages 133 - 138)

To receive and note the workplan for the pension fund committee and local pension board for the 2022-23 financial year.

12. Members' Question Time

A question may be asked at the meeting without prior notice but in these circumstances there is no guarantee that a full reply will be given at the meeting. To guarantee a reply, a question must be submitted in writing or by email to democratic.services@iow.gov.uk no later than 10.00am, Monday 25 July 2022.

13. Exclusion of Public and Press

To consider passing a resolution that, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, namely agenda item(s) 14 to 17 on the grounds that there is likely to be disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. **UK Equity Allocation** (Pages 139 - 146)

To receive a confidential report from the investment consultants following their due diligence work on the LF ACCESS UK Select Fund (Black Rock).

15. Fund Manager Presentation

To receive a presentation from Black Rock on the LF ACCESS UK Select Fund.

16. **ACCESS Update** (Pages 147 - 164)

To receive and note an update on activity with the ACCESS pool since the last meeting.

17. **Procurement / Contract Management Update** (Pages 165 - 174)

To receive and note an update on procurement and contract management activity since the last meeting.

CHRISTOPHER POTTER Monitoring Officer Tuesday, 19 July 2022

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

If you require further information please see the council guide to reporting on council meetings which can be found at

http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at democratic.services@iow.gov.uk



Minutes

Name of meeting ISLE OF WIGHT PENSION FUND COMMITTEE

Date and Time WEDNESDAY 25 MAY 2022 COMMENCING AT 10.00 AM

Venue COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT

Present Cllrs C Jarman (Chairman), A Garratt (Vice-Chairman), D Andre,

V Churchman and C Critchison

Also Present Leo Atkinson-Goffe, Jo Cooke, Jo Thistlewood and Megan

Tuckwell

Jack Bladon, Jonathan Snow (Schroders), Emma Garrett (Hymans Robertson), Craig Alexander (Hymans Robertson -

Virtual)

Neil Cain, Martin Doyle, Liz Kingston, Cllr Michael Lilley, Barbara

Milton and Trevor Ould (Local Pension Board)

Apologies S Milford (Co-opted, Non-Voting), Cllrs P Brading and M Oliver

1. Minutes

RESOLVED:

THAT the minutes of the meeting held on 16 February 2022 be confirmed.

2. **Declarations of Interest**

No declarations were received.

3. Public Question Time - 15 Minutes Maximum

No public questions were received.

4. Pension Board Update

The chairman of the Local Pension Board advised that the board membership recruitment exercise had been completed following Liz Kingston's appointment as a scheme employer representative (Wootton Bridge Parish Council), and the committee received the draft minutes of the meeting of the Local Pension Board on 6 April 2022. Discussion took place regarding the Boards' comments related to the geographic allocation of the Funds' investments within the context of the Levelling Up agenda.

RESOLVED:

THAT the update from the Local Pension Board be noted.

5. **Employer Update**

The Pension Fund Manager presented the report which provided information on the employers within the Fund; including membership numbers, compliance with data and contribution submission deadlines, changes to employers during the financial year ended 31 March 2022, and future known and potential changes. Discussion took place regarding school academisation and the impact this may have on operational capacity.

RESOLVED:

THAT the information provided on employers within the fund be noted.

6. Legislation and Regulation Update

The Pension Fund Manager provided a verbal update on current issues, including consideration of the forthcoming consultation from the Department for Levelling Up, Housing and Communities expected in Autumn 2022 which would cover climate change, pooling, and levelling up. Consultation is also likely to include the replacement of the current CMA order (in respect of setting objectives for consultants) with LGPS regulations, the requirement for funds to take "proper advice" from FCA regulated advisers, the Scheme Advisory Board's good governance, and the Boycotts, Divestment and Sanctions bill. There was a concern that the 12-week consultation period may fall between scheduled committee meetings and it was therefore suggested that an additional informal meeting be arranged if necessary.

RESOLVED:

- i) THAT the legislation and regulation update be noted.
- ii) THAT an additional informal meeting of the Committee be arranged to consider the consultation from the Department for Levelling Up, Housing and Communities, if necessary.

7. Knowledge and Understanding

7a Knowledge and Understanding Update

The committee received the record of training and development activities undertaken by committee members since the last meeting, and the Pension Fund Manager provided a verbal update on committee members' completion of the Pension Regulator's online toolkit. No comments or questions were raised at this stage, and the update was noted.

RESOLVED:

THAT the knowledge and understanding update be noted.

7b Vertical Farm Site Visit

Cllr Churchman provided a verbal update on her recent site visit to a vertical farm and outlined the social and environmental benefits of the long-term investment opportunity with the build of multiple indoor projects to grow short-rooted crops. The Investment Consultant of Hymans Robertson provided information on the Gresham House Specialist Asset Fund, particularly within the context of the Levelling Up agenda. Additional information was requested regarding Gresham House's ESG/RI credentials. Questions were raised regarding the viability of expanding to other projects and genetically modified crops. Additional information on this was requested and it was suggested that the Fund's stance on this matter could be reflected within the investment strategy statement.

RESOLVED:

THAT the update be noted.

8. Triennial Valuation

The committee received the update from the Fund's Actuaries at Hymans Robertson on the progress with the triennial valuation, which included a summary of proposed assumptions, the valuation process, why and how set assumptions are set, the financial, longevity and demographic assumptions, reporting the funding level, and decisions and next steps. Questions were raised in relation to employer data collection, morbidity statistic modelling, and the protective pension age.

RESOLVED:

THAT the report and presentation from Hymans Robertson be noted.

9. Investment Performance and Funding Level:

9a Investment Assets as at 31 March 2022

9b Investment Monitoring Report - Q1 2022

The Investment Consultant of Hymans Robertson presented the investment performance report for the quarter ended 31 March 2022, which included a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. Consideration was given to the fund's investment assets as at 31 March 2022. No questions were raised and the update was noted.

RESOLVED:

THAT the investment performance and funding level be noted.

10. Fund Manager Presentation:

10a Schroder Sterling Broad Market Fund

The committee received a presentation from Schroders on the Sterling Broad Market Fund (fixed income portfolio), which included a performance summary as of

April 2022, and information on the discrete 10-year performance, performance attribution, evolution of duration exposure and non-government sector allocations, an outlook for Q2 2022, and climate and sustainability reporting metrics. No comments or questions were raised, and the presentation was noted.

RESOLVED:

THAT the fund manager presentation be noted.

10b Schroders Capital UK Real Estate Fund Performance Summary

The committee received a presentation from Schroders on the Schroders Capital UK Real Estate Fund (property portfolio) which included an overview of its role in the portfolio, the long-term outperformance track record, key areas of strategic focus, a forecast of total returns, and the approach to sustainable investments. Questions were raised in relation to industrial warehouse assets, responsible investments, and engagement with tenants.

RESOLVED:

THAT the fund manager presentation be noted.

11. Draft Financial Results 2021-22

The Pension Fund Manager presented the report which provided an early draft of the financial results for the Fund for the year ended 31 March 2022, including the change in the fund's net assets and change in membership numbers. It was advised that, as a result of resource constraints at the external auditors, the pension fund audit had been significantly delayed and was not due to start until mid-December 2022. This meant that the Fund would not achieve its statutory deadline for publishing its annual report and accounts before 1 December 2022. The committee noted that the breach of the law had been self-reported to the LGA and would be recorded on the breaches log but was not deemed significantly material to report to the Pensions Regulator.

RESOLVED:

THAT the Fund's draft financial results for the year ended 31 March 2022 be noted, and the final year-end position (subject to external audit) be presented to the Committee at its next meeting on 27 July 2022.

12. Items circulated for Members Attention

The committee noted the items circulated for information since the last meeting. No questions were raised at this stage.

RESOLVED:

THAT the items circulated for attention be noted.

13. Workplan

To receive and note the workplan for the Isle of Wight Pension Fund Committee and Local Pension Board for the 2022-23 financial year. No comments or questions were raised and the update was noted.

RESOLVED:

THAT the workplan be noted.

14. Members' Question Time

Cllr Churchman asked a question in relation to benchmarking. The Investment Consultant advised that all managers have standard benchmarks which are agreed at the time of appointment, and cannot be varied without the committee's express consent..

15. Exclusion of Public and Press

RESOLVED:

THAT the public and press be excluded.

Prior to the three-hour point in the meeting, the chairman proposed that the meeting be extended for up to thirty minutes (to allow sufficient time for the remaining agenda items to be considered) under Part 4B(6) (Duration of meetings) of the Council's Constitution.

RESOLVED:

THAT the meeting be extended by up to thirty minutes.

16. UK Equity Allocation Report (Confidential)

The committee received a confidential report from the Fund's investment consultants on the UK Equity sub-funds available under the ACCESS pool.

RESOLVED:

THAT the Funds investment consultants be authorised to progress with the next stage of detailed due diligence, and BlackRock to be invited to the next meeting of the Committee in July 2022.

17. ACCESS Update (Confidential)

The committee considered the report on recent ACCESS pool activities since the last meeting. Discussion took place regarding the exploration of the pool becoming a signatory to the UK Stewardship Code, and the potential resourcing issues for the local fund. It was agreed that Cllr Andre would raise the matter at the next meeting of the ACCESS Joint Committee.

RESOLVED:

THAT the ACCESS update be noted.

18. Procurement / Contract Management Update (Confidential)

The committee received the report on procurement and contract management activities undertaken since the last meeting.

RESOLVED:

THAT the contract management and procurement activity undertaken (since the last report in February 2022) be noted.

19. Adoption of Pension Fund Risk Register (Confidential)

Consideration was given to the draft risk register and the process for future reporting.

RESOLVED:

- THAT the draft risk register be adopted.
- ii) THAT a summary risk register (showing changes from the previous report) be presented to the committee at each future meeting.
- iii) THAT a detailed report on progress against all "red" risks be presented to the committee at each future meeting.
- iv) 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.

CHAIRMAN

Public Document Pack Agenda Item 4a



Minutes

Name of meeting LOCAL PENSION BOARD

Date and Time WEDNESDAY 15 JUNE 2022 COMMENCING AT 2.00 PM

Venue COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF

WIGHT

Present M Doyle (Chairman), N Cain, L Kingston, M Lilley, and T Ould,

A Curzon (Virtual)

Also Present Jo Cooke, Jo Thistlewood and Megan Tuckwell, Matthew Collier

(Virtual)

Cllr C Jarman (Virtual)

Apologies B Milton

1. Minutes

RESOLVED:

THAT the minutes of the meeting held on 6 April 2022 be approved as a true record.

2. Declarations of Interest

No declarations were received at this stage.

3. Report from the Pension Fund Committee

Consideration was given to the draft minutes of the meeting of the Pension Fund Committee held on 25 May 2022, and the decisions taken therein. No comments or questions were raised, and the minutes were noted subject to a minor grammatical amendment.

RESOLVED:

THAT the draft minutes of the meeting of the Pension Fund Committee held on 25 May 2022 be noted.

4. Triennial Valuation

The Pension Fund Manager delivered a presentation on the role of the fund actuary and the triennial valuation, including information on its purpose, the process and timetable for completion, and a summary of the proposed assumptions as agreed by the Pension Fund Committee meeting at its meeting on 25 May 2022. Discussion took place and questions were raised regarding salary increases, investment

returns, inflation, flexibility with the employee contribution rates, and the funding strategy statement. The Board noted the key areas for monitoring would be in relation to data quality, and to seek assurance that the process and timeline were being followed.

RESOLVED:

THAT the triennial valuation update be noted.

5. Report from the Pension Administration Team

The Pensions Manager presented the report on administration statistics, employer compliance with end of month reporting and payment deadlines for the year 2021-22 to date, complaints recorded, and breaches of the law identified. Attention was drawn to key updates relating to the i-Connect project, McCloud data, GMP, and tracing procurement.

With regards to the triennial valuation, it was highlighted that the actuaries had stated that the fund data was in a very good place and they expect to carry out very little verification/ correction work when the final year-end data is submitted.

The Pension Fund Manager provided an update on the breach of the law. It was advised that the Fund would not achieve its statutory deadline for publishing its annual report and accounts before 1 December 2022 (due to resource constraints at the external auditors). The breach of the law had been self-reported to the LGA and would be recorded on the breaches log but was not deemed significantly material to report to the Pensions Regulator.

Questions were raised regarding the rectification of late payments and submissions, and it was confirmed that these had all been received by year-end. Discussion took place regarding communication with the five Academies for whom Strictly Education provide payroll services,

Questions were raised regarding the complaint received and it was confirmed that this had been passed to Director of Finance to investigate through the internal complaints procedure. Discussion took place regarding a service review of Prudential and it was agreed that an update on Local Government AVC's would be added to the workplan for consideration at a future meeting of the Board.

RESOLVED:

THAT the report from the pension administration team be noted.

6. **DLUHC Consultation Update**

The Pension Fund Manager delivered a presentation on the forthcoming consultation from the Department of Levelling Up, Housing and Communities.

It was advised that the consultation was expected in Autumn 2022 and would cover climate, pooling, levelling up, and other issues such as the replacement of the CMA order (in respect of objectives for consultants). It was noted that the 12-week consultation period may fall between scheduled Committee meetings and it had

therefore been agreed that an additional informal meeting would be arranged if necessary.

Discussion took place with regards to the approach to levelling up, responsible investments and ESG/RI beliefs, and education reform and academisation.

RESOLVED:

THAT the update on the forthcoming consultation from the Department of Levelling Up, Housing and Communities, be noted.

7. Knowledge and Understanding

7a Record of Board Members' Training

The Pension Fund Manager presented the record of board members' training activities completed since the last meeting. Board members' were encouraged to complete any training and notify the Pension Fund Manager for recording purposes. Attention was drawn to the LGA fundamentals three-day course and confirmed that information would be circulated on this.

RESOLVED:

THAT the record of board members' training be noted.

8. Update from the CIPFA Pension Board Annual Conference

Consideration was given to the briefing note on the CIPFA annual conference for pension board members held on 18 May 2022. It was suggested that the many of the areas raised would be factored into the Board's workplan, and that a training session would be arranged on cyber risk. The chairman provided a verbal update on the LGPS success story event hosted by Hymans Robertson and agreed to circulate information on this outside of the meeting.

RESOLVED:

THAT the update on the CIPFA annual conference for pension board members, be noted.

9. Risk Management - Risk Register

The Pension Fund Manager presented the updated risk register, as adopted by the Pension Fund Committee on 25 May 2022. Board members suggested that they may benefit from additional training on the risk register. Concerns were raised regarding the risks associated with staffing capacity, resilience, and continuity planning. It was advised that a resource review was underway, and progress would be reported to the Board at its next meeting in October 2022.

RESOLVED:

THAT the updated risk register be noted.

10. Annual Report and Accounts 2021-22

The Pension Fund Manager provided an update the revised timetable for the completion and publication of the annual report and accounts, as a result of the delays to the external audit of the Pension Fund's accounts for the year ended 31 March 2022. It was proposed that an update on progress would be provided to each upcoming Committee and Board meeting until the end of the accounts close-down process.

RESOLVED:

THAT the update be noted.

11. Items circulated for Members Attention

The committee noted the items circulated for information since the last meeting. No comments or questions were raised at this stage.

RESOLVED:

THAT the items circulated for attention be noted.

12. Workplan

- 12a **Workplan 2022-23**
- 12b **Documentation List**

Consideration was given to the work programme for forthcoming meetings of the Committee and Board, including a list of key documents, and attention was drawn to the proposed future development sessions. It was advised that the list of documents would be maintained and presented to future meetings of the Board for monitoring. Discussion took place regarding the dates for future meetings, and it was proposed that the meeting scheduled for 12 October 2022 would be moved to 26 October 2022.

RESOLVED:

THAT the workplan be noted.

13. Other matters for the Board's attention

No other matters were raised.

CHAIRMAN

Agenda Item 4b



Purpose: For Information

Committee report

Committee PENSION FUND COMMITTEE

Date **27 JULY 2022**

Title PENSION FUND RISK REGISTER

Report of PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report provides the pension fund committee with an update on the pension fund risk register following its review by the local pension board at their meeting on 15 June 2022.

RECOMMENDATION

2. That the committee note the report from the pension board on the updated risk register.

BACKGROUND

- 3. The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021.
- 4. At the pension fund committee meeting on 25 May 2022, the committee adopted the Isle of Wight Council 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.
- 5. The pension board reviewed the risk register at its meeting on 15 June 2022. The report presented to the board is linked in the background papers to this report.
- 6. The summary risk register, as presented to the board but with updated commentary to 4 July 2022, is included as at Appendix 1 to this report, contains 48 risks covering all aspects of the fund's operation.
- 7. There have been no scoring changes since the board meeting or since the last report the pension fund committee, only updates to commentary on the mitigation actions.

Red rated risks

- 8. There are currently 9 risks rated red, with one of those having a "very high" risk score the key person risk. The board expressed concern over the issues of staffing capacity, resilience, and continuity planning and requested an update on the proposed structure review be presented at their next meeting in October 2022.
- 9. Each of these risks and their associated mitigation actions is presented in detail at Appendix 2.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Responding to climate change and enhancing the biosphere

 One of the biggest risks that the pension fund must consider is the impact of its investments on the climate. There are some risks included on the risk register which address this area.

Economic Recovery and Reducing Poverty

- 11. The pension fund has in excess of 16,000 members, the significant majority of whom live on the Isle of Wight and all of whom are either current or former employees of Island organisations.
- 12. Ensuring the affordability of the pension scheme for employers and paying benefits to scheme members when they are due, contributes positively to the Island economy.

Corporate Aims

13. Other than those items listed above, there is nothing contained in this report which directly contributes to the priorities contained in the <u>Corporate Plan 2021 - 2025</u>.

Pension Fund Strategic Aims

- 14. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other statutory provisions. The Risk Management Policy, together with a supporting risk register, forms part of the fund's key internal controls required by the Pensions Regulator to ensure this primary objective can be met.
- 15. Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Fund, those risks will come from a range of sources, including:
 - the funding position.
 - investment pooling and investment performance.
 - scheme administration and membership movements.
 - management and administration costs.
 - General Data Protection Regulation (GDPR) and communications.
 - financial systems.
 - Central government legislation and regulation changes.

16. The Fund's aim is to embed risk management into its culture, processes and structure to ensure that risk-taking and innovation are balanced in order to maximise opportunities and that the committee, local pension board and senior fund officers understand their respective roles and responsibilities in the identification and management of risks.

CONSULTATION

17. As confirmed at the committee meeting on 25 May 2022, the pension board has been tasked with maintaining oversight of the risk management framework and risk register. Each board meeting receives a report on the risk register and changes made. Minutes from the board meetings record the discussions, and the subsequent report to pension committee includes those comments.

FINANCIAL / BUDGET IMPLICATIONS

- 18. Other than the costs incurred in developing the risk management policy and original drafting of the risk register, as reported at the 25 May 2022 committee meeting, there are no direct costs incurred with the monitoring and updating of the risk register.
- 19. Any costs incurred in implementing the actions to mitigate the risks will be recorded against the project to which they relate, and will be reported to committee under those items.

LEGAL IMPLICATIONS

- 20. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
- 21. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
- 22. The Pensions Regulator's Code of Practice 14 Governance and administration of public service pension schemes requires that the council, as administering authority for the Isle of Wight Council Pension Fund, establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.
- 23. This risk register and associated risk management policy forms a key element of the fund's compliance with the system of internal controls, ensuring the fund can meet its fiduciary duties.

EQUALITY AND DIVERSITY

24. 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.
- 25. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

- 26. It is the responsibility of Isle of Wight Council, as administering authority for the Isle of Wight Council Pension Fund, to ensure that the fund is properly governed and administered in compliance with relevant regulations and other requirements. The council has delegated this function to the pension fund committee, under section 101 of the Local Government Act 1972.
- 27. The fund's strategy in dealing with risk management is to:
 - (a) identify key risks to the achievement of the fund's aims and objectives.
 - (b) assess the risks for likelihood and impact.
 - (c) identify mitigating controls that can be put in place.
 - (d) allocate responsibility for the mitigating controls.
 - (e) maintain a risk register detailing the risk features in a)-d) above.
 - (f) review and update the risk register on a regular basis.
 - (g) report the outcome of the review to the Pension Fund Committee at each committee meeting.
- 28. In addition to the Risk Management Policy the Fund has developed its risk register, which sets out the position in relation to each individual risks identified. Adopting the risk register, will ensure continued compliance with the requirements of the Pensions Regulator.
- 29. Further risks are likely to arise from future decisions taken by the Pension Committee, the ACCESS pool or from changes in legislation and regulations. Where such new risks arise, they will be added to the risk register, assessed, and mitigation actions identified.
- 30. Should the council fail to ensure appropriate systems of internal control the Pensions Regulator has the power to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council.

APPENDICES ATTACHED

- 31. Appendix 1 Summary risk register at 5 July 2022.
- 32. Appendix 2 Detailed risk register: red risks.
- 33. Appendix 3 Risk scoring profile.

BACKGROUND PAPERS

34. Isle of Wight Council Pension Fund Risk Management Policy https://iow.moderngov.co.uk/documents/s6260/ITEM%208%20Appendix%201%20-%20IWCPF%20Risk%20Management%20Policy%202021%20v2.1.pdf

35. Local Pension Board, 15 June 2022 Item 8: Risk Management - risk register https://iow.moderngov.co.uk/documents/s8278/ITEM%208%20-%20Risk%20Register%20Update.pdf

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CHRIS WARD
Director of Finance
and Section 151 Officer

COUNCILLOR CHRIS JARMAN Chairman of the Isle of Wight Pension Fund Committee



IWCRMS - Risks Under Service Area

- Open Risks

Technical Finance - Technical Finance (Pension Fund)

Date Added	Service Area	Risk Type	For	Risk ID	Risk	Owner	Assigned To	Current Score (05-Jul-22)	Next Review Date	Previous Score (16-May-22)
09/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 196	Key person risk (G3)	Pension Fund Manager	Pension Fund Manager	15 RED	30/09/2022	15 RED
09/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 195	Knowledge and understanding (G2)	Pension Fund Manager	Pension Fund Manager	14 RED	28/10/2022	14 RED
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 210	changes to national pension arrangements (A4)	Pension Fund Manager	Pension Fund Manager	14 RED	27/07/2022	14 RED
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 219	Cyber risk (A12)	Pension Fund Manager	Pension Fund Manager	13 RED	27/07/2022	13 RED
09/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 194	Governance arrangements (G1)	Pension Fund Manager	Pension Fund Manager	12 RED	29/07/2022	12 RED
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 220	Sufficient resources (A13)	Pension Fund Manager	Pension Fund Manager	12 RED	27/07/2022	12 RED
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 235	Climate change - funding implications (F4)	Pension Fund Manager	Pension Fund Manager	12 RED	28/10/2022	12 RED
22/03/2022	Technical Finance (Pension Fund)	Service	Service Area	ID: 1265	Responsible investment (I12)	Pension Fund Manager	Pension Fund Manager	12 RED	30/09/2022	12 RED
13/05/2022	Technical Finance (Pension Fund)	Service	Service Area	ID: 1268	DLUHC consultation Summer/Autumn 2022 (G11)	Pension Fund Manager		12 RED	29/07/2022	12 RED
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 217	administration system integrity (A10)	Pension Fund Manager	Pensions Manager (admin)	10 AMBER	30/09/2022	10 AMBER
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 224	Investment manager failure (I4)	Pension Fund Manager	Pension Fund Manager	10 AMBER	28/10/2022	10 AMBER
09/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 198	Professional advice (G5)	Pension Fund Manager	Pension Fund Manager	9 AMBER	27/07/2022	9 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 202	Internal controls failure (G6)	Pension Fund Manager	Pension Fund Manager	9 AMBER	28/10/2022	9 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 203	mismatch between investment and funding strategies (G7)	Pension Fund Manager	Pension Fund Manager	9 AMBER	27/07/2022	9 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 205	Pension Fund accounts (G9)	Pension Fund Manager	Pension Fund Manager	9 AMBER	27/07/2022	9 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 206	policy and decisions (G10)	Pension Fund Manager	Pension Fund Manager	9 AMBER	27/07/2022	9 AMBER

Date Added	Service Area	Risk Type	For	Risk ID	Risk	Owner	Assigned To	Current Score (05-Jul-22)	Next Review Date	Previous Score (16-May-22)
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 211	employer participation in LGPS (A5)	Pension Fund Manager	Pension Fund Manager	9 AMBER	27/07/2022	9 AMBER
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 232	Pay and price inflation (F1)	Pension Fund Manager	Pension Fund Manager	9 AMBER	28/10/2022	9 AMBER
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 233	External employers (F2)	Pension Fund Manager	Pension Fund Manager	9 AMBER	28/10/2022	9 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 207	Communications (A1)	Pension Fund Manager	Pension Fund Manager	8 AMBER	27/07/2022	8 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 209	Employer fails to pay contributions (A3)	Pension Fund Manager	Pension Fund Manager	8 AMBER	28/10/2022	8 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 212	Significant changes to an employer (A6)	Pension Fund Manager	Pension Fund Manager	8 AMBER	27/07/2022	8 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 213	compliance with legislation (A7)	Pension Fund Manager	Pension Fund Manager	8 AMBER	27/07/2022	8 AMBER
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 214	Employer fails to provide data (A8)	Pension Fund Manager	Pension Fund Manager	8 AMBER	27/07/2022	8 AMBER
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 236	Longevity (F5)	Pension Fund Manager	Pension Fund Manager	8 AMBER	28/10/2022	8 AMBER
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 237	Maturing fund (F6)	Pension Fund Manager	Pension Fund Manager	8 AMBER	28/10/2022	8 AMBER
09/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 197	Section 13 analysis impact (G4)	Pension Fund Manager	Pension Fund Manager	5 GREEN	30/06/2023	5 GREEN
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 204	disclosure of information legislation (G8)	Pension Fund Manager	Pension Fund Manager	5 GREEN	29/07/2022	5 GREEN
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 208	Data quality (A2)	Pension Fund Manager	Pension Fund Manager	5 GREEN	27/07/2022	5 GREEN
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 218	Assessment of benefit entitlements (A11)	Pension Fund Manager	Pensions Manager (admin)	5 GREEN	27/07/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 221	insufficient investment returns (I1)	Pension Fund Manager	Pension Fund Manager	5 GREEN	31/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 222	Inappropriate long term investment strategy (I2)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 223	Gilt rates fall (I3)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 225	Active manager underperformance (I5)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN

Date Added	Service Area	Risk Type	For	Risk ID	Risk	Owner	Assigned To	Current Score (05-Jul-22)	Next Review Date	Previous Score (16-May-22)
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 226	multiple asset class failure (I6)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 227	single asset class failure (I7)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 228	liquidity risk (I8)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 229	Environmental, Social and Governance factors (I9)	Pension Fund Manager	Pension Fund Manager	5 GREEN	28/10/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 230	Other provider risks (I10)	Pension Fund Manager	Pension Fund Manager	5 GREEN	30/09/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 231	Investment pooling (I11)	Pension Fund Manager	Pension Fund Manager	5 GREEN	27/07/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 241	employer exits without funding (F10)	Pension Fund Manager	Pension Fund Manager	5 GREEN	30/12/2022	5 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 234	Orphaned employers (F3)	Pension Fund Manager	Pension Fund Manager	4 GREEN	28/10/2022	4 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 238	increasing early retirements (F7)	Pension Fund Manager	Pension Fund Manager	4 GREEN	28/10/2022	4 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 239	Freedom and Choice (F8)	Pension Fund Manager	Pension Fund Manager	4 GREEN	28/07/2022	4 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 242	exit credit payable (F11)	Pension Fund Manager	Pension Fund Manager	4 GREEN	30/09/2022	4 GREEN
15/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 216	Ceasing benefits (A9)	Pension Fund Manager	Pensions Manager (admin)	2 GREEN	28/10/2022	2 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 240	failure to commission cessation valuation (F9)	Pension Fund Manager	Pension Fund Manager	2 GREEN	30/12/2022	2 GREEN
20/12/2021	Technical Finance (Pension Fund)	Service	Service Area	ID: 243	pandemic (all)	Pension Fund Manager	Pension Fund Manager	2 GREEN	28/10/2022	2 GREEN

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Appendix 2

IWCRMS - Service Area - Full Risk Register RED Risks (9 risks)

Technical Finance - Technical Finance (Pension Fund)

Financial Management - Technic	cal Finance (P	ension Fu	nd)				
Risk: Governance arrangements (G	61) (ld: 194) - A	ssigned To	: Pension Fun	d Manager			
Description: Failure to have the appropriate governequirements) Consequence: non-compliance with legislation or bedeetsions/deliver the service impactin	st practice and t				Inherent Rating: 14 - High RED	Current Rating 12 - High RED (05/07/2022)	Target Ration 5 - Low GREEN
Mitigations / Actions	% Complete	Due Date	Assigned To		Update		
Pension Fund Committee membership - recruitment of employer representative to vacant position	0	30/09/2022	Pension Fund Manager	Update 9-May-22: no progrend reporting complete.	ress to date. defer until a	fter LPB recruitment reso	lved and year
Governance Compliance Statement - update for current year activity, identify ureas for improvement, develop action olan. To be completed for 2021-22 annual eport, presentation at May 2022 pension fund committee meeting.	0	30/09/2022	Pension Fund Manager	update 31-May-22: GCS de Anticipate presentation to 0 November committee.			
Policies/Strategies: Update list of equired documents, and timetable dates for review within pension fund pusiness plan.	25	30/09/2022	Pension Fund Manager	Update 9-May-22: no progr Update 31-May-22: list of c Proposals for overdue polic October board meeting (JM	documents to be presente cy reviews to be complet	ed by 31 March 2023. Co	mms policy at
SAB Good governance project - gap analysis commissioned to identify areas or improvement to ensure compliance when legislation/regulations updated.	0	30/09/2022	Pension Fund Manager	update 22-Mar-22: report hof combined action plan for Update 31-May-22: to be compared to the	llowing review of governa	ance compliance stateme	

Local Pension Board - external employer representative nominations sought from 30 external employers (not IWC or related schools) - none received by first due date.	100	13/05/2022	Pension Fund Manager	21 March 2022: one nomination received on 2 February. Information has been with Director of Finance for review since 17 February (chased 28 Feb, 8 March and 21 March). Update 9-May-22: meeting scheduled between director of finance, chair of LPB and candidate on 12 May 2022. Update 16-May-22: meeting held, candidate has accepted position.
Local Pension Board - IWC Employer Representative Nominations sought from CMT to fulfil this role.	100	19/01/2022	Pension Fund Manager	7 Dec 2021 - nomination received. To be recommended to full council on 19 January 2022 for appointment 21/3/22: appointment confirmed at full council on 19 January. Member has had introduction meeting with technical finance manager. First meeting of newly created board to be held on 6 April.
Local Pension Board - independent chair 4 applications received for one position. Appointment to be confirmed at 19 January 2022 full council meeting.	100	19/01/2022	Pension Fund Manager	applications have been with Director of Finance and Chair of pension fund committee for review since 15 November 2021. 21/3/22: DoF and Chair of PFC met with shortlisted candidates held on 7 Feb and 16 Feb. Preferred candidate identified and appointed on 2 March. Pension board introductory meeting to be held on 6 April.
Local Pension Board - scheme member representative (minimum requirement) expressions of interest sought from all active, deferred and pensioner members of the fund for whom email address held on administration system (10,087 emails sent). Appointment to be confirmed at 19 January 2022 full council meeting.	100	19/01/2022	Pension Fund Manager	5 expressions of interest (two roles) received. With Director of Finance and Chair of pension fund committee for review since 15 November 2021. update 21 March 2022: 19 January full council meeting delegated appointment to Director of Finance. Director of Finance and Chief Executive met with three candidates between 21 February and 6 March - two people appointed, both have accepted. First meeting on newly formed board to be held on 6 April 2022.
Local Pension Board - scheme member representative (increased membership) expressions of interest sought from all active, deferred and pensioner members of the fund for whom email address held on administration system (10,087 emails sent). Appointment to be confirmed at 19 January 2022 full council meeting if possible.	100	19/01/2022	Pension Fund Manager	5 expressions of interest (two roles) received. With Director of Finance and Chair of pension fund committee for review since 15 November 2021. update 21 March 2022: 19 January full council meeting delegated appointment to Director of Finance. Director of Finance and Chief Executive met with three candidates between 21 February and 6 March - two people appointed, both have accepted. First meeting on newly formed board to be held on 6 April 2022.

Financial Management - Technic	,		,				
Risk: Knowledge and understandir Description:	ng (G2) (ld: 19	5) - Assigne	d To: Pension	Fund Manager	Inherent Rating:	Current Rating	Target Rating
Lack of relevant knowledge and under officers Consequence: non-compliance with legislation for bore of the compliance with legislation for the compliance with legislation for the compliance with legislation for the compliance with legislation with legislation for the compliance with legislation with legislation for the compliance with legislation for the compliance with legislation with legislation for the compliance with legislation for the compliance with legislation with legislation for the compliance with legislation with le	Ç				14 - High RED	14 - High RED	5 - Low GREEN
Mitigations / Actions	% Complete	Due Date	Assigned To		Update	(05/07/2022)	
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	25		Pension Fund Manager		- Opuno		
pension board and committee members induction programme to be developed	0	31/12/2022	Pension Fund Manager				
pension fund committee members encouraged to complete TPR public service online toolkit modules, with update on progress requested and eported at each pension fund committee meeting.	25	31/12/2022	Pension Fund Manager		g - only one member had onee members (from 7) hav		ompletion of all
Pension board members encouraged to complete all TPR public service online colkit modules within 6 months of appointment.	25	30/09/2022	Pension Fund Manager		board meeting with action 7) board members have pr		y have
Hymans Robertson LGPS Online Learning Academy users to be updated to include all board members. Board member to be encouraged to complete all modules within 6 months of access being granted. To be reported and reviewed at each coard meeting.	0	30/09/2022	Pension Fund Manager		, one member has comple ninder will be issued to all r		ne other has

New cost centre to be created to separate Pension Fund Finance costs from mainstream Accountancy team.

Risk: Key person risk (G3) (ld: 196) - Assigned To	o: Pension	Fund Manager				
Description: reliance on key people, lack of suppor Consequence: lack of succession planning. Severe d Review Date: 30/09/2022				od of time.	Inherent Rating: 15 - Very High RED	Current Rating 15 - Very High RED	Target Rat 5 - Low GREEN
Mitigations / Actions	% Complete	Due Date	Assigned To		Update	(05/07/2022)	
succession planning, sharing of knowledge, documentation of procedures/processes both in finance and administration teams.	0	28/10/2022	Pension Fund Manager	update 4-Jul-22: no progrestructure review	-	ecome clearer following c	utput from
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	25	31/08/2022	Pension Fund Manager	update 9-May-22: further Framework providers on 3 evaluation to be complete as soon as possible after update 30-May-22: 4 tend update 01-Jul-22: unable 10 June 2022. Reworking award of custodian contra	B May. Deadline for submit by 7 June, with award shaward. er submission received by to identify preferred provice of further competition doc	ssion of responses 24 Ma ortly thereafter and work y deadline - evaluation in der, so procurement proce	ay 2022; to commence progress. ess suspended
Financial Management staffing restructure changes Technical Finance Manager role to Pension Fund Manager, with 100% focus on Pension Fund.	100	01/04/2022	Pension Fund Manager	update 9-May-22: structur costs to be monitored via			et transferred.

Description:				Inherent Rating:	Current Rating	Target Rating
HMRC - e.g. changes from public sec Consequence:	ctor report (McCl	loud) rided to stak	eholders, increased complaints, non-	14 - High RED	14 - High RED (05/07/2022)	9 - Medium AMBER
Mitigations / Actions	% Complete	Due Date	Assigned To	Update		
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	25	31/03/2023	Pension Fund Manager			
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	25	31/03/2023	Pension Fund Manager			
business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	0	31/03/2023	Pension Fund Manager			

Description:			2. 1	Inherent Rating:	Current Rating	Target Ratin
System failure, breach of data security Consequence: inability to process pension payments				13 - High RED	13 - High RED	10 - Medium AMBER
Review Date: 27/07/2022	and outer durin	monative tak		NED	(05/07/2022)	AMDER
Mitigations / Actions	% Complete	Due Date	Assigned To	Update		
compliance with Council data security protocols and building access controls maintained.	25	31/03/2023	Pension Fund Manager			
Ensure appropriate training and awareness sessions provided to administration staff, other officers and members of the Pension Committee and Pension Board. monitored as part of annual PDR process and reported in pension fund annual report.	25	31/03/2023	Pension Fund Manager			
Pension Fund specific disaster recovery plan in place to ensure back-up systems are in place within an agreed timescale. Regularly reviewed and updated.	0	30/09/2022	Pension Fund Manager			

Risk: Sufficient resources (A13) (lo	d: 220) - Assigr	ned To: Per	nsion Fund Man	ager			
Description: Insufficient resources (staffing, finance Consequence: inability to pay benefits, unable to eng Review Date: 27/07/2022	•			าร	Inherent Rating: 15 - Very High RED	Current Rating 12 - High RED (05/07/2022)	Target Rating 9 - Medium AMBER
Mitigations / Actions	% Complete	Due Date	Assigned To		Update	(03/01/2022)	
Ensure appropriate strategic planning is in place, identifying resource and budgetary needs and putting them in place as required	0		Pension Fund Manager				
succession planning for administration eam	0	30/09/2022	Pensions Manager (admin)	update 16-May-22: will be	factored into output of op	erational structure review	V.
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	25	31/08/2022	Pension Fund Manager	update 9-May-22: further of Framework providers on 3 evaluation to be complete as soon as possible after a update 30-May-22: 4 tendupdate 01-Jul-22: unable to 10 June 2022. Reworking award of custodian contra	May. Deadline for submi by 7 June, with award sh award. er submission received by to identify preferred provic of further competition doc	ssion of responses 24 Ma ortly thereafter and work or deadline - evaluation in ler, so procurement procurement procurement	ay 2022; to commence progress. ess suspended

Financial Management Technic	ol Finance (F	ension Fu					
Financial Management - Technic Risk: Climate change - funding imp	,		,	und Manager			
Description: Effect of possible underperformance a Consequence: oss of returns through obsolete inves Review Date: 28/10/2022	as a result of ES	G factors, in	ncluding climate change		Inherent Rating: 12 - High RED	Current Rating 12 - High RED (05/07/2022)	Target Rating 9 - Medium AMBER
Mitigations / Actions riennial valuation 2022 will model specific climate scenarios in determining ikelihood of achieving funding targets, and setting contribution rates. Financial Management - Technic	% Complete 25	Due Date 31/12/2022	Manager	-Jul-22: assumptio	Update ons for climate modelling	agreed	
Risk: Responsible investment (I12) Description: The fund fails to consider Environmen nvestment strategy and reporting Consequence: oss of returns through obsolete inves	(Id: 1265) - As	ssigned To: Governance	Pension Fund Manage	ering its	Inherent Rating: 12 - High RED	Current Rating 12 - High RED	Target Rating 9 - Medium AMBER

Mitigations / Actions	% Complete	Due Date	Assigned To	Upda
Fund has published responsible investment beliefs, set in 2019. To be reviewed to ensure still relevant and expanded where appropriate	0	31/03/2023	Pension Fund Manager	
Membership of LAPFF to improve engagement with investee companies. Reporting of engagement to be improved.	50	31/03/2023	Pension Fund Manager	

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fund commissioned ESG analysis and carbon footprint report in June 2021, which has informed some manager challenge, and will form baseline for future climate change actions.	0	31/03/2023	Pension Fund Manager	Update 9-May-22: consideration to be given to commissioning updated report for 2022-23. cost identified as £13k.
ESG/RI workgroup established to review fund's current beliefs and statements to ensure fit for purpose.	25	31/12/2022	Pension Fund Manager	2 meetings held to date update 9-May-22: no meetings held since November 2022, due to officer capacity
DLUHC consultation in Summer 2022 will include requirements for climate change risk and reporting - fund to be engaged in and respond to consultation	0	30/12/2022	Pension Fund Manager	update 13-May-22: consultation now not likely to be issued until autumn - 12 week consultation period could mean very short implementation timetable for compliance with reporting/recording requirements for 2023-24 accounts (need to have processed in place BY 1 APRIL 2023)
ACCESS pool developing ESG/RI guidelines which should encompass all current statements from all 11 funds. Continued involvement in the development of those guidelines at officer and elected member level	50	30/09/2022	Pension Fund Manager	update 9-May-22: ACCESS ESG/RI guidelines were presented to elected member workshop on 27 April, with very few amendments proposed. Should be presented to 6 June 2022 JC meeting for onward recommendation. update 01-Jul-22: ACCESS JC meeting approved guidelines in principle. Next step, to build inot local review of current statements.

Financial Management - Technical Finance (Pension Fund) Risk: DLUHC consultation Summer/Autumn 2022 (G11) (ld: 1268) Assigned To: Inherent Rating: Description:

Fund fails to respond to consultation when issued, and/or fails to respond to requirements Consequence:

unaware/unprepared for new requirements, non-compliant with new regulations when issued, reputational issues nationally and locally.

Review Date: 2	29/07/2022
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Review Date: 29/07/2022				(05/07/2022)
Mitigations / Actions	% Complete	Due Date	Assigned To	Update
DLUHC consultation in Summer 2022 will include requirements for climate change risk and reporting - fund to be engaged in and respond to consultation	0	30/12/2022	Pension Fund Manager	update 13-May-22: consultation now not likely to be issued until autumn - 12 week consultation period could mean very short implementation timetable for compliance with reporting/recording requirements for 2023-24 accounts (need to have processed in place BY 1 APRIL 2023)
broad overview of topics likely to be covered in consultation to be reported to committee and board, and factored into work programmes: Climate risk/reporting; Pooling; Levelling-Up; Other matters.	0	30/09/2022	Pension Fund Manager	update 01-Jul-22: consultation will not be issue until Autumn - no further indication of timing and/or content.
keep up to date with progress on launch of consultation - at 13 May date of issue is not known "summer" more likely to be "autumn"	25	29/07/2022	Pension Fund Manager	Update 31-May-22: committee agreed at their 25 May meeting to hold an extra meeting should the consultation be issued without time for consideration at scheduled meetings.

Current Rating

12 - High

RED

12 - High

RED

Appendix 2 - Risk Prioritisation Matrix

ty	4	7	11	14	16
	V. Likely	Medium	Medium	High	<u>VERY HIGH</u>
obabili	3	4	8	12	15
	Likely	Low	Medium	High	<u>VERY HIGH</u>
ood/Pr	2	2	5	9	13
	Unlikely	Low	Low	Medium	High
Likelihood/Probability	1	1	3	6	10
	Remote	Low	Low	Low	Medium
	Scale	1 Low	2 Medium	3 High	4 Major

Impact/Severity

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

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 happened rarely/never before		

Impact/Severity Criteria

Factor	Scal e	Effect on Service	Embarrassment/repu tation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
Major	4	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	Death of an individual or several people	All personal details compromised/ revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	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	Major injury to an individual or several people	Many individual personal details compromised/ revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/major delay – 2-3 months
Medium	2	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	Severe injury to an individual or several people	Some individual personal details compromised/ revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	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	Minor injury or discomfort to an individual or several people	Isolated individual personal detail compromised/ revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks

Agenda Item 6

Purpose: For Information



Committee report

Committee PENSION FUND COMMITTEE

Date **27 JULY 2022**

Title KNOWLEDGE AND UNDERSTANDING UPDATE

Report of PENSION FUND MANAGER

EXECUTIVE SUMMARY

- 1. While there is no legislative requirement for pension fund committee members to have a minimum level of knowledge and understanding to undertake their roles in overseeing all aspects of the pension fund, it is considered good practice that committee members obtain sufficient understanding of all aspects of the fund, to ensure that appropriate decisions can be made.
- 2. Appendices to this report contain a record of development activities undertaken by current committee members, including online learning activities, attendance at local development sessions, and attendance at external events.

RECOMMENDATION

- 3. That the committee note the report.
- 4. That committee members agree to complete the recommended online training modules and provide evidence of their completion.
- 5. That the committee agree that the fund will participate in the Hymans Robertson National Knowledge Assessment once launched, and that all committee members will participate in the survey.

ONLINE DEVELOPMENT ACTIVITIES

6. Appendix 1 to this report provides information on the progress of committee members in completing the seven modules of the Pension Regulator's (TPR) online learning toolkit, as well as completion of the Council's mandatory information security training modules.

- 7. At the time of writing, the Pension Fund Manager has received evidence from three committee members of their completion of the TPR toolkit. The link to the toolkit can be found in the background papers section of this report.
- 8. As part of the risk register (covered under item 4a on this meeting's agenda), the fund acknowledges the key issue of data security. One of the key mitigations is that all committee members and officers complete the Council's learning and development modules for Data Protection Awareness, Information Security Awareness and Cyber Security Awareness.
- 9. At the time of writing, no councillor members of the committee have completed any of the three proposed modules. It is noted that not all staff supporting the pension fund have completed all the required modules. Staff have committed to complete the outstanding modules before the next pension fund committee meeting.
- 10. The link to the council's learning and development portal is provided in the background papers section to this report. This can be accessed using councillors' @iow.gov.uk email address and password.

INTERNAL AND EXTERNAL EVENTS

- 11. The Pension Fund Manager has organised a virtual development session to be held at 11am on Wednesday 14 September 2022. This session will be delivered by Hymans Robertson and will cover the process by which the fund's strategic asset allocation is determined, as part of the triennial valuation.
- 12. Committee members are asked to confirm their attendance at this very important development session, which will form the basis for a decision on any amendments to the current allocation which will be presented at a future meeting of this committee.
- 13. Committee members are also asked to review the attendance records for external development events publicised by the Pension Fund Manager and provide information on other events that they may have attended, which can be added to the development records.

HYMANS ROBERTSON NATIONAL KNOWLEDGE ASSESSMENT

- 14. In 2020, Hymans Robertson launched the first National Knowledge Assessment (NKA), a tool to measure the levels of knowledge and understanding of committee and pension board members. The fund participated in this assessment in 2020.
- 15. Hymans have announced that they intend to launch a second NKA in mid-September 2022, inviting all LGPS funds to participate. It is expected that the assessment will take between 15-20 minutes to complete.
- 16. It is proposed that the fund participates in the assessment again, particularly given the number of changes to the membership of both committee and board since the last assessment.
- 17. This assessment will provide key evidence and information on the management of the fund and will provide useful information in helping to understand where to focus our future training requirements, and wider information for the LGPS as a whole.

Page 40

- 18. On completion of the survey, the fund will receive:
 - (a) A fund-level result report.
 - (b) Individual participant scores.
 - (c) Benchmarked Fund results against other LGPS funds and tracked against 2020 results.
 - (d) Benchmarked engagement scores.
 - (e) Hymans' analysis and suggested next steps.
 - (f) A recommended training plan tailored for both Committee and Board.
- 19. The committee is asked to confirm active participation in this assessment.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

20. There is nothing contained in this report which directly contributes to the priorities contained in the Corporate Plan 2021 - 2025.

Pension Fund Strategic Aims

- 21. 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. 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.
- 22. The fund has also agreed the following objectives, which are supported by information in this report:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
 - (b) Ensure Fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
 - (c) Data is protected to ensure security and authorised use only.

FINANCIAL / BUDGET IMPLICATIONS

- 23. The cost of participating in the Hymans Robertson National Knowledge Assessment for 2022 is expected to be similar to that of the 2020 assessment, which was £5,000. This cost will be confirmed in due course.
- 24. The Pensions Regulator's online toolkit and the Council's learning and development portal have no additional cost to the pension fund.

LEGAL IMPLICATIONS

25. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".

- 26. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
- 27. While there are no current legal requirements for a minimum level of knowledge and understanding for committee members (unlike the statutory obligations for board members under the Public Service Pensions Act 2013), it is important that members have a good understanding of all aspects for fund management, to ensure that appropriate decisions can be made.

EQUALITY AND DIVERSITY

- 28. 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.
- 29. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

30. Maintaining sufficient levels of knowledge and understanding will ensure that committee members are able to make informed decisions, that are evidence based, and compliant with the requirements of the LGPS.

APPENDICES ATTACHED

31. Appendix 1: Isle of Wight Pension Fund Committee development records 2022-23.

BACKGROUND PAPERS

- 32. The Pensions Regulator public service pensions online learning modules: http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx
- 33. Isle of Wight Council Learning and Development portal: Catalogue (learningpool.com)

Contact Point: Joanna Thistlewood, Pension Fund Manager, **☎** 821000 e-mail *jo.thistlewood@jow.gov.uk*

CHRIS WARD
Director of Finance
and Section 151 Officer

COUNCILLOR CHRIS JARMAN Chairman of the Isle of Wight Pension Fund Committee

TPR modules

Conflicts of interest Maintaining accurate member data

Providing information to members and others

Reporting breaches of the law Managing risks and internal controls Maintaining member contribtuions Resovling internal disputes

CJ	AG	DA	PB	VC	CC	tbc	SM	vacancy
Chair	Vice-chair	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member rep	Employer rep
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			
	Jan-20		Feb-22		Jan-22			

http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx

IWC Learning modules 15 July 2022

Cyber Security Awareness
Data Protection Awareness Information Security Awareness

CJ	AG	DA	PB	VC	CC	tbc	SM	vacancy
Chair	Vice-chair	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member rep	Employer rep
							Feb-22	

staff								
pension		admin						
fund	finance (1	team						
manager	staff)	(8 staff)						
		8						
Feb-22	Feb-22	8						
	May-22	7						

Isle of Wight Pension Fund Committee
Development sessions held 2022/23

14-Sep-22 Investment Strategy (Hymans)

attendance during period of membership

external events attended

13-Apr-22 LAPFF business meeting

28-Apr-22 LAPF Local Authority Responsible Investment seminar

03-May-22 Aon delegated investment webinar: Navigating climate risks and opportunities

08-Jun-22 Partners Group event (Claridges)

04 to 05-Jul-22 LAPF Strategic Investment Forum (the Grove)

13-Jul-22 LAPFF business meeting

Joint Paris Alignment Forum and Place-Based Impact

18-Jul-22 Investing Forum online afternoon tea with SilverStreet Capital

CJ	AG	DA	PB	VC	CC	tbc	SM	vacancy
Chair	Vice-chair	Elected member	Elected member	Elected member	Elected member	Elected member	Scheme member	Employe
Citati	vice chair	1	2	3	4	5	rep	rep
	ten		aps	acc	aps		acc	

		1					1	
CJ	AG	DA	PB	VC	CC	tbc	SM	vacancy
		Elected	Elected	Elected	Elected	Elected	Scheme	Employer
Chair	Vice-chair	member	member	member	member	member	member	
		1	2	3	4	5	rep	rep
					٧			
				٧				
				٧				
				٧				
				٧				
				٧				

number of events attended to date

1

- -

Agenda Item 7a

Purpose: For Approval



Committee report

Committee PENSION FUND COMMITTEE

Date **27 JULY 2022**

Title 2021-22 DRAFT ACCOUNTS

Report of PENSION FUND MANAGER

EXECUTIVE SUMMARY

- 1. This report presents the draft financial statements for the Isle of Wight Council Pension Fund for the year ended 31 March 2022, and a summary of progress for the completion of the fund's annual report and accounts for the year then ended.
- 2. It also provides a timetable for the completion of the annual report and accounts, including the external audit timetable and publication deadlines.

RECOMMENDATION

- 3. That the committee approve the draft financial statements for the pension fund for the year ended 31 March 2022.
- 4. That the committee note the timetable for the completion and publication of the annual report and accounts for the year ended 31 March 2022.

LEGISLATIVE BACKGROUND

- 5. The Accounts and Audit Regulations 2015 (the 2015 regulations) require approval of the council's statement of accounts, including the accounts to the pension fund, by members no later than 31 July each year.
- 6. The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations as a result of the Covid-19 pandemic lockdown, to allow for local authority accounts to be approved no later than 30 September for financial years ending 31 March 2021 and 31 March 2022.
- 7. In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021-22.

8. While there is no requirement for the pension fund's accounts to be published anywhere other than as part of the council's statement of accounts, the Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year.

DRAFT FINANCIAL STATEMENTS

- 9. Appendix 1 to this report contains the draft financial statements for the pension fund for the year ended 31 March 2022, presented in the format prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 10. The results shown in the appendix have been updated from the early draft results presented to the committee in May 2022, following the receipt of final information from investment managers. The accounts are still subject to external audit.
- 11. The net deficit between contributions received and benefits paid during the year, has not changed since the previous report, remaining at £2.98 million. Management expenses have decreased by £0.04 million to £5.75million, and the net return from investments has increased by £0.78 million to £46.17 million.
- 12. For the year ended 31 March 2022, the fund's total net assets increased by £37.4 million, to £728.1 million (compared to £690.7 million at 31 March 2021).

TIMETABLE FOR COMPLETION OF ACCOUNTS AND ANNUAL REPORT

- 13. Appendix 2 to this report sets out a high level timetable for the completion of the annual report and accounts for the year ended 31 March 2022, including agenda items for presentation to both pension committee and local pension board for approval and information.
- 14. As previously reported, the audit work for both the council and pension fund accounts to 31 March 2022 will be delayed, with the completion scheduled for the March 2023 audit committee meeting.
- 15. Progress against the timetable will be reported to each local pension board and pension committee meeting. Should there be any further significant delays, these will be brought to members' attention.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

16. There is nothing contained in this report which directly contributes to the priorities contained in the Corporate Plan 2021 - 2025.

Pension Fund Strategic Aims

17. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other statutory provisions. The Risk Management Policy, together with a supporting risk register, forms part of the fund's key internal controls required by the Pensions Regulator to ensure this primary objective can be met.

- 18. The fund has also agreed the following objectives, which are supported by information in this report:
 - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice

FINANCIAL / BUDGET IMPLICATIONS

19. There are no direct financial implications arising from the approval of the pension fund's draft accounts.

LEGAL IMPLICATIONS

- 20. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
- 21. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
- 22. The accounts for the Isle of Wight Council Pension Fund will form part of the council's annual accounts, which are required by the Accounts and Audit (England) Regulations 2015 to be approved by the council sitting as a whole, or by a committee with delegated powers to make such a decision (for the Isle of Wight Council this is the Audit Committee), no later than 31 July for each financial year.
- 23. The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations as a result of the Covid-19 pandemic lockdown, to allow for local authority accounts for the financial years beginning in 2020 and 2021 to be approved no later than 30 September following the relevant year end.
- 24. In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced a package of measures to tackle delays in local audit, which includes a commitment to an extended deadline for the publication of audited accounts of 30 November for 2021-22 and then a deadline of 30 September for the following five years, beginning with the 2022-23 accounts and ending after the 2027-28 accounts have been completed
- 25. 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.
- 26. As reported above, both the council and the pension fund will not meet these statutory deadlines for the year ended 31 March 2022 due to delays arising from the external auditor. The pension fund has reported its non-compliance with legislation to the Local Government Association.
- 27. While there is currently no specific regulatory requirement for the pension fund accounts to be separately approved, it is considered good practice to provide the Pension Fund Committee with the draft results figures as part of the overall approval process.

EQUALITY AND DIVERSITY

- 28. 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.
- 29. The approval of the pension fund's draft accounts and noting the timetable for the completion of the annual report and accounts have no impact on any of the protected characteristics.

RISK MANAGEMENT

- 30. The Isle of Wight Council Pension Fund accounts form part of the council's overall annual accounts that have to be signed off by Full Council (or a committee with delegated powers) as part of the Accounts and Audit (England) Regulations 2015. While it is not a statutory requirement for the fund's to be approved separately from the council's full accounts, not involving the pension fund committee in this sign off process would not be following accepted good practice.
- 31. Presenting the committee with the draft financial statements, and then presenting the final pension fund annual report and accounts for approval at a later date, ensures that committee members have a greater understanding of the financial information when providing their final approval.

APPENDICES ATTACHED

- 32. Appendix 1 draft accounts for the Isle of Wight Council Pension Fund for the year ended 31 March 2022
- 33. Appendix 2 timetable for the completion of the 2021-22 annual report and accounts.

BACKGROUND PAPERS

34. Draft Financial Results 2021-22. Isle of Wight Pension Fund Committee 25 May 2022, agenda item 11 https://iow.moderngov.co.uk/documents/s8090/ITEM%209%20Draft%20Financial%20Results.pdf

Contact Point: Joanna Thistlewood, Pension Fund Manager, **2** 821000 e-mail *jo.thistlewood@iow.gov.uk*

CHRIS WARD
Director of Finance
and Section 151 Officer

COUNCILLOR CHRIS JARMAN
Chairman of the Isle of Wight
Pension Fund Committee

ISLE OF WIGHT COUNCIL PENSION FUND DRAFT – SUBJECT TO EXTERNAL AUDIT AND ADDITIONAL INFORMATION (VERSION 2 – 19 JULY 2022)

2020-21 £000	FUND ACCOUNT	Notes	2021-22 £000
	Dealings with members, employers and others directly involved in the fund		
20,357	Contributions	7	21,015
585	Transfers in from other pension funds	8	953
10	Other income	9	15
20,952			21,983
(22,369)	Benefits	10	(24,067)
(687)	Payments to and on account of leavers	11	(895)
(23,056)			(24,962)
(2,104)			(2,979)
(7,166)	Management expenses	12	(5,750)
	Returns on investments		
19,112	Investment income	13	14,433
(14)	Taxes on income	14	-
119,220	Profit and losses on disposal of investments and changes in the value of investments	17A	31,801
(56)	Interest payable	16	(68)
138,262	Net returns on investments		46,166
128,992	Net increase/(decrease) in the net assets available for benefits during the year		37,437
561,705	Opening Net Assets of the Scheme		690,697
690,697	Closing Net Assets of the Scheme		728,134

ISLE OF WIGHT COUNCIL PENSION FUND

2021 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2022 £000
695,385	Investment assets	17	709,599
-	Cash deposits	17	14,003
695,385			723,602
-	Investment liabilities	17	-
(5,500)	Short-term borrowings	19A	
155	Long-term assets	23	183
1,138	Current assets	24	4,935
(481)	Current liabilities	25	(586)
690,697	Net assets of the fund available to fund benefits at the period end		728,134

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 2021-22 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 2022 are:

Cowes Town Council Northwood Primary Academy

Cowes Enterprise College, an Ormiston

And Anadomy

Ryde Academy

Academy

Gurnard Parish Council

Isle of Wight College

Isle of Wight Free School

Shanklin Town Council

Lanesend Primary Academy St Blasius Primary Academy

Newport and Carisbrooke Community
Council
St Francis Academy

Northwood Parish Council Wootton Bridge Parish Council

The admitted bodies of the fund with active members at 31 March 2022 are:

Accomplish Group Ltd Solutions 4 Health

Barnados Southern Housing Limited

Caterlink Southern Vectis

CleanTEC (new) Sovereign Housing Limited

Cowes Harbour Commissioners Top Mops Ltd

Island Roads Limited Ventnor Botanic Gardens

RM Ltd Yarmouth (IW) Harbour Commissioners

The membership of the scheme is shown below:

Year ended 31 March 2022

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	16	14	31
Number of contributors (Active members)	3,637	589	88	4,314
Number of frozen refunds 1	840	103	4	947
Number of deferred pensioners 2	5,575	646	123	6,344
Number of pensioners/ widows/dependant pensioners	4,719	360	214	5,293
	14,771	1,698	429	16,898

Year ended 31 March 2021

	Administering		Admitted	
	Authority	Bodies	Bodies	Total
Number of employers with active members	1	16	15	32
Number of contributors (Active members)	3,678	583	102	4,363
Number of frozen refunds 1	520	12	4	536
Number of deferred pensioners 2	5,911	707	128	6,746
Number of pensioners/ widows/dependant pensioners	4,541	328	204	5,073
	14,650	1,630	438	16,718

¹ 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.

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.

² 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.

The pay bands and rates applicable for the year ended 31 March 2022 are detailed below.

Range (Actual pensionable pay)	Contribution rate
Up to £14,600	5.50%
More than £14,601 and up to £22,900	5.80%
More than £22,901 and up to £37,200	6.50%
More than £37,201 and up to £47,100	6.80%
More than £47,101 and up to £65,900	8.50%
More than £65,901 and up to £93,400	9.90%
More than £93,401 and up to £110,000	10.50%
More than £110,001 and up to £165,000	11.40%
More than £165,001	12.50%

Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. 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
Pension	Each year worked is worth 1/80 x final	Each year worked is worth 1/60 x final
	pensionable salary	pensionable salary
Lump Sum	Automatic lump sum of 3 x salary.	No automatic lump sum.
	In addition, part of the annual pension	Part of the annual pension can be
	can be exchanged for a one-off tax-free	exchanged for a one-off tax-free cash
	cash payment. A lump sum of £12 is paid	payment. A lump sum of £12 is paid for
	for each £1 of pension given up.	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. 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 2021-22 financial year and its position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021-22* 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 2019, showed it to be 95% funded – an increase from the position 3 years prior of 92%. Investment markets were impacted by the effect of the Russian invasion of Ukraine in February 2022 and the increase in the cost of living. The Fund will be

undertaking the next scheduled triennial valuation as at 31 March 2022 and will implement an agreed recovery period in its Funding Strategy Statement, should this be necessary, to make good any funding deficit that may arise as a result of this exercise.

The vast majority of employers in the pension scheme (92% 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, 89.5% 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 2021-22 no fees are based on such estimates (2020-21: 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.

I) 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 that when payments
 are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received
 or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
 Where debts may not be settled, the balance of debtors is written down and a charge
 made to revenue for the income that might not be collected.

o) Contingent Liabilities and Contingent Assets

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

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

Contingent assets and liabilities are not recognised in the net asset statement but disclosed by way of a narrative in the notes (see note 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 2022 for which there is a significant risk of material adjustment within the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 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 £18m. 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 £16m. A one-year increase in assumed life expectancy would increase the deficit by approximately £37m

Pooled Property Funds

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.

Private Debt (Note 18)

(Note 18)

These investments are valued at fair value in accordance with *International Private Equity* and *Venture Capital Valuation Guidelines* (December 2018), based on the fund manager valuations as at the end of the reporting period.

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 £23.6m in the financial statements.

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

Infrastructure (Note 18)

These investments are valued at fair value in accordance with *International Private Equity* and *Venture Capital Valuation Guidelines* (December 2018), based on the fund manager valuations as at the end of the reporting period.

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

Infrastructure investments are valued at £7.8m in the financial statements. There is a risk that this investment may be over or understated in the accounts.

The fund made its initial investment in July 2021.

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:

2020-21		2021-22
£000		£000
4,147	Employees' normal contributions	4,277
10	Employees' additional contributions	5
4,157		4,282
15,406	Employers' normal contributions	15,951
170	Employers' deficit recovery contributions	158
624	Employers' augmentation contributions	624
16,200		16,733
20,357		21,015

By type of employer:

2020-21 £000		2021-22 £000
16,816	Administering authority	17,364
2,256	Scheduled bodies	2,322
1,285	Admitted bodies	1,329
20,357		21,015

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2020-21 £000		2021-22 £000
-	Group transfers	-
585	Individual transfers	953
585		953

9. OTHER INCOME

2020-21 £000		2021-22 £000
10	Miscellaneous income	15
10		15

10. BENEFITS PAYABLE

By category:

2020-21 £000		2021-22 £000
19,783	Pensions	20,110
2,208	Commutation and lump sum retirement benefits	3,207
378	Lump sum death benefits	750
22,369		24,067

By type of employer:

2020-21 £000		2021-22 £000
19,729	Administering authority	20,824
1,155	Scheduled bodies	1,422
1,485	Admitted bodies	1,821
22,369		24,067

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020-21		2021-22
£000		£000
58	Refund to members leaving service	80
-	Group transfers	-
629	Individual transfers	815
687		895

12. MANAGEMENT EXPENSES

2020-21 £000		2021-22 £000
494	Administrative costs	557
6,194	Investment management expenses	4,638
478	Oversight and governance costs	555
7,166		5,750

12A. INVESTMENT MANAGEMENT EXPENSES

2021-22	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	366	278	-	88
Equities	-		-	-
Pooled Investments *	2,623	1,903	-	720
Pooled Property Investments	554	449	-	105
Private Debt	287	151	104	32
Infrastructure	783	749	-	34
	4,613	3,530	104	979
Custody Fees	25	· · · · · · · · · · · · · · · · · · ·		
Total	4,638			

 $^{^{\}prime\star}$ Included £2.6m charged to the pension fund by ACCESS regional asset pool (£4.3m in 2020-21)

2020-21	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	433	280	-	153
Equities	633	257	1	376
Pooled Investments *	4,284	1,399	1	2885
Pooled Property Investments	607	254	-	353
Private Debt	219	29	40	150
	6,176	2,219	40	3,917
Custody Fees	18			
Total	6,194			

13. INVESTMENT INCOME

2020-21		2	021-22
£000			£000
2,672	Income from equities		-
	Income from pooled investment vehicles:		
3,552	- ACCESS Global Equity		2,801
209	- ACCESS UK Equity		2,272
701	- ACCESS Diversified Growth		1,597
1,141	- Property		1,397
4,135	- Bonds		3,779
47	- Unit Trusts		-
124	- Private Debt		1,106
-	- Infrastructure		1,483
-	- Interest on cash deposits		3
6,531	- Other		(5)
19,112			14,433

14. TAXATION

2020-21 £000		2021-22 £000
14	Withholding tax - equities	-
14		-

15. EXTERNAL AUDIT COSTS

2020-21		2021-22
£000		£000
23	Payable in respect of external audit	62
23		62

16. INTEREST PAYABLE

2020-21		2021-22
£000		£000
56	Interest on short term borrowing	68
56		68

17. INVESTMENTS

Market value 31 March 2021 £000		Market value 31 March 2022 £000
	Investment assets	
-	Equities	-
-	Unit Trust	-
	Pooled Investment Vehicles	
144,137	Pooled UK Equity	99,534
249,157	Pooled Global Equity	288,761
140,911	Pooled Fixed Income unit trusts	113,532
114,514	Pooled Diversified Growth Fund	131,952
648,719		633,779
	Other Investments	
37,459	Pooled Property Investments	44,453
9,186	Private Debt	23,605
-	Infrastructure	7,762
46,645		75,820
_	Cash deposits	14,003
-	Investment income due	-
-	Amounts receivable for sales	-
21	Recoverable withholding tax	-
21		14,003
695,385	Total investment assets	723,602
	Investment liabilities	
_	Amounts payable for purchases	-
-	Total investment liabilities	-
695,385	Net investment assets	723,602

17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/22
	01/04/21	daring your	you	Witt Value	31/03/22
	£000	£000	£000	£000	£000
Equities	-	-	-	-	ı
Unit Trusts	-	-	-		I
Pooled Investment Vehicles	648,719	150,376	(190,468)	25,152	633,779
Pooled Property Investments	37,459	1,240	(105)	5,859	44,453
Private Debt	9,186	14,078	(535)	876	23,605
Infrastructure	-	9,188	(848)	(578)	7,762
	695,364	174,882	(191,956)	31,309	709,599
Cash deposits	-			492	14,003
Amounts receivable for sales of investments	-	10		-	-
Investment income due	-			-	-
Recoverable withholding tax	21			_	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	695,385			31,801	723,602

	Market value 01/04/20	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/21
	£000	£000	£000	£000	£000
Equities	104,665	41,906	(157,864)	11,293	-
Unit Trusts	7,331	47	(9,330)	1,952	-
Pooled Investment Vehicles	415,419	154,236	(25,629)	104,693	648,719
Pooled Property Investments	35,053	1,826	(242)	822	37,459
Private Debt	-	9,049	(70)	207	9,186
Infrastructure	-				-
	562,468	207,064	(193,135)	118,967	695,364
Cash deposits	5,275			253	-
Amounts receivable for sales of investments	834			-	-
Investment income due	223			-	-
Recoverable withholding tax	35			-	21
Amounts payable for purchases of investments	(403)			-	-
Net investment assets	568,432			119,220	695,385

17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021			Market v 31 March	
£000	%		£000	%
Investments I	/lanaged b	by ACCESS pool:		
249,157	35.8%	ACCESS – Global Equities - Newton	149,384	21.1%
114,514	16.5%	ACCESS - Diversified Growth - Baillie Gifford	113,532	16.0%
144,137	20.7%	ACCESS - UK Equities - Liontrust (Majedie)	99,534	14.0%
-	0.0%	UBS Life Climate Aware World Equity Fund	139,377	19.6%
507,808	73.0%		501,827	70.7%
Investments	Managed o	outside ACCESS pool:		
140,911	20.3%	Schroder Investment Management – Bonds	131,952	18.6%
37,459	5.4%	Schroder Investment Management – Property	44,453	6.3%
9,186	1.3%	Goldman Sachs - Private Debt	23,605	3.3%
-	0.0%	Partners Investment - Infrastructure	7,762	1.1%
187,556	27.0%		207,772	29.3%
695,364	100.0%		709,599	100.0%
21	0.0%	Recoverable withholding tax	-	0.0%
695,385	100.0%		709,599	100.0%

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

Market value 31 March 2021			Market v 31 March	
£000	%		£000	%
249,157	36.07%	ACCESS – Overseas Equities - Newton	149,384	20.52%
-	0.00%	UBS Life Climate Aware World Equity Fund	139,377	19.14%
140,911	20.40%	Schroder Institutional Sterling Broad Market X Account	131,952	18.12%
114,514	16.58%	ACCESS - Diversified Growth - Baillie Gifford	113,532	15.59%
144,137	20.87%	ACCESS - UK Equities - Liontrust	99,534	13.67%
37,459	5.42%	Schroder UK Property Fund	44,453	6.11%

17C. STOCK LENDING

(Note to be inserted once information received from ACCESS)

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
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not Required
Pooled investments – overseas unit trusts and property funds	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
Private Debt	Level 3	The valuation is taken from the unaudited 31 March 2022 Goldman Sachs quarterly reports. The quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 ("Fair Value Measurements and Disclosures") and in accordance with US GAAP. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs Asset Management Private Credit Funds have been given unqualified opinions without any identified exceptions.	Management's cash flow projections, estimates of growth expectations and profitability; profit margin expectations; gross domestic product; inflation; interest rates; discount rates; tax rates; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent transaction prices
Infrastructure	Level 3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples	Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Potential		Potential	Potential
	variation in	Value at 31	value on	value on
	fair value	March 2022	increase	decrease
		£'000	£'000	£'000
Private Debt	+ / - x%	23,605		
Infrastructure	+ / - x%	7,762		
Total		31,367	-	-

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 Marc	ch 2021			31 March 2022			
		With					With	
Quoted	Using	Significant			Quoted	Using	Significant	
Market	Observable	Unobserva			Market	Observable	Unobserva	
Price	Inputs	ble Inputs			Price	Inputs	ble Inputs	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
648,719	37,459	9,186		Financial assets at fair value through profit and loss	633,779	44,453	31,367	709,599
				Financial liabilities at				
	-	-	-	fair value through profit	-	-	-	-
				and loss				
				Net investment				
648,719	37,459	9,186	695,364	assets	633,779	44,453	31,367	709,599

18A. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITH LEVEL 3

	Private	Infrastructu	
	Debt	re	Total
	£,000	£'000	£,000
Value at 1 April 2021	9,186	-	9,186
Purchases	14,078	9,188	23,266
Sales	(535)	(848)	(1,383)
Unrealised Gains and Losses*	823	(578)	245
Realised Gains and Losses*	53	-	53
Value at 31 March 2022	23,605	7,762	31,367
	Private	Infrastructu	
	Debt	re	Total
	£,000	£'000	£,000
Value at 1 April 2020	-	-	-
Purchases	9,049	-	9,049
Sales	(70)	-	(70)
Unrealised Gains and Losses*	215	_	215
Realised Gains and Losses*	(8)	-	(8)
Value at 31 March 2021	9,186	-	9,186

^{*} 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 commended 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.

3	1 March 202	1		31 March 2021		1
Fair value through profit and loss £000	Assets at amortised costs	amortised cost		Fair value through profit and loss £000	Assets at amortised costs	
			Financial assets			
-	-	-	Equities	-		-
686,178	-	-	Pooled investment vehicles	678,232	-	-
9,186	•	-	Private Debt	23,605	-	-
-	-	-	Infrastructure	7,762	-	-
-	791	-	Cash	-	18,290	-
-	-	-	Other investment balances	-	-	-
-	8	-	Debtors	-	8	-
695,364	799	-		709,599	18,298	-
			Financial liabilities			
-	-	_	Other investment balances	-	-	-
-	-	(268)	Creditors	-	-	(378)
-	-	-	Bank Balance	-	-	-
-	-	(5,500)	Borrowings	-	-	-
-	-	(5,768)		-	-	(378)
695,364	799	(5,768)		709,599	18,298	(378)

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 2021-22 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	Volatility of return	Value on increase	Value on decrease
	2022			
	£000	%	£000	£000
Equities - UK	-	-	-	-
Equities - Overseas	-	-	-	-
Bonds	131,952	3.30%	136,307	127,598
Unit Trusts	-	-	-	-
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	7,762	23.60%	9,594	5,930
Cash & Cash Equivalents	14,003	0.00%	14,003	14,003
Amounts Receivable for Sales	-	1 -	-	-
Investment Income due	_		_	-
Recoverable withholding tax	-	- 1	-	-
Amounts payable for puchases		-	-	-
Total	723,602		751,439	695,771

		Volatility of		Value on
	31 March 2022	return	increase	decrease
	£000	%	£000	£000
Equities - UK	-	-	-	-
Equities - Overseas	-	-		
Bonds	140,911	1.60%	143,165	138,656
Unit Trusts	-	-	-	-
Pooled Investment vehicles:				
UK Equities	144,137	3.10%	148,577	139,698
Global Equities	249,157	5.80%	263,608	234,706
Diversified Growth Fund	114,514	4.20%	119,324	109,705
UBS Climate Aware				
Pooled Property Investments	37,459	1.00%	37,834	37,084
Private Debt 1	9,186	0.00%	9,186	9,186
Infrastructure				
Cash & Cash Equivalents	-	-	1	-
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	21	0.00%	21	21
Amounts payable for puchases	-	-	-	-
Total	695,385		721,715	669,056

¹ The price sensitivity for Private Debt is assessed at zero due to the short period that the fund has been invested in it. The fund made its initial investment in January 2021. This is in alignment with the estimated variation on the valuation as mentioned in Note 5 above.

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 2022, and as at the previous period end:

P		
	Asset	Asset
	value as	value as
	at 31	at 31
	March	March
	2022	2021
	£000£	£000
Private Debt	23,605	9,186
Infrastructure	7,762	-
Investment Income	2,588	-
	33,955	9,186

Currency risk - sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to not exceed be 7.09% (2020-21: 3.28%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.09% 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:

	Value as at 31 March 2022		Value on decrease -7.09%
	£000	£000	£000
Private Debt	23,605	25,669	21,540
Infrastructure	7,762	7,969	7,556
Investment income due	2,588	2,724	2,452
	33,955	36,362	31,548
	Value as at 31 March 2021		Value on decrease -3.28%
	£000	£000	£000
Private Debt	9,186	9,487	8,885
Infrastructure	-		J -
Investment income due	-		-
	9,186	9,487	8,885

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 does engage in securities lending activities, hence is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent.

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 2022 and 31 March 2021 (£495k and £195k 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 2022 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 2019 and the next valuation will take place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- not to restrain unnecessarily the Investment Strategy of the Pension Fund so that the Administering Authority can seek to maximise investment returns (and hence meet the costs of benefits) for an appropriate level of risk;
- to minimise the long-term cash contributions which employers need to pay to the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from 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 80% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £596 million (2016: £474 million), were sufficient to meet 95% of the liabilities (2016: 92%) (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £32 million (2016: deficit £44 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 2020 to 31 March 2023 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		ontributions iding 31 Mar	
	2021	2022	2023
	% of pay	% of pay	% of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	Nil	Nil	Nil
Caterlink	23.5	23.5	23.5
Cowes Enterprise College, an Ormiston Academy *	23.5	23.5	23.5
Cowes Harbour Commissioners	21.5	21.5	21.5
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College (from 1 August)	23.8	23.8	23.8
Lanesend Academy *	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
Nviro	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust *	23.5	23.5	23.5
Sandown Bay Academy *	23.5	23.5	23.5
Southern Vectis (Wightbus)	10.3	10.3	10.3
Southern Housing Group	31.6	31.6	31.6
Sovereign Housing Group	29.7	29.7	29.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	26.6	26.6	26.6
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Trustees of Carisbrooke Castle Museum	35.4	35.4	35.4
Ventnor Botanical Gardens	Nil	Nil	Nil
Yarmouth Harbour Commissioners	24.8	24.8	24.8

in addition, certain employers make a lump sum contribution

Employer Name	Minimum C	Minimum Contributions for the Year		
	2021 Lump Sum £000	2022 Lump Sum £000	2023 Lump Sum £000	
St Catherine's School Ltd	32	33	34	
Yarmouth Harbour Commissioners	57	57	57	
Cowes Harbour Commissioners	19	19	19	
Southern Housing Group	274	274	274	
Sovereign Housing Group	198	198	198	

^{*} During 2019-20, academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Seven of the academies in operation at the time of the 2019 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 2022.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 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 2019 valuation were as follows:

Financial Assumptions	31 March 2019 % p.a. Nominal
Discount rate (Investment returns)	3.4%
Salary Increases	3.1%
Price inflation/Pension Increases	2.3%

(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 CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. for both women and men.

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

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners *	22.4 years	25.2 years

^{*} based on members aged 45 at the valuation date.

Copies of the 2019 valuation report and the Funding Strategy Statement are available on the Isle of Wight Pension Fund website www.isleofwightpension.org.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. 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 2022 £m	31 March 2021 £m
Active members	385	379
Deferred members	216	233
Pensioners	319	345
Net Liability	920	957

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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 2022 and 31 March 2021. The actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £67m. The actuary estimates that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £5m.

Financial assumptions

Year ended	31 March 2022	31 March 2021
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.20%	2.85%
Salary Increase Rate	4.00%	3.65%
Discount Rate	2.70%	2.00%

(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 0% weighting of 2021 (and 2020 data), standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a.

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

	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners *	22.6 years	25.7 years

* Future pensioners are assumed to be aged 45 at the most recent formal valuation date, 31 March 2019

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

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

change in assumption at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	18
1-year increase in member life expectancy	4%	37
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	10%	80

23. LONG TERM ASSETS

31 March 2021 £000		31 March 2022 £000
	Debtors	
11	Contributions due - employers	29
144	Reimbursement of annual tax allowances	154
155		183

24. CURRENT ASSETS

31 March 2021		31 March 2022
£000		£000
	Debtors	
42	Contributions due - employees	99
153	Contributions due - employers	396
195		495
13	Taxation	8
8	Sundry debtors	8
131	Payments in advance	137
791	Cash balances	4,287
1,138		4,935

25. CURRENT LIABILITIES

31 March 2021 £000		31 March 2022 £000
	Creditors	
213	Taxation	208
167	Accruals	359
101	Sundry creditors	19
481		586

26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value		Market value
31 March 2021		31 March 2022
£000		£000
786	Prudential life and pensions	824

AVC contributions of £148.0 thousand were paid directly to Prudential Life and Pensions during the year (2020-21: £117.1 thousand).

AVC amounts are not included in the pension fund accounts in accordance with Regulation 4(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

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 £522 thousand (2021-22: £503 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 £13.7 million in 2021-22 (2020-21: £13.3 million) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £39.6 thousand (2020: Nil), were paid during the year.

During the year, the pension fund was able 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. The maximum amount borrowed during 2021-2 was £8.5 million (2020-21: £8.0 million). The balance due to the council at 31 March 2022 is Nil (2021: £5.5 million),

Interest of £5.14 thousand (2020-21: £56.2 thousand) was paid on the borrowings in the year.

Year ended 31 March 2021	Repayment profile of borrowings from Isle	Year ended 31 March 2022
	of Wight Council	£000
-	less than 1 month	-
500	2 - 3 months	-
-	3 - 6 months	•
-	6 - 9 months	-
5,000	9 – 12 months	-
5,500	Total value of borrowings	-

Governance

There are no 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 2022.

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.

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

Year ended 31 March 2021 £000		Year ended 31 March 2022 £000
59	Short-term benefits	60
13	Post-employment benefits	13
-	Other long-term benefits	-
-	Termination benefits	-
-	Share-based payments	-
72		73

28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2022 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £4 thousand (2021: £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 (2021: £5 thousand). This case is currently 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 guarantee 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 2021-22 (2020-21 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 2022 is as per the table below:

		31 March 2022			
	Private	e Debt	Infrastructure		
	\$'000	£'000	€'000	£'000	
Total amount Committed	39,300	29,890	41,000	34,532	
Total Invested	30,065	22,866	9,225	7,770	
Balance committed but not yet paid	9,236	7,024	31,775	26,762	

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

29. TRUSTEES REPORT 2020-21

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 2022 were Cllrs Andre, Brading, Churchman, Critchison (vice chair), Jarman (chair), Oliver and Quigley.

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 2022 were £723.6 million, an increase of 3.9% on the 31 March 2021 valuation of £695.4 million. The fund's total investments under-performed compared to the agreed benchmarks by 0.4% during the year.

With the exception of a small over-performance by the fund's diversified growth investment, all other portfolios under-performed against their respective benchmarks in the year to 31 March 2022, most notably the UK Equity portfolio, which underperformed by 6.0%.

Over the longer term, the fund outperformed annualised benchmark returns for both three years (0.6% relative overperformance) and for five years (0.5% relative overperformance).

Funding Level

The Fund's last triennial actuarial valuation was undertaken at 31 March 2019, showing a funding level of 95%, compared to 92% at the previous valuation at 31 March 2016. The results of this latest valuation, in terms of revised contribution rates, were implemented with effect from April 2020.

The next formal valuation is being undertaken on 31 March 2022, from which revised employer contribution rates will be implemented from 1 April 2023. As a result, the actuary is not providing an interim funding projection for 31 March 2022, to avoid confusion.

The most recent interim funding projection report was produced at 31 December 2021, which showed that the notional funding level had risen to 102.6% since the last triennial valuation at 31 March 2019, with a resulting surplus of £19 million at 31 December 2021 compared to the deficit of £32 million at the valuation date of 31 March 2019

Governance – pension fund committee

There were five scheduled pension fund committee meetings during the year 2021-22. The first scheduled meeting, the last of the previous administration, was held virtually, using MS Teams. Following the local elections in May 2021, 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:

- An introduction meeting for the new committee members.
- Approval of 2020-21 annual report and accounts.
- Adoption of the fund's governance decision making matrix.
- Updated the fund's risk management policy and agreed the process for the creation of the risk register.
- Implementation of the agreed rebalancing of the fund's equity allocation to include passive management.
- 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 an introduction to investment asset classes, decision making, risk management, the ACCESS pool Environmental, Social and Governance (ESG) risk considerations and Responsible Investment (RI) requirements, and the triennial valuation.

As part of the development of the fund's responsible investment activities, the fund received a presentation from the Local Authority Pension Fund Forum (LAPFF) and agreed to join the forum. The committee also convened an ESG working sub-group, comprising members of the pension fund committee, the pension board and other councillors, which met twice during the year

A summary of committee members' attendance for the year 2021-22 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 rep	Employer rep	
28-Apr-21	n/a	٧	٧	٧	aps	٧	٧	٧		86%
		Cha	Change of membership following local elections				ns			
02-Jun-21	aps	٧	٧	٧	٧	aps	n/a	aps		57%
28-Jul-21	٧	٧	٧	٧	aps	٧	٧	٧		88%
24-Nov-21	٧	٧	aps	٧	٧	٧	٧	aps		75%
16-Feb-22	٧	٧	٧	٧	٧	٧	aps	٧		88%
	75%	100%	75%	100%	75%	75%	66%	50%		77%

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), except where a member had not been appointed for that meeting (shown as "n/a") when membership is counted as seven.

Also, total attendance by member (final row) is based on post-local election membership, so four meetings.

Governance – local pension board

During the year ended 31 March 2022, the composition of the membership of the local pension board changed.

At the start of the year, membership comprised two scheme member representatives and two employer representatives.

Following the expiry of the term of office for one of the scheme member representatives, and one of the employer representatives in September 2021, the opportunity was taken to amend the membership composition 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 appointed following external advertisement.

Recruitment activity was completed between October 2021 and April 2022. At 31 March 2022, the appointment of all scheme member representatives, the independent chairperson and two of the three employer representatives was completed. The final employer representative was appointed with effect from 1 June 2022.

As a result of the membership issues, only two board meetings were held in 2021-22, with three other meetings cancelled.

The pension fund reported itself to the Pension Regulator in October 2021, for non-compliance with the LGPS regulations in respect of the minimum membership of the local pension board. The Pension Regulator confirmed that it would take no further action on this matter.

The first full meeting of the newly constituted pension board was held on 6 April 2022.



Isle of Wight Council Pension Fund High level accounts closedown table Year end 31 March 2022

24-May-22	Activity Auditors confirm delay to external audit for 2021-22 LGA notified of failure to meet 1 Dec publication deadline	Done √ √
25-May-22	Pension Committee meeting - draft financial results presented; breach noted	$\sqrt{}$
30-Jun-22 30-Jun-22 05-Jul-22 15-Jul-22 25-Jul-22	Local Pension Board meeting - timetable; breach noted expected final receipt of valuation reports for illiquid assets Final external audit plan received for audit committee final SAP posting complete draft pension fund accounts to be produced Audit Committee meeting	\ \ \ \
	Pension Committee meeting - draft pension fund accounts, subject to audit IWC draft accounts (incl. pension fund) to be published on IWC website	
26-Sep-22 10-Oct-22	Audit Committee meeting Interim IWC external audit commences	1.1.
26-Oct-22	Local Pension Board meeting - draft governance compliance statement	date changed from 12/10
	Pension Committee meeting - governance compliance statement <i>Audit Committee meeting</i>	110111 12,10
	Statutory deadline for the completion of IWC accounts	X
01-Dec-22	Statutory deadline for the publication of IWCPF annual report and accounts	X
05-Dec-22 16-Dec-22	Interim IWC external audit ends Interim external audit of IWCPF commences Interim external audit of IWCPF ends	
21-Dec-22	Local Pension Board meeting - annual report completion checklist; audit update	
03-Jan-23	Final external audit of IWCPF commences Final IWC external audit commences	
	Daniel Organista a marking dueft annual annual and annual	
	Final external audit of IWCPF ends Final IWC external audit ends	
	Audit Committee meeting final completion of IMC and IMCDE	
27-Mar-23	expected publication of IWCPF annual report and accounts	
05-Apr-23	Local Pension Board meeting - confirmation of publication of 2021-22 annual report and accounts	
??-May-23	Pension Committee meeting - confirmation of publication of 2021-22 annual report and accounts; 2022-23 draft results	







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

Dear Audit Committee Members

Outline audit planning report

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide you with a basis to review our approach and scope for the 2021/22 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations. We have not yet completed our detailed planning procedures but any changes in our risk assessment will be communicated to the Committee at the earliest opportunity.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

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Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-quidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and

covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Isle of Wight Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Isle of Wight Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Isle of Wight Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

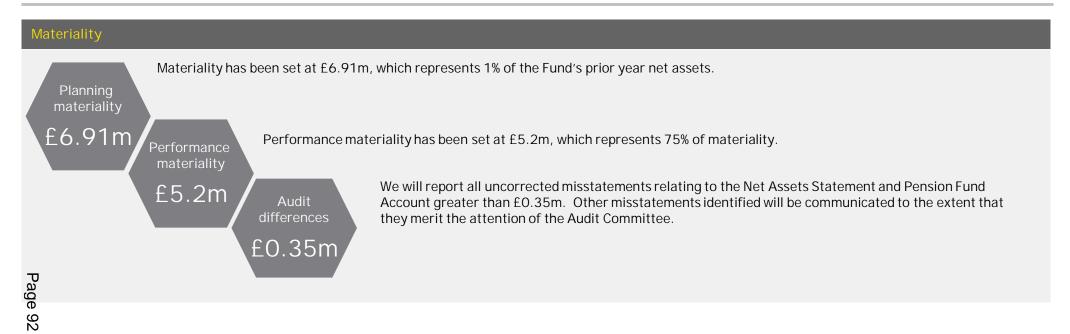


Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus				
Risk / area of focus	Risk identified	Change from PY	Details	
Misstatements due to fraud or error	Fraud risk	No change in risk of focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.	
PRisk of manipulation of investment valuation and income	Fraud risk	No change in risk of focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Pension Fund relates to the manipulation of investment valuation and income.	
Valuation of private debt (Level 3 Fair Value hierarchy)	Significant risk	No change in risk of focus	Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publically available. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited	
			information and the fund year end. Such variations could have a material impact on the financial statements.	
Going Concern: Compliance with ISA 570	Area of focus	No change in risk of focus	There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 throughout 2021/22, there is a need for the Fund to ensure it's going concern assessment, including its supporting cashflow forecast, is thorough and appropriately comprehensive. The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any material uncertainties it has identified.	

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

• Our audit opinion on whether the financial statements of Isle of Wight Pension Fund give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Waking the above into account, and as articulated in this outline audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of complex investments, the valuation of pension obligations, and the introduction of new accounting standards. Therefore to the extent any of these or any other risks are relevant in the context of Isle of Wight Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.

Timeline

In April 2020, the Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

As reflected in our timeline in section 6 of this report, we are unable to meet the 30 November publication date due to resourcing constraints. The Fund has reported to the Local Government Association that it will be in breach of the requirement to publish its annual report and accounts by 1 December. The Fund has recorded this on their breaches log, reported to both committee and board, and have determined this is not materially significant to report to the Pensions Regulator.



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

Page 95

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.

Our response to significant risks (continued)

Risk of manipulation of investment valuation and investment income *

Financial statement impact

Manipulation of investment valuation and investment income would increase the net value of pension fund assets, and increase the investment income recognised in year.

Total net assets of the Fund for 2020/21: £690,697k

Total investment income of the Fund in 2020/21: £19,112k

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself through the manipulation of investment valuation and investment income.

What will we do?

Our approach will focus on:

- ► For significant investments we will reconcile the investment value to both the fund manager and custodian reports. Where appropriate or necessary we will examine the underlying support for the investment value (i.e. quoted market price)
- ▶ Journal testing we will use our testing of journals to identify high risk transactions, such as items posted to investment income outside the normal monthly process.

Our response to significant risks

Valuation of complex Investments (Level 3 Fair Value hierarchy)

Financial statement impact

As at 31 March 2022, Isle of Wight Pension Fund has invested \$31 million (£23.6 million) in private debt and €9.4 million (£7.7 million) in infrastructure.

These investments are new for 2020/21 following the change in investment strategy and more complex to value.

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

Significant judgements are made by the Investment Managers or administrators to value these investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

What will we do?

Our approach will focus on:

- Reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation.
- Where the latest audited accounts are not as at 31 March 2022, performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
- Testing accounting entries have been correctly processed in the financial statements.
- Reviewing the disclosures in the financial statements are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

If necessary, our internal valuation specialists will support our work in this area.

Other areas of audit focus

What is the risk/area of focus?

Going Concern: Compliance with ISA 570

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. There is a need for the Fund to ensure it's going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Fund is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

We will:

What will we do?

- Challenge management's identification of events or conditions impacting going concern.
- Test management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Review the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertake a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenge the disclosure made in the accounts in respect of going concern and any material uncertainties.



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £6.91m. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. This basis is consistent with 2020/21. For Isle of Wight Pension Fund, the Net Asset Statement, which discloses the value of the investments held by the scheme, is the most appropriate measure rather than the Fund Account. Assets are key, as they cover the liabilities of the fund and generate significant income. Use of net assets as the measure of materiality is EY standard practice for pension funds



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £5.2m which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and the net assets statement that have an effect on returns or that relate to expenditure.

Other uncorrected misstatements, such as reclassifications and misstatements in statements or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



Our Audit Process and Strategy

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements:

1. Financial statement audit

Our objective is:

- To form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).
- To form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of Isle of Wight Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

Addressing the risk of fraud and Addressing the risk of fraud and error;

- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

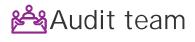
We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools: Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
Give greater likelihood of identifying errors than random sampling techniques.
We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Amprovement, to management and the Audit Committee.

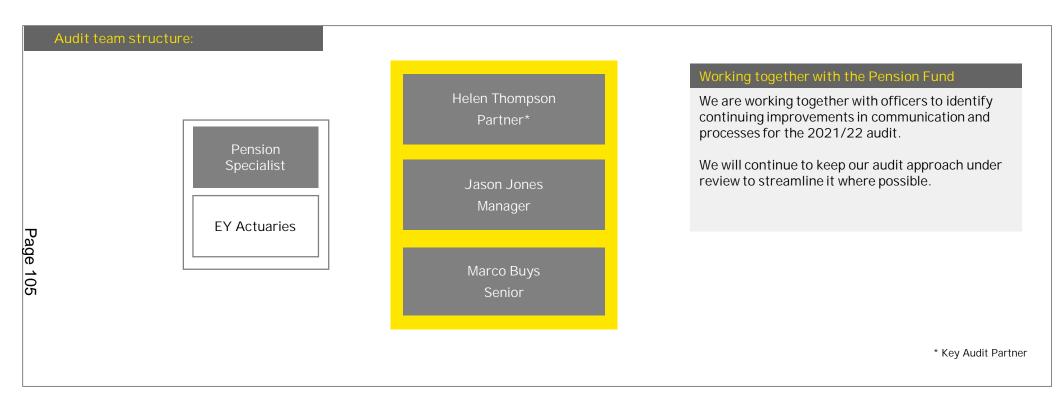
Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.





Audit team



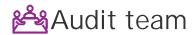
Audit team changes

Key changes to our team.



Jason Jones, Engagement Manager

- Jason takes over from Jack Dunkley as the Engagement Manager.
- Jason has significant public sector audit experience of over 10 years, with a portfolio of Health Sector bodies, Local Authorities and Local Government Pension Fund audits and is also the engagement manager for Isle of Wight Council.



∠ Audit team Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Pensions Valuation	Hymans Robertson (management specialist), EY Actuaries (auditor specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;

Assess the reasonableness of the assumptions and methods used;

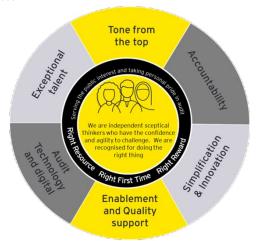
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



Page 107

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

- 1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
- 2. The essential attributes of our audit business are:
 - Right resources We team with competent people, investing in audit technology, methodology and support
 - Right first time Our teams execute and review their work, consulting where required to meet the required standard
 - Right reward We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition

Audit technology and digital



The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

> Sir John Thompson Chief Executive of the FRC





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

		1 5		
	Audit phase	Timetable	Audit committee timetable	Deliverables
		June/July	Audit Committee	Outline Audit Plan
Page		August		
ge 109		September	Audit Committee	Audit Plan update (if required)
9	Planning: Risk assessment and setting of scopes.	October		
	Walkthrough of key systems and processes	November		
	Year end audit Audit Completion procedures	November/December	Audit Committee	Audit progress update
	Year end audit Audit Completion procedures	January/February		
		March	Audit Committee	Audit Results Report Audit opinions and completion certificates



Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ➤ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;

The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we have an investment in the Pension Fund; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

Asself interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We Exprire that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.



Relationships, services and related threats and safeguards

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021

Page 113





Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA Scale Fee	16,235	16,235	16,235
2020/21 fee variation determined by PSAA (Note 1) ນ	-	-	18,275
aluation of Level 3 investments (2)	4,000 - 5,000	N/A	-
AA pre-approved additional fee for ISA540 (3)	1,900	N/A	-
Scale fee plus in-year variations	22,135 - 23,125	16,235	34,510
Scale fee rebasing (1) (4)	40,956	40,956	-
Total fees	63,091	57,191	34,510

All fees exclude VAT

Notes:

See over page

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ► The production of materially accurate draft accounts
- ► Our accounts opinion being unqualified;
- ► Appropriate quality of documentation is provided by the Pension Fund: and
- ▶ The Pension Fund has an effective control environment.

The outline timetable on page 23 is contingent on the above factors

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



Notes to fee table

116

- (1) In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £40,956. We also submitted an in-year fee variation of £5,869. PSAA has determined the total fee variation across both elements for 2020/21 as £18,275. We expect similar costs in nature in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year, see (4) below.
- (2) As detailed in the body of the report the pension fund has made a new investments in private debt and infrastructure. Above is our initial estimate of the additional cost to the audit in reviewing these investments.
- (3) PSAA communicated a range of fees in August 2021 for the revised International Standard of Auditing 540 on Estimates. In the absence of further information, we have rolled this forward for 2021/22.
- (4) We remain in discussion with PSAA about increasing the 2021/22 scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. This was previously communicated in 2019/20, and in our 2020/21 Auditors Annual Report for the Council.



Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee. Our Reporting to you Required communications What is reported? When and where Terms of engagement Confirmation by the Audit Committee of acceptance of terms of engagement as written in The statement of responsibilities serves as the the engagement letter signed by both parties. formal terms of engagement between the PSAA's appointed auditors and audited bodies. Our responsibilities Reminder of our responsibilities as set out in the engagement letter The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. Communication of the planned scope and timing of the audit, any limitations and the Audit planning report - July 2022 Planning and audit proach significant risks identified. Significant findings from Our view about the significant qualitative aspects of accounting practices including Audit results report - March 2023 ₹ audit accounting policies, accounting estimates and financial statement disclosures Auditor's Annual Report - March 2023 Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process



Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit results report - March 2023
Paisstatements 11	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	Audit results report - March 2023
Subsequent events	Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements	Audit results report - March 2023
Fraud	 Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report - March 2023



Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit results report - March 2023
Independence Page 1109	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report July 2022 and Audit results report - March 2023



Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - March 2023
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report - March 2023
eternal controls	Significant deficiencies in internal controls identified during the audit	Audit results report - March 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - March 2023
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report - March 2023 Auditor's Annual Report - March 2023
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report July 2022 and Audit Results Report March 2023



Additional audit information

Objective of our audit

Our objective is to form an opinion on the Pension Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and ether regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.



Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Other required procedures	Other required procedures during the course of the audit (continued)						
Procedures required by the Audit Code	 Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. 						
	Examining and reporting on the consistency of consolidation schedules or returns with the Pension Fund's audited financial statements for the relevant reporting period						
Other procedures	We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice						

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the sefinition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer intended to be relied upon as accour

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to your advisors for specific advice.

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Isle of Wight Council Pension Fund High level valuation timetable Valuation Date 31 March 2022

date	activity	complete
01-Mar-22	catch up meetings Hymans/IWC	٧
04-Mar-22	2021 data uploaded to Brain	٧
15-Mar-22	employer database updated	٧
15-Mar-22	Hymans to send scope for assumption setting work	٧
21-Mar-22	Meeting to discuss initial scoping document	٧
21-Mar-22	Scoping work commissioned on full detailed basis	٧
31-Mar-22	VALUATION DATE	٧
05-Apr-22	compass modelling scope	٧
05-Apr-22	catch up meetings Hymans/IWC	٧
06-Apr-22	LPB meeting	٧
30-Apr-22	cash flow data for 19/20 and 20/21	٧
03-May-22	catch up meetings Hymans/IWC	٧
04-May-22	meeting with Chris W to discuss assumptions	٧
25-May-22	assumptions to committee	٧
25-May-22	PFC meeting	٧
07-Jun-22	catch up meetings Hymans/IWC	٧
15-Jun-22	LPB meeting	٧
Q2/2022	Contribution rate modelling	٧
	Employer risk management	
	comPASS results for meeting with Chris W	٧
	draft membership data for Mar22 to Brain	٧
	cash flow data for 21/22	٧
	internal transfers data to Hymans	٧
	catch up meetings Hymans/IWC	
	PFC meeting	
	Data provision	
	final membership data to Brain	
	catch up meetings Hymans/IWC	
•	catch up meetings Hymans/IWC	
	Funding Strategy Statement (first draft) development session for employers	
•	catch up meetings Hymans/IWC	
	LPB meeting	
	catch up meetings Hymans/IWC	
	Whole fund results	
	Employer results	
	Employer discussions	
	officer meeting to discuss results	
	whole fund/employer results to committee	
	funding strategy statement to committee	
	PFC meeting	
	employer meetings	
	catch up meetings Hymans/IWC	
10-Dec-22	employer results issued	
10-Dec-22	FSS consultation to employers	
21-Dec-22	LPB meeting	
03-Jan-23	catch up meetings Hymans/IWC	
07-Feb-23	catch up meetings Hymans/IWC	
08-Feb-23	FSS adoption	
08-Feb-23	draft valuation report to committee	_
	PFC meeting	
	catch up meetings Hymans/IWC	
	Valuation sign off	
	valuation results agreed s151 officer	
	LPB meeting	
•	valuation completion confirmed to committee	
??-IVIay-23	PFC meeting	

last updated 18 July 2022

Valuation data update - as at 8 July 2022

 From:
 Collier, Matthew

 To:
 Thistlewood, Jo

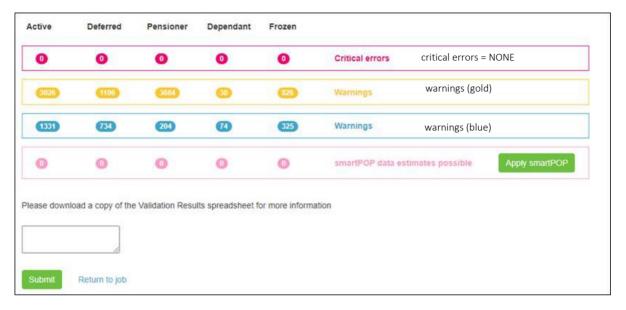
 Cc:
 Pension Accounts

 Subject:
 Valuation Update 8th July 2022

 Date:
 11 July 2022 16:56:46

Hi Io

Following on from the last valuation update, I can confirm that we are almost there! The data is currently as follows:



As an overview, the categories are as follows:

- Critical errors = something that we have to fix before the final upload, as an example someone who has no care earnings for a given period would be one.
- Warnings (Gold) = these are things that do not match our agreed parameters with Hymans. Things like minimum and maximum pension values etc. there are a few of these to look at, but the majority of the above is not a concern.
- Warnings (Blue) = these are discrepancies with the last valuation. There are a large number of these, but this highlights the data work we have undertaken since the 2019 valuation! Which is excellent!
- SmartPOP = this is Hymans new feature, and effectively for some critical errors, it will predict what it thinks should be there, so rather than come up as a critical error, it will offer what it think should go there. Now this does not fix the data within our system, and does come at a cost however we have been able to resolve all our issues so this is not required.

What we have been working on is as follows:

- St Blasius & St Francis EOY Data received Monday 4th July and processed.
- All leavers prior to 31 March 2022 all leavers bar the one leaver for Cleantec were received by 7 July 2022, Leo has today received the final leaver for Cleantec and we will get this processed ASAP.
- Pen Rem Issues Leo has obtained all the missing rems as at 31/03/2022 and resolved the issues with Island Roads for 31/03/2023

There are just a couple of items remaining:

- Process all outstanding aggregations
- Process the Cleantec leaver
- Undertake the EOY data posting data checking due to commence Monday.

Unfortunately, we are going to need to make some manual amendments to the files as follows:

- Casuals with no earnings unfortunately those members with a total pension of £0.00 are a critical error, we are therefore posting a £0.01 pension for these people. These are mostly IWC and have been sent to them to be reviewed.
- Redundancy's etc. who must take their pension some amendments have been required on the file to allow these to pass through as they were a critical error due to the fact they should be in payment but are effectively refusing to take it.

I am aiming to do a final upload around the 20th of July.

Kind regards

Matthew

Matthew Collier

Pensions Manager
Isle of Wight Council Pension Fund | Corporate Services
Isle of Wight Council | Business Centre | County Hall | Newport | Isle of Wight | PO30 1UD

Tel: (01983) 821000 Ext 8854 | Email: <u>matthew.collier@iow.gov.uk</u> |

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News - Service Details (iow.gov.uk)

You can find further information about the Local Government Pension Scheme (LGPS) on:

- IWPF website: https://isleofwightpensionfund.org/
- LGPS member website: https://www.lgpsmember.org/

If you have not previously registered to view your IWPF record online, then please visit: http://www.iwcpensions.co.uk

-





Isle of Wight Pension Fund - Overview Quarter to 30 June 2022

Manager	Asset class	Asset Allocation Proportion of Total Fund %	Market Value Previous Quarter 31/03/2022	Market Value Latest Quarter 30/06/2022	Current Proportion of Total Fund %
ACCESS	UK Equities	12.5	99,534,236	91,013,262	13.5
ACCESS	Global Equities	18.8	149,383,718	136,409,524	20.2
ACCESS	Diversified Growth Fund	10.0	113,532,395	103,564,119	15.4
Total ACCESS holdings		41.3	362,450,349	330,986,905	49.1
Schroder	Bonds	22.0	131,952,407	123,242,316	18.3
UBS	Climate Aware Passive	18.8	139,376,818	126,990,197	18.8
Total Liquid As	sets	82.0	633,779,574	581,219,419	86.2
Schroder	Property	8.0	44,455,978	45,615,007	6.8
Goldman Sachs	Private Debt	5.0	23,604,538	25,511,916	3.8
Partners	Infrastructure	5.0	7,762,379	8,833,590	1.3
Total Alternativ	e Funds	18.0	75,822,894	79,960,513	11.9
Direct Cash Ho	lding	0.0	14,000,000	13,304,500	2.0
	TOTAL FUND	100.0	723,602,469	674,484,431	100.0
	Of which the following are equities UK Equities	es: 12.5	99,534,236	91,013,262	13.5
	Global Equities	37.5	288,760,535	263,399,721	39.1
	Total Equities Proportion of total fund	50.0	388,294,772 53.66%	354,412,983 52.55%	52.5

At the date of publication of the committee papers, information on the relative performance of the fund's investments against their respective benchmarks is not available.

A verbal update on this will be presented at the committee meeting.

NOTE 1: Schroder quarterly performance report based on MID price. Monthly reports from November 2010 are based on BID price. BID price is reported above. BID price on Schroder's property portfolio is £560,222 higher than MID price

TOTAL FUND 675,044,654 MID value

NOTE 2: June 2022 Goldman Sachs Private Debt portfolio and Partners Group Infrastructure portfolio values reported above are at 31 March 2022, updated for investments made since that date. The final valuation reports from these investment managers have not yet been received.

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Flash stats

Q2 2022



Evan Klironomos, Investment Consultant

Evan Killonomos, investment Consultan

It was another challenging quarter for investment markets, with soaring inflation and tighter financial conditions weighing on the economic outlook and giving rise to fears of recession. Equity and bond markets posted negative returns; compounding what was already a difficult start to the year.

Sterling returns (%) to 30 th June 2022							
		3 mths	12 mths			3 mths	12 mths
EQUITY INDIC	ES			STERLING BOND	INDICES		
Global	FTSE All-World	-8.3	-3.6	Gilts (All)	FTSE	-7.4	-13.6
UK	FTSE 100	-3.7	5.8	Index-linked (All)	FTSE	-17.5	-16.3
	FTSE All-Share	-5.0	1.6	Corporates (All)	iBoxx	-7.8	-14.5
US	S&P 500	-9.0	1.7	MODEL PORTFO	LIOS		
Japan	TOPIX	-6.7	-8.4	70% equity		-7.2	-5.3
Europe ex UK	FTSE Dev Europe	-8.6	-10.2	50% equity		-7.3	-7.8
Emerging	FTSE Emerging	-2.6	-10.4	30% equity		-7.4	-10.3

- Consumer confidence surveys have plunged in the major advanced economies as inflationary pressures and higher borrowing costs squeeze consumer's real incomes. The recent partial easing in Chinese COVID restrictions may bring some relief to strained supply chains, but corporates remain beset by product and labour shortages.
- As inflation forecasts continue to rise, global growth forecasts remain on a downwards trend: June's consensus forecasts global GDP rising 2.9% in 2022 and 2.8% in 2023, down from 4.1% and 3.2%, respectively, at the start of the year.



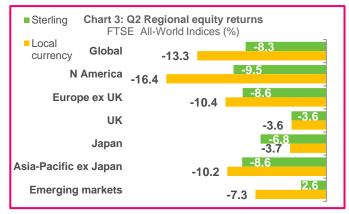
- Though remaining at a level consistent with modest expansion, developed market Purchasing Managers' Indices for June showed a more rapid deterioration, adding to evidence of a slowing pace of growth. Global output rose, driven by an easing of restrictions in China, but other major regions generally saw slower rates of expansion or even contraction.
- While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. US and UK inflation pressures look more broad-based, owing in part to very tight labour markets, whereas a large proportion of eurozone inflation still relates to volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year. Inflation is expected to remain elevated in the near-term and fall back more slowly than previously expected.



- Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, along with an end to asset purchases early in Q3 2022 and the end to negative rates by the end of Q3 2022.
- Government bond prices fell, and yields rose, as markets moved to price in significant further increases in interest rates in addition to those already announced. UK 10-year gilt yields, at 2.2% p.a., are 0.6% p.a. above end-March levels, while equivalent US and German yields have increased 0.7% p.a. and 0.8% p.a., to 3.0% p.a. and 1.3% p.a., respectively.
- UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts (Chart 1).
- The impact of rising government bond yields on fixed income total returns has been compounded by spread widening, as both inflation and growth concerns have weighed on global credit markets. Global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.
- Increasing differentials between expected interest rates have seen
 the trade-weighted dollar rise 4.7% quarter-to-date, while
 expectations of relatively high inflation and low growth saw the tradeweighted sterling fall 2.0%. Commodity prices fell over the quarter,
 with expectations of lower demand leading to a fall in industrial metals
 prices and rising real yields weighing on precious metals prices.



- Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 13.3% (in local terms) over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power. Traditionally defensive sectors including utilities, telecoms, and healthcare outperformed over the quarter, while the more cyclical basic materials and industrials sectors underperformed.
- North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure
 to energy, metals, and miners, saw the UK continue its recent outperformance, and the easing of lockdown restrictions in
 China provided some relative support to Emerging and Asian markets equities.
- Property remained a relative bright spot, with the MSCI UK IPD total return index rising 8.8% year-to-date. The capital value index rose 19.3% over the 12 months to the end of May, largely owing to a 36.9% rise in industrial capital values. Return on the all-property index, including income, was 25.1% in the 12 months to end-May.





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Isle of Wight Council Pension Fund:

Committee and Local Pension Board Indicative workplan 2022-23

Last updated: 08 July 2022

Date	Meeting	Agenda items	Complete
26 January 2022 1400-1530	Development session (virtual)	ACCESS/Minerva - ACCESS ESG/RI guidelines	√ V
02 February 2022 1400-1530	Development session (virtual)	Hymans Robertson – triennial valuation	V
16 February 2022	PFC	Reports from pension board Reports from ESG/RI work group Equity rebalancing completion report December investment position and indicative funding level at 31 Dec Fund manager presentation (Majedie) Knowledge and understanding - verbal Confidential: ACCESS report from December JC plus associated decisions Confidential: Contract management – custodian procurement; admin software update; benchmarking services considerations. Confidential: DRAFT Risk register progress report Confidential: Governance Compliance Statement – verbal update	V
7 March 2022		NT COMMITTEE – Clir Andre	$\sqrt{}$
6 April 2022 1400-1600 (from 23 March 2022)	LPB	Introduction/induction session Report from Administration team Knowledge and understanding Risk management – DRAFT risk register	√

Committee and Local Pension Board Indicative workplan 2022-23

Last updated: 08 July 2022

Date	Meeting	Agenda items	Complete
25 May 2022	PFC	Reports from pension board Reports from ESG/RI work group Employer update (changes etc) Legislation/regulation update verbal Investment position and indicative funding level at 31 Mar Triennial valuation – assumptions and roadmap Fund manager presentation (Schroder) Draft financial results 2021-22 Knowledge and understanding Confidential: Risk management - risk register adoption Confidential: DRAFT Governance compliance statement 2021-22 Confidential: ACCESS report from March JC plus associated decisions Confidential: Review of investment consultants' performance against objectives Confidential: Procurement and contract management: governance consultancy considerations; pension administration software update	√
6 June 2022	ACCESS JO	DINT COMMITTEE – Cilr Andre Cilr Churchman	
15 June 2022	LPB	Legislation/regulation update (DLUHC consultation update) Triennial valuation development Report from Administration team Knowledge and understanding incl. report from 18 May CIPFA board event Risk management - risk register Key fund documents list DRAFT Governance compliance statement 2021-22 (deferred to October) Good governance gap analysis (deferred to October) TPR code of practice (deferred to October)	√
27 July 2022	PFC	Legislation/regulation update (DLUHC consultation update) Report from Board: including Risk management - risk register triennial valuation: progress report DRAFT annual report and accounts 2021-22 (possibly defer to November) Fund manager presentation (Black Rock – UK Equity) Knowledge and understanding Governance compliance statement 2021-22 (defer to November)	

Date	Meeting	Agenda items	Complete
		Confidential: ACCESS report from June JC plus associated decisions	•
		Confidential: Procurement and contract management: governance consultancy	
		considerations, custody update, structure review, admin software award	
12 September 2022	ACCESS JOII	NT COMMITTEE - Clir Andre	
14 September 2022 1100-1300	Development session (virtual)	Investments: Strategic asset allocation review	
26 October 2022	LPB	TPR Scheme return (if issued)	
(changed from 12 th)		Knowledge and understanding incl. reports from events attended	
		Risk management - risk register	
		Communications strategy review	
		DRAFT Governance compliance statement 2021-22 (from June)	
		DRAFT annual report and accounts 2021-22	
		DLUHC consultation update (if published)	
		Structure review update	
		Good governance gap analysis (from June)	
		TPR code of practice (from June)	
?? October 2022	Development	tbc	
	session		
?? October/November	(virtual) ESG/RI	tbc	
2022	working group	LDC	
?? November 2022	Development	tbc	
? ! November 2022	session	IDC	
	(virtual)		
23 November 2022	PFC	External audit update	
		Report from Board	
		Risk management - risk register – recommendation from board	
		Triennial valuation: whole fund results and employer progress.	
		Communications Strategy – recommendation from board	
		Governance compliance statement 2021-22 (from July) – recommendation from	
		board	
		Strategic Asset Allocation	
		Fund manager presentation (GSAM private debt (from July))	
		Knowledge and understanding	
		Confidential: ACCESS report from September JC plus associated decisions	

Date	Meeting	Agenda items	Complete			
		Confidential: Procurement and contract management: investment consultancy	·			
		considerations, structure review report				
5 December 2022	ACCESS JO	INT COMMITTEE - CIIr Andre				
	IWC LPB representatives to attend					
21 December 2022	LPB	External audit update Knowledge and understanding incl. reports from events attended Risk management - risk register Reporting breaches policy review Funding Strategy Statement Investment Strategy Statement				
?? January 2023	Development session (virtual)	tbc				
?? January/February 2023	ESG/RI working group	tbc				
8 February 2023	PFC	Report from Board: including Risk management - risk register Reporting breaches policy External audit update triennial valuation: DRAFT final result and completion process. Fund manager presentation (Partners infrastructure (from November)) Funding Strategy Statement Investment Strategy Statement Knowledge and understanding Confidential: ACCESS report from December JC plus associated decisions Confidential: Procurement and contract management: investment consultancy considerations				
?? February 2023	Development session (virtual)	tbc				
6 March 2023	ACCESS JO	INT COMMITTEE – Clir Andre				
?? March 2023	Development session (virtual)	tbc				
5 April 2023	LPB	Knowledge and understanding <i>incl. reports from events attended</i> Risk management - risk register				

Date	Meeting	Agenda items	Complete
		Triennial valuation: completion confirmation	
		Administration strategy review	
?? May 2023	PFC	Report from Board: including	
-		Risk management - risk register	
		Administration strategy	
		Triennial valuation: completion confirmation	
		Fund manager presentation (UBS Passive global equity (from February))	
		Confidential: ACCESS report from March JC plus associated decisions	
		Confidential: Procurement and contract management:	



Development sessions:

Proposal that sessions be held outside normal committee cycle – one and a half hour slots, virtual, delivery by subject matter experts. Open to board and committee members, and members of staff

- ✓ Induction 2 June 2021
- ✓ ACCESS pooling 10 November 2021
- Accounts and audit
- Administration
- Benefits and taxation
- Climate change risk reporting (TCFD)
- Employers
 - ✓ ESG/RI 21 January 2022
- Good governance project
 - ✓ Governance: decision making 7 July 2021
 - ✓ Investment asset classes 29 June 2021

- Investment Strategy 14 September 2022
- ✓ LAPFF 29 October 2021
- Pensions Dashboard
- Planning/Strategy away day?
 - ✓ Risk Management 6 October 2021
- Roles and responsibilities
 - Custodian
 - Internal/external audit
 - o The Pensions Regulator
- TPR code of practice
- Training needs analysis
 - ✓ Triennial valuation 2 February 2022

Fund manager attendance

Portfolio	Investment manager	initial investment	transition to ACCESS	most recent committee	next attendance
UK Equity	Black Rock	n/a	n/a	n/a	27 July 2022
Private Debt	Goldman Sachs	January 2021	n/a	n/a	23 November 2022
Infrastructure	Partners Group	July 2021	n/a	n/a	08 February 2023
Global Equity (passive)	UBS, under pool management	December 2021	December 2021	n/a	May 2023
Diversified Growth	Baillie Gifford, via ACCESS	November 2013	November 2019	28 July 2021	July 2023
Global Equity (active)	Newton, via ACCESS	August 2009	May 2019	24 November 2021	November 2023
UK Equity	Liontrust (Majedie), via ACCESS	August 2009	November 2020	16 February 2022	February 2024
Fixed Income	Schroder	August 2009	n/a	25 May 2022	May 2025
Property	Schroder	August 2009	n/a	25 May 2022	May 2025

Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted



Agenda Item 16

Purpose: For Information



Committee report

Committee PENSION FUND COMMITTEE

Date 27 JULY 2022

Title ACCESS POOLING UPDATE

Report of PENSION FUND MANAGER

EXECUTIVE SUMMARY

- 1. This report updates the committee on activity in respect of the ACCESS pool since the last committee meeting on 16 February 2022.
- 2. Members are asked to note the content of this report, for information only.

RECOMMENDATION

- 3. That the committee note:
 - (a) the agenda and summary updates from the joint committee meeting on 6 June 2022;
 - (b) the delay to the agreement of changes to the inter authority agreement;
 - (c) the update on the commencement of scheme member representation at joint committee meetings;
 - (d) that real estate (property) is first asset class to be progressed for alternative investment pooling solution, not private equity as previously reported.

CONFIDENTIAL / EXEMPT ITEMS

- 4. This main body of this report is not considered exempt from disclosure, but some of the appendices, specifically Appendix 3 (part II meeting summary) and Appendix 4 (risk register), are deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it. Disclosing the information could place the council at risk of legal challenge from individuals or other bodies identified in the report.
- 5. The information contained within this report and appendices, where appropriate, was also deemed exempt from disclosure when it was presented to the ACCESS Joint Committee meeting on 6 June 2022.

JOINT COMMITTEE MEETING 6 JUNE 2022

- 6. The ACCESS Joint Committee (JC) meeting was held in London on 6 June 2022, attended by Councillor Churchman and the Pension Fund Manager.
- 7. The agenda for this meeting is attached as appendix 1 to this report, and appendices 2 and 3 (exempt) contain a summary of the discussions at the meeting. Significant matters discussed at the meeting or subsequently arising are outlined in the following paragraphs.

CHANGES TO THE INTER AUTHORITY AGREEMENT

- 8. As noted at the May 2022 pension fund committee meeting, changes have been proposed to the Inter Authority Agreement (IAA) to allow for the formal implementation of decisions by the joint committee (JC) in respect of scheme member representation as observers at JC meetings and the recommendation of the responsible investment (RI) Guidelines. At that stage it was expected that the approvals from each council necessary to implement the amendments to the IAA would be completed before the September 2022 JC meeting.
- 9. However, at the JC meeting in June 2022 it was noted that one council had raised concerns on the wording enabling the JC to recommend guidelines to Councils and that further dialogue would need to take place, which would by necessity delay the ability for the JC to act on the changed IAA.

SCHEME MEMBER REPRESENTATION ON JOINT COMMITTEE

- 10. While formal agreement to the amendments to the IAA has been delayed, feedback from all monitoring officers to Squire Patton Boggs, the ACCESS legal advisers, is clear that there are no objections to the proposals that relate to scheme member representation (via local pension boards (LPB)) as observers at JC meetings.
- 11. At the time of writing exploration continues on whether informal arrangements could allow Local Pension Board observers to attend the September JC. A verbal update will be provided at the meeting.
- 12. The March 2022 JC meeting agreed the following protocol for the selection of observers from Local Pension Boards:

It will be for each Local Pension Board to agree the observers from their Local Pension Board who will attend a Joint Committee meeting. Whilst the observers can be drawn from the scheme member representatives, the employer representatives, and independent members of a Local Pension Board, it is desirable that at least one of the observers from a Local Pension Board is a scheme member representative.

ALTERNATIVE INVESTMENTS

13. The June JC meeting confirmed the recommendation that Hampshire County Council act as lead procurement authority, working with MJ Hudson, as implementation adviser, to develop the pool's solutions for illiquid assets, including real estate (property), private debt, infrastructure and private equity.

- 14. In May 2022, this committee were incorrectly informed that the decision had been taken at the March 2022 JC meeting to proceed with private equity as the first illiquid asset class to be pooled. The correct information is that the March 2022 JC meeting agreed that real estate would be the first asset class to be progressed.
- 15. Procurement colleagues from Hampshire County Council are working with MJ Hudson and the ACCESS officers working group to develop the required documentation to progress the OJEU-compliant procurements for UK Core and Global Real Estate; and investment manager searches for UK Alternative products.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Corporate Aims

16. There is nothing contained in this report which directly contributes to the priorities contained in the Corporate Plan 2021 - 2025.

Pension Fund Strategic Aims

- 17. 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. 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.
- 18. Providing information to the committee on the work of the ACCESS pool and ensuring that the committee is informed of key strategic and operational decisions considered by the Joint Committee fulfils the fund's Investment Governance belief that "the Committee aim to have a good working relationship with the ACCESS pool."

FINANCIAL / BUDGET IMPLICATIONS

- 19. The Isle of Wight Council Pension Fund pays an equal (1/11th) share of the ACCESS budget. The net contribution for 2021-22 was approximately £95,148; the contribution for 2022-23, which was paid on 1 July 2022, is £124,182.
- 20. The costs in respect of the alternative asset pooling solutions, including the costs from Hampshire County Council and MJ Hudson are included in the share of the total budget described above.
- 21. Costs associated with the investment sub funds, including investment manager and Link fees, are allocated between the investing authorities based on the value of the assets invested in the sub-fund.

LEGAL IMPLICATIONS

22. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".

- 23. The Pension Fund Committee is a committee under section 101 of the Local Government Act 1972, with delegated authority to discharge the council's statutory duties in respect of the LGPS.
- 24. Throughout the ACCESS project, the 11 participating funds have been advised by Squire Patton Boggs, to ensure that appropriate legislative requirements are followed.
- 25. The council's monitoring officer and section 151 officer have also been engaged in the project as required.

EQUALITY AND DIVERSITY

- 26. 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.
- 27. There are no implications for any of the protected characteristics arising from items covered in the report.

RISK MANAGEMENT

- 28. A detailed risk register is maintained by the ACCESS Support Unit and is presented for review at each Officer Working Group meeting and discussed at each joint committee meeting.
- 29. The most recent risk report to the joint committee meeting on 6 June is included as confidential appendix 4 to this report.

APPENDICES ATTACHED

- 30. Appendix 1: ACCESS Joint Committee agenda 6 June 2022.
- 31. Appendix 2: ACCESS Joint Committee 6 June 2022 summary update Part I.
- 32. Appendix 3 (confidential): ACCESS Joint Committee 6 June 2022 summary update Part II.
- 33. Appendix 4 (confidential): ACCESS risk register

Contact Point: Joanna Thistlewood, Pension Fund Manager, **2** 821000 e-mail *jo.thistlewood@jow.gov.uk*

CHRIS WARD
Director of Finance
and Section 151 Officer

COUNCILLOR CHRIS JARMAN
Chairman of the Isle of Wight
Pension Fund Committee

03000 416892



AGENDA

ACCESS JOINT COMMITTEE

Monday, 6th June, 2022, at 11.00 am Ask for: Joel Cook

Bevin Hall, LGA Building, 18 Smith Square, Telephone London, SW1P 3HZ

Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room

Membership

Chair: Cllr Mark Kemp-Gee (Hampshire CC), Vice-Chair: Cllr Susan Barker (Essex CC), Cllr Debbie Andre (Isle of Wight), Cllr Gerard Fox (East Sussex CC), Cllr Jeremy Hunt (West Sussex CC), Cllr Malcolm Longley (West Northamptonshire), Cllr Judy Oliver (Norfolk CC), Cllr Charlie Simkins (Kent CC), Cllr Karen Soons (Suffolk CC), Cllr Alison Whelan (Cambridgeshire CC) and Cllr Andrew Williams (Hertfordshire CC)

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

- 1. Apologies and Substitutes
- 2. Declaration of interests in items on the agenda
- 3. Chair's remarks
- **4.** Minutes of the meeting held on 7 March 2022 (Pages 1 6)
- **5.** Internal Audit of the ACCESS Support Unit (Pages 7 26)
- **6.** Business Plan, Budget & Risk Management (Pages 27 46)

Motion to Exclude the Press and Public

That under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

Exempt Items

(During these items the meeting is likely to NOT be open to the public)

7.	Exempt Minutes of the meeting held on 7 March 2022	(Pages 47 - 52)
8.	Responsible Investment Guidelines	(Pages 53 - 104)
9.	Alternative Investments Implementation Advisor Procurement	(Pages 105 - 108)
10.	Performance Report	(Pages 109 - 140)
11.	Sub-fund Implementation	(Pages 141 - 152)
12.	Contract and Supplier Relationship Management	(Pages 153 - 172)
13.	Business As Usual Evaluation	(Pages 173 - 178)

Joel Cook Clerk to the Joint Committee 03000 416892

Wednesday, 25 May 2022

SUMMARY UPDATE (Part I) ACCESS Joint Committee (JC): 6 June 2022



Nine ACCESS Authorities were represented, and the key matters considered are described below.

Part I Item	Details
Minutes of meeting 7 March 2022	Minutes of the Joint Committee meeting of 7 March 2022 were agreed.
Chairman's remarks	JC Vice-Chairman Cllr Barker highlighted that, as previously communicated, owing to a family bereavement Cllr Kemp-Gee had sent his apologies, and that on this occasion she would take the Chair. Cllr Barker added that she had sent condolences on the JC's behalf to the JC Chairman.
	In preparing for the meeting ClIr Barker highlighted that ClIr Fox, ClIr Oliver and ClIr Soons - those JC members with Spokesperson responsibilities – had participated in pre-meeting briefings.
Internal Audit of the Access Support Unit (ASU)	Sarah Harris, Strategic Internal Audit Manager at Essex County Council introduced the 2021 Internal Audit, the outcome of which had been good assurance. It was noted that the single recommendation on best practice in relation to the Risk Management assessment had been enacted prior to the report's completion.
	The ASU agreed to respond to Cllr Hunt (West Sussex) on the matter of incorporating the risks highlighted within the audit Terms of Reference within the risk register.
Business plan, budget and risk management	The JC were given a summary of the 2021/22 Business Plan, and it was noted that a number of key milestones were carried forward into 2022/23. Three specific issues were highlighted:
	 draft revisions to the Inter-Authority Agreement had been circulated to Monitoring Officers with a 20 June 2022 deadline. It was noted that the West Sussex s101 Cttee had raised concerns on the wording enabling the JC to recommend guidelines to Councils and that further dialogue would take place; the Governance Manual had been revised and approved by s151 Officers in May, and would be circulated to JC Members; the timing of the commencement of the DLUHC consultation was yet to be confirmed and was now anticipated in the autumn.

The Committee noted: • 2021/22 Business Plan summary; • 2022/23 Business Plan update; and • the variations to the IAA set out in paragraphs 3.3-3.6 acknowledging that comments have been invited from Monitoring Officers by 20 June 2022. The Committee agreed: • that should the deadline for responses not align with the Committee's schedule of meetings, the Director of the ACCESS Support Unit will make necessary arrangements to ensure that the Members of the Committee may consider and comment on the DLUHC Consultation; and that authority be delegated to the ASU Director to finalise and submit a response, in consultation with the ACCESS Joint Committee Chairman. Part II Item **Details** Business plan, budget Details were given on the financial 2021/22 outturn, including variations and risk management against the agreed budget. The final overall position for the year was a spend of £1.046m against a budget of £1.247m It was highlighted that, following dialogue with s151 Officers, risk would feature earlier in each of the JC's agendas and details of changed and new risks within the Risk Register were brought to the Committee's attention. The Committee noted: • 2021/22 financial outturn; and • matters highlighted on risk management. The exempt minutes of the of the Joint Committee meeting of 7 March Exempt minutes of meeting 7 March 2022 were agreed. 2022 Draft Responsible The JC received a report on the draft Responsible Investment guidelines Investment along with relevant background information. Guidelines The Committee: noted the report; and agreed the report's recommendations Alternative The JC received a report on highlighting progress on Real Estate progress Investments based on the agreed strategic specification of UK Core, UK Alternatives and Global Real Estate. The Committee: noted the report; agreed based on the legal advice received that OJEU procurements are undertaken for UK Core and Global Real Estate; and investment manager searches for UK; and approved the recommendation from Section 151

	Officers that Hampshire County Council are appointed as the procurement lead authority for non-listed investment manager procurements.
Performance Report	The Committee were updated on the progress of pooling assets, the performance of sub-funds against benchmark, the income generated by stock lending and voting by Investment Managers.
	The Committee noted the Investment Performance report as at 31 March 2022. The combined total of pool assets (within the Link ACS) and pool aligned assets (passive UBS mandates) was £35.152bn, an increase of £0.159bn from the December 2021 quarter end. Market movements had offset the impact of in the quarter totalling £2.782billion across one new and three existing sub-funds. Redemptions totalled £0.025billion during the quarter.
	The Committee: • noted the report
Sub-fund implementation	A report updating the JC on progress with the establishment of new subfunds and changes to existing sub-funds was introduced, and the future pipeline was noted. In addition to highlighting the various stages between JC approval and launch, the report also gave an overview of the duration of each previous sub-fund launch.
	The Committee: • noted the report
Contract and Supplier Relationship Management	The Members received the regular report covering a number of aspects of Contract and Supplier Relationship management.
	The Committee: • noted the report
Business As Usual evaluation	The JC received an update report.
	 The Committee: noted the report; and agreed the report's recommendations
Next meeting date	12 September 2022



Appendix 3



Appendix 4



Agenda Item 17

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



Appendix 1

