

# Public Document Pack



Monitoring Officer  
**Christopher Potter**

County Hall, Newport, Isle of Wight PO30 1UD  
Telephone (01983) 821000

## Agenda

Name of meeting	<b>LOCAL PENSION BOARD</b>
Date	<b>TUESDAY 17 JANUARY 2023</b>
Time	<b>2.00 PM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Board Members	M Doyle (Chairman), N Cain, A Curzon, L Kingston, Cllr M Lilley, B Milton and T Ould
	Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

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1 **Minutes** (Pages 5 – 10)

To confirm as a true record the Minutes of the meeting held on 26 October 2022.

2 **Declarations of Interest**

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

3 **Report from the Pension Fund Committee** (Pages 11 – 16)

To receive the draft minutes of the meeting of the Pension Fund Committee held on 23 November 2022.

4 **Report from the ACCESS Joint Committee** (Pages 17 – 18)

To receive an update from the board members who attended the Joint Committee meeting on 5 December 2022 as observers.

5 **Report from the Pensions Administration Team** (Pages 19 – 38)

To consider a report on administration statistics and employer compliance with end of month reporting and payment deadlines for the year 2022-23 to date, and to be advised on any complaints recorded and potential breaches of the law identified since the last meeting.

6 **External Audit Update**

To receive a verbal update on the progress of the 2021-22 audit for the Pension Fund accounts.

7 **Annual Report and Accounts (Draft)** (Pages 39 – 154)

To receive and note the draft annual report and accounts for the pension fund for the year ended 31 March 2022.

8 **Policy for the Recording and Reporting of Breaches of the Law**

To receive a verbal update on the revision of the fund's Policy for the Recording and Reporting of Breaches of the Law (formerly the Reporting Breaches of the Law to the Pensions Regulator Policy) and the timetable for its recommendation to the Pension Fund Committee.

9 **Funding Strategy Statement** (Pages 155 – 194)

To receive a copy of the draft Funding Strategy Statement 2023, as part of the consultation process prior to adoption by the Pension Fund Committee in February 2023.

10 **Risk Management**

To discuss the committee's request to separate the pension fund resourcing risk into two –resilience (key person risk) and capacity (insufficient resources). To further note that there has been no work undertaken on the risk register since the last committee meeting.

11 **Knowledge and Understanding** (Pages 195 – 212)

To receive the record of Board members' training and an update on any training events (including development sessions and fund manager presentations), and to consider the output from the National Knowledge Assessment.

12 **Items circulated for Members Attention** (Pages 213 – 214)

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

13 **Workplan** (Pages 215 – 222)

To receive and note the workplan for future board and committee meetings, and to note the dates for meetings in 2023-24:

<b>Local Pension Board (2pm start)</b>	<b>Pension Fund Committee (10am start)</b>
5 April 2023	8 February 2023
21 June 2023	24 May 2023
13 September 2023	26 July 2023
13 December 2023	22 November 2023
6 March 2024	14 February 2024

14 **Other matters for the Board's attention**

Members to raise any other matters.

CHRISTOPHER POTTER  
Monitoring Officer  
Monday, 9 January 2023

## 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 – Chris Potter on (01983) 821000, email [Christopher.Potter@iow.gov.uk](mailto:Christopher.Potter@iow.gov.uk), or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email [justin.thorne@iow.gov.uk](mailto:justin.thorne@iow.gov.uk).

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## Minutes

Name of meeting	<b>LOCAL PENSION BOARD</b>
Date and Time	<b>WEDNESDAY 26 OCTOBER 2022 COMMENCING AT 2.00 PM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Present	M Doyle (Chairman), N Cain, L Kingston, M Lilley and B Milton, and A Curzon (Virtual)
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell Cllr Christopher Jarman, Jeff Houston (Barnett Waddingham)
Apologies	T Ould

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### 14. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 15 June 2022 be approved.

### 15. **Declarations of Interest**

No declarations were received at this stage.

### 16. **Structure Review Update**

Consideration was given to the report which summarised the process for the appointment of Barnett Waddingham to undertake the review of the fund's operational structure in light of current and future work requirements. The lead consultant from Barnett Waddingham was in attendance to provide an overview of the project. Questions were raised and discussion took place regarding fund comparators, information gathering, shared strategic governance and administration resources, local investments, performance, and risk. It was confirmed that options would be brought forward in a paper to be presented to the Council's Corporate Management Team in early 2023.

RESOLVED:

THAT the report and presentation from Barnett Waddingham be noted.

17. **Reports from the Pension Fund Committee:**

17a **Draft Minutes of the Pension Fund Committee - 27 July 2022**

Consideration was given to the draft minutes of the meeting of the Pension Fund Committee held on 27 July 2022, and the decisions taken therein. No comments or questions were raised.

RESOLVED:

THAT the draft minutes of the meeting of the Pension Fund Committee held on 27 July 2022 be noted.

17b **Update on Scheme Member Representation at ACCESS Joint Committee Meetings**

The Pension Fund Manager presented the report which confirmed the process by which scheme member representatives could attend ACCESS Joint Committee meetings as observers. It was confirmed that Isle of Wight Council Pension Fund had been invited to send two representatives to the ACCESS Joint Committee meeting in London on 5 December 2022, and it was confirmed that this would be one scheme member representative (Barbara Milton) and the independent chairman (Martin Doyle).

RESOLVED:

- i) THAT the approach to scheme member representation at ACCESS Joint Committee meetings be noted.
- ii) THAT Barbara Milton and Martin Doyle attend the ACCESS Joint Committee meeting on 5 December 2022 in London.

18. **Governance Compliance Statement 2021-22**

The Board received the draft annual Governance Compliance Statement for consideration and approval for presentation to the Pension Fund Committee for inclusion in the annual report and accounts for the year ended 31 March 2022. Consideration was given to the proposed action plan which had been developed to address areas of non-compliance. With regards to policy development, it was suggested that copies of existing policies (on knowledge and skills and conflict of interests) could be requested from the South East UNISON Forum. Questions were raised regarding internal controls processes, reporting oversight, complaints, the administration strategy, and compliance with cyber security and fraud requirements.

Cllr Michael Lilley declared an interest as the vice-chairman of the Audit Committee.

RESOLVED:

- i) THAT the draft governance compliance statement be recommended to the Pension Fund Committee for adoption and publication in the fund's annual report and accounts.

- ii) THAT the action plan for rectification of areas of non-compliance be agreed, and progress reports be presented to all future Board meetings.

## 19. **Risk Management**

The Board received and reviewed the updated risk register for its onward presentation to the Pension Fund Committee. Attention was drawn to the closure of ten risks, the creation of three new risks, and the reduction in risk score of four risks. Comments were made in relation to inflation and funding risks (in light of current market volatility) and the potential impact on the valuation. Clarification was provided around the long-term investment strategy, cashflow projections, and risk mitigation.

RESOLVED:

THAT the updated risk register (including the closure of ten risks, the creation of three new risks, the reduction in risk score of four risks, and the unchanged score of the remaining 34 risks) be agreed; and be recommended to the Pension Fund Committee for adoption.

## 20. **Climate Change/ ESG Activities**

Consideration was given to the fund's draft response to the Local Government Pension Scheme (England and Wales): Governance and reporting of Climate Change Risks consultation issued on 1 September 2022. Comments were made around the role of investment managers in providing information and metrics, and the role of the fund's ESG/RI working group. It was suggested that any further considerations which may be useful to include in the response be sent to the Pension Fund Manager by 7 November 2022, to be finalised for presentation to the Pension Fund Committee on 24 November 2022.

RESOLVED:

THAT the consultation document and the proposed response be accepted, and any further considerations to include in the response to be sent to the Pension Fund Manager by 7 November 2022.

Following discussion, the Board adjourned for a five-minute comfort break.

## 21. **Cyber Risk**

The Pension Fund Manager presented the initial outcome of the AON Cyber assessment questionnaire and the requirements of the Pension Regulator's single code of practice in respect of cyber risk awareness. Discussion took place regarding the steps required to improve the fund's cyber controls (including the development of a cyber risk policy) and questions were raised whether there was a fund-specific disaster recovery plan. It was advised that a progress report would be presented to the next meeting.

RESOLVED:

THAT the report be noted.

**22. Report from the Pensions 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 i-Connect, McCloud, tracing procurement, and employer compliance. Questions were raised regarding school academisation and employer non-compliance. It was agreed the full breaches log would be presented to the Board at future meetings.

RESOLVED:

THAT the report be noted.

**23. Triennial Valuation**

The Pension Fund Manager presented the triennial valuation progress update against the agreed timetable. It was advised that everything was on track and progressing well. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the progress update be noted.

**24. Communications Strategy Review**

The Board received and reviewed the proposed revisions to the fund's Communications Policy (including its sufficiency against the requirements of the Pension Regulator's code of practice) for recommendation to the Pension Fund Committee. Discussion took place regarding the protocols for member media communications; it was advised that these are developed and enforced by the Council.

RESOLVED:

THAT the revised Communications Policy be recommended to the Pension Fund Committee for adoption.

**25. Knowledge and Understanding**

The Pension Fund Manager presented the report on levels of knowledge and understanding and advised on the training programme created to support both members of the Committee and the Board. Board members were asked to complete the recommended training, including the Hymans Robertson National Knowledge Assessment. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the summary of attendance and training be noted.



26. **Workplan**

Consideration was given to the work programme for forthcoming meetings of the Committee and Board. It was noted that alternative dates for the next meeting, currently scheduled for 21 December 2022, would be circulated. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the workplan be noted.

27. **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.

28. **Other matters for the Board's attention**

No other matters were raised.

CHAIRMAN

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## Minutes

Name of meeting	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date and Time	<b>WEDNESDAY 23 NOVEMBER 2022 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Present	Cllrs C Jarman (Chairman), A Garratt (Vice-Chairman), D Andre, P Brading, V Churchman, C Critchison and I Ward
Co-opted (Non-Voting)	Steve Milford (Scheme Member Representative)
Also Present	Matthew Collier, Jo Cooke, Jo Thistlewood and Megan Tuckwell
	Martin Doyle, Barbara Milton (Local Pension Board), Jason Freeman, James Reynolds (Goldman Sachs), Paula Pickens, Sophie Robinson and Craig Alexander (Hymans Robertson)
Also Present (Virtual)	Emma Garrett (Hymans Robertson), Jeff Houston (Barnett Waddingham)

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### 37. **Apologies and Changes in Membership (If Any)**

No apologies or changes in membership of the committee were received.

### 38. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 27 July 2022 be approved.

### 39. **Declarations of Interest**

No declarations were received.

### 40. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

### 41. **Pension Fund Operational Structure Review**

The lead consultant from Barnett Waddingham provided a verbal overview of the process for and progress with the current review of the operational structure for the pension fund. Questions were raised and discussion took place regarding staff recruitment and retention.

RESOLVED:

THAT the verbal update be received and noted.

**42. Report from the Local Pension Board**

The chairman of the Local Pension Board was in attendance to present the draft minutes of the meeting held on 26 October 2022 and the discussions therein. Attention was drawn to the structure review, cyber risk, and climate change activities. Questions were raised in whether the fund could rely on the cyber security measures of the council; consideration needed to be given to wider aspects for the fund including third-party software providers and data transfers with actuary.

RESOLVED:

THAT the draft minutes of the meeting of the Local Pension Board held on 26 October 2022 be noted.

**43. Risk Register**

Consideration was given to the revised risk register for the fund, as recommended for adoption by the Local Pension Board. Questions were raised in relation to an incident where access to an assessment tool had been blocked by internal council firewalls and it was confirmed that the matter had been resolved. Clarity was provided around the risk scoring matrix tool. Concerns were raised regarding the combination of the 'key person' risk with that for 'sufficient resources' and it was felt that matters addressing both resilience and capacity should be separated. The team were thanked for the development and maintenance of the document.

RESOLVED:

THAT the revised risk register be adopted, and the Local Pension Board be asked to separate the 'key person' and 'sufficient resources' risks.

**44. Communications Policy**

Consideration was given to the Communications Policy, for publication on the fund's website, as recommended for adoption by the Local Pension Board. Discussion took place regarding membership numbers and it was confirmed that the Board receive quarterly updates and monitor any changes in membership. Committee members were reminded of the distinction between the council's role as administering authority and employer within the fund; questions about the take-up of membership among the council's employees should be addressed to the council, not the pension committee. Comments were made in relation to information accessibility and consultation with scheme members.

RESOLVED:

THAT the Communications Policy be adopted.

45. **Governance Compliance Statement 2021-22**

The Pension Fund Manager presented the Governance Compliance Statement for inclusion in the annual report and accounts, as recommended for adoption by the Local Pension Board. Attention was drawn to the proposed action plan to address areas of non-compliance, and discussion took place regarding staff capacity and whether there was sufficient resources in place to facilitate the delivery of those actions. Members were assured that support would be sought from other funds and consultants to ensure improvement.

RESOLVED:

THAT the Governance Compliance Statement be approved for publication in the fund's annual report and accounts, and the proposed action plan to address areas of non-compliance be approved.

46. **DLUHC Consultation**

Consideration was given to the fund's proposed response to the DLUHC consultation "Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks". It was suggested that the ESG/RI Working Group be reconvened to consider the development of the fund's TCFD-compliant reporting processes, with the inclusion of the scheme member representative. No comments or questions were raised at this stage.

RESOLVED:

- i) THAT the proposed response to the consultation be approved for submission.
- ii) THAT the ESG/RI Working Group be reconvened to consider the development of the fund's TCFD-compliant reporting processes.

47. **Knowledge and Understanding Update**

The Pension Fund Manager presented a verbal update on training and development activities undertaken by committee members since the last meeting. Committee members were reminded to complete the recommended training, including the Pension Regulators online toolkit. No comments or questions were raised.

RESOLVED:

THAT the update be noted.

48. **Fund Manager Presentation**

The committee received a presentation and update from Goldman Sachs Asset Management on the Loan Partners IV portfolio, which included a summary of active investments, covid resilience, market opportunities, and a fund profile. Discussion took place regarding investment returns and profits, market exposure in the USA, Russia and China, and oil prices.

RESOLVED:

THAT the presentation from Goldman Sachs Asset Management be noted.

**49. Investment Performance and Funding Level**

**49a Investment assets at 30 September 2022**

**49b Hymans Robertson Investment Performance Report Q3 2022**

The Investment Consultant of Hymans Robertson presented the investment performance report for the quarter ended 30 September 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 30 September 2022. The committee noted the recent market volatility, and attention was drawn to the performance against benchmarks for Majedie/Liontrust. It was proposed that the Investment Consultants be asked to pursue the investment reallocation from Liontrust to Blackrock. Concerns were raised in relation to the exposure to the tobacco industry and it was agreed that the removal of this allocation be explored in due course.

RESOLVED:

- i) THAT the investment performance and funding level be noted.
- ii) THAT the Investment Consultants of Hymans Robertson be authorised to pursue the investment reallocation from Liontrust to Blackrock, with the removal of tobacco exposure to be explored at a later date.

**50. Workplan**

Consideration was given to the workplan for the Pension Fund Committee and Local Pension Board for the 2022-23 financial year. No comments or questions were raised.

RESOLVED:

THAT the workplan be noted.

**51. Items circulated for Members Attention**

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

RESOLVED:

THAT the items circulated for attention be noted.

**52. Members' Question Time**

Cllr Churchman asked an oral question seeking clarification around LDI funds. The Fund's Actuaries and Investment Consultant at Hymans Robertson provided a response.

Following discussion, the committee adjourned for a five-minute comfort break.

**53. Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

**54. Triennial Valuation**

The committee received an update from the Fund's Actuaries at Hymans Robertson on the progress with the triennial valuation, including the whole fund results and employer engagement progress. Discussion took place regarding contribution rates and LGPS fund risks.

RESOLVED:

- i) THAT the presentation, the valuation results for the whole fund, and the process for the finalisation of the valuation (including the process for the circulation and agreement of individual employer results) be noted.
- ii) THAT the draft Funding Strategy Statement, and the process for consultation prior to its adoption, be noted.

**55. Strategic Asset Allocation**

The committee received the report on the initial results of the modelling in respect of the fund's strategic investment asset allocation.

RESOLVED:

- i) THAT the presentation be noted.
- ii) THAT the committee agree to consider any changes to the strategic asset allocation once the triennial valuation is completed.

**56. ACCESS Update**

The Pension Fund Manager presented the report on recent ACCESS pool activities since the last meeting. No comments or questions were raised.

RESOLVED:

THAT the update be noted.

**57. Procurement / Contract Management Update**

**57a Procurement and Contract management activity**

The Pension Fund Manager presented the confidential update on procurement and contract management activities since the last meeting. No comments or questions were raised.

RESOLVED:

- i) THAT the update be noted.
- ii) THAT the following contract awards be noted; (a) the global custodian contract to Northern Trust Limited, (b) the structure review contract to Barnett Waddingham LLP, and (c) the member tracing services contract to Target professional Services (UK) Limited.
- iii) THAT the extension of the governance consultancy contract for a further 12 months to 1 January 2024 be noted.

**57b Annual Compliance Statement in respect of Contract Management**

Consideration was given to the annual compliance statement in respect of contract management. No comments or questions were raised.

RESOLVED:

- i) THAT the current objectives for the fund's investment consultants be noted.
- ii) THAT the fund's compliance with the requirements of Parts 3 and 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 be confirmed.
- iii) THAT the chairman be authorised to sign the annual compliance statement after 9 December 2022 (to be submitted before 6 January 2023), and a report be presented to the Committee at its next meeting in February 2023 confirming it's submission.

CHAIRMAN





## AGENDA

### ACCESS JOINT COMMITTEE

**Monday, 5th December, 2022, at 11.00 am**

Ask for: **Joel Cook**

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

Telephone **03000 416892**

*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 Vanessa Churchman** (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/Substitutes
2. Declaration of interests in items on the agenda
3. Chair's Remarks
4. Minutes of the meeting held on 6 June 2022 (Pages 1 - 6)
5. Business Plan, Budget and Risk Summary (Pages 7 - 32)

#### **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 NOT to be open to the public)*

6.	Exempt Minutes of the meeting held on 6 June 2022	(Pages 33 - 36)
7.	BAU evaluation	(Pages 37 - 72)
8.	Link Presentation	(Pages 73 - 82)
9.	Alternative Investments	(Pages 83 - 90)
10.	Independent Third Party Review	(Pages 91 - 98)
11.	Communications	(Pages 99 - 106)
12.	Responsible Investment Phase 2	(Pages 107 - 114)
13.	Q2 2022/23 Investment Performance Report	(Pages 115 - 146)
14.	Sub-fund Implementation	(Pages 147 - 156)
15.	Review of Sub-Fund Guiding Principles	(Pages 157 - 168)
16.	Contract and supplier relationship management	(Pages 169 - 194)

Joel Cook  
Clerk to the Joint Committee  
03000 416892

**Friday, 25 November 2022**



## Committee report

Committee	<b>ISLE OF WIGHT LOCAL PENSION BOARD</b>
Date	<b>17 JANUARY 2023</b>
Title	<b>ADMINISTRATION SERVICE UPDATE</b>
Report of	<b>PENSIONS MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report presents an update of activity, performance against service standards and information of complaints and breaches of the law, since the last pension board meeting in 26 October 2022.

### RECOMMENDATION

2. That the content of this report be noted by the Pension Board.

### MEMBERSHIP NUMBERS

3. Changes in membership numbers by status from 1 May 2022 to 30 November 2022 as follows:

Status	Apr-22	Nov-22	Change	% change
Active	4,321	4,463	142	3.3%
Deferred	6,250	6,391	141	2.3%
Pensioner	5,311	5,454	143	2.7%
Frozen & Undecided	1,012	1,098	86	8.5%
TOTAL	16,894	17,406	512	3.0%

Please refer to Appendices 1 and 2 for full breakdown of current membership.

### PROJECT UPDATES

4. Updates for:
  - (a) **Target Tracing Service**
    - Monthly Mortality Screenings - underway in respect of members currently in receipt of a pension from us. First 3 months has identified 30 members who are now deceased.

- Next of Kin Traces - of historic deceased members who we have not been able to contact. Target have successfully traced 24 Deceased members next of kin.
- Mortality Screenings – of deferred and frozen members has identified 26 deceased members.
- Automated Trace on Members - for members we currently have marked as Gone Away:
  - Out of the 696 Gone Away members Target have identified 527 with linked addresses.
  - We have written to these addresses requesting members contact us.
  - Current Update – 189 members have responded and confirmed their new addresses. This represents a 35.86% success rate.

#### Next Steps

- Carry out Full Trace on members that Target have identified as not living as stated at the address we hold and have no linked address.
- Continue to suspend payments to members identified as deceased through the monthly screening.
- Utilise the Next of Kin Trace for deceased members where we have exhausted all other avenues to contact next of kin.
- Carry out International Morality Screening/Automated Trace service for members who currently live abroad.

#### (b) **i-Connect**

- Strictly Education is the only remaining employer/payroll provider to onboard. They currently run payroll for 6 of our employers.
- They have engaged in the onboarding process and we are having monthly meetings to feedback on the file specification and any errors that are generated as part of the testing.
- September and October files have been analysed and tested through Altair Test service.
- Go Live projected March 2023. This will ensure all end of year data is automatically captured and uploaded to Altair.

#### Next Steps

- Continue to analyse test upload files from November up to February.
- Liaise with Strictly Schools/Academies to rectify any missing starter/leaver information (currently sending data extracts to rectify data quality issues monthly).

#### (c) **Altair Image**

- Altair Image is an integrated Document Management system that has been developed to address the document storage and retrieval requirements. The aims are:
  - improve efficiency by reducing the time taken to retrieve documentation.
  - reduce the office space required for document storage.
  - improve document security.
  - enable online access to documents for members.
  - store non-member related documents, such as Trust Deed and Rules, Trustees minutes, pensions articles.
  - integration with Altair admin system, including Workflow and Document Production.
- Project engagement with IWC ICT team.
- Meeting held 19.12.2022 with Heywood & ICT to discuss technical aspects of implementation.

#### Next steps

- Sign-off technical and implementation studies.

- VPN will need to be configured to allow scanning traffic to Hosted Altair environment.
  - Installation of Altair Scan Client software onto team laptops.
  - Enable Image module in Test environment to facilitate:
    - Testing.
    - Training.
    - Acclimatisation of the new features.
- (d) **McCloud**
- 94% of employer data has been received, analysed and is ready for Heywood's analysis and provisional upload.
  - There are 4 employers who have not yet submitted their information.
  - Collated aggregation concurrent cases for manual review.
- Next Steps
- Continue to analyse and collate outstanding queries.
  - Upload employer data to Heywood's File Transfer for them to analyse and upload.
  - Review any in scope interfund transfers in and out.
  - Continue to test the McCloud calculations in Altair Test service. These include the creation of the CARE tranches and the underpin McCloud rectification data view.

#### KEY PERFORMANCE INDICATORS

4. To note administration statistics for the year 2022-23 to date (please refer to Appendices 3 and 4 for a full breakdown).

#### EMPLOYER COMPLIANCE WITH PENSION ADMINISTRATION STRATEGY

5. This report includes details of monthly contributions for August 2022 – November 2022 for data submissions and payments which were due by 22 December 2022. There were three late payments during the reporting period:
- (a) St Catherine's School - for August payment received after deadline on and 23 September 2022 and September payment received on 24 October 2022.
- (b) Top Mops – for August payment received on 28 September 2022.
- There were also seven late data submissions:
- (c) Keys Group:
- August data received within 1 day of submission deadline.
- (d) St Catherine's School:
- July data received within 3 days of submission deadline.
  - August data received within 3 days of submission deadline.
  - September data received within 2 days of submission deadline.
  - November data received within 1 day of submission deadline.
- (e) Tops Mops:
- June data (not previously reported) received within 2 days of submission deadline.
  - August data received within 5 days of submission deadline.
- Please refer to Appendix 5 for a full breakdown of employer compliance.

St Catherine's School – please see Appendix 6 for a copy of an email from Jo Thistlewood dated 24 October 2022 addressed to the school trustees. To date no response has been received to the points raised or proposed plan to improve poor performance. Please note that the school is using the i-Connect portal, although submissions are not received within the statutory deadlines.

## COMMUNICATIONS

6. Summary of documentation sent to scheme employers since the last report:
  - (a) Email to trustees at St Catherine’s School regarding employer compliance.
  - (b) Email to scheme employers with details of employer role 2023 training sessions from LGA & Hymans Robertson.

## COMPLAINTS

7. To note that there have not been any complaints received since the last meeting.

## BREACHES OF THE LAW

8. To note that there have not been any breaches since the last meeting.

## OTHER MATTERS

9. Pensions Administration Strategy (PAS)
10. Optant-out & 5050 Section statistics, as at October 2022:

	2018-19	2019-20	2020-21	2021-22	2022 to date
How many people opted out of the LGPS	22	48	24	33	7
How many people moved to the 50/50 section of the LGPS	14	12	13	9	6

There are currently 21 records where members are paying contributions to the 5050 Section of the Scheme.

11. Scheme employers:

During the reporting period Ryde Academy (RM Education) and Solutions 4 Health ceased scheme membership following their last active members leaving their employment. We have contacted these employers to discuss finalising their membership and requesting cessation reports.

During the period we were also notified of the following changes:

  - (a) Cowes Enterprise College has contracted to a new payroll provider and Dataplan took over from 1 November 2022.
  - (b) Accomplish Group completed a merger and is now known as Keys Group.
12. The rescheduled national Pension Awareness Day events were held 31 October – 4 November 2022. We circulated details to all scheme employers and schools & academies for them to share with members. We also undertook direct communications on the pension fund website, in the Vine newsletter and using Yammer posts, which were seen by nearly 900 users.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

13. The activity reported in this report do not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

## 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 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.
15. In addition, the fund has agreed the following administration objectives, which underpin the delivery of the service:
  - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and scheme employers at the point of need.
  - Provide pension and lump sum benefits for all members, in accordance with LGPS Regulations.
  - Clearly establish levels of performance and measure the performance of both the Fund and scheme employers against them.
  - Develop successful partnership working between the Fund and its employers.

## FINANCIAL / BUDGET IMPLICATIONS

16. The timely and accurate submission of monthly data returns and contribution payments by employers supports the fund in being able to pay benefits as they become due through the contributions received and income from investments, without having to withdraw funds from its investments.

## LEGAL IMPLICATIONS

17. 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”.

## EQUALITY AND DIVERSITY

18. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
19. There are no implications for any of the protected characteristics arising from items covered in the report.

## RISK MANAGEMENT

20. Regular reviews of the timeliness, accuracy and completeness of employers' data submissions ensures that the fund can maintain accurate membership data to support the accurate payment of benefits to the correct beneficiary when they become due.

21. Monitoring the timeliness of employers' payment of contributions into the fund ensures that the fund maintains adequate liquidity to meet its current obligations, and can also allow early identification of potential issues with the financial health of the employer.

#### APPENDICES ATTACHED

22. Appendix 1 Membership statistics 30 November 2022
23. Appendix 2 Aggregate membership by status 30 November 2022
24. Appendix 3 KPI statistics 30 November 2022
25. Appendix 4 Pensioner payroll statistics 31 December 2022
26. Appendix 5 Employer compliance 30 November 2022
27. Appendix 6 Email to trustees at St. Catherine's School
28. Appendix 7 LGPC & Hymans Robertson employer role 2023 training sessions

Contact Point: Matthew Collier, Pensions Manager, ☎ 821000  
e-mail [matthew.collier@iow.gov.uk](mailto:matthew.collier@iow.gov.uk)



# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Membership statistics @ 30 November 2022

Appendix 1

EMPLOYER/PAYROLL PROVIDER	ACTIVES	UNDECIDEDS	DEFERREDS	PENSIONERS	FROZENS
ISLE OF WIGHT C.C	-	-	55	481	52
MEDINA B.C	-	-	11	143	9
SOUTH WIGHT B.C	-	-	18	120	4
IOW JT.CREMATORIUM COMMITTEE	-	-	-	7	-
YARMOUTH HARBOUR COMMISSIONERS	2	-	2	18	3
COWES HARBOUR COMMISSIONERS	1	-	8	10	-
ST CATHERINE'S SCHOOL	5	-	2	11	1
CARISBROOKE CASTLE MUS.TRUST	-	-	-	3	-
IOW SOCIETY FOR THE BLIND	-	-	2	13	-
IOW MAGISTRATES COURT	-	-	2	13	1
IOW JOINT PLANNING & TECH.UNIT	-	-	-	7	-
IOW RURAL COMMUNITY COUNCIL	-	-	6	18	-
SOUTH WIGHT HOUSING ASSOC	-	-	3	30	-
MEDINA HOUSING ASSN	-	-	31	54	-
ISLE CARE	-	-	16	48	1
ISLAND GROUP 90 LTD	-	-	10	124	1
ISLE OF WIGHT COLLEGE	254	-	341	255	32
RIVERSIDE CENTRE LTD	-	-	3	8	-
OSEL ENTERPRISES LTD	-	-	-	3	-
PLANET ICE (IOW) LTD	-	-	4	1	-
ISLAND 2000 TRUST LTD	-	-	13	3	1
FIRST WESSEX HOUSING GROUP	-	-	-	1	-
WOOTTON PARISH COUNCIL	1	-	-	2	-
YARMOUTH TOWN COUNCIL	-	-	-	1	-
NORTHWOOD PARISH COUNCIL	1	-	-	1	-
NEWPORT & CARISBROOKE COMMUNITY COU	7	-	2	4	1
CHALE PARISH COUNCIL	-	-	-	1	-
RYDE TOWN COUNCIL	16	-	10	-	2
SPURGEONS	-	-	5	-	-
CHILDRENS SOCIETY	-	-	4	4	-
COWES TOWN COUNCIL	2	-	1	-	-
RYDE ACADEMY	66	1	54	28	21
AET - SANDOWN BAY	-	-	69	42	6
SOUTHERN VECTIS	6	-	3	14	-
WESTON ACADEMY	-	-	17	-	-
VENTNOR BOTANIC GARDENS CIC	1	-	5	1	-
ISLAND YOUTH WATER ACT CENTRE	-	-	1	1	-
VISIT ISLE OF WIGHT LTD	-	-	2	-	-
ISLAND ROADS	19	-	12	21	-
NORTHWOOD ACADEMY	42	-	18	15	3
ST BLASIUS SHANKLIN CE ACADEMY	28	-	21	6	2
SOUTHERN HOUSING GROUP	3	-	-	3	-
SOVEREIGN HOUSING ASSOCIATION	24	-	14	13	-
LANESEND PRIMARY SCHOOL	61	-	41	6	20
ISLAND FREE SCHOOL	35	-	15	-	13
COWES ENTERPRISE COLLEGE	53	1	35	14	17
ISLAND STUDIO SCHOOL	-	-	3	2	1
GURNARD PARISH COUNCIL	1	-	-	1	-
BARNARDOS 2015	-	-	9	-	-
RYDE ARENA TRUST	-	-	3	-	-
TOP MOPS LIMITED	1	-	1	3	-
CATERLINK LIMITED	1	-	-	2	-
SHANKLIN TOWN COUNCIL	3	-	-	-	-
ST FRANCIS CATH CE PRIM ACAD	40	-	17	10	7
NVIRO LTD	-	-	2	-	-
RM EDUCATION	-	-	1	-	-
SANDOWN TOWN COUNCIL	1	-	-	-	-
KEYS GROUP	9	1	5	1	-
SOLUTIONS 4 HEALTH LTD	-	-	1	-	-
BARNARDOS 2021	7	-	2	1	-
CLEANTEC SERVICES	6	-	1	-	-
ISLE OF WIGHT COUNCIL	2,953	49	5,235	3,814	783
IOW (CAPITA)	23	3	7	-	1
IOW (STRICTLY EDUCATION)	791	1	248	72	60
<b>TOTALS</b>	<b>4,463</b>	<b>56</b>	<b>6,391</b>	<b>5,454</b>	<b>1,042</b>

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# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Aggregate membership statistics @ 30 November 2022

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

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

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

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

Historic membership data extracted from *Pension Fund Annual Report*

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# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 30 November 2022

Category	TASK	Detail	Days to complete	2022/23 achieved	Target	Current average	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	
Payment of Benefits	SETUPPAY	Set up of new pension and lump sum within 10 working days of receipt of all documents	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	22	21	18	31	24	39	38	29					
						Within target	22	21	18	31	24	39	38	29					
Benefits Estimates Members	MEMQUOTE	Estimates of benefits to Members within 20 working days	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	20	20	24	26	15	10	25	12					
						Within target	20	20	24	26	15	10	25	12					
Benefits Estimates Employers	ERSQUOTE	Estimate of benefits to Employers within 5 working days	10		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	3	2	3	8	1	8	9	5					
						Within target	3	2	3	8	1	8	9	5					
Annual Benefit Statements - active members	ACTABS	Produce the required standard to statutory timescale by 31 <sup>st</sup> August each year		Published 18 Aug 2022	100%	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Members Processed					4015								
						Within target					4015								
Annual Benefit Statements - deferred members	DEFABS	Produce the required standard to statutory timescale by 31 <sup>st</sup> August each year		Published 05 Aug 2022	100%	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Members Processed					6277								
						Within target					6277								
Transfers In Payments	TVIN	Payment made within 5 working days of receipt of all documentation	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	9	6	1	8	3	3	12	8					
						Within target	9	6	1	8	3	3	12	8					
Transfers in Quotes	TRANINQ	Issued within 20 working days of notification and all information required to produce a quote	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	1	8	16	21	7	14	16	14					
						Within target	1	8	16	21	7	14	16	14					
Transfers Out Payments	TVOUT	Payment made within 5 working days of receipt of all documentation	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	8	3	2	6	6	1	5	10					
						Within target	8	3	2	6	6	1	5	10					
Transfers Out Quotes	TRANOUTQ	Issued within 20 working days of notification and all information required to produce a quote	20		100%	100.00%	100%	100%	100%	100%	100%	100%	100%	100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
						Processed	8	8	16	14	10	16	25	20					
						Within target	8	8	16	14	10	16	25	20					

# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 30 November 2022

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

# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

## Pensioner payroll statistics @ 31 December 2022

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

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# IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Employer compliance with Pensions Admin Strategy

Statistics for November 2022 submissions as @ 23 December 2022

## Appendix 5

Select Month to Review

November

Body	Scheme	Type	Establishment
Keys-Group	LG	STD	(formerly Accomplish)
Barnardos 2021	LG	STD	
Cowes Enterprise College	LG	STD	Caterlink
Cowes Enterprise College	LG	STD	Dataplan (EPM)
Cowes Harbour Commissioners	LG	STD	
Cowes Town Council	LG	STD	
Gurnard Parish Council	LG	STD	CAIW
IOW Schools	LG	STD	Capita
IOW Schools	LG	STD	Strictly Education
Island Free School	LG	STD	Strictly Education
Island Roads	LG	STD	Eurovia
Isle of Wight College	LG	STD	
Isle of Wight Council	LG	STD	
Lanesend Primary	LG	STD	Strictly Education
Newport & Carisbrooke Commu	LG	STD	CAIW
Northwood Parish Council	LG	STD	CAIW
Northwood Primary	LG	STD	Strictly Education
Ryde Academy	LG	STD	CleanTEC
Ryde Academy	LG	STD	MHR
Ryde Academy	LG	STD	RM Education
Ryde Town Council	LG	STD	CAIW
Sandown Town Council	LG	STD	CAIW
Shanklin Town Council	LG	STD	
Solutions 4 Health	LG	STD	
Southern Housing Group	LG	STD	
Southern Vectis	LG	STD	Go North East
Sovereign Housing Association	LG	STD	
St Blasius Primary	LG	STD	Strictly Education
St Catherines Schools	LG	STD	
St Francis Primary	LG	STD	Strictly Education
Top Mops	LG	STD	
Ventnor Botanic Garden	LG	STD	
Wootton Bridge Parish Council	LG	STD	
Yarmouth Harbour Commission	LG	STD	

November 2022		TOTALS (Year to Date 2022/2023)	
Payment Late	Return Late	Payment Late	Return Late
N	N	0	1
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	1
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
n/a	n/a	0	0
N	N	0	0
N	N	0	0
N	N	0	0
n/a	n/a	0	0
N	N	1	0
N	N	0	0
N	N	0	0
N	N	0	1
Y	Y	3	6
N	N	0	1
N	N	1	2
N	N	0	0
N	N	0	0
N	N	0	0
N	N	0	0
		5	12

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**Taylor, Adrian**

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**From:** Thistlewood, Jo  
**Sent:** 24 October 2022 10:22  
**To:** Graham Pengelly; Dan kitcher; Sarah Thompson  
**Cc:** Zoe Janvrin; Pensions - General  
**Subject:** Isle of Wight Pension Fund - St Catherine's compliance

Good morning

I am emailing to inform the trustees that there have been a number of issues with obtaining data and contribution payments from St Catherine's since the re-joining of the fund in May 2022.

I am very conscious of the fact that I have not yet finalised the new admission agreement, and am actively seeking legal advice to support the completion of the agreement for your signature.

However, the requirements for the accurate and timely submission of data and payment of contributions are unchanged from the school's previous engagement with the fund, other than the introduction of the i-connect solution which should make things much easier.

It is therefore disappointing that I need to report that there is continued failure by the school to comply with the data submission deadlines, and the statutory deadline for payment of contributions (being the 19<sup>th</sup> of the month after the payroll month).

Despite being set up on the i-connect system, the school is not submitting its data through that portal, and in every month since re-joining, membership and payroll data has been submitted late, despite continued contact from our administering team, offering support.

Similarly, every payment has been received after the deadline, usually following a reminder call from our admin team.

In one instance, a payment was sent to us which did not relate to the pension fund (or even the council), and it took significant time from our administration team to resolve and confirm with the school the repayment of the moneys.

This email is being sent because the administration team are not seeing any improvement in the compliance despite numerous engagements, hence the escalation to myself and you as trustees.

I should be grateful if you could follow this up and encourage improve performance from the school. As before, if you would like a member of our administration team to come to the school to offer support and training on the i-connect system, please do let me know.

I will keep in touch with the administration team and hope to see improvement as quickly as possible. If we do not receive data and payment on time, following engagement from the administration team and this escalation, the fund has the ability to issue penalty fines to the employer, as set out in the administration strategy.

I do not want to resort to this, but may need to should compliance not improve within the next three months.

I look forward to hearing from you.

Kind regards, Jo

**Jo Thistlewood** | Pension Fund Manager

Pronouns: she, her

Isle of Wight Council | Floor 5, County Hall | Newport | Isle of Wight PO30 1UD

Internal: Ext 6371 External: (01983) 821000 option 1 ext 6371

Email: [jo.thistlewood@iow.gov.uk](mailto:jo.thistlewood@iow.gov.uk) | Web: [www.iwight.com](http://www.iwight.com)

Please note from 1 April 2022 I will no longer have responsibility for Treasury Management or VAT/Tax.

Please contact [treasury@iow.gov.uk](mailto:treasury@iow.gov.uk) or [VAT.Team@iow.gov.uk](mailto:VAT.Team@iow.gov.uk) respectively for those areas.

Visit the website for Isle of Wight Pension Fund at <http://www.isleofwightpensionfund.org/>



**Taylor, Adrian**

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**From:** Pensions - General  
**Sent:** 08 December 2022 16:05  
**To:** Pensions - General  
**Subject:** Local Government Pension Scheme - Isle of Wight - employer role training  
**Attachments:** LGA Bulletin 231 Nov22\_training 2023.pdf; 20221206\_Hymans employer training sessions 2023.pdf

**Categories:** Egress Switch: Unprotected

Dear Scheme Employer

The Local Government Association (LGA) have published their training programme for 2023, a copy of which is attached for your information. They are running a number of *Employer role training* sessions, so if you have not previously attended one, now would be a good opportunity to sign-up and attend so you are able to better understand your role as a scheme employer. The training is hosted by the LGA, so should contact them to confirm your attendance or if have any questions. The cost of attending these sessions is chargeable directly to the LGA and not the pension fund.

In addition to the LGA sessions, our government actuaries, Hymans Robertson, are also running a series of employer training sessions covering:

- Understanding how the LGPS works
- Importance of data – impact on member and employers
- Pensions terminology and historic issues, eg rule of 85, McCloud, Goodwin, member protections

The sessions are chargeable per pension fund, and the total cost to each employer would be shared equally. The more employers that register, then the lower the cost will be per employer. If you are interested in joining these sessions then please get in contact with us so we determine the level of interest and arrange the relevant access.

If you have any questions then please do not hesitate to contact us.

Kind regards

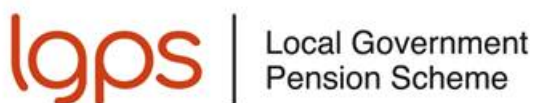
**LGPS Admin Team** | Isle of Wight Council Pension Fund | Business Centre | County Hall | Newport | Isle of Wight | PO30 1UD

Tel: (01983) 823626 | Email: [pensions@iow.gov.uk](mailto:pensions@iow.gov.uk)

**Have you signed up to view your pension record online? If not then you can register for Member Self-Service (MSS) by visiting <https://www.iwcpensions.co.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/>



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## Committee report

Committee	<b>ISLE OF WIGHT LOCAL PENSION BOARD</b>
Date	<b>17 JANUARY 2023</b>
Title	<b>ANNUAL REPORT AND ACCOUNTS 2021-22</b>
Report of	<b>PENSION FUND MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report presents the annual report and accounts for the Isle of Wight Council Pension Fund for the year ended 31 March 2022, which is still subject to external audit.
2. The pension fund accounts contained within the annual report will form part of the accounts of the Isle of Wight Council, as administering authority for the fund, which will be presented to Audit Committee for approval in March 2023.
3. The separate external audit of the pension fund accounts has begun but will not be complete until February 2023. A verbal update on this matter is presented elsewhere on this agenda.
4. This report will be presented to the pension fund committee at its meeting on 8 February 2023, with any update on audit matters at that point.
5. Following the committee meeting, a draft unaudited annual report will be published on the fund's website.
6. A further report will be presented to the Board at its meeting on 5 April 2023, confirming the completion of the external audit, the approval of the Council's financial statements, and the publication of the fund's audited annual report and accounts on the website.

### RECOMMENDATIONS

- |   |
|---|
| <ol style="list-style-type: none"><li>7. That the Local Pension Board notes the draft annual report and accounts for the year ended 31 March 2022.</li><li>8. That the board is notified of the completion of the external audit for both the pension fund and the Council.</li><li>9. That the board is notified when the annual report and accounts is published, both in draft format and in final form.</li></ol> |
|---|

## BACKGROUND

10. Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year. The content of the annual report is specified by the regulations.
11. For the current year, ended 31 March 2022, the fund has been unable to meet this deadline, due to significant delays in the external audit process for both the fund itself and the council, as administering authority. This breach of the regulations was reported to the LGA and the Pensions Regulator as soon as it became apparent. Both bodies determined that no further action was necessary in respect of this breach,
12. Current guidance from the LGA is that funds should publish their draft, unaudited annual report and accounts as soon as it was available; funds should publish an updated version once the external audit of the relevant administering authority's accounts has been completed.
13. The draft financial result for the pension fund for the year ended 31 March 2022, including investment performance and employers' contributions analysis, was presented to the pension fund committee at its meeting on 27 July 2022. The annual report contains the same information but presented in accordance with statutory reporting guidelines.
14. Regulation 57 of the regulations covers the requirement for, content of, and publication arrangements for LGPS pension fund annual reports.
15. A full list of the contents of the annual report is listed below. The full document is in excess of 250 pages long, so is not presented in its entirety. The full document can be provided if required on request from the Pension Fund Manager.
16. Attached to this report as Appendix 1, is the information that has not been seen previously by this committee, indicated in *italics* in the table below. Where details have been submitted previously a link has been provided to the document.

<b>Table of contents</b>	
<b><i>Foreword</i></b>	<i>As prepared on behalf of the committee chair.</i>
<b><i>Financial summary</i></b>	<i>Extracted from draft financial statements presented to July 2022 committee meeting</i>
<b><i>Scheme management and advisers.</i></b>	<i>Same format as prior year.</i>
<b><i>Investment policy and performance report</i></b>	<i>Report from the fund's investment consultants, Hymans Robertson LLP</i>
<b><u>Investment strategy statement</u></b>	February 2021 version. Approved by previous committee on 3 March 2021. Link to published statement provided.
<b><i>Actuarial statement</i></b>	<i>Report from the fund's actuary, Hymans Robertson LLP.</i>
<b><u>Funding strategy statement</u></b>	Approved and adopted by previous committee at meeting on 13 March 2020. Link to published statement provided.
<b><u>Pension scheme administration information</u></b>	Key performance indicators for 2021-22 previously presented to pension board at meeting on 15 June 2022.



<a href="#"><u>Administration strategy</u></a>	Approved by previous committee November 2018. Link to published statement provided.
<a href="#"><u>Governance policy statement</u></a>	Approved by previous committee 2 September 2020. Link to published statement provided.
<a href="#"><u>Terms of reference of Pension Fund Committee</u></a>	Contained within council's constitution which was last updated August 2022. Link to relevant section of constitution provided.
<a href="#"><u>Terms of reference of Local Pension Board</u></a>	
<a href="#"><u>Governance compliance statement</u></a>	Approved by committee on 25 November 2022. Link to published statement provided.
<b>Knowledge and skills framework compliance statements</b>	<i>Detail of training undertaken both by Pension Fund Committee and Pension Board.</i>
<a href="#"><u>Risk management policy</u></a>	Approved by committee in November 2021. Link to published statement provided.
<a href="#"><u>Communications policy statement</u></a>	Approved by committee on 25 November 2022. Link to published statement provided.
<a href="#"><u>ACCESS Pool Annual Report</u></a>	Adopted by ACCESS Joint Committee at their meeting in October 2022. Link to published statement provided.
<b>Statement of responsibilities for the statement of accounts – not included</b>	Final version to be inserted once council's statement of accounts finalised, expected 20 March 2023.
<b>Financial statements year ended 31 March 2022</b>	Current unaudited version, as published in the Council's <a href="#"><u>draft financial statements</u></a> .
<b>Independent auditors' statement – not included</b>	To be added once council's statement of accounts finalised, expected 20 March 2023.
<b>APPENDIX A – Glossary of terms</b>	<i>As per prior year.</i>

17. There is no annual report from the Local Pension Board presented as part of the fund's annual report and accounts for the current year, as the board was not operational between September 2021 and April 2022.
18. Appendix 2 to this report presents the completed disclosure checklist, as designed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to evidence compliance with the disclosure requirements of the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*.
19. There are no areas where the fund's annual report and accounts do not comply with the disclosure requirements of the code.

## STRATEGIC CONTEXT

20. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the LGPS regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

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

APPENDICES ATTACHED

22. Appendix 1: Extracts from the Isle of Wight Council Pension Fund Annual report and accounts for the year ended 31 March 2022.
23. Appendix 2: CIPFA AR disclosure checklist

Contact Point: Joanna Thistlewood, Pension Fund Manager, ☎ 821000  
e-mail [jo.thistlewood@iow.gov.uk](mailto:jo.thistlewood@iow.gov.uk)

EXTRACTS FROM  
ANNUAL REPORT  
AND  
ACCOUNTS

ISLE OF WIGHT COUNCIL  
PENSION FUND  
2021-22

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

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## Isle of Wight Pension Fund Annual Report 2021/22

### Foreword

As the Chairman of the Pension Fund Committee, I am pleased to introduce the annual report and accounts of the Isle of Wight Council Pension Fund for the year ended 31 March 2022, setting out the overall financial activity of the fund.

Despite significant market turmoil at the end of the financial year, following the invasion of Ukraine by Russian forces, the fund's investment assets continued to grow, reaching a value of £723.6 million at 31 March 2022, compared to £695.4 million at 31 March 2021 – an increase of £28.2 million in the financial year.

Market volatility has continued since the end of the year as the crisis in Ukraine has impacted financial markets globally, largely due to the impact of utility prices. Coupled with the impact of policy changes in central government, increasing inflation and bank interest rates, the compounding effect on markets and market confidence has brought widespread downward pressure. The impact of all this uncertainty and downward pressure has been a decline in the value of the fund's investments, with the value at 30 September 2022 being £648.3 million.

Following a change in overall control of the council after the local elections in May 2021, a virtually new committee was formed, with only two members returning from the previous administration at that time. Membership of the committee changed a number of times during the financial year.

The committee recommenced in-person meetings from June 2021, holding five meetings (one under the former administration and four under the new), with each meeting covering all aspects of pension fund business. During the year the committee:

- Received an induction briefing from the Pension Fund Manager, and a number of development sessions facilitated by the fund's advisers.
- Completed the first investment into the fund's Infrastructure asset allocation; by 31 March 2022 £7.7 million had been invested in this asset class.
- Completed the transition of £145 million from its active equity allocation into the UBS passively managed climate aware fund, under a jointly procured arrangement with other authorities in the ACCESS pool.
- Continued its engagement with the ACCESS pool, with officers and councillors attending meetings throughout the year. No additional actively managed assets were transitioned into the pool during the year; at 31 March 2022 69.4 per cent of the fund's investments were under pooled management (a reduction from the proportion at the previous year end, due to market conditions).
- Reviewed the governance decision making framework for the fund, and adopted a decision making matrix, in compliance with which all future decisions will be made.
- Agreed and adopted a comprehensive risk register for the fund, which is monitored at all pension board and committee meetings.
- Received regular updates on the developments in administration of the fund.

During 2021-22, the constitution and membership of the pension board was reviewed and revised, following end of the term of office for most members in September 2021, leaving only one scheme member representative. As a result, board meetings were suspended, and the Pensions Regulator was informed of the situation.

Following the review, the size of the board was increased from four to six, and a new independent chair position was introduced. Recruitment activity during the second half of the financial year resulted in the appointment of five new representatives (three employer and two scheme member representatives), and an independent chair.

The newly constituted board met for the first time in April 2022; accordingly no board annual report for 2021-22 is presented.

2022-23 has been a very busy year to date and continues to be, with the following key areas being covered by both committee and board:

- Undertaking the triennial valuation at 31 March 2022, including briefings from the fund's actuaries and engagement with fund employers.
- Completion of the Hymans Robertson National Knowledge Assessment, with a view to developing a fund-specific training and development policy.
- Review of the fund's statutory documentation, including the communication policy, governance compliance statement, reporting breaches of the law policy, complaints and disputes procedures, and the pension administration strategy.
- Continued engagement with the ACCESS pool, including the development of investment solutions for illiquid assets.
- Response to the government's consultations on climate risk reporting and consideration of the fund's own ESG/RI policy.
- Preparation for the procurement of the fund's administration software system, and other consultancy contracts.
- Continued review and improvements in the operation of the fund's governance and administration activities, including the commissioning of an external review.

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

## Financial Summary

### Analytical review

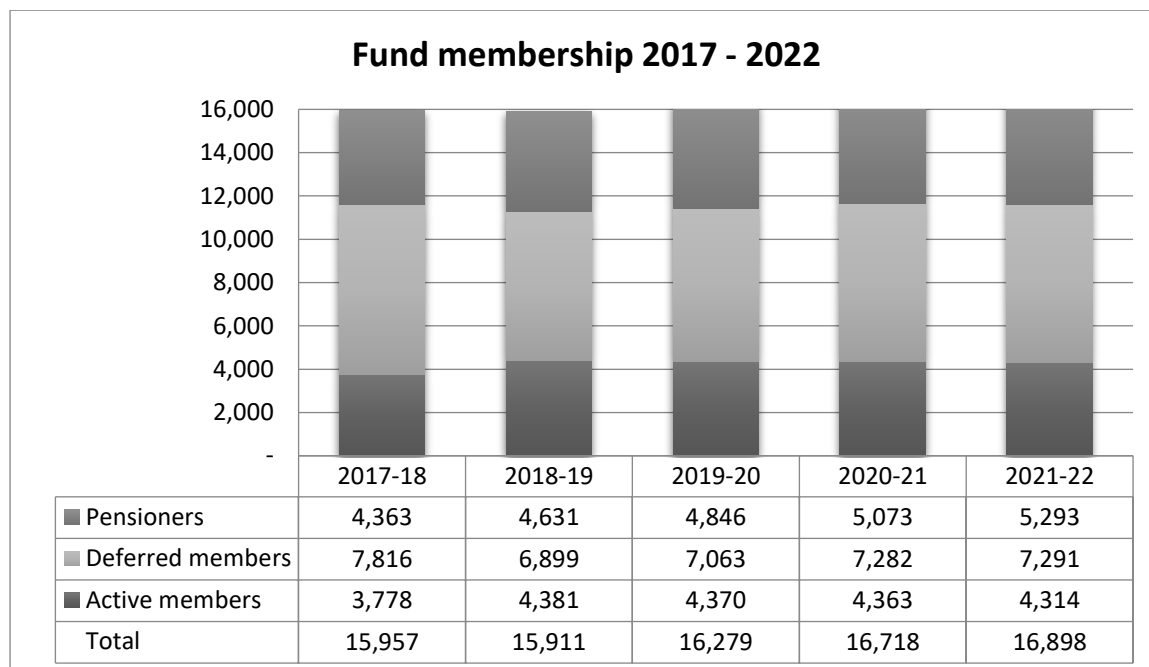
Fund account	2021-22 £000	2020-21 £000	Notes
Net withdrawals from dealings with members	<b>(2,979)</b>	(2,104)	Increase in basic contributions; increase in transfers in; inflationary increases in benefits paid & increase in number of pensioners; increased payments to leavers and on death
Management expenses	<b>(5,750)</b>	(7,166)	Prior Year included large initial investment cost re transfer of assets into ACCESS Pool
Net return on investments	<b>46,166</b>	<b>138,262</b>	Decrease in value of holdings especially UK & Global Equities
Net decrease in net assets	<b>37,437</b>	128,992	

Net Assets Statement	2021-22 £000	2020-21 £000	Notes
Pooled Investment Vehicles	<b>633,779</b>	648,719	UK & Global Equities partial disinvestment to fund investment into Private Debt and Infrastructure, with balance in Direct Cash holdings
Property	<b>44,453</b>	37,459	
Private Debt	<b>23,605</b>	9,186	Increased direct Investment into fund during year
Infrastructure	<b>7,762</b>	-	Commenced investing into fund during 2021/22
Cash deposits	<b>14,003</b>	-	Cash held for future investment into Private Debt and Infrastructure funds
Other net assets / (liabilities)	<b>4,532</b>	(4,667)	Reduction in short-term borrowing partially offset by reduction in operating cash balance
Total net assets	<b>728,134</b>	690,697	

Further detail can be found in the financial statements and notes on pages 216 to 252

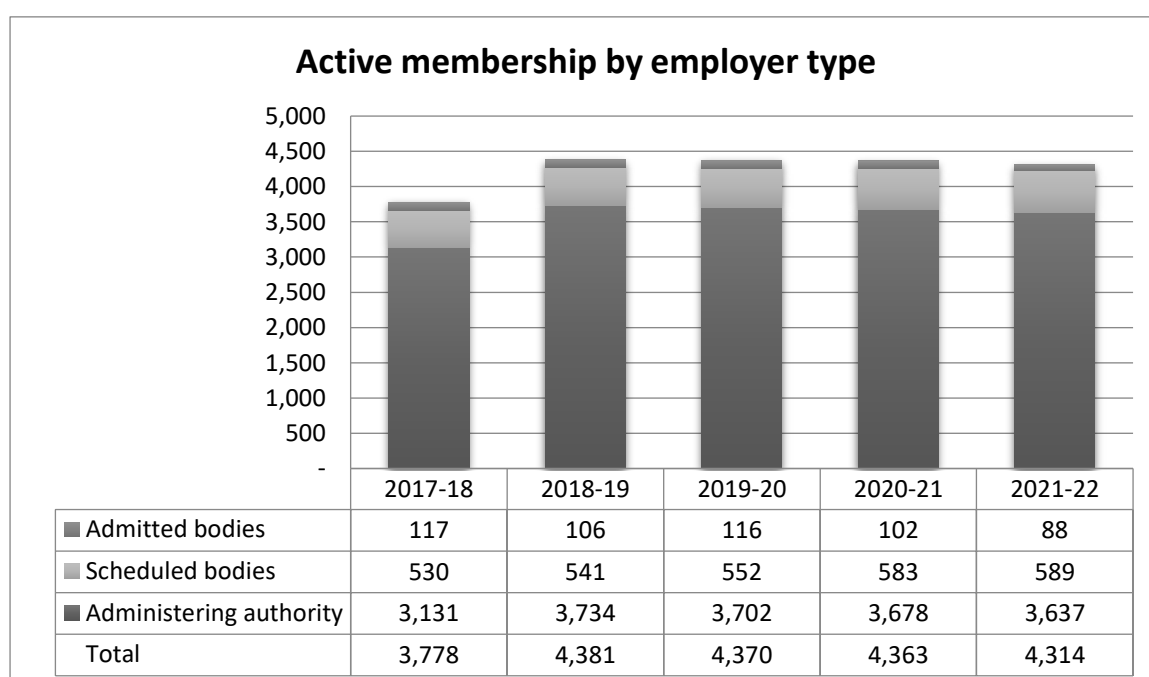
## Membership data

Total membership of the fund continues to increase year on year, although active membership has fallen slightly compared to last year. The profile of membership numbers from 2017 to 2022 is shown below:



Details of the changes in the composition of the employers in the fund can be found below the contributions analysis on page 9.

The Isle of Wight Council remains the largest employer in the fund, and its share of the active members has taken a slight downwards turn in real numbers during 2021/22. There has been an overall increase in the proportion from 82.9% in 2017/18 to 84.3% in 2021/22. The composition of active membership numbers is shown below:





## **Contributions analysis**

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

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

<b>Administering Authority</b>	<b>Active members at 31 March 2022</b>	<b>Employee basic conts. £000</b>	<b>Employer basic conts. £000</b>	<b>Instances Payment Late</b>	<b>Instances Return Late</b>
Isle of Wight Council	3,637	3,627	13,609	-	-
	<b>3,637</b>	<b>3,627</b>	<b>13,609</b>	<b>-</b>	<b>-</b>
<b>Scheduled Bodies</b>					
Isle of Wight College	240	204	802	-	-
Ryde Academy	68	49	192	-	1
Lanesend Academy	67	38	143	-	-
Cowes Enterprise College	51	59	228	-	1
Northwood Primary	37	18	70	-	-
St Francis Primary	35	38	128	-	-
St Blasius Academy	29	14	72	1	1
Island Free School	35	13	64	-	1
Ryde Town Council	12	20	76	-	-
Newport and Carisbrooke Community Council	6	9	33	-	-
Shanklin Town Council	3	4	16	-	-
Cowes Town Council	2	2	9	1	-
Gurnard Parish Council	1	1	3	-	-
Wootton Bridge Parish Council	1	1	2	-	-
Northwood Parish Council	1	2	7	-	-
Sandown Town Council	1	1	4	-	-
	<b>589</b>	<b>473</b>	<b>1,849</b>	<b>2</b>	<b>4</b>
<b>Admitted Bodies</b>					
Southern Housing	26	8	36	-	-
Island Roads	22	52	-	-	-
Accomplish <sup>1</sup>	10	19	77	-	-
Barnardo's <sup>2</sup>	7	10	40	-	-
CleanTEC <sup>3</sup>	6	2	10	1	2
Southern Vectis	6	4	8	-	-
Sovereign Housing	3	66	272	1	-
Yarmouth Harbour Commissioners	2	4	14	-	-
Caterlink Limited	1	1	4	-	-
Cowes Harbour Commissioners	1	3	8	-	-
RM Ltd	1	2	8	-	-
Solutions 4 Health	1	1	6	-	-
Top Mops	1	-	2	-	-
Ventnor Botanic Gardens	1	2	-	-	-
Nviro <sup>4</sup>	-	2	7	-	-
Trustees of Carisbrooke Castle Museum <sup>5</sup>	-	3	8	-	-
St Catherine's School <sup>6</sup>	-	-	-	-	-
	<b>88</b>	<b>179</b>	<b>500</b>	<b>2</b>	<b>2</b>

The level of contributions from both employers and employees can be found with in the financial statements, which are included within this report, on page 216 and page 252 respectively.

- 1 Accomplish entered into a revised contract with the Council from December 2021.
- 2 Barnardo's commenced a new contract with the Council on 1 April 2021.
- 3 CleanTEC joined the fund in September 2021, following an outsourcing from Ryde Academy.
- 4 Nviro ceased participation in the fund in August 2021, following the termination of their contract with Ryde Academy.
- 5 The last active member from Carisbrooke Castle Museum retired in October 2021.
- 6 St Catherine's School have rejoined the fund with effect from 1 April 2022.

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## Isle of Wight Council Pension Fund 2021/22 Scheme management and advisers

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

			<b>Joined</b>	<b>Resigned</b>
Councillor C Jarman	Ind	Chair	26 May 2021	
Councillor D Andre	Ind		26 May 2021	
Councillor P Brading	Con		19 Jan 2022	
Councillor V Churchman	Con		26 May 2021	
Councillor C Critchison	Green	Vice-chair (Resigned 18 May 2022)	26 May 2021	
Councillor W Drew	Con		21 July 2021	19 Jan 2022
Councillor A Garrett	Lib	Vice-chair (from 18 May 2022)	18 May 2022	
Councillor M Oliver	Con		19 Jan 2022	7 July 2022
Councillor R Quigley	Lab		21 July 2021	18 May 2022
Councillor J Robertson	Con		26 May 2021	21 July 2021
Councillor I Ward	Con		26 May 2021	19 Jan 2022
Councillor I Ward (reappointed)	Con		20 July 2022	

The Committee is advised by:

Mr C Ward, Director of Finance and section 151 officer

Mr D Walker, Investment Consultant – Hymans Robertson LLP

Mrs J Thistlewood, Pension Fund Manager

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

### ACCESS Pool Operator

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

### Investment Managers through Pool

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

Liontrust Investment Partners LLP  
2 Savoy Court  
London  
WC2R 0EZ

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

### Direct Investment Managers

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

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

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA

Actuarial Services

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

AVC Provider

Prudential  
AVC Customer Services  
Stirling FK9 4UE

Bankers

Lloyds Bank  
3 Town Quay  
Southampton  
SO14 2AQ

Scheme Administrator

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

UBS Asset Management  
5 Broadgate  
London EC2M 2QS

Investment Consultants

Hymans Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

Custodian

Northern Trust  
50 Bank Street  
London E14 5NT

Auditors

Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton SO14 3QB

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

# Investment Policy and Performance Report

## Report and Accounts for the period ending 31 March 2022

### Introduction

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

The strategic benchmark allocation as at 31 March 2022 was:

Manager	Mandate	Allocation	Control ranges	Benchmark
Liontrust (ACCESS)	UK Equities	12.5%	10.5% – 14.5%	FTSE All-Share Index
Newton (ACCESS)	Global Equities	18.75%	16.75% – 20.75%	MSCI AC (All Countries) World Index (Net dividends re-invested)
Baillie Gifford (ACCESS)	Diversified Growth	10.0%	6.0% – 14.0%	UK Base Rate + 3.5%
UBS	Global Equities	18.75%	16.75% – 20.75%	FTSE All-World Developed Index
Partners	Infrastructure	5.0%	N/A	Not managed to a benchmark
Schroders	UK Bonds	22.0%	18.0% – 26.0%	50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts
Schroders	UK Property	8.0%	4.0% – 12.0%	IPD Pooled Property Fund indices All Balanced Funds Median
Goldman Sachs	Private Debt	5.0%	N/A	Not managed to a benchmark
<b>Total</b>		<b>100.0%</b>	<b>-</b>	

Source: Investment Strategy Statement

### Summary of strategic changes

Following the review of the 2019 actuarial valuation, the Committee agreed to several strategic changes in order to achieve its long-term target of being fully funded within the next 20 years.

In July 2020, the Committee agreed a new 5% allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the Fund committed the 5% private debt allocation to Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV. This investment has continued to be drawn down throughout the year and as at 31 March 2022 represented 3.3% of the Fund's assets. In July 2021, the first allocation to Partners Direct Infrastructure Fund was drawn and 1.1% of the Fund's assets were invested in the mandate as at 31 March 2022. These allocations will continue to be built up over time.

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

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

### Asset Allocation

Manager/Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£'000)	End of Year (£'000)	Start of Year (%)	End of Year (%)	
<b>Liontrust – UK Equity (ACCESS)</b>	144,137	<b>99,534</b>	20.7	<b>13.7</b>	12.5
<b>Newton – Global Equity (ACCESS)</b>	249,157	<b>149,384</b>	35.9	<b>20.6</b>	18.75
<b>Baillie Gifford – Diversified Growth (ACCESS)</b>	114,515	<b>113,532</b>	16.5	<b>15.7</b>	10.0
<b>UBS – Global Equity</b>	-	<b>139,377</b>	-	<b>19.3</b>	18.75
<b>Partners - Infrastructure</b>	-	<b>7,975</b>	-	<b>1.1</b>	5.0
<b>Schroders – UK Bonds</b>	139,879	<b>131,508</b>	20.1	<b>18.2</b>	22.0
<b>Schroders – UK Property</b>	37,904	<b>45,100</b>	5.5	<b>6.2</b>	8.0
<b>Goldman Sachs – Private Debt</b>	9,067	<b>23,571</b>	1.3	<b>3.3</b>	5.0
<b>Cash</b>	-	<b>14,000</b>	-	<b>1.9</b>	-
<b>Total</b>	<b>694,660</b>	<b>723,982</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: UBS, Partners and Cash were not reported for the period ending 31 March 2021, thus values are only provided for 31 March 2022.

Source: Investment Managers

Figures may not sum to total due to rounding.

### Reasons for variance from Benchmark

The Fund is slightly overweight to UK Equities, Global Equities and Diversified Growth, relative to strategic benchmark and correspondingly underweight to Corporate Bonds, Property and Private Debt. The new Infrastructure and Private Debt allocations continue to draw down capital.

All portfolios were within their target ranges as at 31 March 2022, except for Diversified Growth mandate which marginally exceeded target.

### Market Background

#### Investment Markets

Global GDP has risen rapidly as major economies moved towards a more permanent easing of pandemic restrictions; however, momentum has started to ease in recent months. Physical disruptions and sanctions caused by the Russia-Ukraine conflict have triggered broad commodity price rises which, alongside existing inflationary pressures, are increasing input costs and weighing on consumer's real incomes. As a result, CPI forecasts have reached new highs while consensus forecasts for global growth have been revised downwards, but still point to a robust pace of growth over 2022 and 2023 by post-GFC standards.

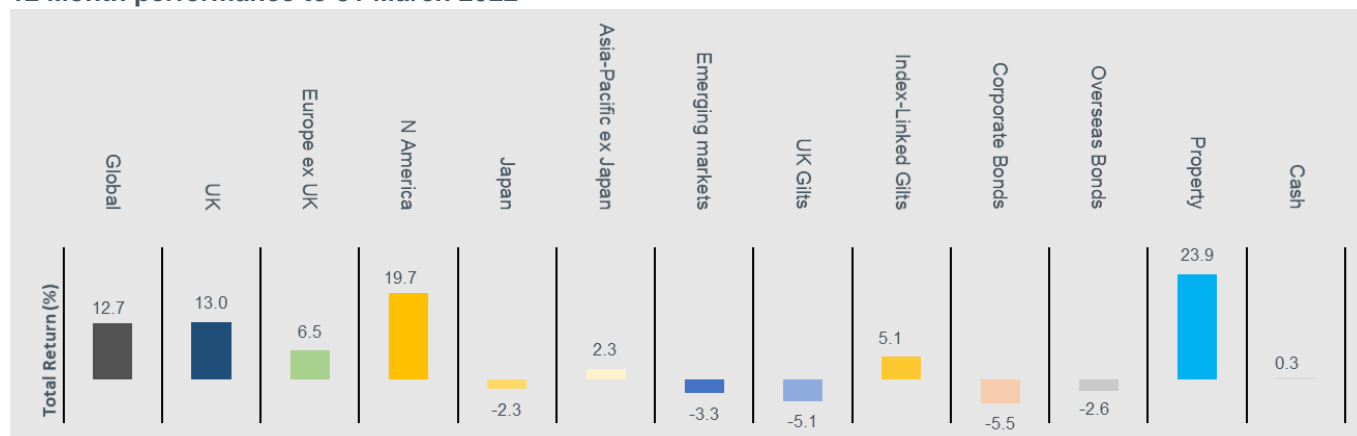
Soaring energy costs pushed headline inflation higher, but core inflation, which excludes volatile energy and food costs, also rose and is running at a 30-year high. UK and US headline CPI inflation increased to 7.0% and 8.5% year-on-year, respectively in March.

The inflation backdrop has seen central banks turn more hawkish this year, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1, to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Fed noted plans to reduce the size of its balance sheet.



Government bond yields rose in line with the recovery in growth and inflation expectations, with UK 10-year government bonds rising 0.8% p.a., to 1.6% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose from 3.7% p.a. to 4.4% p.a.

### 12 Month performance to 31 March 2022



### Equities

Despite a weakening outlook towards the end of the period, the ongoing economic and earnings recovery supported a 12.7% return from global equities. Amid surging oil and gas prices, the energy sector notably outperformed whilst commodity price rises also benefitted basic materials. Rising yields benefitted the financial sector whilst rising input costs and a squeeze on real incomes weighed on the industrial and consumer discretionary sectors, respectively.

The UK was the top performing region, benefitting from above-average exposure to energy, metals, and miners. Emerging Market equities have been the worst performing region, pulled lower by weak performance from China, where announcements of tighter regulation have been compounded by a slowdown in Chinese property and manufacturing sectors, and high energy prices.

### Bonds

Global investment-grade credit spreads rose 0.3% p.a. and European high yield bond spreads rose 0.9% p.a., while their US counterparts were little changed: the larger rise in European credit spreads perhaps reflecting expectations of a larger negative impact from the Russia-Ukraine conflict. Rises in underlying yields had a larger negative impact on total returns in longer-duration investment-grade credit markets.

### Property

An 18.0% rise in the MSCI UK AREF capital value index over the 12 months to the end of March is largely attributable to a 36.8% rise in industrial capital values. Return on the all-property index, including income, was 23.9% in the 12 months to end-March.

### Investment Performance

The Fund marginally underperformed its strategic benchmark over 12 months by 0.4%. The main laggard to 12-month performance were holdings in Liontrust due to poor stock selection and the sell-off in equity markets following the outbreak of the Russia/Ukraine war seen in Q1 2022. The fixed income mandate also lagged performance due to rising yields and expectations of further increases in interest rates.

The Fund is ahead of its benchmark over 3 years returning 7.6% against a benchmark of 7.0%, particularly due to the outperformance in the Schroders mandates.

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

The table below provides the 12-month and 3-year performance of the Fund as at 31 March 2022.

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Liontrust – UK Equity (ACCESS)	6.2	13.0	3.8	5.3
Newton – Global Equity (ACCESS)	11.1	12.4	14.1	13.4
Baillie Gifford – Diversified Growth (ACCESS)	3.8	3.6	3.9	3.8
UBS <sup>1</sup>	-3.8	-3.6	-	-
Schroders – UK Bonds	-5.9	-5.2	1.7	0.4
Schroders – UK Property	19.6	19.9	8.0	7.2
<b>Total</b>	<b>6.9</b>	<b>7.3</b>	<b>7.6</b>	<b>7.0</b>

<sup>1</sup>UBS performance is for the period since inception (i.e., December 2021)

Figures shown are based on performance provided by the investment managers. Performance figures are gross of fees.

### Linking the Investment Strategy with the Funding Strategy

The Committee regularly reviews the investment strategy to ensure that it remains appropriate for the Fund's liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every 3 years or after every actuarial valuation. The Committee reviewed the Fund's investment strategy following the results of the 2019 Actuarial Valuation and agreed to make strategic allocations to Infrastructure and Private Debt and to restructure the Fund's equities. As at 31 March 2022, the Committee have made allocations to investment solutions for both Private Debt and Infrastructure. The Private Debt solution started to draw down capital in January 2021 and the Infrastructure solution started to draw down capital in July 2021.

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

### Custodial Arrangements

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

Source: Investment Managers

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

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

### **Environmental, Social and Governance considerations**

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

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

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

In May 2021, the Committee undertook climate risk scenario analysis and commissioned an ESG and carbon report for the Fund's assets. This aimed to illustrate how the Fund's mandates perform from an ESG perspective and the carbon intensity of the Fund's investments. The Committee consider the ESG implications of any strategic investment decisions they make.

In line with the new LGPS regulations which will come into effect by April 2023, the Fund will work towards becoming compliant with the Taskforce for Climate-related Financial Disclosures ("TCFD") framework and will seek to report against the four key areas of governance, strategy, risk management, and metrics and targets.

### **The Myners Review and Code of Best Practice**

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

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

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

Principle	Response on Adherence
<p><b>Principle 1 Effective Decision Making:</b> Administering authorities should ensure:</p> <ul style="list-style-type: none"> <li>• That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and</li> <li>• That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<p><b>Compliant</b> <b>Decisions are taken by the Committee which is responsible for the management of the Fund. The Committee has support from council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions. The Committee is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</b></p>
<p><b>Principle 2 Clear objectives:</b> An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</p>	<p><b>Compliant</b> <b>The Committee has established objectives for the Fund which takes account of the nature of fund liabilities and the contribution strategy. This involved discussions with the actuary to enable the Committee to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers. There is dialogue with admitted bodies within the fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</b></p>
<p><b>Principle 3 Risk and liabilities:</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</li> <li>• These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</li> </ul>	<p><b>Compliant</b> <b>The investment strategy is considered in the light of the nature of the fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity. The Committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</b></p>
<p><b>Principle 4 Performance assessment:</b></p> <ul style="list-style-type: none"> <li>• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.</li> <li>• Administering authorities should also periodically make a formal assessment</li> </ul>	<p><b>Partially Compliant</b> <b>The performance of the Fund and its individual managers are monitored on a regular basis. The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender.</b></p>

<p>of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<p><b>The Committee is developing formal processes to measure its own effectiveness.</b></p>
<p><b>Principle 5 Responsible Ownership:</b> Administering authorities should</p> <ul style="list-style-type: none"> <li>• Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents.</li> <li>• Include a statement of their policy on responsible ownership in the Statement of Investment Principles or Investment Strategy Statement.</li> <li>• Report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	<p><b>Partially Compliant</b> <b>The Committee encourages its investment managers to adopt the ISC Statement of Principles on the responsibilities of shareholders and agents on the Fund's behalf. The Investment Strategy Statement includes a statement on the fund's policy on responsible ownership.</b> <b>The Committee needs to consider the implications of the new enhanced UK Stewardship Code issued in January 2021 and the extent to which it is compliant with the new requirements.</b></p>
<p><b>Principle 6 Transparency and Reporting:</b> Administering authorities should</p> <ul style="list-style-type: none"> <li>• Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</li> <li>• Should provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>	<p><b>Compliant</b> <b>The Committee maintains minutes of meetings which are available on the council website. The Committee holds a formal annual meeting for members and also meets periodically with sponsoring employer bodies. An Admitted Bodies representative and a Member representative attend Committee meetings. The Investment Strategy Statement is published on the council website and is available to members on request. Other information on the scheme is available to members on the dedicated pension fund website.</b></p>

Prepared by:

Emma Garrett, Senior Investment Consultant  
Annabel Preston, Investment Analyst  
Stefan Chilom, Investment Analyst

For and on behalf of Hymans Robertson LLP

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## Isle of Wight Pension Fund (“the Fund”) Actuarial Statement for 2021/22

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

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), 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 which 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 Tax payer 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, were sufficient to meet 95% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £32 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

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

Full details of the methods and assumptions used are described in the 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
Discount rate	3.4%
Salary increase assumption	3.1%
Benefit increase assumption (CPI)	2.3%

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. 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

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

### 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.



Craig Alexander FFA

17 May 2022

For and on behalf of Hymans Robertson LLP



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

Dated: 13 December 2022

### **Policy statements**

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

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

Following local elections in May 2021, a virtually new committee was returned, with only two members remaining following the change in administration. In addition, the local pension board was dissolved in September 2021, following the end of terms of office for two members; the board was reconstituted in April 2022.

Despite the return to in-person committee and board meetings, most training and development workshops continued to be delivered virtually, outside of the normal committee meeting cycle. Members of both committee and board were invited to attend all events held.

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

- 02 June 2021: induction meeting for new committee members.
- 21 June 2021: Asset classes and Responsible Investment/Environmental, Governance and Social risks, including Climate change
- 07 September 2021: Decision making framework
- 06 October 2021: Risk management framework
- 29 October 2021: Introduction to LAPFF
- 10 November 2021: Introduction to ACCESS and investment pooling
- 21 January 2022: ACCESS Responsible Investment guidelines
- 02 February 2022: Triennial valuation

These workshops were facilitated by the fund's external advisers, with the exception of the LAPFF and ACCESS workshops which were delivered by officers from those organisations.

**Table 1: development attendance**

		02-Jun-21	29-Jun-21	07-Sep-21	06-Oct-21	29-Oct-21	10-Nov-21	26-Jan-22	02-Feb-22		
committee	Chair	x	√	√	x	√	x	√	√	63%	
	Vice-chair	√	x	x	√	√	x	√	√	63%	
	Elected member 1	√	x	x	x	x	√	√	√	50%	
	Elected member 2	√	√	√	x	√	√	√	√	88%	
	Elected member 3.1	√	x							50%	
	Elected member 3.2				√	x	x	x			25%
	Elected member 3.3								√	√	100%
	Elected member 4				x	x	√	√	√	√	67%
	Elected member 5.1	x	√	√	x	√	√				67%
	Elected member 5.2								√	√	100%
	Scheme member rep	x	√	√	√	x	√	√	√	√	75%
	Employer rep										n/a
board	Chair (Employer 1)	x	√	√							67%
	Employer 2				x	x	x	x	x	x	0%
	Employer 3								x	√	50%
	Scheme member 1	x	√	√							67%
	Scheme member 2	x	√	√				√	√	√	83%
	Scheme member 3										n/a
Committee Total		50%	50%	63%	25%	63%	63%	100%	100%	<b>73%</b>	
Board Total		0%	100%	75%	n/a	n/a	n/a	n/a	n/a	n/a	

In addition to the above workshops, during the year the committee received presentations from three of the fund's seven investment managers in respect of the performance of their portfolios, and relevant issues impacting the financial markets.

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

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

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## ISLE OF WIGHT COUNCIL PENSION FUND

2020-21 £000	FUND ACCOUNT	Notes	2021-22 £000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
20,357	Contributions	7	21,015
585	Transfers in from other pension funds	8	953
10	Other income	9	15
<b>20,952</b>			<b>21,983</b>
(22,369)	Benefits	10	(24,067)
(687)	Payments to and on account of leavers	11	(895)
<b>(23,056)</b>			<b>(24,962)</b>
<b>(2,104)</b>			<b>(2,979)</b>
<b>(7,166)</b>	Management expenses	12	<b>(5,750)</b>
	<b>Returns on investments</b>		
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)
<b>138,262</b>	Net returns on investments		<b>46,166</b>
<b>128,992</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>		<b>37,437</b>
561,705	Opening Net Assets of the Scheme		690,697
<b>690,697</b>	Closing Net Assets of the Scheme		<b>728,134</b>

## 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
<b>695,385</b>			<b>723,602</b>
-	- 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)
<b>690,697</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>728,134</b>

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

# ISLE OF WIGHT COUNCIL PENSION FUND

## NOTES TO THE ACCOUNTS

### 1. DESCRIPTION OF THE FUND

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

The following description of the fund is a summary. For more detail, reference should be made to the Isle of Wight Council Pension Fund Annual Report 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 Academy	Ryde Academy
Gurnard Parish Council	Ryde Town Council
Isle of Wight College	Sandown Town Council
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
	<b>14,771</b>	<b>1,698</b>	<b>429</b>	<b>16,898</b>

Year ended 31 March 2021

	Administering Authority	Scheduled Bodies	Admitted 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
	<b>14,650</b>	<b>1,630</b>	<b>438</b>	<b>16,718</b>

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

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

### c) Funding

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



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

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

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

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 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.

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

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

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

**m) Additional Voluntary Contributions**

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

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

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

**n) Accruals of expenditure and income**

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council, as administering authority for the pension fund.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

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

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

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

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

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

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

### **Pension fund liability**

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

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

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

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

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

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment within the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Actuarial present value of promised retirement benefits</b> (Note 22)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: A 0.1% decrease in the discount rate assumption would result in a increase in the pension fund deficit of £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

<b>Pooled Property Funds</b> (Note 18)	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments.
<b>Private Debt</b> (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt investments are valued at £23.6m in the financial statements. There is a risk that this investment may be over or understated in the accounts.
<b>Infrastructure</b> (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the 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 £000		2021-22 £000
4,147	Employees' normal contributions	4,277
10	Employees' additional contributions	5
<b>4,157</b>		<b>4,282</b>
15,406	Employers' normal contributions	15,951
170	Employers' deficit recovery contributions	158
624	Employers' augmentation contributions	624
<b>16,200</b>		<b>16,733</b>
<b>20,357</b>		<b>21,015</b>

**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
<b>20,357</b>		<b>21,015</b>

**8. TRANSFERS IN FROM OTHER PENSION FUNDS**

2020-21 £000		2021-22 £000
-	Group transfers	-
585	Individual transfers	953
<b>585</b>		<b>953</b>

**9. OTHER INCOME**

2020-21 £000		2021-22 £000
10	Miscellaneous income	15
<b>10</b>		<b>15</b>

**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
<b>22,369</b>		<b>24,067</b>

**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
<b>22,369</b>		<b>24,067</b>

**11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

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

## 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
<b>7,166</b>		<b>5,750</b>

### 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
	<b>4,613</b>	<b>3,530</b>	<b>104</b>	<b>979</b>
Custody Fees	25			
<b>Total</b>	<b>4,638</b>			

\* 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	-	376
Pooled Investments *	4,284	1,399	-	2885
Pooled Property Investments	607	254	-	353
Private Debt	219	29	40	150
	<b>6,176</b>	<b>2,219</b>	<b>40</b>	<b>3,917</b>
Custody Fees	18			
<b>Total</b>	<b>6,194</b>			



**13. INVESTMENT INCOME**

2020-21 £000		2021-22 £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)
<b>19,112</b>		<b>14,433</b>

**14. TAXATION**

2020-21 £000		2021-22 £000
14	Withholding tax - equities	-
<b>14</b>		<b>-</b>

**15. EXTERNAL AUDIT COSTS**

2020-21 £000		2021-22 £000
23	Payable in respect of external audit	62
<b>23</b>		<b>62</b>

**16. INTEREST PAYABLE**

2020-21 £000		2021-22 £000
56	Interest on short term borrowing	68
<b>56</b>		<b>68</b>

## 17. INVESTMENTS

Market value 31 March 2021 £000		Market value 31 March 2022 £000
	<b>Investment assets</b>	
	- <b>Equities</b>	-
	- <b>Unit Trust</b>	-
	<b>Pooled Investment Vehicles</b>	
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
<b>648,719</b>		<b>633,779</b>
	<b>Other Investments</b>	
37,459	Pooled Property Investments	44,453
9,186	Private Debt	23,605
	- Infrastructure	7,762
<b>46,645</b>		<b>75,820</b>
	- Cash deposits	14,003
	- Investment income due	-
	- Amounts receivable for sales	-
21	Recoverable withholding tax	-
<b>21</b>		<b>14,003</b>
<b>695,385</b>	<b>Total investment assets</b>	<b>723,602</b>
	<b>Investment liabilities</b>	
	- Amounts payable for purchases	-
	- <b>Total investment liabilities</b>	-
<b>695,385</b>	<b>Net investment assets</b>	<b>723,602</b>

## 17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

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

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

## 17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021			Market value 31 March 2022	
£000	%		£000	%
<b>Investments Managed by ACCESS pool:</b>				
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%
<b>507,808</b>	<b>73.0%</b>		<b>501,827</b>	<b>70.7%</b>
<b>Investments Managed outside ACCESS pool:</b>				
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%
<b>187,556</b>	<b>27.0%</b>		<b>207,772</b>	<b>29.3%</b>
<b>695,364</b>	<b>100.0%</b>		<b>709,599</b>	<b>100.0%</b>
21	0.0%	Recoverable withholding tax	-	0.0%
<b>695,385</b>	<b>100.0%</b>		<b>709,599</b>	<b>100.0%</b>

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

Market value 31 March 2021			Market value 31 March 2022	
£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

The fund's investment strategy sets the parameters for its stock-lending programme.

Prior to joining the ACCESS pool, the fund did not undertake stock lending.

Since transitioning to the pool, the fund participates in a collateralised stock lending programme undertaken for each of the sub-funds by the pool's custodian, Northern Trust.

At the year-end, the value of quoted equities on loan was £35.8m (31 March 2021: £Nil).

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

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

## 18. FAIR VALUE – BASIS OF VALUATION

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not Required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid value on published exchanges	Not required	Not Required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV- based pricing set on a forward pricing basis	Not Required
<b>Private Debt</b>	Level 3	The valuation is taken from the 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.
<b>Infrastructure</b>	Level 3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples	Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.

### Sensitivity of assets valued at Level 3

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

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

Data for this table is still being sought and it will be updated prior to publication of the final accounts.

### 18A. FAIR VALUE HEIRARCHY

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

#### Level 1

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

#### Level 2

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

#### Level 3

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

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

31 March 2021					31 March 2022			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs			Quoted Market Price	Using Observable Inputs	With Significant Unobservable 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	695,364	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	-	-	-	-
<b>648,719</b>	<b>37,459</b>	<b>9,186</b>	<b>695,364</b>	<b>Net investment assets</b>	<b>633,779</b>	<b>44,453</b>	<b>31,367</b>	<b>709,599</b>

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

	Private Debt £,000	Infrastructu re £'000	Total £,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
<b>Value at 31 March 2022</b>	<b>23,605</b>	<b>7,762</b>	<b>31,367</b>

	Private Debt £,000	Infrastructu re £'000	Total £,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)
<b>Value at 31 March 2021</b>	<b>9,186</b>	<b>-</b>	<b>9,186</b>

\* Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

Investment into Private debt commenced in January 2021.

Investment into Infrastructure commenced in July 2021.

## 19. FINANCIAL INSTRUMENTS

### 19A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2021				31 March 2021		
Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000
			<b>Financial assets</b>			
-	-	-	- 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	-
<b>695,364</b>	<b>799</b>	-		<b>709,599</b>	<b>18,298</b>	-
			<b>Financial liabilities</b>			
-	-	-	- Other investment balances	-	-	-
-	-	(268)	- Creditors	-	-	(378)
-	-	-	- Bank Balance	-	-	-
-	-	(5,500)	- Borrowings	-	-	-
-	-	<b>(5,768)</b>		-	-	<b>(378)</b>
<b>695,364</b>	<b>799</b>	<b>(5,768)</b>		<b>709,599</b>	<b>18,298</b>	<b>(378)</b>

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

### Risk and risk management

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

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

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



**a) Market risk**

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

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

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

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

**Other price risk**

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

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

**Other price risk - sensitivity analysis**

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 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 2022 £000	Volatility of return %	Value on increase £000	Value on decrease £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	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	-	-	-	-
Amounts payable for purchases	-	-	-	-
<b>Total</b>	<b>723,602</b>		<b>751,439</b>	<b>695,771</b>

	Value as at 31 March 2022 £000	Volatility of return %	Value on increase £000	Value on decrease £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 <sup>1</sup>	9,186	0.00%	9,186	9,186
Infrastructure				
Cash & Cash Equivalents	-	-	-	-
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	21	0.00%	21	21
Amounts payable for purchases	-	-	-	-
<b>Total</b>	<b>695,385</b>		<b>721,715</b>	<b>669,056</b>

<sup>1</sup> 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:

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

### Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to not exceed be 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 £000	Value on increase +7.09% £000	Value on decrease -7.09% £000
Private Debt	23,605	25,279	21,931
Infrastructure	7,762	8,312	7,212
Investment income due	2,588	2,771	2,405
	<b>33,955</b>	<b>36,362</b>	<b>31,548</b>
	Value as at 31 March 2021 £000	Value on increase +3.28% £000	Value on decrease -3.28% £000
Private Debt	9,186	9,487	8,885
Infrastructure	-	-	-
Investment income due	-	-	-
	<b>9,186</b>	<b>9,487</b>	<b>8,885</b>

#### d) Credit Risk

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

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

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the fund's behalf by the council's treasury management team in line with the council's Treasury Management Strategy which sets out the permitted counterparties and limits. The fund invests surplus cash held with the custodian in diversified money market funds.

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

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

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 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	Minimum Contributions for the Year Ending 31 March		
	2021 % of pay	2022 % of pay	2023 % 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 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:

<b>Financial Assumptions</b>	<b>31 March 2019 % p.a. Nominal</b>
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:

	<b>Males</b>	<b>Females</b>
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](http://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
<b>Net Liability</b>	<b>920</b>	<b>957</b>

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 % p.a.	31 March 2021 % 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
<b>155</b>		<b>183</b>

### 24. CURRENT ASSETS

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

### 25. CURRENT LIABILITIES

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

## 26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

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

### 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.

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	-
<b>72</b>		<b>73</b>

## 28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2022 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £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 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 three years (0.6% 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	√	√	√	aps	√	√	√		86%
Change of membership following local elections										
02-Jun-21	aps	√	√	√	√	aps	n/a	aps		57%
28-Jul-21	√	√	√	√	aps	√	√	√		88%
24-Nov-21	√	√	aps	√	√	√	√	aps		75%
16-Feb-22	√	√	√	√	√	√	aps	√		88%
	75%	100%	75%	100%	75%	75%	66%	50%		<b>77%</b>

Please note the percentage attendance at each meeting (final column) is based on a total committee membership of eight (including the scheme member representative but excluding the on-going employer representative vacancy), 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.

## **APPENDIX A – Glossary of Terms**

### Accrual rate

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

### Accrued liabilities

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

### Accrued income

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

### Active members

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

### Actuarial assumptions

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

### Actuarial liability

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

### Actuarial valuation

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

### Actuary

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

### Additional voluntary contributions (AVCs)

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

### Administering authority

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

### Admitted bodies/transferee admission bodies

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

### All Share Index

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

### Asset allocation

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

### Asset classes

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

### Asset/liability modelling

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

### Automatic enrolment

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

### Authorised Unit trusts

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

### Benchmark

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

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

### Bond

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

### Bonus issue

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

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

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

### Cash

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

### Corporate governance

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

### Coupon

The interest payments on bonds.

### Currency hedging

An approach aimed at eliminating or reducing foreign exchange risks.

### Custody/custodian

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

### Deferred members

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

### Defined benefit scheme

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

### Defined contribution scheme

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

### Discount rate

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

### Diversification

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

### Dividend

A payment distributed by a company to equity shareholders

### Equities

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

### ESG

Environmental, social and governance.

### Ethical investment

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

### Ex

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

### Financial Conduct Authority (FCA)

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

### Fund managers

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

### Funding Strategy Statement (FSS)

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



### FTSE

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

### Futures

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

### Gilts

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

### Hedging

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

### IAS 19

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

### Index-linked securities

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

### Investment adviser

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

### IRR

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

### Listed security

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

### Mandate

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

### Market value

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

### Maturity

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

### Member

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

### Mid-price

Halfway between the bid price and the offer price

### Mortality assumptions

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

### Pooled fund

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

### Realised

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

### Responsible investment (RI)

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

### Return

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

### Rights issue

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

### Risk

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

### Scheduled bodies

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

### Scrip dividend

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

### Securities

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

### Stock

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

### Strategic asset allocation

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

### Transfer value

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

Unit trust

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

Unquoted security

A security which is not quoted on stock exchange

Unrealised Gains/(Losses)

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

Withholding tax

A tax deducted from overseas investment income.

Yield

A measure of the return earned on an investment.

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# Disclosure checklist

## ABOUT THE DISCLOSURE CHECKLIST

This checklist in Appendix A takes the form of a series of questions. If the answer to a question is 'yes', the Code is being complied with. If the answer is 'no', then a justification for departing from the Code should be given and potentially disclosed in the accounts, where material.

For completeness and to ensure consistency, the checklist is largely reproduced from the Code Disclosure Checklist for 2020/21 Accounts. Not all of these disclosures will be necessary at every pension fund.

	LGPS Checklist Reference
General considerations	PFA 1–40
Fund account	PFA 41–46
Net asset statement	PFA 47–50
Accounting policies, key judgements and material estimates	PFA 51–58
Investment property	PFA 59–61
Provisions, contingent liabilities and contingent assets	PFA 62–66
Fair value	PFA 67–86
Financial instruments	PFA 87–123
Nature and extent of risks arising from financial instruments	PFA 124–146
Leasing	PFA 147–158
Transactions with related parties	PFA 159–164
Other assets and liabilities	PFA 165–175

LGPS Ref	Question	Code Ref	Answer	Explanation
<b>General considerations</b>				
PFA 1	Do the pension fund financial statements contain:	6.5.3.5	(N/M means not material)	
	a) a fund account?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) a net assets statement?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) notes to the accounts?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 2	Do the financial statements contain a description of the fund and the effect of any changes in the fund during the period?	6.5.5.1 a)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 1, page 217

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 3	Where a prior period error has been corrected, have the following been disclosed: a) The nature of the prior period error? b) For each prior period presented, the amount of the correction for each financial statement line affected (to the extent practicable)? c) The amount of the correction at the beginning of the earliest prior period presented? (Financial statements of subsequent periods need not repeat these disclosures.)	3.3.4.5	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 4	Has the pension fund re-stated the prior years' net asset statements where it has applied an accounting policy retrospectively or made a retrospective restatement, or reclassified items in its financial statements in accordance with paragraphs 40A-40D of IAS 1?	3.4.2.17 g)	not applicable	
PFA 5	<b>(Wales and Scotland only)</b> Has the pension fund disclosed the date the financial statements were authorised for issue, who gave that authorisation, and whether any post-audit amendments have been made?	3.8.4.1	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 6	Where the pension fund receives information after the reporting period, but before the financial statements are authorised for issue, about conditions that existed at the end of the reporting period, has the authority updated disclosures that relate to these conditions, in the light of the new information?	3.8.4.2	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 6, page 224
PFA 7	If non-adjusting events after the reporting date are material, non-disclosure could influence the decisions of users taken on the basis of the financial statements. Accordingly, has the pension fund disclosed the following for each material category of non-adjusting event after the reporting date: a) the nature of the event, and b) an estimate of its financial effect, or a statement that such an estimate cannot be made?	3.8.4.3, 6.5.5.1 t)	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 8	Have the notes been presented in a systematic manner?	3.4.2.86	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 9	When presenting the notes in a systematic manner, has the pension fund considered the effect on the understandability and comparability of its financial statements?	3.4.2.86	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	used CIPFA exemplar template
PFA 10	When determining the systematic ordering or grouping of its notes to the financial statements, has the pension fund considered:	3.4.2.87	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	a) Giving prominence to the areas of its activities that the authority considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular activities?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Grouping together information about items measured similarly, such as assets measured at current value?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Following the order of the line items in the fund account and net asset statement?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 11	Has each material class of similar items been presented separately?	3.4.2.25	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 12	Have items of a dissimilar nature or function been presented separately unless they are immaterial?	3.4.2.25	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 13	Has the pension fund ensured that the understandability of its financial statements has not been reduced by obscuring material information with immaterial information or by aggregating material items that have different natures or functions?	3.4.2.26	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	where possible, using exemplar template
PFA 14	When providing a specific disclosure in the financial statements, has the pension fund considered whether the information resulting from that disclosure is material even if a section of the Code or IFRS contains a list of specific requirements or describes them as minimum requirements?	3.3.4.27	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 15	When compliance with the specific requirements in a section of the Code or IFRS is insufficient to enable users of the authority's financial statements to understand the impact of particular transactions, other events and conditions on the pension fund financial position and financial performance, has the pension fund considered whether to provide additional disclosures?	3.4.2.27	<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 16	To aid an understanding of the current period financial statements, has the pension fund considered providing less, or more, prior period information than was included in the previous period financial statements? A pension fund may choose to summarise non-numerical prior period narrative and descriptive information, subject to the need to provide the information necessary for users to understand the current period financial statements.	3.4.2.28	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 17	Has the pension fund avoided offsetting assets and liabilities or income and expenses, unless required or permitted by the Code?	3.4.2.29	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 18	Has the pension fund presented a complete set of financial statements (including comparative information) annually for each financial year?	3.4.2.30	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 19	Has comparative information in respect of the preceding period been disclosed for all amounts reported in the financial statements, except when the Code permits or requires otherwise, and applied paragraphs 38A–38D of IAS 1, as relevant to its circumstances and as appropriate to ensure a true and fair presentation of its financial statements?	3.4.2.31	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 20	If the presentation or classification of items in the financial statements has been changed, have comparative amounts been reclassified (unless reclassification is impracticable)?	3.4.2.32	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 21	Where comparative amounts are reclassified, have the following disclosures been made (including as at the beginning of the preceding period):	3.4.2.32		
	a) The nature of the reclassification?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The amount of each item or class of items that is reclassified?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) The reason for the reclassification?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 22	Where it is impracticable to reclassify comparative amounts, have the following been disclosed:	3.4.2.33		
	a) The reason for not reclassifying the amounts?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The nature of the adjustments that would have been made if the amounts had been reclassified?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	



LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 23	Has the pension fund retained the presentation and classification of items in the financial statements from one period to the next unless: a) it is apparent, following a significant change in the nature of the pension fund's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in the Code, or b) the Code requires a change in presentation?	3.4.2.34	presentation consistent between years  subtotal in figures, but no narrative <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 24	Have group accounts been presented in addition to single entity financial statements where required by Chapter 9 of the Code?	3.4.2.35	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 25	Have the financial statements been clearly identified, and distinguished from other information in the same published document?	3.4.2.36	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 26	Has each financial statement and the notes been clearly identified?	3.4.2.37	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 27	Has the following information been prominently displayed, and repeated when necessary for the information presented to be understandable? a) The name of the pension fund? b) The date of the end of the reporting period or the period covered by the set of financial statements or notes? c) The level of rounding used in presenting amounts in the financial statements?	3.4.2.37	 YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del> YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del> YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 28	Have all of the financial statements been presented with equal prominence?	3.4.2.18	yes	
PFA 29	Have the financial statements been ordered in such a way as to best help their users to understand them?	3.4.2.18	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 30	Has the pension fund avoided trying to rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material?	3.4.2.21	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 3, pages 219-224
PFA 31	In the extremely rare circumstances in which management has concluded that compliance with a requirement of the Code would be so misleading that it would prevent the financial statements achieving a true and fair view, has the pension fund departed from that requirement?	3.4.2.22	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	note 1, page 217

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 32	Where a departure from a requirement of the Code has occurred, has the pension fund made the following disclosures:	3.4.2.22		
	a) That management has concluded that the financial statements present a true and fair view of the pension fund’s financial position, financial performance and cash flows?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) That it has complied with the Code, except that it has departed from a particular requirement to achieve a true and fair presentation?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) The nature of the departure, including: The treatment that the Code would require? The reason why that treatment would be so misleading in the circumstances that it would prevent the financial statements presenting a true and fair view, and the treatment adopted?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) For each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 33	Has the statement of accounts been written in plain language with minimal use of jargon and technical terms?	1.8.4	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 34	Have technical terms been explained clearly in a glossary?	1.8.4	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 35	Has the statement of accounts been prepared with the overriding requirement that it gives a ‘true and fair’ view of the financial position, performance and cash flows of the authority?	2.1.1.8 3.4.2.19	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 36	Has the statement of accounts been prepared with the objective of providing information about the pension fund’s financial performance (income and expenses), financial position (assets and liabilities) and cash flows that is useful to a wide range of users for assessing the stewardship of the pension fund’s management and for making economic decisions?	2.1.2.1	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 37	Have the objectives of financial reporting been determined by reference to the users of the financial statements, and their information needs?	2.1.2.2	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 38	Have the accounts been prepared using the accrual basis of accounting?	2.1.2.8 3.4.2.24	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 39	Have the accounts been prepared on a going concern basis, ie the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future?	2.1.2.9	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 2, page s220-221
	Have the accounts been prepared with due regard to the fundamental qualitative characteristics ie relevance, materiality and faithful representation?	2.1.2.10– 2.1.2.18	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	Have the accounts been prepared with due regard to the enhancing qualitative characteristics ie comparability, verifiability, timeliness and understandability?	2.1.2.19– 2.1.2.25	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 40	In providing a fair presentation of the financial position, financial performance and cash flows, has the pension fund:	3.4.2.20		
	a) Selected and applied accounting policies in accordance with Section 3.3 of the Code and IAS 8?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 3, pages 219-224
	b) Presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Provided additional disclosures when compliance with the specific requirements in the Code is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the pension fund's financial position and financial performance?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
Fund account				
PFA 41	Is the following information (as a minimum) disclosed separately in the pension fund account:	6.5.3.6 a)	page 216	
	a) Contributions?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Transfers in from other pension funds?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Other income?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Benefits?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	e) Payment to and on account of leavers?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	f) Other payments?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	g) Net additions/withdrawals from dealings with members?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	subtotal in figures, but no narrative

LGPS Ref	Question	Code Ref	Answer	Explanation
	h) Management expenses?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	i) Net additions/withdrawals including fund management expenses?		<del>YES</del>   NO   <del>N/M</del>   <del>N/A</del>	subtotal in figures, but no narrative
	j) Investment income?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	k) Profit and loss on disposal and changes in value of investments?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	l) Taxes on income?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	m) Net return on investments?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	n) Net increase (decrease) in the net assets available for benefits during the year?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	o) Change in actuarial present value of promised retirement benefits (only where option A of Code paragraph 6.5.2.9 has been adopted)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	shown as note
	p) Surplus/(deficit) on the pension fund for the year?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 42	Have the following further breakdowns been shown on the face of the fund account or analysed in disclosure notes:	6.5.3.6 a)		
	a) Contributions:			note 7
	– From employers?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– From members?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Benefits:			note 10
	– Pensions?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Commutation of pensions and lump sum retirement benefits?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Purchased annuities?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Lump sum death benefits?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Transfers in:			note 8
	– group transfers from other schemes or funds		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– individual transfers from other schemes or funds.		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Payments to leavers:			note 11
	– refunds to members leaving scheme or fund		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– payments for members joining state scheme or fund		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– group transfers to other schemes or funds		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	– individual transfers to other schemes or funds		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
e)	Management expenses:	See	note 12	
	– administration expenses?	footnote 47	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– oversight and governance?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– investment management expenses?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
f)	Investment income:	6.5.2.6, 6.5.3.6 a)	note 13	
	– dividends from equities?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– income from bonds?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– rents from properties?	4.4.4.2 2)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– income from pooled investment vehicles?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– income from derivatives?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– interest on cash deposits?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– share of profit/losses from associates and joint ventures?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– other investment income?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
g)	Change in actuarial present value of promised retirement (where applicable?):			
	– Vested benefits?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Non-vested benefits?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 43	Do the notes to the financial statements contain the following information, if applicable and if not disclosed on the face of the financial statements:			
a)	The total contributions receivable and benefits payable analysed between the administering authority, scheduled bodies and admitted bodies and split by members' contributions, employers' normal contributions, employers' deficit recovery contributions and employers' augmentation contributions?	6.5.5.1 q)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
			note 7	
b)	Total transaction costs of all major asset classes (defined in accordance with paragraph 7.1.2.23 of the Code) including an explanation to enable users to understand the nature of the transaction costs and how they arise for different types of investment?	6.5.5.1 v)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
			note 12a	
c)	Analysis of other material items of income and expenditure in the fund account?	3.4.2.53	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 44	Where the information is material or sensitive in nature, has the pension fund disclosed the following notes:	3.4.4.1		
	– the nature of any acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations?	3.4.4.1 1)	<del>YES   NO   N/M</del>   N/A	
	– the nature, turnover and surpluses/deficits of any significant trading operation (Scottish authorities only)?	3.4.4.1 2)	<del>YES   NO   N/M</del>   N/A	
	– the nature and amount of any significant agency income and expenditure?	3.4.4.1 3)	<del>YES   NO   N/M</del>   N/A	
	– the totals of members’ allowances (and expenses) paid in the year?	3.4.4.1 5)	<del>YES   NO   N/M</del>   N/A	
	– number of exit packages agreed (grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter), analysed between compulsory redundancies and other departures? Pension funds shall also disclose the total cost of packages agreed in each band.	3.4.4.1 6)	<del>YES   NO   N/M</del>   N/A	no staff employed by pension fund
	– fees payable to appointed auditors for audit services?	3.4.4.1 7)	YES   <del>NO   N/M   N/A</del>	note 15
	– fees payable to the appointed auditor for any other services provided?		YES   <del>NO   N/M   N/A</del>	
PFA 45	Has the pension fund disclosed:			
	a) Total remuneration payable to key management personnel?	3.9.4.2	<del>YES   NO   N/M</del>   N/A	no staff employed by pension fund
	b) In respect of additional voluntary contributions:	6.5.5.1 u)		
	– The value of AVCs paid by members during the year?		YES   <del>NO   N/M   N/A</del>	
	– The value at the year-end date of separately invested additional voluntary contributions?		YES   <del>NO   N/M   N/A</del>	
	– The fact that these amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016?		YES   <del>NO   N/M   N/A</del>	note 26
PFA 46	Have all impairments, write-offs, credit loss allowances and adjustments been disclosed?	7.3.3.13	<del>YES   NO   N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
<b>Net assets statement</b>				
PFA 47	Is the following information (as a minimum) disclosed separately on the face of the net assets statement:	6.5.3.6 b)		
	a) Investment assets?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Investment liabilities?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Borrowings?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Current assets?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	e) Current liabilities?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	f) Net assets of the scheme available to fund benefits at the period end?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	g) Actuarial present value of promised retirement benefits (where option A of Code paragraph 6.5.2.9 has been adopted)?		YES   <del>NO</del>   <del>N/M</del>   N/A	
	h) Net pension liability or asset at the period end?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 48	Have the following further breakdowns been shown in the notes to the accounts:	6.5.3.6 b)		
	a) Investment assets:			note 17
	– Equities?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Bonds?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Pooled investment vehicles (analysed between equities, bonds, property, hedge funds, diversified growth funds, private equity funds, infrastructure funds and other)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Derivative contracts (including futures, options, foreign exchange (FX) contracts and swaps)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Property?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Insurance policies (unit linked policies, annuities and with-profits policies)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Loans?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Other investments (such as works of art)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Cash deposits (including fixed-term deposits, certificates of deposit, floating rate notes and other cash instruments)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	– Other investment balances (such as debtors in respect of investment transactions where these form part of the net assets available for investment within the investment portfolio; and other assets and liabilities directly connected with investment transactions, accrued dividend entitlements and recoverable withholding tax, suitably analysed where material)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Investment liabilities:			
	– Derivative contracts (including futures, options, forward foreign exchange contracts and swaps)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Other investment balances (eg creditors in respect of investment transactions and other liabilities connected with investment transactions)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Other investment balances?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Borrowings:			
	– Sterling?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Foreign currency?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Current assets:		note 24	
	– Contributions due from employers?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Other current assets?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Cash balances not forming part of investment assets?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	e) Current liabilities:		note 25	
	– Unpaid benefits?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Other current liabilities (such as accrued expenses, other than liabilities to pay pensions and other benefits in the future)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	f) Actuarial present value of promised retirement benefits (where applicable)?			
	– Vested benefits?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Non-vested benefits?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	



LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 49	Do the notes contain the following information, if applicable, and if not disclosed on the face of the financial statements:			
	– Assets at the end of the period suitably classified?	6.5.2.6, 6.5.5.1 c)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– The basis of valuation for each significant class of asset?	6.5.5.1 d)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 18
	– Where investments are held for which an estimate of fair value is not possible, disclosure of the reason why fair value is not used?	6.5.5.1 f)	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– A reconciliation between the opening and closing value of investments (including prior period comparators) analysed into meaningful categories such as by major asset class, named investment managers or investment strategy?	6.5.5.1 g) 6.5.5.1 i)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 17a
	– Sales and purchases of investment assets, including the market value of futures and options at the end of the accounting period (if any)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– The market value (current bid price for quoted securities and unitised securities) of the assets (at the year-end date) that were under the management of fund managers, as well as the proportion managed by each manager? (Where a market value is not available, assets should be valued at fair value in accordance with the valuation basis specified by the Code – see Section 2.10 and IFRS 13.)	6.5.5.1 h)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 17b
	– A breakdown of derivative contracts by their main types including futures, options, forward foreign exchange contracts and swaps?	6.5.5.1 j)	YES   <del>NO</del>   <del>N/M</del>   N/A	
	– A summary of the key terms and notional amount of the derivative contracts held at the year-end?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– An explanation of the objectives and policies for holding derivatives and the strategies for achieving those objectives that have been followed during the period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Details of any single investment exceeding 5% of net assets?	6.5.5.1 l)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 17b

LGPS				
Ref	Question	Code Ref	Answer	Explanation
	– Liabilities other than the actuarial present value of promised retirement benefits?	6.5.5.1 m)	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– The total amount of stock released to third parties under stock-lending arrangements, together with a description of the related collateral?	6.5.5.1 s)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 17c
PFA 50	Where option A has not been selected, has the authority provided by way of disclosure note:			
	a) A description of the funding policy and the basis upon which the contribution rate has been set for employing bodies?	6.5.2.8 6.5.5.1 n)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 22
	b) An indication of the actuarial position of the fund, including the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for funding the promised benefits?	6.5.2.9, 6.5.5.1 o)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) A description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits?	6.5.2.9, 6.5.5.1 p)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Disclosures of the “defined benefit obligation” in accordance with IAS 19, and the significant actuarial assumptions that underpin that valuation?	6.5.2.8, 6.5.2.9	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
Accounting policies, key judgements and material estimates				
PFA 51	Has the pension fund disclosed in its significant accounting policies:	3.4.2.85, 3.4.2.88,		note 3
	a) The measurement basis (or bases) used in preparing the financial statements?	6.5.5.1 b)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) The other accounting policies used that are relevant to an understanding of the financial statements?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 52	Has the pension fund disclosed, along with its significant accounting policies or other notes, the judgements that management has made in the process of applying the pension fund accounting policies and that have the most significant effect on the amounts recognised in the financial statements?	3.4.2.89	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 4
PFA 53	In deciding whether a particular accounting policy should be disclosed as a significant accounting policy, has the pension fund:	3.4.2.90		

LGPS Ref	Question	Code Ref	Answer	Explanation
	– Considered whether disclosure of an accounting policy would assist users in understanding how transactions, events and conditions are reflected in the reported financial performance and financial condition?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Disclosed information about an accounting policy chosen by management where sections of the Code permit a choice of different accounting policies?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– Disclosed each significant accounting policy that is not specifically required by a section of the Code but which the pension fund has selected and applied in accordance with Section 3.3?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 54	Has the pension fund disclosed information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities at the end of the next financial year?	3.4.2.91	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 5
PFA 55	In respect of these assets and liabilities, has the pension fund disclosed their nature and carrying amount at the end of the financial period?	3.4.2.91	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	note 19a
PFA 56	Where a change of accounting policy is required by the Code, has the pension fund disclosed the information required by the Code? For other changes in accounting policy, has the pension fund disclosed the following:	3.3.4.2		
	a) the nature of the change in accounting policy?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) the reasons why applying the new accounting policy provides reliable and more relevant information?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) the amount of the adjustment relating to periods before those presented, to the extent practicable?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
	e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied? (Financial statements of subsequent periods need not repeat these disclosures.)		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 57	Has the pension fund made disclosures relating to accounting changes that will be required by new standards that have been issued but not yet adopted? <b>[Note:</b> this will need to be verified on the publication of the following year's Code.]	3.3.4.3	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 58	Has the pension fund disclosed the nature and amount of any change in an accounting estimate that has an effect in the current period, or is expected to have an effect on future periods?	3.3.4.4	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
<b>Investment property</b>				
PFA 59	Has the pension fund made the following disclosures in respect of directly held property assets:	6.5.5.1 k)	no directly held property	
	– The effective date of revaluation?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Whether an independent valuer was used?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– The methods and significant assumptions applied in estimating the fair value?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– The extent to which the item's fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's-length terms or were estimated using other valuation techniques?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 60	Where the information is material, has the pension fund disclosed the following notes in relation to investment property:	4.4.4.2		
	a) The amounts recognised in the fund account for			
	– Rental income from investment property?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Direct operating expenses (including repairs and maintenance) arising from investment property?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	b) The existence and amounts of restrictions on the realisability of investment property or the remittance of income and disposal proceeds?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:			
	– Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Assets classified as held for sale or included in a disposal group classified as held for sale and other disposals?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Net gains or losses from fair value adjustments?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Transfers to and from inventories and owner-occupied property?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Other changes?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	e) Where the pension fund has elected to separately report investment property that meets the criteria to be classified as held for sale under IFRS 5, has it provided the disclosures required by Section 4.9 of the Code in respect of that property?	4.9.4.1 to 4.9.4.3	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	f) Where the pension fund holds an investment property under a finance or operating lease, or acts as a lessor under tenancy rent agreements, has it provided lessees' and lessors' disclosures (as appropriate) for any finance lease and operating lease agreements entered into?	4.4.4.4	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 61	As investment property is measured at fair value (except in the specific circumstances outlined at paragraph 4.4.2.13 of the Code), where applicable, has the pension fund made fair value disclosures in respect of directly held property under Section 2.4.10 of the Code (see PFA 67–86 below) in addition to the disclosures in PFA 59–61 above?	2.4.10	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
<b>Provisions, contingent liabilities and contingent assets</b>				
PFA 62	Where the information is material, has the pension fund disclosed the following: 1) For each class of provision:	8.2.4.2	note 28	
	– a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– an indication of the uncertainties about the amount or timing of those outflows (where necessary including the major assumptions made concerning future events)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– the carrying amount at the beginning and end of the period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– additional provisions made in the period, including increases to existing provisions?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– amounts used (ie incurred and charged against the provision) during the period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– unused amounts reversed during the period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	– the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 63	2) Unless the possibility of any outflow in settlement is remote, has the authority disclosed, for each class of contingent liability at the Balance Sheet date, a brief description of the nature of the contingent liability and, where practicable:	6.5.5.1 t)		
	– an estimate of its financial effect, measured using the principles set out in the Code		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– an indication of the uncertainties relating to the amount or timing of any outflow?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– the possibility of reimbursement?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 64	3) Where an inflow of economic benefits or service potential is probable, has the pension fund disclosed: – a brief description of the nature of the contingent assets at the Balance Sheet date, and – where practicable, an estimate of their financial effect?	6.5.5.1 t)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 65	4) Where any of the information required by 1) to 3) above is not disclosed because it is not practicable to do so, has this fact been stated?		YES   <del>NO</del>   <del>N/M</del>   N/A	
PFA 66	5) Where, in extremely rare cases, disclosure of some or all of the information required by 1) to 3) above can be expected to seriously prejudice the position of the pension fund, has the fund disclosed the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed? <b>Note:</b> comparative information is not required for the above disclosures.		YES   <del>NO</del>   <del>N/M</del>   N/A	
Fair value				
PFA 67	Where the information is material, has the pension fund made the following disclosures for all assets and liabilities measured at fair value in the Code: 1) Information that helps users of its financial statements assess both of the following: a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the net assets statement after initial recognition, the valuation techniques and inputs used to develop those measurements? b) For recurring fair value measurements using significant unobservable inputs (level 3),* the effect of the measurements on the fund account for the period? [*as set out in the Code 2.10.2.29 – see below.]	2.10.4.1	note 18  YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>  YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	<p>[<b>Note: recurring</b> fair value measurements of assets or liabilities are those that other sections of the Code require or permit in the Balance Sheet at the end of each reporting period.</p> <p><b>Non-recurring</b> fair value measurements of assets or liabilities are those that other sections of the Code require or permit in the Balance Sheet in particular circumstances eg when a pension fund measures an asset held for sale at fair value less costs to sell in accordance with Section 4.9 Non-current Assets Held for Sale and Discontinued Operations of the Code and IFRS 5, because the asset's fair value less costs to sell is lower than its carrying amount.]</p>	2.10.4.1 3) a)		
PFA 68	<p>2) To meet the objectives in 1) above, has the pension fund considered all of the following:</p> <p>a) The level of detail necessary to satisfy the disclosure requirements?</p> <p>b) How much emphasis to place on each of the various requirements?</p> <p>c) How much aggregation or disaggregation to undertake?</p> <p>d) Whether users of the financial statements need additional information to evaluate the quantitative information disclosed?</p>	2.10.4.1 2)	<p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p> <p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p> <p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p> <p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p>	
PFA 69	<p>3) To meet the objectives in 1) above, has the pension fund disclosed, at a minimum the following information for each class of asset and liability measured at fair value (including measurements based on fair value within the scope of Section 2.10 of the Code):</p> <p>a)</p> <p>i) For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period?</p> <p>ii) For non-recurring fair value measurements, the reasons for the measurement?</p>	2.10.4.1 3)	<p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p> <p>YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del></p>	
PFA 70	<p>b) For recurring and non-recurring fair value measurements, has the pension fund disclosed the level of the fair value hierarchy* within which the fair value measurements are categorised in their entirety (level 1, 2 or 3*)? [*see below.]</p>		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	



LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 71	Pension funds are required to follow the fair value hierarchy prescribed by paragraphs 76–90 of IFRS 13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value; these include:	2.10.2.29		
	i) Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	ii) Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	iii) Level 3 inputs – unobservable inputs for the asset or liability.		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 72	c) For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, has the pension fund disclosed:			
	i) The amounts of any transfers between level 1 and level 2 of the fair value hierarchy?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) The reasons for those transfers?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iii) The policy for determining when transfers between levels are deemed to have occurred? [Note: transfers into each level must be disclosed and discussed separately from transfers out of each level.]		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 73	d) For recurring and non-recurring fair value measurements categorised within level 2 and level 3 of the fair value hierarchy:			
	i) Has the pension fund provided a description of the valuation technique(s) and the inputs used in the fair value measurement?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	ii) If there has been a change in valuation technique (eg changing from a market approach to an income approach, or the use of an additional valuation technique), has the pension fund disclosed that change and the reason(s) for making it?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	iii) For fair value measurements categorised within level 3 of the fair value hierarchy, has the pension fund provided quantitative information about the significant unobservable inputs used in the fair value measurement?		YES   <del>NO</del>   <del>N/A</del>   <del>N/A</del>	
PFA 74	e) For recurring fair value measurements categorised within level 3 of the fair value hierarchy, has the pension fund provided a reconciliation from the opening balances to the closing balances, disclosing separately the changes during the period attributable to the following:		note 18a	
	i) Total gains or losses for the period recognised in the fund account?		YES   <del>NO</del>   <del>N/A</del>   <del>N/A</del>	
	ii) Purchases, sales, issues and settlements (disclosing each of those types of change separately)?		YES   <del>NO</del>   <del>N/A</del>   <del>N/A</del>	
	iii) The amounts of any transfers into or out of level 3 of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred?	2.10.4.1 3) e) iv)	<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	iv) Have transfers into level 3 been disclosed and discussed separately from transfers out of level 3?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 75	f) For recurring fair value measurements categorised within level 3 of the fair value hierarchy, has the pension fund disclosed the amount of the total of realised and unrealised gains or losses for the period in relation to those assets and liabilities held at the end of the reporting period?:		YES   <del>NO</del>   <del>N/A</del>   <del>N/A</del>	
PFA 76	g) For recurring and non-recurring fair value measurements categorised within level 3 of the fair value hierarchy, has a description of the valuation processes used by the pension fund been provided (including, for example, how the pension fund decides its valuation policies and procedures and analyses changes in fair value measurements from period to period)?		yes	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 77	h) For recurring fair value measurements categorised within level 3 of the fair value hierarchy:			
	i) Has the pension fund provided a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	ii) If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, has the pension fund provided a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iii) To comply with the disclosure requirement in the previous bullet, does the narrative description of the sensitivity to changes in unobservable inputs include, at a minimum, the unobservable inputs disclosed when complying with 3) d) above?		YES   NO   N/M   N/A	
	iv) If changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly*, has the pension fund: <ul style="list-style-type: none"> <li>– Stated that fact?</li> <li>– Disclosed the effect of those changes?</li> <li>– Disclosed how the effect of a change to reflect a reasonably possible alternative assumption was calculated?</li> </ul>		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	v) For recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use, has the pension fund : <ul style="list-style-type: none"> <li>– Disclosed that fact?</li> <li>– Explained why the non-financial asset is being used in a manner that differs from its highest and best use?</li> </ul>		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 78	4) Has the pension fund determined appropriate classes of assets and liabilities on the basis of the following:			
	a) The nature, characteristics and risks of the asset or liability?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) The level of the fair value hierarchy within which the fair value measurement is categorised?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 79	5) Although it is considered rare for pension funds to transfer between levels of the fair value hierarchy, where this does occur:			
	i) Has the pension fund disclosed and consistently followed its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred in accordance with paragraphs 3) c) and 3) e) iv) above?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) Is the pension fund’s policy about the timing of recognising transfers the same for transfers into the levels as for transfers out of the levels? [Examples of policies for determining the timing of transfers include: – the date of the event or change in circumstances that caused the transfer – the beginning of the reporting period – the end of the reporting period.]		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 80	6) If the pension fund makes an accounting policy decision to use the exception in paragraph 48 of IFRS 13 (ie if the pension fund manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk), has it disclosed that fact?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 81	7) For each class of assets and liabilities not measured at fair value but for which the fair value is disclosed, has the pension fund provided the information required by disclosures 3) b), d) and i) above?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 82	8) For a liability measured at fair value and issued with an inseparable third party credit enhancement, has the pension fund (the issuer) disclosed the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 83	9) Has the pension fund presented the quantitative disclosures required by this section of the Code in a tabular format unless another format is more appropriate?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 84	Has the pension fund included an analysis of retirement benefit plan investments measured at fair value in accordance with Section 2.10 of the Code?	6.5.1.2 6.5.5.1 e)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 85	Has the pension fund only included those disclosures that are material to its financial statements, thereby ensuring that the main messages of the disclosures are not obscured by excessive detail?	2.10.4.1	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 86	Disclosures of fair value are not required where the carrying amount is a reasonable approximation of fair value, for example short term trade receivables and payables, or for a contract containing a discretionary participation feature where the fair value of that feature cannot be measured reliably, in which case the pension fund should disclose the following:	7.3.2.20 7.3.2.21		
	a) The fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) A description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Information about the market for the instruments and about whether and how the pension fund intends to dispose of the financial instruments?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
<b>Financial instruments</b>				
PFA 87	Has the pension fund disclosed information that enables users of the financial statements to evaluate:	7.3.2.1, 7.3.2.2, 6.5.1.2	note 19a	
	a) The significance of financial instruments for its financial position and performance?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	b) The nature and extent of risks arising from financial instruments to which the pension fund is exposed during the period and at the end of the reporting period, and how it manages those risks?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 88	For each class of financial assets and liabilities, has the pension fund disclosed the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount?	7.3.2.16	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 89	In disclosing fair values, has the pension fund grouped financial assets and financial liabilities into classes, and offset them only to the extent that their carrying amounts are offset in the net assets statement?	7.3.2.17	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 90	Has the pension fund disclosed the methods used to determine fair values in line with Section 2.10 of the Code (as set out above)?	7.3.2.18	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 91	Where the pension fund does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither:	7.3.2.19		
	■ evidenced by a quoted price in an active market for an identical asset or liability (ie a level 1 input), nor		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	■ based on a valuation technique that uses only data from observable markets,		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	has the pension fund disclosed, by class of financial asset or financial liability:		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 92	a) Its accounting policy for recognising that difference in the fund account between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants take into account when pricing the asset or liability?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 93	b) The aggregate difference yet to be recognised in the fund account at the beginning and end of the period and a reconciliation of changes in the balance of this difference?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 94	c) Why the pension fund concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 95	Disclosures of fair value are not required: <ul style="list-style-type: none"> <li>– when the carrying amount is a reasonable approximation of fair value, eg for financial instruments such as short-term trade receivables and payables, or</li> <li>– for a contract containing a discretionary participation feature where the fair value of that feature cannot be measured reliably.</li> </ul>	7.3.2.20	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 96	Where fair value disclosures have not been made in line with the case described in 7.3.2.20 above, has the pension fund disclosed information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including: <ul style="list-style-type: none"> <li>a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably?</li> <li>b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably?</li> <li>c) information about the market for the instruments?</li> <li>d) information about whether and how the pension fund intends to dispose of the financial instruments?</li> <li>e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amounts at the time of derecognition, and the amount of gain or loss recognised?</li> </ul>	7.3.2.21	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A  <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A  <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A  <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A  <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 97	Where the following arise, have the relevant presentation and disclosure requirements of IAS 32 and IFRS 7 been complied with: <ul style="list-style-type: none"> <li>a) hedge accounting transactions?</li> <li>b) the fund issues an equity instrument?</li> </ul>	7.1.8, 7.3.1.1	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A  <del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 98	In relation to financial instrument disclosures has the pension fund:	7.3.1.3		
	a) Ensured that the disclosure is dependent on the extent of the pension fund’s use of financial instruments and of its exposure to risk?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) Included an appropriate combination of narrative descriptions and quantified data?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) Has the level of detail provided in the disclosures been appropriately balanced, for example by summarising information for instruments with similar characteristics?	7.3.1.4	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 99	Have the carrying amounts of the following categories been disclosed either in the net asset statement or in the notes to the accounts:	7.3.2.2		note 19a
	a) Financial assets measured at fair value through profit or loss?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Financial liabilities at fair value through profit or loss?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Financial assets measured at amortised cost; and where material separately disclosing the carrying amount of any soft loans granted by the pension fund?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) Financial liabilities measured at amortised cost?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	e) Financial assets measured at fair value through other comprehensive income showing separately:			
	– Financial assets measured at fair value through other comprehensive income per paragraph 7.1.5.3?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	– Investments inequity instruments designated as fair value through other comprehensive income per paragraph 7.1.5.9?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 100	Where a pension fund designates a financial instrument at fair value through profit or loss have the disclosure requirements of IFRS 7 paragraphs 9, 10, 10A and 11 been met?	7.3.2.4	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	



LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 101	Where the pension fund has designated equity instruments to be measured at fair value through other comprehensive income are the following disclosed:	7.3.2.5	none held	
	a) Which investments have been so designated?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) The reasons for using this presentation alternative?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	c) The fair value of each such investment at the end of the reporting period?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	d) Dividends recognised during the period, separately showing the amounts for those related to investments derecognised during the period and those held at the end of the reporting period?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	e) Any transfers of the cumulative gain or loss within reserves during the period including the reason for such transfers?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 102	Where investments in equity instruments measured at fair value through other comprehensive income have been derecognised during the reporting period have the following been disclosed:	7.3.2.6	none held	
	a) The reasons for disposing of the investments?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) The fair value of the investments at the date of derecognition?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	c) The cumulative gain or loss on disposal?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 103	Where the pension fund has reclassified a financial asset (in accordance with paragraph 7.2.8.1) have the disclosures required by IFRS 7 paragraphs 12B to 12D been provided?	7.3.2.7	<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 104	Where the pension fund has pledged collateral have the disclosures required by IFRS 7 been provided?	7.3.1.5	<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 105	Where the following matters relating to entities that issue equity instruments (see IAS 32 paragraph 15–41) become relevant to a pension fund's accounting statements have the accounting and disclosure requirements of IAS 32 been met:	7.3.1.6 7.3.1.7	none held	
	a) Classifying financial instruments issued as liabilities or equity?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) Compound financial instruments issued?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	c) Treasury shares (reacquisition of own equity)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) Distinguishing dividend-type distributions from interest payments?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 106	Where the pension fund has separately disclosed the carrying amount of soft loans granted, has it also disclosed:	7.3.2.3		none granted
	a) A reconciliation between the opening and closing carrying amounts of the soft loans, including:			
	i) Nominal value of new loans granted during the period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) The fair value adjustment on initial recognition?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iii) Loans repaid during the period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iv) Impairment losses recognised?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	v) Any increase in the discounted amount		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	vi) Other changes?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) Nominal value of loans at the year-end?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) The purpose and terms of each loan?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) Valuation assumptions?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 107	Has the pension fund grouped financial assets and financial liabilities into classes, and offset them only to the extent that their carrying amounts are offset in the Balance Sheet?	7.3.2.17	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	no offset
PFA 108	A financial asset and a financial liability shall only be offset and the net amount presented in the net asset statement when, and only when, the pension fund:	7.3.2.8 7.3.5.1		
	a) currently has a legally enforceable right to set off the recognised amounts (when applying this criterion pension funds shall also refer to IAS 32 as amended in 2011 (see paragraphs AG38A to AG38D), and		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously (when applying this criterion pension funds shall also refer to IAS 32 as amended in 2011 (see paragraphs AG38E to AG38F)). In which case has the pension fund disclosed the following:		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 109	1 a) Information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the pension fund's financial position?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The effect or potential effect of rights of set-off associated with the pension fund's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 7.3.2.8 of the Code?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 110	2) To meet the objective in 1) above, has the pension fund made the following disclosures separately for recognised financial assets and recognised financial liabilities:	3.9.4.2	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	a) The gross amounts of those recognised financial assets and recognised financial liabilities?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The amounts that are set off in accordance with the above criteria (in PFA 47) when determining the net amounts presented in the net asset statement?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) The net amounts presented in the net asset statement?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 111	d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph b), including:			
	i) Amounts related to recognised financial instruments that do not meet some or all of the above-mentioned offsetting criteria (in PFA 47)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) Amounts related to financial collateral (including cash collateral)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 112	e) The net amount after deducting the amounts in d) from the amounts in c) above?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 113	f) Has the information required by this disclosure been presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 114	4) Has the pension fund included a description of the rights of set-off associated with the recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 2 d) above, including the nature of those rights?		<del>YES</del>   NO   N/M   N/A	
PFA 115	5) If the information required by paragraphs 1)–4) above is disclosed in more than one note to the financial statements, has the pension fund cross-referred between those notes?		<del>YES</del>   NO   N/M   N/A	
PFA 116	Where the pension fund holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, has it disclosed:	7.3.2.9	none held	
	a) The fair value of the collateral held?		<del>YES</del>   NO   N/M   N/A	
	b) The fair value of any such collateral sold or repledged, and whether the fund has an obligation to return it?		<del>YES</del>   NO   N/M   N/A	
	c) The terms and conditions associated with its use of the collateral?		<del>YES</del>   NO   N/M   N/A	
	d) In the highly unlikely situation that the pension fund has pledged collateral, have the disclosures required by IFRS 7 been provided?		<del>YES</del>   NO   N/M   N/A	
PFA 117	Where a financial asset is measured at fair value through other comprehensive income, has the pension fund disclosed the loss allowance in the notes to the financial statements?  [Note: the carrying amount of the asset should not be reduced by the loss allowance nor should the loss allowance be presented on the Balance Sheet as a reduction of the carrying amount.]	7.3.2.10	<del>YES</del>   NO   N/M   N/A  none	
PFA 118	For loans payable recognised at the end of the reporting period, has the pension fund disclosed:	7.3.2.11	none at 31 March 2022	
	a) Details of any defaults, during the period, of principal, interest, sinking fund or redemption terms?		<del>YES</del>   NO   N/M   N/A	
	b) The carrying amount of the loans payable in default at the reporting date?		<del>YES</del>   NO   N/M   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	c) Whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 119	If during the period there were breaches of loan agreement terms other than those described directly above, has the pension fund disclosed the same information as required for the above, if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date)?	7.3.2.12	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 120	Has the pension fund disclosed the following items of income, expense, gains or losses: Net gains or net losses on:	7.3.2.13		
	i) Financial assets or financial liabilities at fair value through profit or loss (if any)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	ii) Financial liabilities measured at amortised cost?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iii) Financial assets measured at amortised cost?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	iv) Investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 7.1.5.9 (irrevocable designation)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	Financial assets measured at fair value through other comprehensive income in accordance with paragraph 7.1.5.3, showing separately:		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	a) Amount of gain or loss recognised in the fund account, and			
	b) Amount reclassified upon derecognition?			
	■ Total interest revenue, and		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	■ Total interest expense (calculated using the effective interest method) and shown separately for financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income (in accordance with paragraph 7.1.5.3); and financial liabilities that are not measured at fair value through profit or loss?			
	Fee income and expense (other than amounts included in determining the effective interest rate) arising from:			

LGPS Ref	Question	Code Ref	Answer	Explanation
	i) Financial assets or financial liabilities that are not at fair value through profit or loss?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) Trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 121	Has the pension fund disclosed an analysis of the gain or loss arising from the derecognition of financial assets carried at amortised cost, showing separately gains and losses arising from derecognition of those financial assets, and also disclosing the reasons for derecognising those financial assets?	7.3.2.14	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 122	Where the pension fund does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither: <ul style="list-style-type: none"> <li>– evidenced by a quoted price in an active market for an identical asset or liability (ie a level 1 input), nor</li> <li>– based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of IFRS 9),</li> </ul> has the fund disclosed, by class of financial asset or financial liability:	7.3.2.19		
	a) Its accounting policy for recognising the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants take into account when pricing the asset or liability?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The aggregate difference yet to be recognised at the beginning and end of the period and a reconciliation of changes in the balance of this difference?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) Why the pension fund concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 123	If financial instruments whose fair value previously could not be reliably measured are derecognised, has the pension fund disclosed that fact, their carrying amounts at the time of derecognition, and the amount of gain or loss recognised?	7.3.2.21 e)	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
<b>Nature and extent of risks arising from financial instruments</b>				
PFA 124	For each type of risk arising from financial instruments, has the pension fund disclosed:	6.5.2.11, 7.3.3.3	note 20	
	a) Its exposures to risk and how they arise?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) Its objectives, policies and processes for managing the risk and the methods used to measure the risk?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Any changes in a) or b) from the previous period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 125	For each type of risk arising from financial instruments, has the pension fund disclosed:	7.3.3.4		
	a) Summary quantitative data about its exposure to that risk at the reporting date, based on the information provided internally to key management personnel?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) The disclosures required regarding credit risk, liquidity risk and market risk to the extent not provided in accordance with a) above?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 126	If the quantitative data disclosed at the end of the reporting period are unrepresentative of the pension fund's exposure to risk during the period, has the fund disclosed further information that is representative?	7.3.3.5	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 127	Has the pension fund applied the disclosure requirements of paragraphs 7.3.3.11 to 7.3.3.18 to the financial instruments to which the impairment requirements of Section 7.2.9 and IFRS 9 are applied?	7.3.3.6	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 128	Do the credit risk disclosures provide:	7.3.3.7		
	a) Information about the pension fund's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	b) Quantitative and qualitative information that allows users to evaluate the amounts arising from expected credit losses, including changes in the amounts of expected credit loss and the reasons for these?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Information about the credit risk inherent in financial assets and commitments to extend credit) including significant credit risk concentrations?		YES   <del>NO</del>   <del>N/M</del>   N/A	
PFA 129	Where cross-referencing has been used to avoid duplication, are the documents that are referenced available to readers of the financial statements on the same terms and at the same time as the financial statements?	7.3.3.8	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 130	Has the pension fund considered the extent of detail, emphasis, aggregation and explanation that users of the statements need to evaluate the quantitative information disclosed?	7.3.3.9	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 131	If the specified disclosures are insufficient to meet the objectives in 7.3.3.7 (see above) has the pension fund provided additional information to meet the objectives?	7.3.3.10	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 132	In order to explain its credit risk management practices and how they relate to the recognition and measurement of credit losses, has the pension fund provided information to enable an understanding and evaluation of:	7.3.3.11		
	a) How the pension fund has determined whether the credit risk of financial instruments has increased significantly since initial recognition?		YES   <del>NO</del>   <del>N/M</del>   N/A	
	b) The pension fund’s definitions of default, including the reasons for selecting those definitions?		YES   <del>NO</del>   <del>N/M</del>   N/A	
	c) How the instruments were grouped if expected credit losses were measured on a collective basis?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	d) How the pension fund determined that financial assets are credit-impaired financial assets?		YES   <del>NO</del>   <del>N/M</del>   N/A	



LGPS Ref	Question	Code Ref	Answer	Explanation
	e) The pension fund's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written off but are still subject to enforcement activity?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	f) How the requirements in paragraph 7.2.9.14 for the modification of contractual cash flows of financial assets have been applied, including how the pension fund: <ul style="list-style-type: none"> <li>– Determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses (per paragraph 7.2.9.4)?</li> <li>– Monitors the extent to which the loss allowance on financial assets meeting the criteria in i) is subsequently remeasured at an amount equal to lifetime expected credit losses (per paragraph 7.2.9.2)?</li> </ul>		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 133	Has the pension fund explained the inputs, assumptions and estimation techniques used to apply the requirements for impairment of financial instruments by disclosing:	7.3.3.12		
	a) The basis of inputs and assumptions and the estimation techniques used to: <ul style="list-style-type: none"> <li>– Measure the 12-month and lifetime expected credit losses?</li> <li>– Determine whether the credit risk of financial instruments has increased significantly since initial recognition?</li> <li>– Determine whether a financial asset is a credit-impaired financial asset?</li> </ul>		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) How forward-looking information has been incorporated into the determination of expected credit losses, including the use of macro-economic information?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	c) Changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
PFA 134	In order to explain the changes in the loss allowance and the reasons for those changes has the pension fund provided, by class of financial instrument, a reconciliation from the opening to closing balance of the loss allowance in a table showing separately:	7.3.3.13		
	a) The loss allowance measured at an amount equal to 12-month expected credit losses?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The loss allowance measured at an amount equal to lifetime expected credit losses for:		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	i. Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets?			
	ii. Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired)?, and			
	iii. Trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17 (the simplified approach)?			
	c) Financial assets that are purchased or originated credit-impaired?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 135	Has the pension fund disclosed the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period?	7.3.3.13	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 136	In relation to the information disclosed above has the pension fund provided an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance (separately in accordance with the analysis provided and with relevant quantitative and qualitative information), potentially including:	7.3.3.14		
	a) Changes because of financial instruments originated or acquired during the reporting period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) The modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with IFRS 9?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	c) Changes because of financial instruments that were derecognised (including those written off) during the reporting period?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	d) Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 137	Has the pension fund enabled an understanding of the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of credit losses by disclosing:	7.3.3.15		
	a) The amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) The gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 138	Has the pension fund disclosed the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity?	7.3.3.16	<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 139	To enable an assessment of the pension fund credit risk exposure and an understanding of its significant credit risk concentrations has the fund authority provided, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts separately for financial instruments:	7.3.3.17		
	a) For which the loss allowance is measured at an amount equal to 12-month expected credit losses?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
	<p>b) For which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:</p> <p>i) Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit impaired financial assets?</p> <p>ii) Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired)?</p> <p>iii) Trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 7.2.9.17 (the simplified approach)?</p>		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	c) That are purchased or originated credit-impaired financial assets?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 140	For trade receivables, contract assets and lease receivables to which a pension fund applies paragraph 7.2.9.17, the information provided in accordance with paragraph 7.3.3.17 may be based on a provision matrix (see paragraph B5.5.35 of IFRS 9).	7.3.3.18	<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
PFA 142	For all financial instruments within the scope of Chapter 7 but to which the impairment requirements (Section 7.2.9 and IFRS 9) are not applied, has the pension fund disclosed:	7.3.3.19		
	<p>a) The amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any other credit enhancements?</p> <p><b>[Note:</b> this disclosure is not required for financial instruments whose carrying value best represents the maximum exposure to credit risk.]</p>		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	
	b) A description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with a) or represented by the carrying amount of a financial instrument)?		<del>YES</del>   <del>NO</del>   <del>N/A</del>   N/A	

LGPS Ref	Question	Code Ref	Answer	Explanation
PFA 143	Where the pension fund has obtained financial or non-financial assets during the period by taking possession of collateral it holds as security or by calling on other credit enhancements (for example guarantees), and such assets meet the Code's criteria for recognition, has the pension fund disclosed for such assets held at the reporting date:	7.3.3.20		
	a) The nature and carrying amount of such assets?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) When the assets are not readily convertible into cash, its policies for disposing of such assets or using them in its operations?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 144	Has the pension fund disclosed:	7.3.3.21		
	a) A maturity analysis for financial liabilities that shows the remaining contractual maturities?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) A description of how it manages the liquidity risk inherent in a)?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 145	Has the pension fund disclosed:	7.3.3.22		
	a) A sensitivity analysis for each type of market risk to which it is exposed at the reporting date, showing how the fund account and net asset statement would have been affected by changes in the relevant risk variable that were reasonably possible at that date?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) The methods and assumptions used in preparing the sensitivity analysis?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) Changes from the previous period in the methods and assumptions used, and the reasons for such changes?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 146	Where the pension fund has transferred financial assets that are not derecognised or where the authority has continuing involvement in a transferred asset and only where it has either:	7.3.4.1	<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	a) transferred the contractual rights to receive the cash flows of that financial asset, or			
	b) retained the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement, has it made the disclosures required by paragraphs 42B–42H of IFRS 7?			

LGPS				
Ref	Question	Code Ref	Answer	Explanation
<b>Lease and lease-type arrangements</b>				
	Where the information is material, has the pension fund disclosed the following notes in relation to leases:	4.2.4.2		
<b>Lessee – finance leases</b>			<b>none</b>	
PFA 147	For each class of asset, the net carrying amount at the year-end date?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 148	A reconciliation between the total of future minimum lease payments at the year-end date, and their present value?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 149	The total of future minimum lease payments at the year-end, and their present value, for each of the following periods:			
	a) Not later than one year?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) Later than one year and not later than five years?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) Later than five years?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	Contingent rents recognised as an expense in the period?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 150	The total of future minimum sublease payments expected to be received under non-cancellable subleases at the year-end date?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
<b>Lessee – operating leases</b>			<b>none</b>	
PFA 152	The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:			
	a) Not later than one year?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	b) Later than one year and not later than five years?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	c) Later than five years?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 153	The total of future minimum sublease payments expected to be received under non-cancellable subleases at the year-end date?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 154	Lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
<b>Lessor – finance leases</b>			none	
PFA 155	A reconciliation between the gross investment in the lease at the year-end date, and the present value of minimum lease payments receivable at the year-end date?	4.2.4.2	<del>YES</del>   <del>NO</del>   <del>NM</del>   N/A	
PFA 156	The gross investment in the lease, and the present value of minimum lease payments receivable at the year-end date, for each of the following periods: a) Not later than one year? b) Later than one year and not later than five years? c) Later than five years? Unearned finance income? The unguaranteed residual values accruing to the lessor? The accumulated allowance for uncollectible minimum lease payments receivable? Contingent rents recognised as income in the period? A general description of the lessor's material leasing arrangements?		<del>YES</del>   <del>NO</del>   <del>NM</del>   N/A	
<b>Lessor – operating leases</b>			none	
PFA 157	The future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods: a) Not later than one year? b) Later than one year and not later than five years? c) Later than five years? Total contingent rents recognised as income in the period? A general description of the lessor's leasing arrangements?		<del>YES</del>   <del>NO</del>   <del>NM</del>   N/A	
PFA 158	Have disclosures in respect of: ■ property, plant and equipment ■ impairment of assets ■ intangible assets ■ investment property, and ■ agriculture been made in relation to assets provided under operating leases (either separately or combined with owned assets)?		<del>YES</del>   <del>NO</del>   <del>NM</del>   N/A	

LGPS				
Ref	Question	Code Ref	Answer	Explanation
<b>Transactions with related parties</b>				
PFA 159	Has the pension fund disclosed:		note 27	
	a) Information in respect of material transactions with related parties, not disclosed elsewhere, as set out below (including investments and loans made at any time during the period)?	6.5.5.1 r)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 160	Where the information is material, has the pension fund disclosed (where not disclosed elsewhere) the following in relation to related party transactions (except related party transactions with central government departments, government agencies, NHS bodies and other local authorities):	3.9.4.1– 3.9.4.5		
	i) The description of the nature of the related party relationships?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	ii) The amount of transactions that have occurred?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	iii) The amount of outstanding balances?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 161	Have related party relationships where control exists been disclosed irrespective of whether there have been transactions between the related parties?	3.9.4.1	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 162	Has the pension fund disclosed amounts incurred by the (reporting) entity for the provision of key management personnel services that are provided by a separate management entity?	3.9.4.2	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 163	Have transactions with related parties been disclosed on an aggregated basis (aggregation of similar transactions by type of related party) unless disclosure of an individual transaction, or connected transactions, is necessary for an understanding of the impact of the transactions on the financial statements or is required by law?	3.9.4.3	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 164	In respect of related party transactions with central government departments, government agencies, NHS bodies and other local authorities, has the pension fund instead disclosed:	3.9.4.5		
	a) The name of the government (ie UK Government) and the fact that the government exerts significant influence through legislation and grant funding?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	



LGPS				
Ref	Question	Code Ref	Answer	Explanation
	b) The following information in sufficient detail to enable users of the reporting entity's financial statements to understand the effect of related party transactions on the financial statements:		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	i) The nature and amount of each individually significant transaction?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	ii) For other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
Other assets and liabilities				
	Where the information is material, has the pension fund disclosed the following notes in relation to debtors:	5.2.4.2		
PFA 165	a) An appropriate analysis of the amount of debtors in accordance with paragraph 3.4.2.64 (see below)?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 166	b) Disclosures by class of debtor for past due or impaired assets?		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
PFA 167	c) Where payment is on deferred settlement terms, are disclosures set out in accordance with the financial instruments section of the Code in Chapter 7?		YES   <del>NO</del>   <del>N/M</del>   N/A	
PFA 168	d)		<del>YES</del>   <del>NO</del>   <del>N/M</del>   N/A	
	i) Age analysis of assets that are past due but not impaired (as at the reporting date)?			
	ii) Analysis of assets individually determined to be impaired (at the reporting date), and the factors the pension fund considered in determining they are impaired?			
PFA 169	Has the pension fund provided an appropriate sub-classification of debtors and creditors in the disclosure notes, in line with paragraphs 77 and 78 of IAS 1?	3.4.2.64	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 170	Has the pension fund classified an asset as current where the following circumstances apply:	3.4.2.65		
	a) It expects to realise the asset, or intends to sell or consume it, in its normal operating cycle?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) It holds the asset primarily for the purpose of trading?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	

LGPS Ref	Question	Code Ref	Answer	Explanation
	c) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 171	Have all other assets been classified as long-term?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 172	Where the information is material, has the pension fund disclosed the following notes in relation to creditors:	8.1.4.2	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	1) An appropriate analysis of the amount of creditors in accordance with paragraph 3.4.2.63?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	2) Where payment is on deferred settlement terms, are disclosures set out in accordance with the financial instruments section of the Code in Chapter 7?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
PFA 173	Has the pension fund classified a liability as current where the following circumstances apply:	3.4.2.66	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	a) It expects to settle the liability in its normal operating cycle?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	b) It holds the liability primarily for the purpose of trading?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	c) The liability is due to be settled within 12 months after the reporting period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	d) The pension fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period?		YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	
	<b>[Note:</b> terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.]			
PFA 174	All other liabilities should be classified as long-term.			
PFA 175	Have all other liabilities (other than the actuarial present value of promised retirement benefits) been included in the net assets statement?	6.5.5.1 m)	YES   <del>NO</del>   <del>N/M</del>   <del>N/A</del>	



## Committee Report

Committee	<b>LOCAL PENSION BOARD</b>
Date	<b>17 JANUARY 2023</b>
Title	<b>DRAFT FUNDING STRATEGY STATEMENT 2023 CONSULTATION</b>
Report of	<b>PENSION FUND MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report presents the draft Funding Strategy Statement for the Isle of Wight Council Pension Fund updated to reflect the 31 March 2022 formal valuation of the fund.
2. Presentation of this document to the local pension board forms part of the consultation process prior to the adoption of the Funding Strategy Statement by the Pension Committee before 31 March 2023.

### RECOMMENDATION

3. That board members note the process for the review and update of the Funding Strategy Statement, including consultation with interested parties.
4. That the board agree to participate in the consultation process and provide comments back to the Pension Fund Manager by Friday 27 January 2023.

### BACKGROUND

5. The main purpose of the formal valuation of the Isle of Wight Council Pension Fund (the fund) is to review funding plans to ensure they are fit for purpose and set contribution rates payable by participating employers within the fund. The valuation is a statutory requirement and is a health check of the fund and its funding plan.
6. As part of the valuation process, the fund is required to prepare a Funding Strategy Statement (FSS). It is a regulatory requirement for the fund to have a FSS and it is reviewed every three years in collaboration with the Fund's actuary Hymans Robertson LLP during the valuation process. Following review, it is then consulted on with the Fund's employers. The FSS must be agreed and approved by 31 March 2023.
7. The 2020 funding strategy statement, linked in the background papers to this report, is a cumbersome document, containing all the required information, but is not very user friendly, or intuitive.

8. The fund has commissioned the actuaries to review and update the FSS, which has resulted in a more concise document, supported by separate policies dealing with some of the more specific aspects of the funding strategy.

#### UPDATED FUNDING STRATEGY STATEMENT

9. The draft Funding Strategy Statement for 2023 is attached to this report as Appendix 1.
10. The core document has been re-structured to make it easier for users to navigate and find exactly what they need, along with a full review of wording to make it as easy to understand as possible.
11. This core document includes details specific to the Isle of Wight Pension Fund on:
- The approach to calculating and certifying contributions for each employer type (e.g. academies, Transferee Admission Bodies) in section 2, including specifying when additional contributions may be payable in section 3.
  - The contribution stability mechanism approach for the Council in section 2.2.
  - The approach to allocating assets between employers in section 4.
  - The 2022 valuation approach and assumptions including brief details of the key financial and demographic assumptions, in Appendix D.
  - The method of setting contribution rates for different types of new employers, in section 5.
  - The fund's considerations in respect of bulk transfers of members either into or out of an employer, in section 6.
  - What happens when an employer leaves the fund in section 7, including the fund's approach to exit credits and the flexibilities offered for the payment of cessation debts, expanded further in Appendix F.
  - How the uncertainty relating to McCloud is allowed for.
12. The core document is supported by a number of appendices:
- (a) Appendices A to D are consistent with those used in previous versions of the FSS. These respectively cover the regulatory framework, roles and responsibilities, risks and controls, and actuarial assumptions.
  - (b) Appendices E and F introduce new policies for the fund, covering recently introduced flexibilities for the fund in respect of the ability to review employer contribution rates between valuations, and the treatment of employers at cessation.
13. There are a number of blue highlighted references in the draft FSS document, which indicate that further information is available from the fund on request. These areas will be the subject of additional policies in due course. It is proposed that these are created over the next 12-18 months, so they are fully operational before the next valuation.
14. The specific areas to be covered by these policies include:
- (a) The prepayment of employer contributions.
  - (b) Academy participation.
  - (c) Pass-through arrangements for transferee admission bodies.
  - (d) Employer admission to the fund.
  - (e) Bulk transfers.

- (f) Exit credits.
  - (g) Flexibility on exit.
15. Items (b) to (d) expand on section 5 in the draft FSS; item (e) expands on section 6; and items (f) and (g) expand on Appendix F.
16. Each of these new policies will be brought to the local pension board for review and onward recommendation to the pension fund committee for adoption in due course.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Corporate Aims

17. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#).

### Pension Fund Strategic Aims

18. 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.
19. The funding strategy objectives, supporting the primary objective above, are to:
- (a) take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
  - (b) use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
  - (c) where appropriate, ensure stable employer contribution rates.
  - (d) reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
  - (e) use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

## CONSULTATION

20. The Local Government Pension Scheme Regulations 2013 require that the administering authority must consult on the Funding Strategy Statement before publication with such persons as it sees fit.
21. The draft FSS was circulated to all employers of the fund on 22 December 2022, opening a consultation period ending on 27 January 2023. The suggested period for consultation is 30 days, but this has been extended to allow for the Christmas and New Year break.
22. The draft FSS was also sent to members of both the Pension Fund Committee and the Local Pension Board on 23 December 2022, at the same time as to officers of the fund. This meeting of the Local Pension Board forms part of the formal consultation process.

## FINANCIAL / BUDGET IMPLICATIONS

23. The cost for the preparation of the core funding strategy statement, and the costs for drafting future policies, are as agreed in the contract procured in 2017. These costs are borne by the pension fund.
24. The employer contribution rates arising from the valuation, determined using the processes outlined in the funding strategy statement, linked into the investment strategy for the fund, ensure the pension fund will have sufficient assets to pay its current and future benefit obligations.

## 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. Regulation 58 of the Local Government Pension Scheme Regulations 2013 requires each administering authority to prepare, maintain and publish a written statement setting out its funding strategy. The regulations specify that the statement should be published after consultation with such persons as the administering authority considers appropriate.
28. The regulations also state that the administering authority must have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) document “Preparing and Maintaining and Funding Strategy Statement in the LGPS” 2016 edition.

## EQUALITY AND DIVERSITY

29. 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.
30. The adoption of the funding strategy statement has no implications for any of the protected characteristics.

## RISK MANAGEMENT

31. Risk management is central to the Local Government Pension Scheme (LGPS). LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

32. The FSS contains detailed information about the risks associated with the funding of the fund, covering financial, demographic, regulatory and governance risks.
33. Details of these risks and the control mechanisms in place to mitigate those risks are set out in Appendix C to the FSS, as well as within the fund's own detailed risk register.

#### APPENDICES ATTACHED

34. Appendix 1: Isle of Wight Council Pension Fund: DRAFT Funding Strategy Statement 2023.

#### BACKGROUND PAPERS

35. Isle of Wight Council Pension Fund: Funding Strategy Statement 2020.  
<https://www.isleofwightpensionfund.org/resources/funding-strategy-statement-2020/>

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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*

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Isle of Wight Pension Fund  
Funding Strategy Statement  
November 2022

DRAFT

## Document Information

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

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

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

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

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

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

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

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

## 1.3 Who is the FSS for?

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

Different types of employers participate in the fund:

### Scheduled bodies

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

### Designating employers

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

### Admission bodies

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

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

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

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

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

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

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

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

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

## 2 How does the fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

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

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

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

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

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

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

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

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

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

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

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

## 2.2 Making contribution rates stable

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

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

**Table 1: current stabilisation approach**

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

### 2.3 Reviewing contributions between valuations

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

### 2.4 What is pooling?

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

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

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

### 2.5 What are the current contribution pools?

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

### 2.6 Administering authority discretion

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

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

The fund may permit the prepayment of employer contributions in specific circumstances. Further details are available on request.



## 3 What additional contributions may be payable?

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

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

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

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

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

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

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

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

### 4.1 How are employer asset shares calculated?

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

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

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

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

### 4.2 How are employer liabilities calculated?

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

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

### 4.3 What is a funding level?

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

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

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

### 5.1 When can an employer join the fund

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

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

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

### 5.2 New academies

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

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

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

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

For contribution rate purposes there are three options:

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

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

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

**The Fund's full policy on academy participation is detailed in Appendix X.**

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

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

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

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

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

The Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement. The Fund's policy on pass through is detailed in Appendix X.

### 5.4 Other new employers

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

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

### 5.5 Risk assessment for new admission bodies

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

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

This must cover some or all of the:

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

The Fund's admissions policy is detailed in Appendix X.

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

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

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

The bulk transfer policy is [\[available from the administering authority\] OR \[link\] OR \[in Appendix X\]](#).

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

### 7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

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

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

### 7.2 What happens on cessation?

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

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

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

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

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

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

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

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

The exit credit policy is [\[available from the administering authority\]](#) OR [\[link\]](#) OR [\[in Appendix X\]](#).

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

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

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

The employer flexibility on exit policy is [\[available from the administering authority\]](#) OR [\[link\]](#) OR [\[in Appendix X\]](#).

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

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

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

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

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

### 8.2 Solvency

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

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

or

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

### 8.3 Long-term cost efficiency

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

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

Relative factors include:

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

Absolute factors include:

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

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



# Appendices

## Appendix A – The regulatory framework

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

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

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

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

### A2 Consultation

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

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

### A3 How is the FSS published?

The FSS is made available through the following routes:

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

### A4 How often is the FSS reviewed?

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

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

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

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

## Appendix B – Roles and responsibilities

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

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

### **B2 Individual employers:**

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

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

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

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

**B4 Other parties:**

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

## Appendix C – Risks and controls

### C1 Managing risks

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

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

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

Details of the key fund-specific risks and controls are **below OR set out in the risk register at [{{link}}](#)**.

### C2 Financial risks

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

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

### C3 Demographic risks

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

**C4 Regulatory risks**

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

**C5 Governance risks**

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

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

### C6 Employer covenant assessment and monitoring

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

### C7 Climate risk and TCFD reporting

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

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



## Appendix D – Actuarial assumptions

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

### D1 What are assumptions?

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

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

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

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

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

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

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

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

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

### D3 What financial assumptions were used?

#### Future investment returns and discount rate

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

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

Assumptions for future investment returns depend on the funding objective.

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

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

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

#### Pension increases and CARE revaluation

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

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

#### Salary growth

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

#### D4 What demographic assumptions were used?

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

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

#### Life expectancy

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

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

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

### Other demographic assumptions

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

### Males

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

### Females

Incidence per 1000 active members per year									
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2		
		FT &PT	FT	PT	FT	PT	FT	PT	
20	105	0.1	422.91	560.85	0	0	0	0	
25	117	0.1	284.56	377.33	0.1	0.07	0.02	0.01	
30	131	0.14	238.54	316.25	0.13	0.1	0.03	0.02	
35	144	0.24	205.88	272.86	0.26	0.19	0.05	0.04	
40	150	0.38	171.35	227.01	0.39	0.29	0.08	0.06	

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

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

### Low-risk exit basis

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

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

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

## Appendix E – Contribution review policy

### Aims and objectives

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

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

### Background

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

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

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

### Guidance and regulatory framework

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

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

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

### Statement of principles

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

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

### Circumstances for review

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

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

### Employer requests

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

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

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

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

### Other employers

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

- The existence of a guarantor.
- The amount of any other security held.

- The size of the employer's liabilities relative to the whole Fund.

The Fund will consult with other Fund employers as necessary.

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

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

#### **Documentation**

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

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

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

## Appendix F – Cessation policy

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

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

#### Exit Credits

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

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

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

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

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

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

#### Deferred spreading arrangement (DSA)

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

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

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



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

#### Deferred Debt Agreement (DDA)

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

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

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

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

The Administering Authority will normally require:

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

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

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

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

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

# 2022 LGPS National Knowledge Assessment

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## Isle of Wight Pension Fund



Agenda Item 11

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## Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

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## Background

The Isle of Wight Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

## Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

## The Assessment

The members of the Isle of Wight Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 7 respondents from the Committee and 6 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

## Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

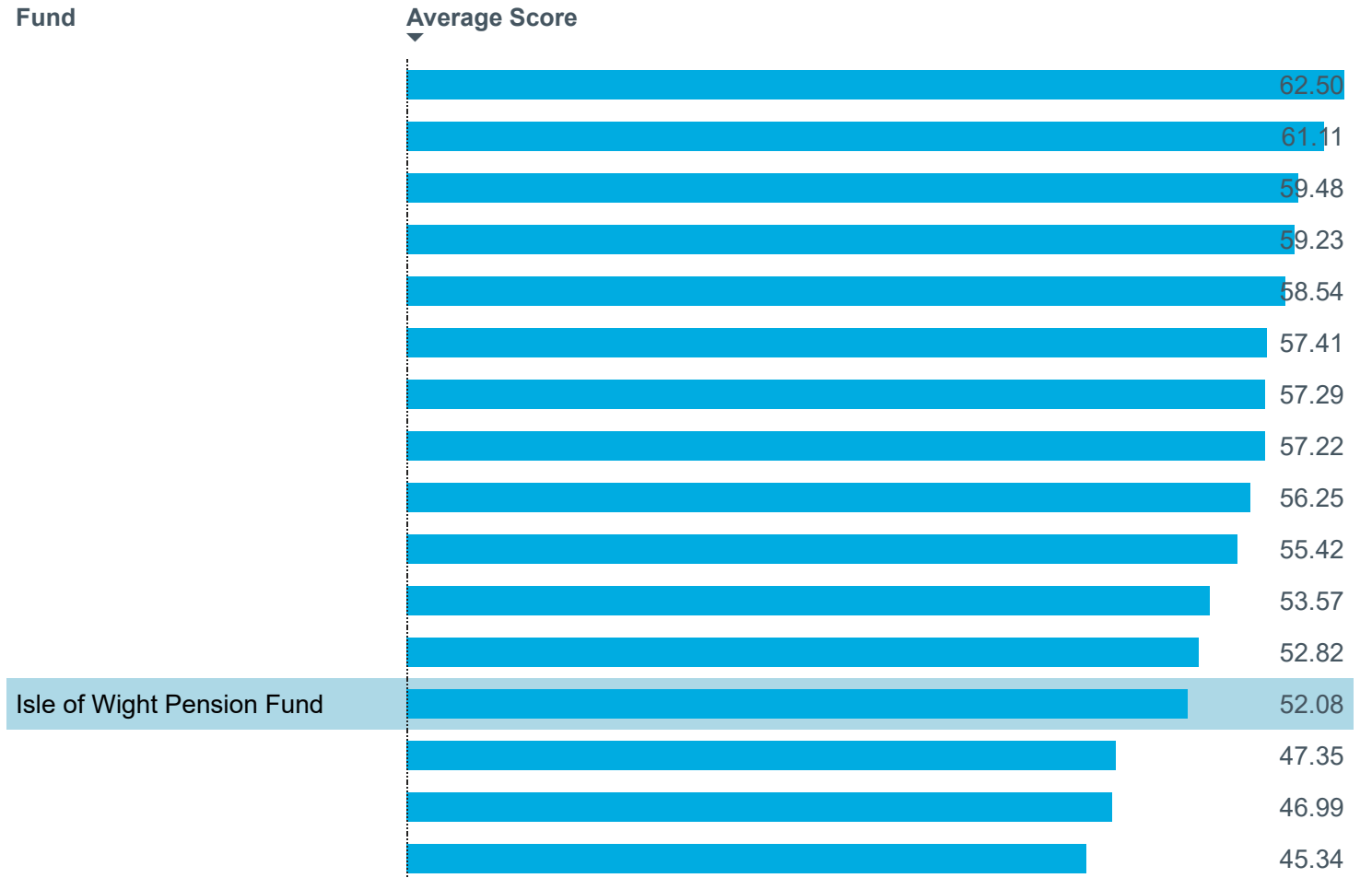
## Overall Results

The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

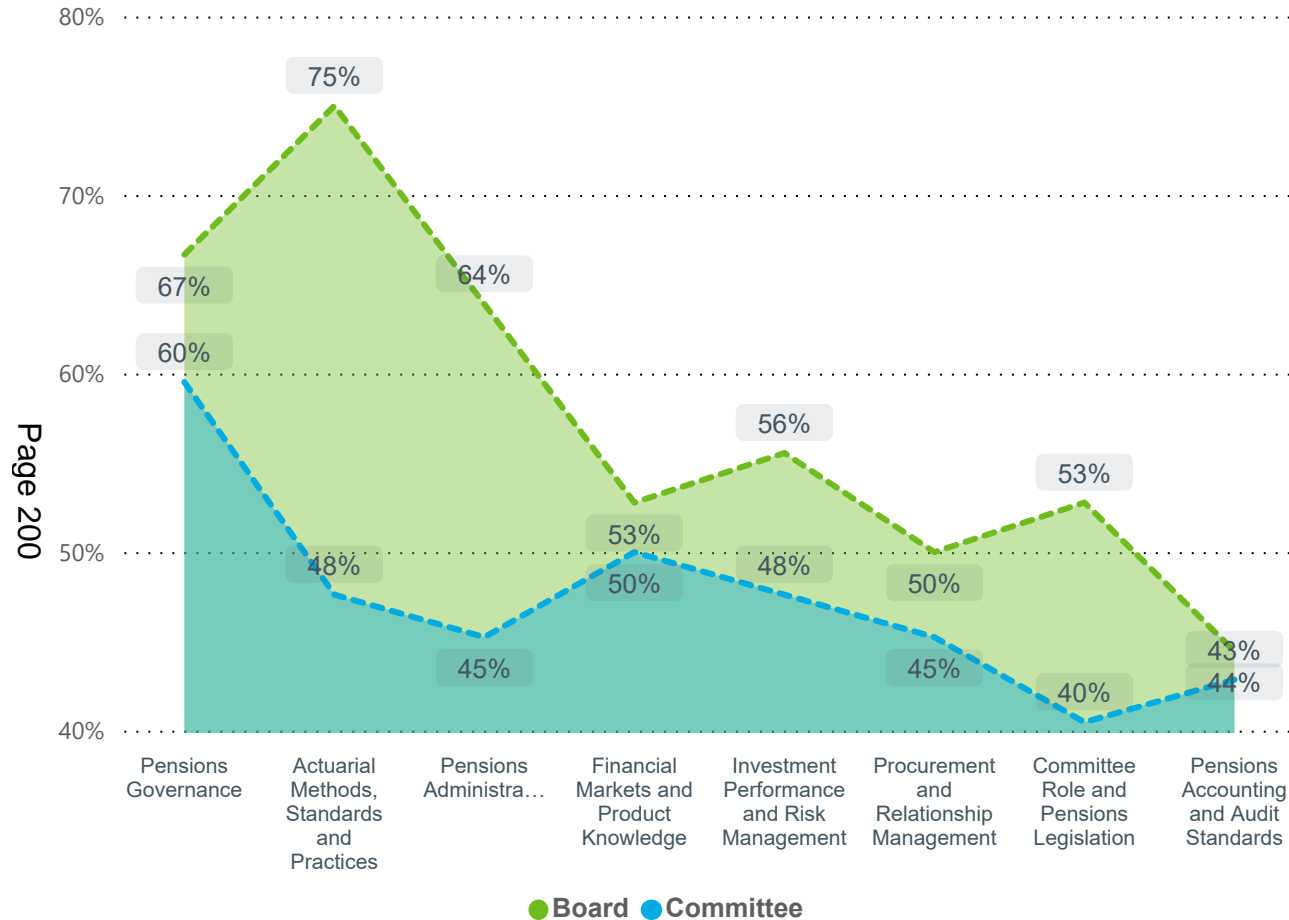
The Isle of Wight Pension Fund is in 13th out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.



## Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Board (average overall score of 58 %) was stronger than that of the Committee (average overall score of 47 %).
- The performance for the Committee and Board diverged the most in the Actuarial Methods, Standards and Practices section, when Board results were 27 % higher than the Committee.
- The Committee performed most strongly in the area of Pensions Governance and Financial Markets and Product Knowledge.
- The board's areas of strongest Knowledge were Actuarial Methods, Standards and Practices and Pensions Governance.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.



## Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date.

We've provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

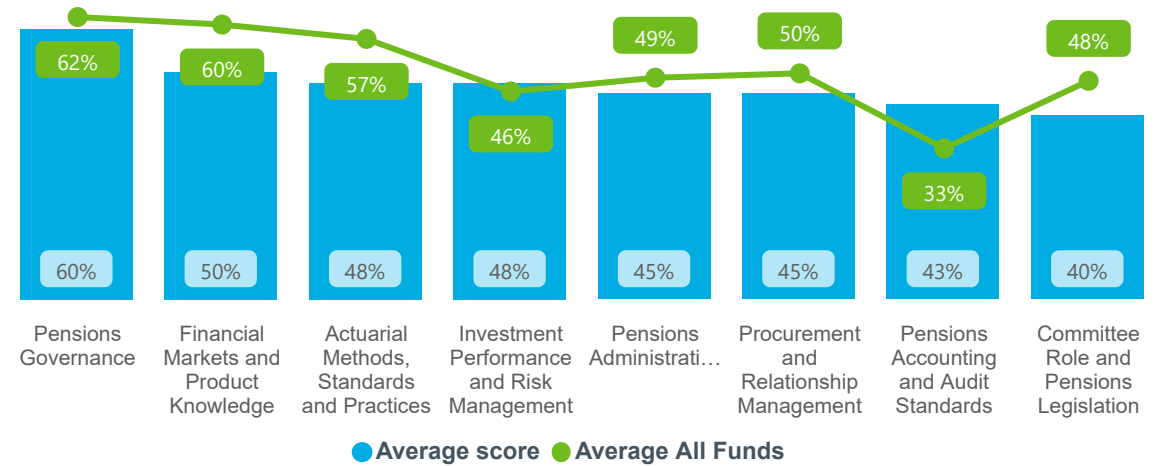
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- It's pleasing to see that the areas of Pensions Governance and Financial Markets and Product Knowledge scored well for the Committee.

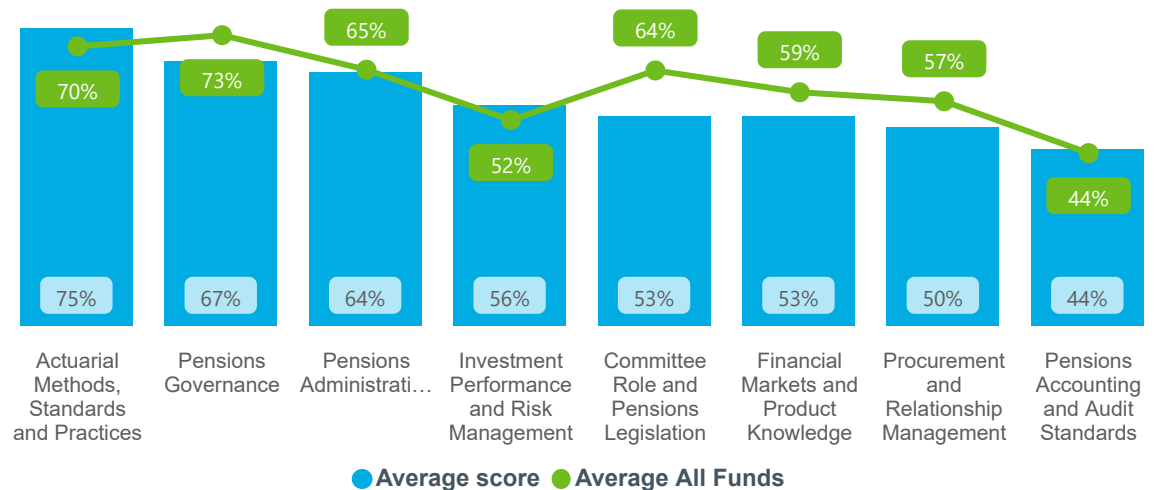
Page 201  
 It's clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Pensions Accounting and Audit Standards and Committee Role and Pensions Legislation would be a sensible focus of training for the Committee.

- Similarly, from the Board chart it can be seen that the highest scoring areas were Actuarial Methods, Standards and Practices and Pensions Governance.
- The Scores between Isle of Wight Pension Fund and all other Funds diverged the most in the Committee Role and Pensions Legislation, when the Average All Funds was 12 % higher than Average score.
- Across all sections, Isle of Wight Pension Fund Board score ranged from 44 % to 75 % and the average for all other funds ranged from 44 % and 73 %.

Pension Committee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



## Commentary on results

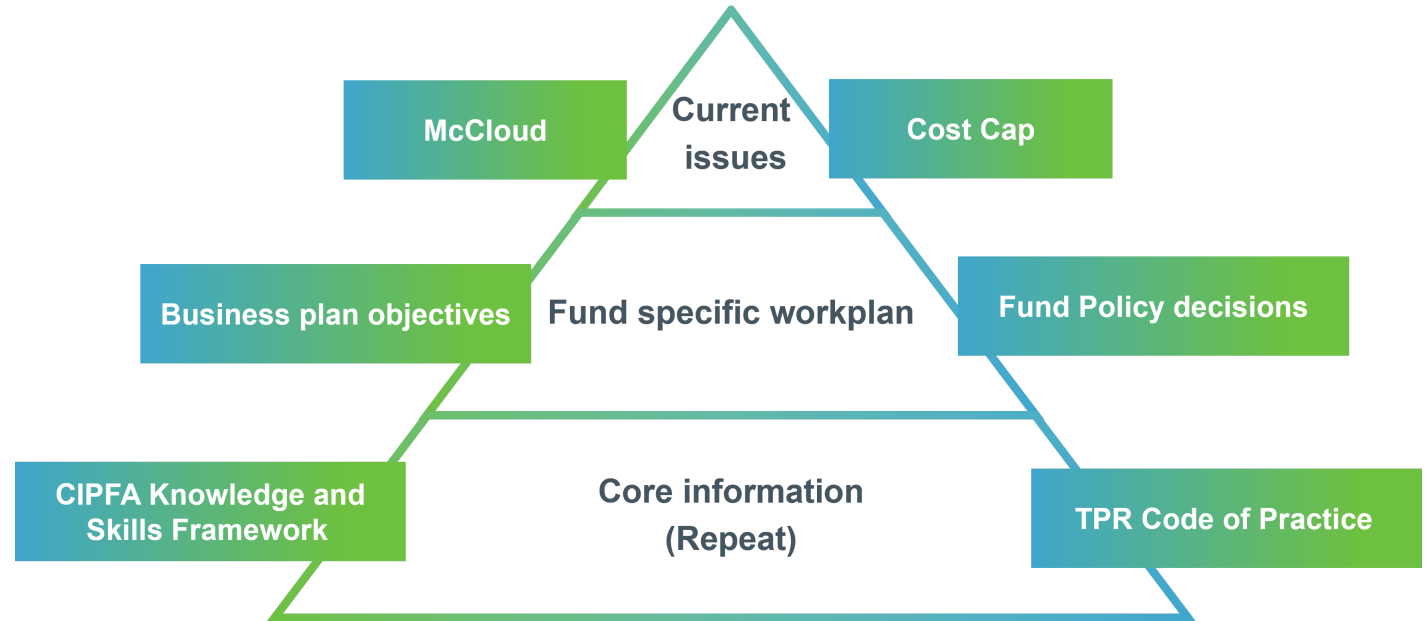
It's encouraging that 13 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Page 202  
 Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



## Committee

The results show that Pensions Governance and Financial Markets and Product Knowledge have the highest levels of knowledge. But the areas to focus any specific training on might be Committee Role and Pensions Legislation for the Committee. Across all funds, the lowest scoring area was Committee Role and Pensions Legislation.

In general, the Committee's performance relative to all other committees was weak.

When looking at the benchmarking results against the other participating funds, the Committee ranked 12 out of 16 Funds' Committee results.

## Local Pension Board

The results show that Actuarial Methods, Standards and Practices and Pensions Governance have the highest levels of knowledge, but the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Board.

Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards. The Board's performance relative to all other committees was weak. In terms of benchmarking results against the other participating funds, the Board ranked 11 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

## Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



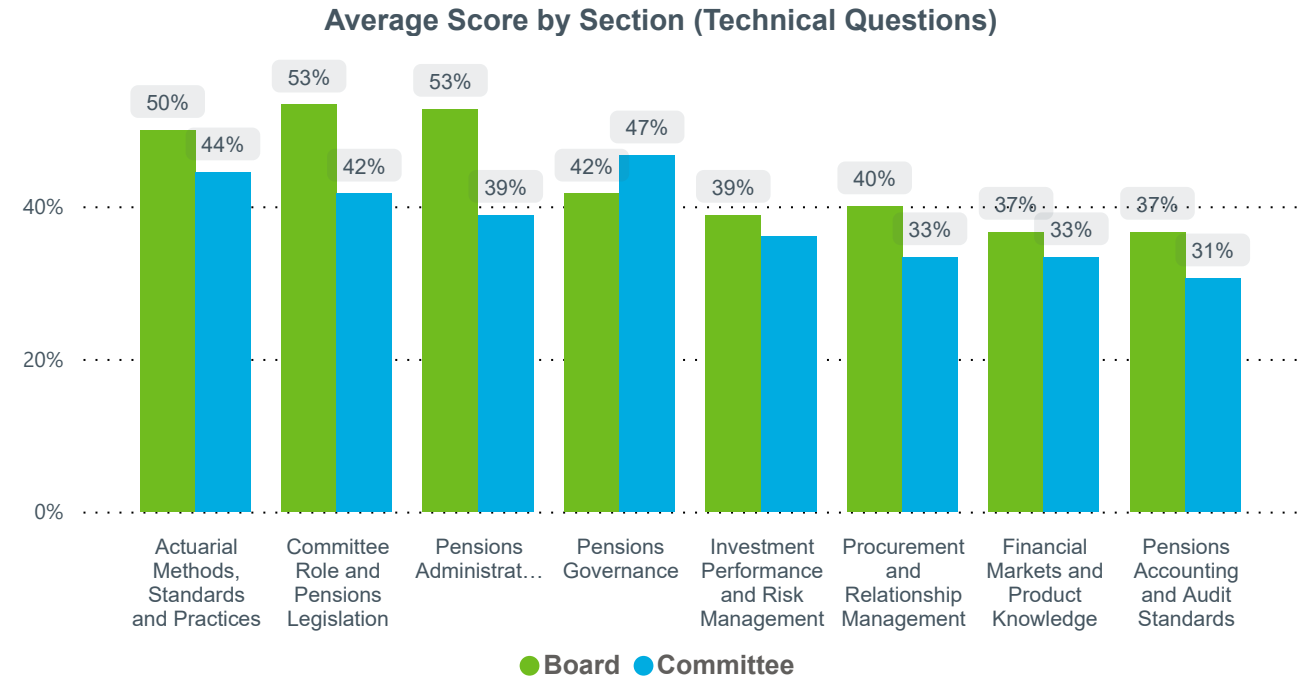
From this chart, the lowest scoring area was Roles and Responsibilities. Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

**Decision making** – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

**Roles and responsibility** – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

**Technical** – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.



**Pensions Accounting and Audit Standards** was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

## Comparison with 2020 Results

The Isle of Wight Pension Fund also took part in the 2020 National Knowledge Assessment. The results for each of the 8 topics can be compared to measure progress in each area.

This is shown in the following charts.

The average score for each topic this year is compared with that from the 2020 assessment. This has been broken down to show the results for the Committee and Board separately.

It's worth noting that while there will be differences in the members who actually participated in each assessment, it's the collective knowledge of each group which is important.

The area which knowledge appears to have developed most for the Committee concerns Actuarial Methods, Standards and Practices which is encouraging.

On the other hand, knowledge levels seem to have regressed in Committee Role and Pensions Legislation.



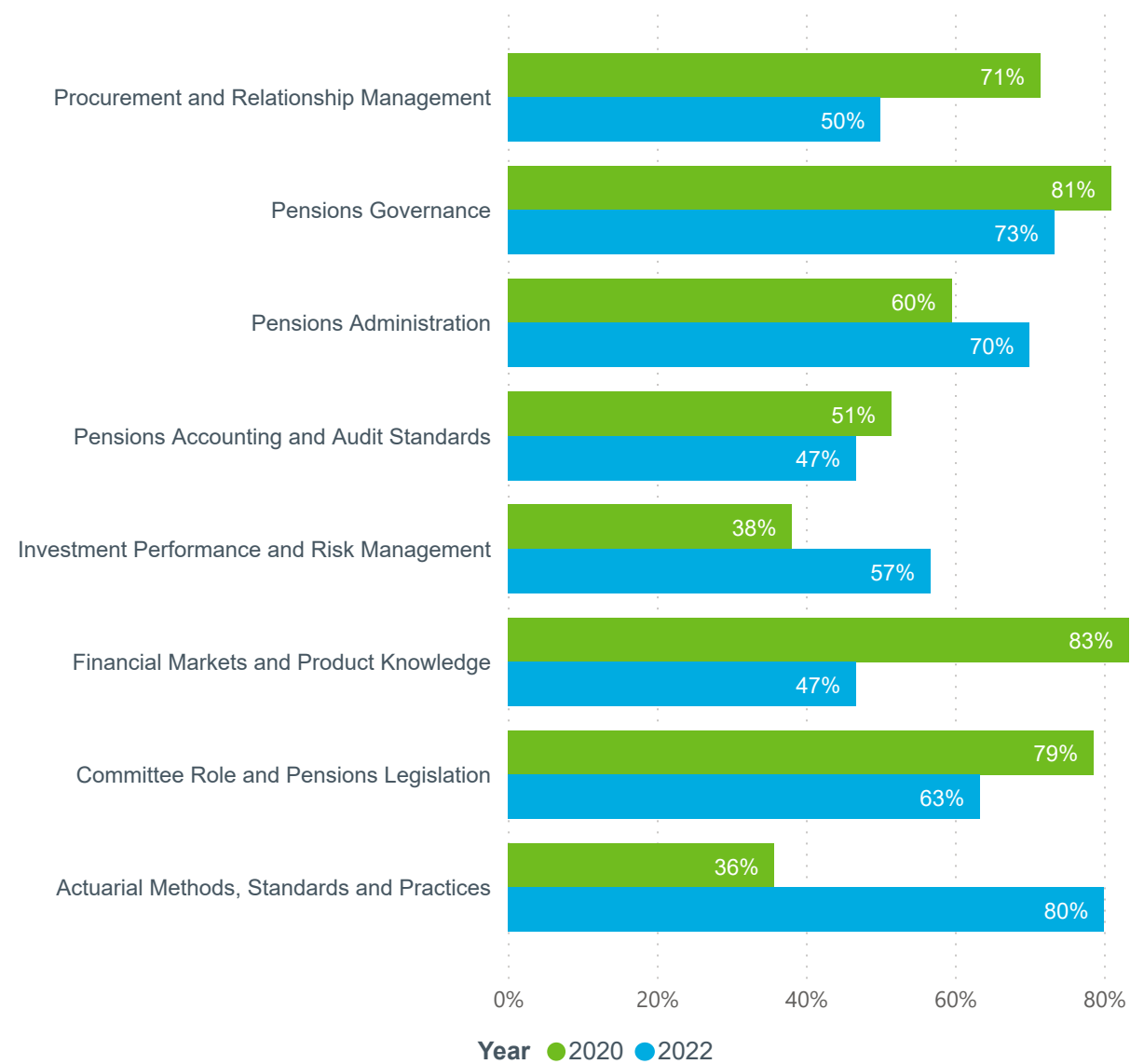
The same comparison can be made for the Board. The chart on the right shows these results.

The area which knowledge appears to have developed most for the Board concerns Actuarial Methods, Standards and Practices which is encouraging. On the other hand, knowledge levels seem to have regressed in Financial Markets and Product Knowledge .

It's worth noting that the underlying questions have changed between both assessments, and for the 2022 assessment there was an additional option given to answer "I have no knowledge of this area", whereas in 2020 that option was not there.

This might account for some small differences in the results.

### Board Results



## Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

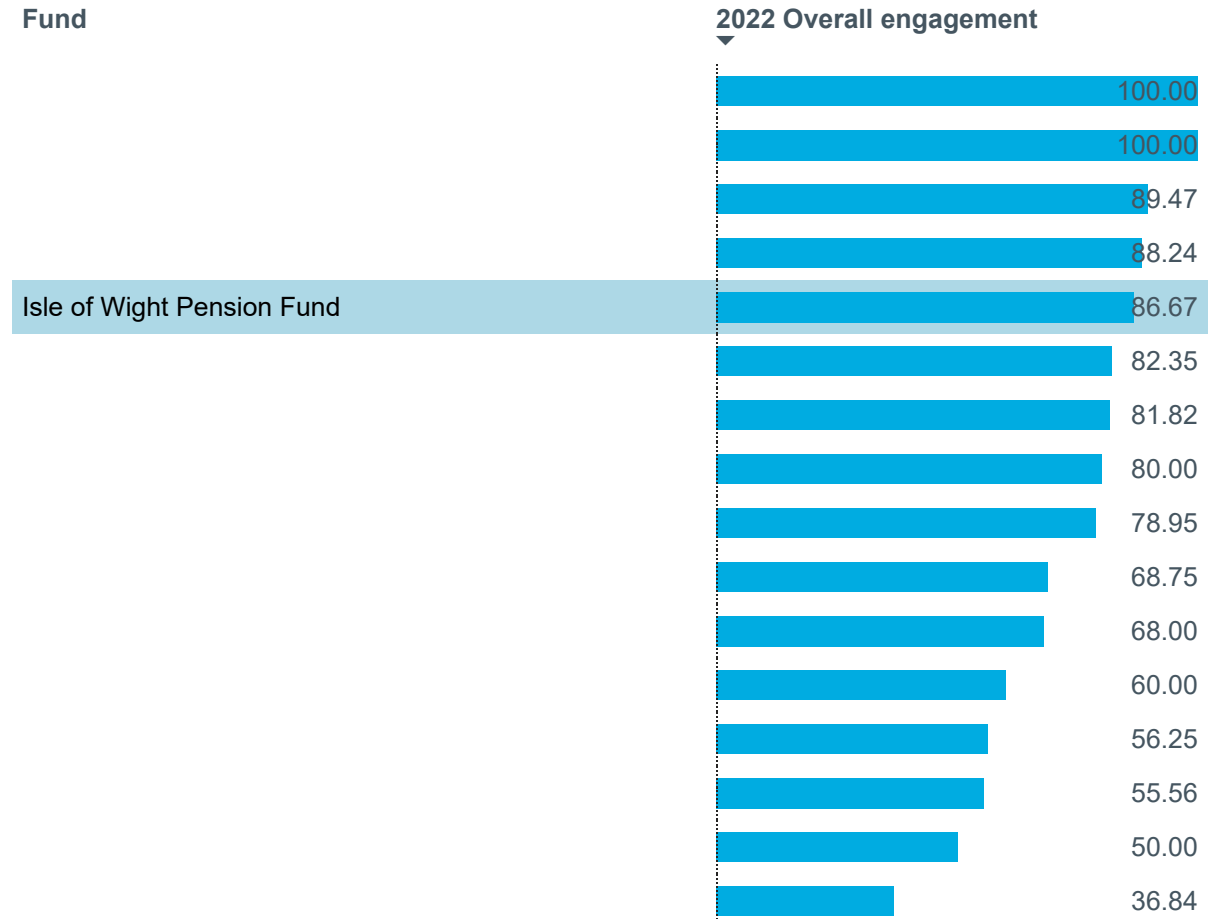
With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the Isle of Wight Pension Fund, as a proportion of those who could have responded.

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Role	Participants	Total Number	2022 Participation Rate	2020 Participation Rate
Board	6	7	86%	100%
Committee	7	8	88%	75%



## Engagement

That 13 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a good level; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.



## Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

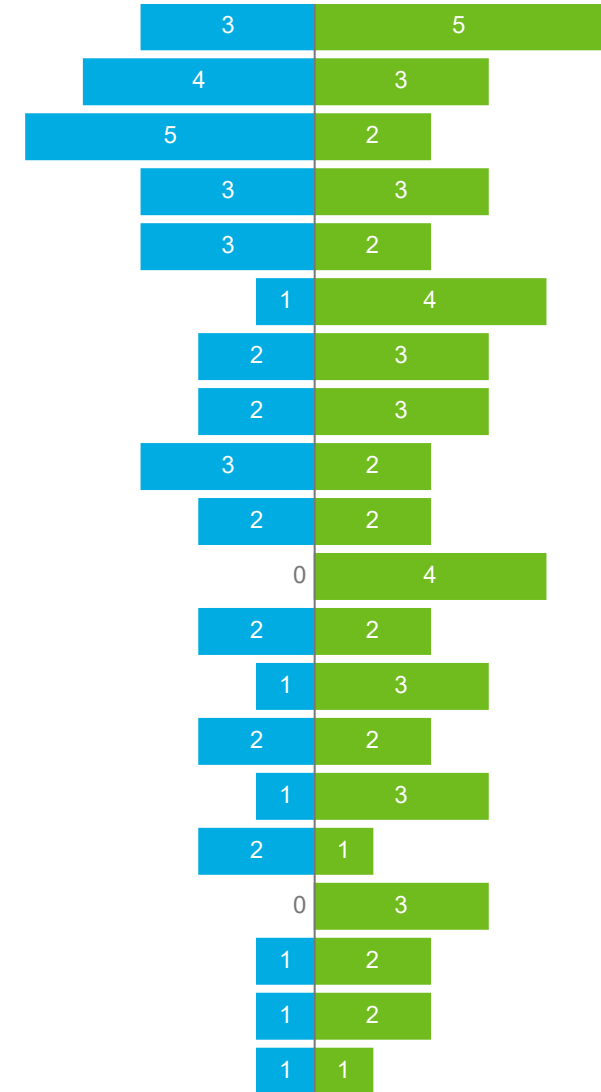
The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

### Training requirements

● Board ● Committee

Committee Role and Pensions Legislation	3	5
Environmental, Social and Governance / Res...	4	3
Pensions Governance	5	2
Cyber security	3	3
Good Governance	3	2
Investment Performance and Risk Managem...	1	4
LGPS Code of transparency	2	3
Pensions Accounting and Audit Standards	2	3
Procurement and Relationship Management	3	2
Levelling up and impact investing	2	2
McCloud impacts	0	4
Pension Dashboards	2	2
Section 13	1	3
Task Force on Climate-related Financial Discl...	2	2
The Pensions Regulator Code of Practice	1	3
Actuarial Methods, Standards and Practices	2	1
Financial Markets and Product Knowledge	0	3
Illiquid asset training	1	2
Pensions Administration	1	2
Pension Scams	1	1



## Training plan

Based on the results from this assessment, we have prepared the adjacent draft 'core' training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

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As detailed on the page 'Commentary on results', we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

### Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were Committee Role and Pension Legislation and Responsible Investment.

More detail is shown in the chart on the previous page.

## Training Plan - Isle of Wight Pension Fund - January 2023 to June 2024

Q1 2023
<b>Core topic: Accounting &amp; Audit Standards</b>
Providing a general understanding of the Accounts and Audit Regulations and the role of internal and external audit
<b>Hot Topic:</b> TCFD, 2023 Valuation conclusion and Fund business plan session

Q2 2023
<b>Core topic: Procurement &amp; Relationship Management</b>
Providing a general understanding of the public procurement requirement as they apply to the LGPS, and how performance of suppliers can be monitored
<b>Hot Topic:</b> Good Governance (expected in this quarter) and McCloud remedy

Q3 2023
<b>Core topic: Committee Role and Legislation</b>
Providing overview of committee's role and a general understanding of the legislative framework as it applies to the LGPS, in line with CIPFA Knowledge & Skills Framework
<b>Hot Topic:</b> Pension Dashboard, Cyber security and Levelling update agenda

Q4 2023
<b>Core topic: Financial Markets and Product</b>
Providing a general understanding of the risk and return characteristics of the main asset classes, the workings of the financial markets and available investment vehicles and the importance of the Fund's ISS and investment strategy decisions
<b>Hot Topic:</b> Pension scams

Q1 2024
<b>Core topic: Investment Performance</b>
Providing a general understanding of the relationship between assets and liabilities, the Myners principles and the structure, operation and purpose of investment pooling arrangements
<b>Hot Topic:</b> Cost transparency

Q2 2024
<b>Core topic: Administration</b>
Providing a general understanding of best practice in pensions administration, together with Fund policies, resource and discretionary powers
<b>Hot Topic:</b> Good Governance (update)

## Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

**Andrew McKerns**



Senior LGPS Governance, Administration and Projects (GAP) Consultant

**Alan Johnson**



LGPS Governance, Administration and Projects (GAP) Consultant

## Reliances and Limitations

This report has been prepared for the Isle of Wight Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.

# Agenda Item 12

Items circulated to Board members since the papers were published for last board meeting (18 October 2022), for information:

- 1) Sent 21-Oct-22: Confidential ACCESS JC and s151 operator update.
- 2) Sent 21-Oct-22: 2022 LGPS National Knowledge Assessment - extension 4 November (third reminder).
- 3) Sent 25-Oct-22: Reminder for Investment Strategy development session 28 October.
- 4) Sent 27-Oct-22: LAPF Investment Awards – shortlisting notification.
- 5) Sent 28-Oct-22: slides and recording from investment strategy development session.
- 6) Sent 31-Oct-22: Reminder for Pensions Dashboard development session 28 October.
- 7) Sent 31-Oct-22: 2022 LGPS National Knowledge Assessment progress update and fourth reminder.
- 8) Sent 08-Nov-22: proposed dates for revised December 2022/January 2023 board meeting.
- 9) Sent 09-Nov-22: 2022 LGPS National Knowledge Assessment progress update and fifth reminder.
- 10) Sent 10-Nov-22: slides and recording from dashboard project development session 9 November 2022.
- 11) Sent 15-Nov-22: November issue of the Edit, Hymans Robertson.
- 12) Sent 15-Nov-22: summary of pension fund committee papers 23 November 2022.
- 13) Sent 16-Nov-22: invitation to A Virtual Fireside Chat: Talking all things pension dashboard, Heywood Pension Technologies 9 November 2022.
- 14) Sent 25-Nov-22: invitation Link Investor day 3 February 2023.
- 15) Sent 25-Nov-22: ACCESS: exposure to forced labour - repression of Uyghur Muslims in China
- 16) Sent 30-Nov-22: LGPC Bulletin 231.
- 17) Sent 30-Nov-22: ACCESS joint committee meeting agenda pack 5 December 2022.
- 18) Sent 01-Dec-22: Hymans Aspire LGPS Online Learning Academy chaser.
- 19) Sent 06-Dec-22: pension fund investments exposure to Qatar.
- 20) Sent 07-Dec-22: December issue of the Edit, Hymans Robertson.
- 21) Sent 13-Dec-22: Hymans Robertson Festive round up.
- 22) Sent 07-Jan-23: Hymans Robertson: Key priorities for the LGPS in 2023.

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**Isle of Wight Council Pension Fund:  
Committee and Local Pension Board Indicative workplan 2022-23  
Last updated: 13 September 2022**

<b>Date</b>	<b>Meeting</b>	<b>Agenda items</b>	<b>Complete</b>
26 January 2022 1400-1530	Development session (virtual)	ACCESS/Minerva - ACCESS ESG/RI guidelines	√
02 February 2022 1400-1530	Development session (virtual)	Hymans Robertson – triennial valuation	√
16 February 2022	PFC	<p>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</p> <p><b>Confidential:</b> ACCESS report from December JC plus associated decisions <b>Confidential:</b> Contract management – custodian procurement; admin software update; benchmarking services considerations. <b>Confidential:</b> DRAFT Risk register progress report <b>Confidential:</b> Governance Compliance Statement – verbal update</p>	√
<b>7 March 2022</b>	<b>ACCESS JOINT COMMITTEE – Cllr Andre</b>		√
6 April 2022 1400-1600 (from 23 March 2022)	LPB	<p>Introduction/induction session Report from Administration team Knowledge and understanding Risk management – DRAFT risk register</p>	√

## Committee and Local Pension Board Indicative workplan 2022-23

Last updated: 13 September 2022

Date	Meeting	Agenda items	Complete
25 May 2022	PFC	<p>Report from pension board  <del>Reports from ESG/RI work group</del>                      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  <b>Confidential:</b> Risk management - risk register adoption  <b>Confidential:</b> <del>DRAFT Governance compliance statement 2021-22</del>  <b>Confidential:</b> ACCESS report from March JC plus associated decisions  <del><b>Confidential:</b> Review of investment consultants' performance against objectives</del>  <b>Confidential:</b> Procurement and contract management: <del>governance consultancy considerations</del>; pension administration software update</p>	√
<b>6 June 2022</b>	<b>ACCESS JOINT COMMITTEE – Cllr Andre Cllr Churchman</b>		√
15 June 2022	LPB	<p>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  <del>DRAFT Governance compliance statement 2021-22 (deferred to October)</del>  <del>Good governance gap analysis (deferred to October)</del>  <del>TPR code of practice (deferred to October)</del></p>	√
27 July 2022	PFC	<p>Legislation/regulation update (DLUHC consultation update)                      Report from Board: including                     <ul style="list-style-type: none"> <li>• Risk management - risk register</li> </ul>                     triennial valuation: progress report                      DRAFT annual report and accounts 2021-22 (possibly defer to November)                      Fund manager presentation (Black Rock – UK Equity)</p>	√



Date	Meeting	Agenda items	Complete
		Knowledge and understanding <del>Governance compliance statement 2021-22</del> (defer to November) <b>Confidential:</b> ACCESS report from June JC plus associated decisions <b>Confidential:</b> Procurement and contract management: governance consultancy considerations, custody update, structure review, admin software award	
<b>12 September 2022</b>	<b>ACCESS JOINT COMMITTEE – Cllr Churchman</b>		<b>To be rescheduled</b>
14 September 2022 1100-1300	Development session (virtual)	Investments: Strategic asset allocation review	Postponed
<b>6 October 2022</b>	<b>ACCESS JOINT COMMITTEE – Cllr Churchman</b> <b>Virtual briefing (inquire)</b>		√
26 October 2022 (changed from 12 <sup>th</sup> )	LPB	<del>TPR Scheme return (if issued)</del> DRAFT Governance compliance statement 2021-22 <del>DRAFT annual report and accounts 2021-22</del> Risk management - risk register Structure review update DLUHC consultation update: <i>Climate change risk reporting</i> <i>Cyber risk</i> <i>Report from administration team</i> <i>Valuation update</i> Communications strategy review Knowledge and understanding incl. reports from events attended <del>Good governance gap analysis (from June)</del> <del>TPR code of practice (from June)</del>	√
28 October 2022 1030-1230	Development session (virtual)	Investments: Strategic Asset Allocation review (deferred from 14 September 2022)	√
8 November 2022 1400-1500	Employer engagement (virtual)	Valuation – employer results webinar (Hymans Robertson)	√
9 November 2022 1100-1300	Development session (virtual)	Pensions Dashboard Project (Colin Lewis: Heywood Pension Technologies)	√

Date	Meeting	Agenda items	Complete
22 November 2022 (pm)	Employer engagement	Meetings with individual employers and actuary to discuss draft results	
23 November 2022	PFC	Report from Board Risk management - risk register – recommendation from board Communications Strategy – recommendation from board Governance compliance statement 2021-22 – recommendation from board <i>DLUHC consultation: Climate change risk reporting</i> Triennial valuation: whole fund results and employer progress. Strategic Asset Allocation Structure review progress update Fund manager presentation (GSAM private debt) Knowledge and understanding: <i>Hymans' National Knowledge Assessment</i> <b>Confidential:</b> ACCESS report from September JC plus associated decisions <del><b>Confidential:</b> UK Equity allocation</del> <b>Confidential:</b> Procurement and contract management: investment consultancy considerations,	√
<b>5 December 2022</b>	<b>ACCESS JOINT COMMITTEE – Cllr Churchman IWC LPB representatives to attend</b>		√
<del>?? December 2022</del>	<del>ESG/Rt working group</del>	<del>tbc</del>	
17 January 2023 <i>Rearranged from 21-Dec-22</i>	LPB	External audit update DRAFT annual report and accounts 2021-22 (from October) Knowledge and understanding incl. reports from events attended <ul style="list-style-type: none"> <li>• Hymans' National Knowledge Assessment</li> </ul> Report from administration team Risk management – risk register <del>Reporting breaches policy review</del> Funding Strategy Statement Investment Strategy Statement <del>Administration Strategy review</del>	
<del>?? January 2023</del>	<del>Development session (virtual)</del>	<del>tbc</del>	

Date	Meeting	Agenda items	Complete
?? January/February 2023	ESG/RI working group	tbc	
8 February 2023	PFC	<p>Report from Board: including</p> <ul style="list-style-type: none"> <li>• <del>Risk management – risk register</del></li> <li>• <del>Reporting breaches policy</del></li> </ul> <p>External audit update  DRAFT annual report and accounts 2021-22  triennial valuation: DRAFT final result and completion process.  Fund manager presentation (Partners Group infrastructure)  Funding Strategy Statement  <del>Investment Strategy Statement</del>  Knowledge and understanding  <b>Confidential:</b> ACCESS report from December JC plus associated decisions  <b>Confidential:</b> Procurement and contract management: investment consultancy considerations</p>	
?? February 2023	Development session (virtual)	tbc	
<b>6 March 2023</b>	<b>ACCESS JOINT COMMITTEE – Cllr Churchman</b>		
?? March 2023	Development session (virtual)	tbc	
5 April 2023	LPB	<p>Knowledge and understanding incl. reports from events attended  Annual report and accounts 2021-22 completion report  Risk management - risk register  Triennial valuation: completion confirmation  Reporting breaches policy review  Administration strategy review</p>	
24 May 2023	PFC	<p>Report from Board: including</p> <ul style="list-style-type: none"> <li>• Risk management - risk register</li> <li>• Administration strategy</li> </ul> <p>Triennial valuation: completion confirmation  <i>Investment Strategy Statement</i></p>	

Date	Meeting	Agenda items	Complete
		Fund manager presentation (UBS Passive global equity (from February)) <b>Confidential:</b> ACCESS report from March JC plus associated decisions <b>Confidential:</b> Procurement and contract management:	

DRAFT

**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 – 28 October 2022
- ✓ LAPFF – 29 October 2021
- ✓ Pensions Dashboard – 9 November 2022
- *Planning/Strategy away day?*
- ✓ Risk Management – 6 October 2021
- *Roles and responsibilities*
  - ✓ *Custodian*
  - ✓ *Internal/external audit*
  - ✓ *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
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	24 May 2023
Diversified Growth	Baillie Gifford, via ACCESS	November 2013	November 2019	28 July 2021	26 July 2023
Global Equity (active)	Newton, via ACCESS	August 2009	May 2019	24 November 2021	22 November 2023
UK Equity	BlackRock (via ACCESS)	Tbc (Jan 24)	Tbc (Jan 24)	27 July 2022	14 February 2024
Fixed Income	Schroder	August 2009	n/a	25 May 2022	May 2024
Property	Schroder	August 2009	n/a	25 May 2022	May 2024
Private Debt	Goldman Sachs	January 2021	n/a	23 November 2022	July 2024
UK Equity	Liontrust (Majedie), via ACCESS	August 2009	November 2020	16 February 2022	n/a

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