



Agenda

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	WEDNESDAY 22 NOVEMBER 2023
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members of the committee	Cllrs C Jarman (Chairman), V Churchman (Vice-Chairman), P Brading, C Critchison, K Lucioni, N Stuart and I Ward Steve Milford (Co-Opted) (Non-Voting) Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Apologies and Changes in Membership (If Any)**

To note any changes in membership of the Committee made in accordance with Part 4B paragraph 5 of the Constitution.

2. **Minutes** (Pages 7 - 12)

To confirm as a true record the Minutes of the meeting held on 6 September 2023.

3. **Declarations of Interest**

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



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

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

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore the deadline for written questions will be Friday, 17 November 2023.

5. **Report from the Local Pension Board** (Pages 13 - 18)

To receive the minutes of the meeting of the Local Pension Board held on 13 September 2023.

6. **Policy on Academy Funding** (Pages 19 - 36)

To adopt the policy on academy funding, on recommendation from the Local Pension Board.

7. **Draft Annual Report and Accounts** (Pages 37 - 112)

To receive and note the draft pension fund annual report and accounts for the year ended 31 March 2023, and to receive a verbal update on the progress of the 2022-23 external audit.

8. **Draft Governance Compliance Statement 2022-23** (Pages 113 - 156)

To receive and note the draft for the year ended 31 March 2023, for inclusion in the final annual report and accounts.

9. **Investment Performance and Funding Level**

To receive and note the reports from the fund's investment consultants:

(a) Investment assets as at 30 September 2023 (Pages 157 - 158)

(b) Quarterly Investment Performance Report (Pages 159 - 176)

10. **Investment Strategy Implementation** (Pages 177 - 216)

To receive a report on the progress of the implementation of the agreed strategic asset allocation, and to ratify the managers appointed following the selection panels for private debt and infrastructure held in October 2023.

11. **Governance Support Update** (Pages 217 - 242)

To receive an update from Hymans Robertson on the governance support work being undertaken, including progress addressing the high priority work plan items, and an update to the fund's risk register, focusing on high (red-rated) risks.

12. **Knowledge and Understanding Update**

To receive a verbal update on committee members' training and to confirm participation in the Hymans Robertson Knowledge Progress Assessment exercise.

13. **Legislation and Regulation Update**

To receive a verbal update.

14. **Members' Question Time**

A question may be asked at the meeting without prior notice but in these circumstances there is no guarantee that a full reply will be given at the meeting. To guarantee a reply, a question must be submitted in writing or by email to democratic.services@iow.gov.uk no later than 10.00am, Monday 20 November 2023.

15. **Exclusion of Public and Press**

To consider passing a resolution that, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, namely agenda item(s) 16 to 17 on the grounds that there is likely to be disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

16. **ACCESS Update** (Pages 243 - 258)

To receive and note the update on activity with the ACCESS pool.

17. **Procurement and Contract Management Update**

To receive and note a verbal update on procurement and contract management activity.

CHRISTOPHER POTTER
Monitoring Officer
Tuesday, 14 November 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 – Christopher Potter on (01983) 821000, email christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

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

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

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

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



Minutes

Name of meeting	ISLE OF WIGHT PENSION FUND COMMITTEE
Date and Time	WEDNESDAY 6 SEPTEMBER 2023 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs C Jarman (Chairman), V Churchman (Vice-Chairman), D Andre, P Brading 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 (Local Pension Board), Robert-Jan Bakker, Robert Evans and Henriette Topel (Partner's Group), David Walker (Hymans Robertson)
Also Present (Virtual)	Susan McKenzie and Andrew McKerns (Hymans Robertson)
Apologies	Cllrs C Critchison and K Lucioni

21. **Apologies and Changes in Membership (If Any)**

Apologies were received from Cllr Claire Critchison and Cllr Karen Lucioni.

22. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 24 May 2023 be approved.

Cllr Paul Brading requested a response to his question raised at the last meeting regarding the eligibility of Isle of Wight Council staff benefits and whether this should be extended to former members of staff who are also members of the pension scheme. The chairman agreed to contact Human Resources for a response.

23. **Declarations of Interest**

No declarations were received at this stage.

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

No public questions were received.

25. **Reports from the Local Pension Board**

Consideration was given to the activity of the Board since the last meeting, and the chairman of the Local Pension Board presented the notes of the informal meeting held on 24 July 2023, highlighting the key topics discussed. Attention was drawn to the concerns around the significant key person dependency risk and sought support from the committee in progressing the structural staffing review of the pensions function. The committee received an update on board membership and the Pension Fund Manager outlined the work underway to fill the two vacant employer-representative board seats.

The committee received an update on the Pensions Administration Team's staffing capacity issues and the work underway to address this. Questions and concerns were raised regarding recruitment, retention, and mainland pay disparity.

RESOLVED:

THAT the update be received and noted.

26. **Annual Report and Accounts:**

26a **2021-22**

The Pension Fund Manager provided a verbal update on the progress towards the completion of the 2021-22 annual report and accounts. It was confirmed that the draft had been published (subject to the conclusion of the external audit) and the final report would be published once the Council's accounts for 2021-22 had been signed off.

RESOLVED:

THAT the verbal update be received and noted.

26b **2022-23**

The Pension Fund Manager presented an extract of the draft financial results for the year ended 31 March 2023 and the committee were asked to note the timetable for the completion of the annual report and accounts and the external audit programme. It was confirmed the draft financial results had been published as part of the Isle of Wight Council's draft accounts, however the commencement date of the external audit for 2022-23 was unknown at this stage. Discussion took place regarding the increase in active scheme members and the automatic re-enrolment process.

RESOLVED:

THAT the update be received and noted.

27. **Workplan**

27a **Governance Support**

27b **Workplan**

The committee received the report and a presentation from Hymans Robertson on the fund's governance outlook (including work priorities, risks, dependencies, and actions). Questions were raised in relation any compensation available to address the additional pressures that the fund, as one of the smallest LGPS funds in England and Wales, faces in meeting the same level of regulatory governance requirements as larger funds which have greater resources. It was confirmed that although the administrative burden was relatively smaller, given lower membership numbers, the standards and expectations of the Pensions Regulator and other external authorities remained the same regardless of size. Discussion took place regarding the investment and governance benefits of being part of the ACCESS pool. The committee received the draft workplan for the financial years 2023-2025, and it was confirmed that this would be updated following the outcome of the above work.

RESOLVED:

- i) THAT the report and appendices from Hymans Robertson be noted.
- ii) THAT the working assumptions on which the report is based be agreed.
- iii) THAT the actions to deliver quick wins be agreed and supported.
- iv) THAT the next steps as outlined in the report be approved.

28. **Recording and Reporting Breaches of the Law Policy**

The Pension Fund Manager presented the updated Recording and Reporting Breaches of the Law policy for the fund, on recommendation from the Local Pension Board. Clarity was sought regarding those who had a responsibility for reporting breaches, and it was confirmed that the policy would be circulated to all parties (with an offer of a briefing session to introduce and explain the policy). The Pension Fund Manager was thanked and it was confirmed that the breaches log would be monitored and reviewed by the Local Pension Board going forward.

RESOLVED:

- i) THAT the Policy for Recording and Reporting Breaches of the Law be adopted, and its publication on the fund's website be agreed.
- ii) THAT the policy be circulated to those parties identified as having responsibility for reporting breaches, including an offer of a briefing session to introduce and explain the policy.
- iii) THAT the breaches log (containing all identified potential breaches, their assessment, mitigation and reporting status) be presented to each meeting of the Local Pension Board for monitoring and review.

29. **Investment Performance and Funding Level**

29a **Investment Assets as at 30 June 2023**

29b **Quarterly Investment Performance Report**

Consideration was given to the reports for the quarter ended 30 June 2023, which included investment assets and a summary of market returns, capital market outlook, asset allocation, fund performance, and fund manager analysis. No comments or questions were raised at this stage.

RESOLVED:

THAT the updates on investment performance and funding level be noted.

30. **Members' Question Time**

No questions were received.

31. **Exclusion of Public and Press**

RESOLVED:

THAT the public and press be excluded.

32. **Fund Manager Presentation (Confidential)**

The committee received a presentation from Partners Group on the fund's infrastructure portfolio. Questions were raised regarding the development and future expansion of pan-Nordic data centres, storage and data processing, investments in road or rail infrastructure and windfarms, the asset strategy, and the natural termination of arrangements.

RESOLVED:

THAT the fund manager presentation be received and noted.

33. **DLUHC consultation: Local Government Pension Scheme (England and Wales): Next steps on investments**

Consideration was given to the report which summarised the key themes of the government consultation on investments (including pooling and levelling up), and the key issues which should be considered in framing the fund's response. The Pension Fund Manager presented the proposed process for the completion of the response and sought contributions from the committee on matters to be included. Comments were raised in relation to pooling fees and the driving forces behind the consultation. Following discussion, it was:

RESOLVED:

- i) THAT the consultation from the Department for Levelling Up, Housing and Communities, and the initial thoughts of the Pension Fund Manager on the themes in the consultation, be noted.

- ii) THAT the Pension Fund Manager, following review by the Director of Finance and the Chairman and Vice-Chairman of the Isle of Wight Pension Fund Committee, be authorised to submit the fund's final response by the consultation deadline of 2 October 2023.
- iii) THAT the final response to the consultation be published on the fund's website after it has been submitted.

34. **Investment Strategy 2023 (Confidential)**

34a **UK Equity Tobacco Considerations (Confidential)**

Consideration was given to the confidential report which provided an update on the investigations by Hymans Robertson into the fund's exposure to tobacco, following the committee's review of the fund's strategic asset allocation at its meeting in May 2023. Comments were made regarding the committee's obligations to scheme members in relation to investment returns and the Environmental, Social and Governance Policy. Following discussion, it was:

RESOLVED:

THAT the fund remains invested in the existing LF ACCESS UK Select Fund (BlackRock) sub-fund, with no exclusion of tobacco stocks, and continues to engage with the ACCESS Pool and investment managers in accordance with its existing Environmental, Social and Governance Policy.

34b **Fixed Income Transition to ACCESS Pool (Confidential)**

Consideration was given to the confidential report from Hymans Robertson which presented the final report on the commissioning of a product assurance review of the LF ACCESS Sterling Core Bond fund within the ACCESS pool, to support the pooling of the fund's liquid assets, following the committee's review of the fund's strategic asset allocation at its meeting in May 2023. Following discussion, it was:

RESOLVED:

- i) THAT the report from Hymans Robertson be noted.
- ii) THAT the fund transitions its fixed income portfolio from Schroders to the LF ACCESS Sterling Core Bond Fund (Royal London).
- iii) THAT fund officers work with advisers, investment managers and the global custodian, to support a timely and cost-efficient transfer.

34c **Manager selection process for increased Private Debt and Infrastructure Allocations (Confidential)**

Consideration was given to the confidential report which provided an update on the fund manager selection process and cash flow projections for private debt and infrastructure. No comments or questions were raised, and it was:

RESOLVED:

- i) THAT the report from Hymans Robertson be noted.
- ii) THAT the additional commitment to private debt of £51.5 million be agreed in principle, subject to final confirmation from the selected manager.
- iii) THAT the additional commitment to infrastructure of between £40 million and £50 million be agreed in principle, subject to the type of fund invested in and final confirmation from the selected manager.
- iv) THAT the selection process for each asset class, the composition of the selection panels for each selection day, be agreed.
- v) THAT the decision on the preferred manager be made on the day of the selection process, to be formally ratified at the meeting of the committee on 22 November 2023.

35. **ACCESS Update (Confidential)**

Consideration was given to the confidential report on ACCESS pool activities since the last meeting, and the committee noted the key updates arising from the meeting of the ACCESS Joint Committee meeting held on 4 September 2023.

RESOLVED:

THAT the update be received and noted.

CHAIRMAN



Minutes

Name of meeting	LOCAL PENSION BOARD
Date and Time	WEDNESDAY 13 SEPTEMBER 2023 COMMENCING AT 2.00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	M Doyle (Chairman), L Kingston, B Milton and T Ould
Also Present	Matthew Collier, Jo Cooke and Jo Thistlewood,

1. **Minutes**

1a **5 April 2023**

RESOLVED:

THAT the minutes of the meeting held on 5 April 2023 be approved.

1b **24 July 2023**

RESOLVED:

THAT the notes of the informal meeting held on 24 July 2023 be noted.

2. **Declarations of Interest**

No declarations were received.

3. **Report from the Pension Fund Committee**

The Pension Fund Manager provided a verbal update following the meeting of the Committee on 6 September 2023.

RESOLVED:

THAT the verbal update be received and noted.

4. **Annual Report and Accounts**

The Pension Fund Manager provided a verbal update on the progress towards the completion of the 2021-22 annual report and accounts. It was confirmed that the draft had been published (subject to the conclusion of the external audit) and the

final report would be published once the Council's accounts for 2021-22 had been signed off.

The Pension Fund Manager presented an extract of the draft financial results for the year ended 31 March 2023 and the committee were asked to note the timetable for the completion of the annual report and accounts and the external audit programme. It was confirmed the draft financial results had been published as part of the Isle of Wight Council's draft accounts, however the commencement date of the external audit for 2022-23 was unknown at this stage.

The Board asked what impact the delay cause, the Pension Fund Manager advised that the impact was on workloads, however the team had prepared the work in advance, following the regular year end timetable.

Concern was raised regarding recent submissions by other Local Authorities of a s114 notice and how such a notice locally might affect the Pension Fund. Board members were advised that the Pension Fund was independent of council budgets and therefore should not be significantly impacted.

The Board requested a breakdown of recharges to the pension fund to ensure that correct payments were being processed through the fund. Officers advised that they had previously challenged some recharge payments. It was agreed that a breakdown of internal recharge to the fund would be provided, so the board could consider further investigation.

RESOLVED:

THAT the verbal update be received and noted.

THAT a breakdown of recharges be provided to the board.

5. **DLUHC consultation: Local Government Pension Scheme (England and Wales): Next steps on investments**

Consideration was given to the report which summarised the key themes of the government consultation on investments (including pooling and levelling up), and the key issues which should be considered in framing the fund's response.

The Pension Fund Manager presented the proposed process for the completion of the response and sought contributions from the board on matters to be included.

Discussion took place regarding the pool savings and the benefit of the Pool to the Pension Fund, The Pension Fund Manager advised that cost benefits had been identified in the difference between current fees paid within the pool and those achievable in the general market at the current time. However, due to changing fee structures, the fund had incurred additional costs in comparison to the original un-pooled mandates.

RESOLVED:

THAT board members advise the Pension Fund Manager of any comments on the consultation response during the week commencing 25 September 2023.

THAT the verbal update be received and noted.

6. **Work Planning 2023-25**

The board received the report and noted the presentation from Hymans Robertson, delivered at the Pension Fund Committee meeting, on the fund's governance outlook (including work priorities, risks, dependencies, and actions).

The Board questioned if a job specification had been drafted for the vacant governance support officer post, and asked the requirements for the post, The Pension Fund Manager advised that a national advert had been made previously however there had been very little interest.

The Section 151 Officer (Director of Finance) had been supplied with the options report from Barnett Waddingham and advised that this would be considered after the council's organisational review was completed. The Board asked if a meeting could be arranged with the Chairman and 151 Officer to discuss this matter further. It was also noted that a letter should be to the Chairman of the Pension Fund Committee.

RESOLVED:

THAT the report be noted

THAT a meeting be arranged with the Section 151 officer and Chairman of the Isle of Wight Pension Fund Committee.

7. **Academy Participation Policy**

The Pension Fund Manager presented the proposed new policy, explaining the reasoning behind the statement of principle concerning the consolidation of Multi Academy Trusts, and confirming that the fund's current processes in respect of the outsourcing of contracts from academies was in line with the new government requirements.

RESOLVED:

- i) THAT the draft Academy Participation Policy on academy funding be agreed.
- ii) THAT the statement of principle that the Isle of Wight Pension Fund will not accept transferring academies as a result of Multi-Academy Trust consolidation be agreed.
- iii) THAT the formalisation of the fund's current practices in respect of academy outsourcing contracts be agreed.

- iv) THAT the process for the finalisation of the policy, including consultation with the fund's existing academy employers, and those schools for whom conversion is planned, be noted.

THAT the policy be recommended to the Pension Fund Committee for adoption at its meeting in November 2023.

8. **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 2022-23 to date, complaints recorded, and breaches of the law identified since the last meeting.

Attention was drawn to key updates relating to:

- The increase in membership numbers were due to the inclusion of dependents pensions, previously omitted from the reports in error.
- Data quality scores for common data and scheme specific data had been calculated; both are in excess of 96% demonstrating continued improvement.
- A meeting with Heywood Pension Technologies (HPT) regarding the McCloud remedy had been held to agree the next steps.
- HPT had confirmed that the fund was in a very good place to progress the implementation of the McCloud remedy, with over 85% of its data being submitted for processing.

The Pension Board thanked the pension administration team for all the work that had been done.

RESOLVED:

THAT the report from the Pensions Administration Team be received and noted.

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

The Pension Fund Manager advised that Hymans had launched a new version of the LGPS Online Learning Academy and board members should have received communication, the board was required to complete this learning by 31 March 2024.

Two board members were invited to attend the next ACCESS Joint meeting on 4 December 2023, The Pension Fund Manager advised that the Chairman had indicated an intention to attend and requested that the board advise who else would be attending.

The two council-nominated employer representative vacancies were under consideration; the elected member nomination would be considered at Full Council on 20 September 2023 and the Chief Executive had requested that a request be published in the Council's staff newsletter to seek expressions of interest in the

second vacancy, nominated by the Council's Corporate Management Team. The intention was to have the vacancies filled by the next meeting in December 2023.

The Board asked if there was any information regarding cyber security that needed to be looked at, they were advised that the issue was on the risk register and a meeting with Hymans had been arranged to discuss what needed to be done to develop a plan to secure information.

CHAIRMAN

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Purpose: For Decision

Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	22 NOVEMBER 2023
Title	POLICY ON ACADEMY FUNDING
Report of	PENSION FUND MANAGER

1. Executive Summary

- 1.1 Following the 2022 actuarial valuation, at its February 2023 meeting, the Pension Fund Committee adopted the update Funding Strategy Statement (FSS). The FSS made reference to a number of policies in being available on request, including a policy on academy participation.
- 1.2 This report presents the Policy on Academy Funding prepared by Hymans Robertson LLP. Following adoption, the policy will be published on the fund's website. In future, the creation of new academies, consolidation of academies into Multi-Academy Trusts, closures of academies, and outsourcing arrangements by academies will be treated in accordance with this policy.

2. Recommendation(s)

- 2.1 That the policy on academy funding is agreed.
- 2.2 That the statement of principle that the Isle of Wight Pension Fund will not accept transferring academies as a result of Multi Academy Trust consolidation is agreed.
- 2.3 That the formalisation of the fund's current practices in respect of academy outsourcing contracts is agreed.
- 2.4 That the policy is adopted and will be published on the fund's website.

3. Background

- 3.1 Section 5.2 of the published FSS (linked in background papers) summarises the fund's policy on the admission of new academies or Multi Academy Trusts (MATs) into the fund, including the calculation of the new employer's share of assets and liabilities, and the setting of the employer contribution rate.
- 3.2 The proposed Policy on Academy Funding expands on these points, providing more detail on each aspect.
- 3.3 While this is a new policy, it does not contain any new requirements; it is a formalisation of existing practice made transparent for new and existing employers. There are a number of sections which are new or require specific approval.
- 3.4 The Statement of Principles, section 4 of the proposed policy, formally states for the first time the fund's preference that it will not receive additional academies into the fund as part of a consolidation exercise.
- 3.5 This is expanded upon in section 5.5, which sets out the process which MATs must follow, and confirms that the fund will provide necessary administrative support to a consolidating MAT, who must bear the cost of such support.
- 3.6 The Committee is asked to confirm this statement of principle.
- 3.7 Section 5.6 of the proposed policy includes reference to recently updated government guidance on academies undertaking outsourcing arrangements (for example the sub-contracting of cleaning, catering or other services), and confirms the fund's preference that these contracts be treated on a pass-through arrangement. This is a new regulatory requirement, and means that:
- 3.8 The new admission agreement with the new contractor is a tri-partite agreement between the Council (as administering authority for the fund), the letting academy (as scheme employer) and the contractor (as admitted body).
- 3.9 The admission agreement is "closed", meaning that only those active members who transfer across from the letting academy to the contractor are eligible to remain in the pension scheme, and no new employees may join.
- 3.10 The contractor pays the same employer contribution rate as the letting academy for the duration of the contract.
- 3.11 At the end of the contract, the share of assets and liabilities of the contractor revert to the letting academy, which is responsible for any deficit (or surplus) on the cessation of the contractor's admission agreement.
- 3.12 Although the regulatory requirements for academies' outsourcing arrangements are new, the process outlined above mirrors the fund's current operating processes.
- 3.13 The committee is asked to note and agree the formalisation of this process.

4. Corporate Priorities and Strategic Context

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

Pension Fund Strategic Aims

- 4.2 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.
- 4.3 The fund has also agreed the following objectives, which are supported by information in this report:
- 4.3.1 Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
 - 4.3.2 Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
 - 4.3.3 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.

5. Local Pension Board

- 5.1 The Local Pension Board considered this matter at its meeting on 13 September 2023.
- 5.2 The board agreed the draft policy and confirmed acceptance of the statements of principle in respect of not accepting transferring academies as a result of multi academy trust consolidation, and the formalisation of the processes for academy outsourcing contracts.
- 5.3 The board approved the circulation of the draft policy for consultation with existing and proposed academies within the fund.

6. Consultation And Engagement

- 6.1 Following the board meeting, on 5 October 2023 the draft policy for academy funding was circulated the following academies, with a request that it be shared with any sponsoring trust for consideration:
- 6.1.1 Academies Enterprise Trust – Ryde Academy.
 - 6.1.2 Ormiston Academy Trust – Cowes Enterprise College.
 - 6.1.3 Portsmouth and Winchester Diocese Academies Trust – St Francis Academy and St Blasius Academy.

- 6.1.4 Northwood Primary Academy.
- 6.1.5 Lanesend Primary Academy.
- 6.1.6 The Island Free School.

- 6.2 The draft policy was also shared with Hampshire, Isle of Wight, Southampton and Portsmouth Academies Trust, which the Isle of Wight Education Foundation schools (Medina College, Carisbrooke College, Island VI Form) will be joining in early 2024.
- 6.3 A question was received from the Island Free School concerning the relevance of the policy to them as an independent academy with no sponsor. It was confirmed that the sections specifically relating to MATs (sections 5.2 and 5.3) could be ignored entirely for independent academies, but that all other sections of the policy were relevant.
- 6.4 By the deadline for responses (Friday 3 November), no other comments or questions had been received.

7. Financial / Budget Implications

- 7.1 The costs of the preparation of the draft policy by Hymans Robertson LLP are approximately £1,500, which is in line with the fees quoted in the actuarial services tender response in 2017. This will be charged the pension fund's governance cost code.

8. Legal Implications

- 8.1 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".
- 8.2 The Local Government Pension Scheme Regulations 2013 (as amended) require administering authorities to prepare, maintain and publish a funding strategy statement.
- 8.3 The fund adopted its current funding strategy statement in February 2023. The policy on academy funding forms part of this statement.

9. Equality And Diversity

- 9.1 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.

9.2 Although this is a new policy, it relates purely to the treatment of academies as employers in the fund, not individuals, and is a formalisation of the fund's existing practices. As such, no equality impact assessment (EIA) is required.

9.3 The adoption of this policy will have no implications for any individual with a protected characteristic.

10. Options

10.1 The following options are available in respect of the adoption of the policy on academy funding:

10.1.1 That the committee adopts the policy on academy funding.

10.1.2 That the committee requires amendments to one or more of the constituent parts of the policy on academy funding and defers adoption until such time as the amendments have been made.

11. Risk Management

11.1 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.

11.2 The policy on academy funding clearly sets out the treatment proposed for the creation of new academies, the consolidation of existing academies into multi-academy trusts, and the cessation of academies.

11.3 Documenting these processes in a policy ensure that all current and future employers within the fund are aware of the process, and minimises the risk of future challenge, and of inconsistent treatment in future.

11.4 The policy supplements the Funding Strategy Statement, which in itself serves to manage the funding risks for the fund.

12. Evaluation

12.1 The policy on academy funding was drafted by the fund's actuary, Hymans Robertson LLP, which ensures in accordance with current legislative and regulatory requirements and existing best practice.

12.2 The Local Pension Board have reviewed the policy and are satisfied that it is fit for purpose.

12.3 Other than a query concerning the applicability of the policy to independent academies, there have been no questions or comments received from any of the fund's current academy employers, nor from those schools which are currently in the process of joining a multi academy trust.

12.4 Accordingly, the option at paragraph 10.1.1 that the committee adopts the policy on academy funding is recommended.

13. Appendices Attached

13.1 Appendix 1: Isle of Wight Council Pension Fund: Policy on academy funding.

14. Background Papers

14.1 Isle of Wight Pension Fund Committee February 2023, Funding Strategy Statement adoption.

<https://iow.moderngov.co.uk/documents/s10695/ITEM%2010%20Funding%20Strategy%20Statement.pdf>

14.2 Isle of Wight Pension Fund Funding Strategy Statement

<https://www.isleofwightpensionfund.org/media/n2uhbrn1/2022-valuation-fss-isle-of-wight-v2-1-final.pdf>

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

CHRIS WARD
Director of Finance

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



As administering authority for Isle of Wight Pension Fund

Isle of Wight Council
As administering authority for the
Isle of Wight Pension Fund
POLICY ON ACADEMY
FUNDING
November 2023

1 Document Information

Title:	Policy on academy funding
Status:	FINAL
Current Version:	1.0
Author:	Joanna Thistlewood, Pension Fund Manager Financial Management jo.thistlewood@iow.gov.uk (01983) 821000 ext 6371
Sponsor:	Chris Ward, Director of Finance Chris.ward@portsmouthcc.gov.uk 02392 834423
Consultation:	Pension Services Financial Management Legal Services Local Pension Board Pension Fund Committee
Approved by:	Pension Fund Committee
Approval Date:	<i>22 November 2023</i>
Review Frequency:	Every three years, unless significant change
Next Review:	2026

Version	Date	Description
0.0	5 June 2023	First version from Hymans Robertson
1.0	31 August 2023	IW template, for discussion at LPB Sep23, and sent to employers for consultation
1.0 final	06 November 2023	Final for adoption

2 Contents

1	Document Information	2
2	Contents	3
3	Introduction.....	4
3.1	Aims and Objectives	4
3.2	Background	4
3.3	Guidance and regulatory framework	4
4	Statement of Principles	5
5	Policies	6
5.1	Admission to the fund.....	6
5.2	Multi-academy trusts	6
5.3	Merging of MATs (contribution rates)	6
5.4	Cessations of academies and multi-academy trusts	7
5.5	Academy consolidations.....	7
5.6	Outsourcing	7
5.7	Accounting	8
6	Practicalities and process.....	9
7	Related Documents.....	10
8	Definitions.....	11

3 Introduction

Isle of Wight Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Isle of Wight Pension Fund (the fund). The LGPS is governed by statutory regulations.

The purpose of this policy is to set out the Administering Authority's funding principles relating to Academies and Multi-Academy Trusts (MATs).

3.1 Aims and Objectives

The Administering Authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT.
- to state the approach for setting contribution rates for MATs.
- to outline the responsibilities of academies seeking to consolidate.
- to outline the responsibilities of academies when outsourcing.

3.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new Academies join the fund on conversion from a local authority school or on creation (e.g. newly established Academies, Free Schools, etc). Upon joining the fund, for funding purposes, Academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to Academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

3.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

4 Statement of Principles

This statement of principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding Academies that achieves fairness to the ceding council, MATs and individual Academies.
- the fund's current approach is to treat all Academies within a MAT as individual employers for asset tracking purposes but does permit pooling for contribution rates, reported funding positions and accounting purposes.
- Academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise.

5 Policies

5.1 Admission to the fund

As set out in section 5.2 of the FSS:

5.1.1 Asset allocation on conversion

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 its 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%.

5.1.2 Contribution rate

New Academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an Academy is joining an existing MAT within the fund, then it may pay the MAT contribution rate (which may or may not be updated as a result - see below). The Academy will also have the option of paying the Isle of Wight Council contribution rate.

5.2 Multi-academy trusts

5.2.1 Asset tracking

The Fund's current policy is to individually track the asset shares of each Academy within the fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate.

5.2.2 Contribution rate

If an Academy is joining an existing pooled MAT (within the fund), in general, the transferring Academy will pay the certified contribution rate of the MAT it is joining.

At the discretion of the fund, a new contribution may be calculated by the fund actuary to allow for impact of the transferring Academy joining the MAT.

5.2.3 Academies leaving a MAT

As set out in section 5.2 of the FSS, if an Academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that Academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

5.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation.

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

5.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current Academy or a MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an Academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

5.5 Academy consolidations

If an Academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the fund preference that Academies do not seek to consolidate within the Isle of Wight Fund.

The fund will provide the necessary administrative assistance to Academies seeking to consolidate into another LGPS fund, however the Academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

5.6 Outsourcing

An Academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the Academy (or MAT) at the end of the contract.

It is the fund's preference for the contractor's contribution rate to be set equal to the letting Academy's (or MAT's) total contribution rate.

It is critical for any Academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The Academy should also read and fully understand the fund's admissions / pass-through policy.

In some limited cases, it is necessary to seek approval from the Department for Education before completing an outsourcing (to ensure that the guarantee provided to Academies will remain in place for the transferring members). Further details can be found on www.gov.uk within the policy paper titled 'DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements'.

5.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (e.g. for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg Academies may be pooled for contribution or funding risks but prepare individual accounting disclosures, or vice versa).

6 Practicalities and process

Schools looking to convert to Academy status, or any existing Academy or MAT considering outsourcing decisions, should in the first instance contact the Pension Fund Manager, Jo Thistlewood, by email at pension.accounts@iow.gov.uk.

Questions in respect to provision of membership data, including i-connect setup, should be addressed to the Pension Services team by email at pensions@iow.gov.uk.

Further information on the fund, including strategic documents and policies, can be found on the fund's website: <https://www.isleofwightpensionfund.org/>.

7 Related Documents

The fund's approach to admitting new Academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

Other related policies include;

- Contribution review policy (appendix E of the fund's FSS)
- Cessation policy (appendix F of the fund's FSS)

Funding Strategy Statement	https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/
Pension Administration Strategy	https://www.isleofwightpensionfund.org/resources/administration-strategy-statement-november-2018/
2022 valuation report	https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-valuation-report/

8 Definitions

Academy

A state-funded school which is directly funded by the Department for Education and independent of local authority control.

Administering Authority

A body responsible for administering a Local Government Pension Scheme (LGPS) fund on behalf of its members who may be drawn from a number of local authorities and other public service employers.

Funding Strategy Statement (FSS)

Statutory document whose purpose is to 'establish a clear and transparent fund-specific funding strategy which would identify how employers' pension liabilities are best met going forward'.

Multi Academy Trust (MAT)

An academy trust that operates more than one academy school.

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**Isle of Wight
Council**

Purpose: For Decision

Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	22 NOVEMBER 2023
Title	DRAFT ANNUAL REPORT AND ACCOUNTS 2022-23
Report of	PENSION FUND AND TREASURY MANAGEMENT ACCOUNTANT

1. Executive Summary

- 1.1 This report presents the draft annual report and accounts for the Isle of Wight Council Pension Fund for the year ended 31 March 2023, which is still subject to external audit.
- 1.2 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 and Governance Committee once both the external audits have been completed.
- 1.3 The separate external audit of the pension fund accounts has begun but will not be complete until late December 2023 or early January 2024.
- 1.4 Publication of the draft, unaudited annual report and accounts will ensure the fund is compliant with Local Government Association best practice, and in compliance with the statutory deadline.
- 1.5 The Draft Annual Report does not include two items, namely the Foreword and the Knowledge and Skills Framework Compliance Statement.
- 1.6 Delegation of the inclusion of these items in the Annual Report by the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee will allow the Annual Report to be published by the deadline.

2. Recommendation(s)

- 2.1 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund's website before the deadline of 1 December 2023.
- 2.2 That the committee is notified of the progress of the external audit for both the pension fund and the Council.
- 2.3 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to produce the outstanding items for the draft annual report and that this is published by the deadline of 1 December 2023.
- 2.4 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any changes arising from the audit, and to publish the final annual report and accounts as soon as practical after the Audit and Governance Committee meeting.
- 2.5 That the committee and pension board are notified of the conclusion of the pension fund's external audit and the publication of the final annual report and accounts, and a report be presented to each body at the first meeting after the conclusion of the process.

3. Background

- 3.1 The Local Government Pension Scheme (LPGS) Regulations 2013 (the regulations) require pension funds to publish an annual report on or before 1 December each year. The content of the annual report is specified by the regulations.
- 3.2 The Current guidance from the LGA is that funds should publish their draft, unaudited annual report and accounts as soon as it is available; funds should publish an updated version once the external audit of the relevant administering authority's accounts has been completed.
- 3.3 Due to significant delays in the external audit process for both the fund itself and the council, as administering authority, therefore the fund will be looking to publish a draft annual report by the specified deadline.
- 3.4 The draft financial result for the pension fund for the year ended 31 March 2023, including investment performance and employers' contributions analysis, was presented to the pension fund committee at its meeting on 6 September 2023. The annual report contains the same information but presented in accordance with statutory reporting guidelines.

- 3.5 Regulation 57 of the regulations covers the requirement for, content of, and publication arrangements for LGPS pension fund annual reports.
- 3.6 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.
- 3.7 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.

Table of contents	
Foreword	<i>As prepared on behalf of the committee chair. This document has yet to be produced</i>
Financial summary	<i>Extracted from draft financial statements presented to September 2023 committee meeting</i>
Scheme management and advisers.	<i>Same format as prior year.</i>
Investment policy and performance report	<i>Report from the fund's investment consultants, Hymans Robertson LLP</i>
<u>Investment strategy statement</u>	February 2021 version. Approved by previous committee on 3 March 2021. Link to published statement provided.
Actuarial statement	<i>Report from the fund's actuary, Hymans Robertson LLP.</i>
<u>Funding strategy statement</u>	Approved and adopted by previous committee at meeting on 23 February 2023. Link to published statement provided.
Pension scheme administration information	<i>Key performance indicators for 2022-23</i>
<u>Administration strategy</u>	Approved by previous committee 10 May 2023. Link to published statement provided.
<u>Governance policy statement</u>	Approved by previous committee 2 September 2020. Link to published statement provided.
<u>Terms of reference of Pension Fund Committee</u>	Contained within council's constitution which was last updated August 2022.
<u>Terms of reference of Local Pension Board</u>	Link to relevant section of constitution provided.
Governance compliance statement	To be presented to committee on within the papers for this meeting
Pension Board Annual Report	<i>Report from Pension Board Chairman on activity during 2022-23</i>
Knowledge and skills framework compliance statements	<i>Detail of training undertaken both by Pension Fund Committee and Pension Board. This document has yet to be produced</i>
<u>Risk management policy</u>	Approved by committee in November 2021. Link to published statement provided.
<u>Communications policy statement</u>	Approved by committee on 23 November 2022. Link to published statement provided.

ACCESS Pool Annual Report	This document has yet to be published by ACCESS so we are unable to publish it at this point.
Statement of responsibilities for the statement of accounts – not included	Final version to be inserted once council's statement of accounts finalised.
<i>Financial statements year ended 31 March 2023</i>	Current unaudited version, as published in the Council's draft financial statements .
Independent auditors' statement – not included	To be added once council's statement of accounts finalised.
<i>APPENDIX A – Glossary of terms</i>	<i>As per prior year.</i>

4. Corporate Priorities and Strategic Context

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

Pension Fund Strategic Aims

- 4.2 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.
- 4.3 The fund has also agreed the following objectives, which are supported by information in this report:
- 4.3.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
- 4.4 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.

5. Financial / Budget Implications

- 5.1 There are no direct financial implications associated with this report.
- 5.2 The financial information included in this report was presented in summary at the committee meeting in September 2023. However, on an annual basis it is necessary to produce financial information in this format to comply with external reporting requirements, codes of practice and the specific requirements of the Accounts and Audit (England) Regulations 2015, and with the Local Government Pension Scheme Regulations 2013.

6. Legal Implications

- 6.1 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”.
- 6.2 The Local Government Pension Scheme Regulations 2013 require that LGPS funds prepare an annual report, including specified contents, which must be published on or before 1 December each year.
- 6.3 The fund will comply with LGA guidance to publish its draft, unaudited annual report and accounts on the fund’s website by the deadline of 1 December 2023.
- 6.4 We do not have an expected date by which the external auditors will issue their report and opinion on the council’s accounts, including those of the pension fund.
- 6.5 On completion of the external audit, the fund’s final annual report and accounts will be published on the fund’s website, and the draft version removed.

7. Equality And Diversity

- 7.1 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.
- 7.2 The approval of the fund’s annual report and accounts, subject to external audit, has no impact on any of the above protected characteristics.

8. Options

- 8.1 To support the completion of the fund’s annual report and accounts for the year ended 31 March 2023, the following options can be considered:
 - 8.1.1 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, including the outstanding documents, subject to any changes from external audit, and approves the publication of the draft, unaudited document on the fund’s website as soon as practical after the committee meeting.
 - 8.1.2 That the committee adopts the draft annual report and accounts for the year ended 31 March 2023, including the outstanding documents, subject to any changes from external audit, but does not approve the publication of the draft, unaudited document on the fund’s website.

- 8.1.3 That the committee delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report, including the outstanding documents, and account for any audit adjustments required, and to publish the final annual report and accounts as soon as practical after the Audit Committee and Governance meeting at which the final accounts are presented.
- 8.1.4 That the committee does not adopt the draft annual report and accounts for the year ended 31 March 2023, and requests that the final annual report and accounts be presented to committee for adoption and publication once the external audit process is completed.

9. Risk Management

- 9.1 The pension fund's accounts are not required to be separately published, but form part of the council's statement of accounts.
- 9.2 The key risk relates to not publishing the pension fund annual report in accordance with the Local Government Pension Scheme Regulations 2013, presenting a potential risk to the reputation of the council.
- 9.3 In the current year, the delays to the commencement of the external audit process for both the pension fund and the council will mean that the statutory deadlines for publication of the final annual report will not be met. The potential reputational damage can be mitigated by the publishing of the draft report as per the advice of the Local Government Association by the current deadline.
- 9.4 There is a further risk that the conclusion of the external audit process for either the council or the pension fund, or indeed both, is delayed beyond the commencement of the preparation of the 2023–24 statement of accounts. This is beyond the control of pension fund officers, who are providing all information promptly as requested by the external auditors.
- 9.5 Should this delay materialise, the committee will be notified, and alternative publication arrangements will be made.

10. Evaluation

- 10.1 If the committee does not adopt the draft annual report and accounts, including the outstanding documents, subject to any changes from external audit, at the current meeting, there will be a need to convene an additional committee meeting after the 2024 audit and governance committee meeting where the accounts are presented, to review and adopt the audited annual report and accounts.
- 10.2 If the committee does adopt the draft annual report and accounts, including the outstanding documents, subject to any changes from external audit, but do not delegate authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to update the annual report and account for any audit adjustments required, and to publish the final

annual report and accounts, there will be a need to convene an additional committee meeting after the 2024 Audit and Governance Committee meeting where the accounts are presented.

10.3 There is little risk to the fund in not publishing the draft, unaudited annual report and accounts on the fund's website, as this is not a legislative requirement, however, failure to do so will be going against best practice and may reflect poorly on the fund.

10.4 Accordingly, options at paragraphs 8.1.1 and 8.1.3 are recommended.

11. Appendices Attached

11.1 Appendix 1: Extracts from the Isle of Wight Council Pension Fund Annual report and accounts for the year ended 31 March 2023.

12. Background Papers

12.1 Isle of Wight Pension Fund Committee, 6 September 2023, Draft Pension Fund Accounts 2022-23
<https://iow.moderngov.co.uk/documents/s12519/ITEM%206b%20Draft%20Annual%20Report%20and%20Accounts%2022-23.pdf>

Contact Point: Jo Cooke, Treasury and Pension Fund management Accountant,
☎ 821000 e-mail jo.cooke1@iow.gov.uk

CHRIS WARD
Director of Finance

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

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Extracts from
**ANNUAL REPORT
AND
ACCOUNTS**

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

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

Foreword... Not yet available	3
Financial Summary.....	5
Scheme management and advisers.....	9
Investment Policy and Performance Report.....	11
Investment Strategy Statement.....	48
Actuarial Statement 2022-23.....	38
Funding Strategy Statement.....	40
Pension Scheme Administration	74
Administration Strategy Statement.....	79
Governance Policy.....	117
Terms of Reference Pension Fund Committee.....	128
Terms of Reference Pension Board.....	131
Governance Compliance Statement.....	139
Pension Board Annual Report.....	174
Knowledge and Skills Framework Compliance Statements Not yet available	183
Risk Management Policy.....	185
Communications Policy Statement.....	198
ACCESS Pool Annual Report..... Not yet available	209
Statement of Responsibilities for the Statement of Accounts Not yet available	222
Financial Statements year ended 31 March 2023.....	223
Independent auditor's statement..... Not yet available	255
APPENDIX A – Glossary of Terms.....	259

Financial Summary

Analytical review

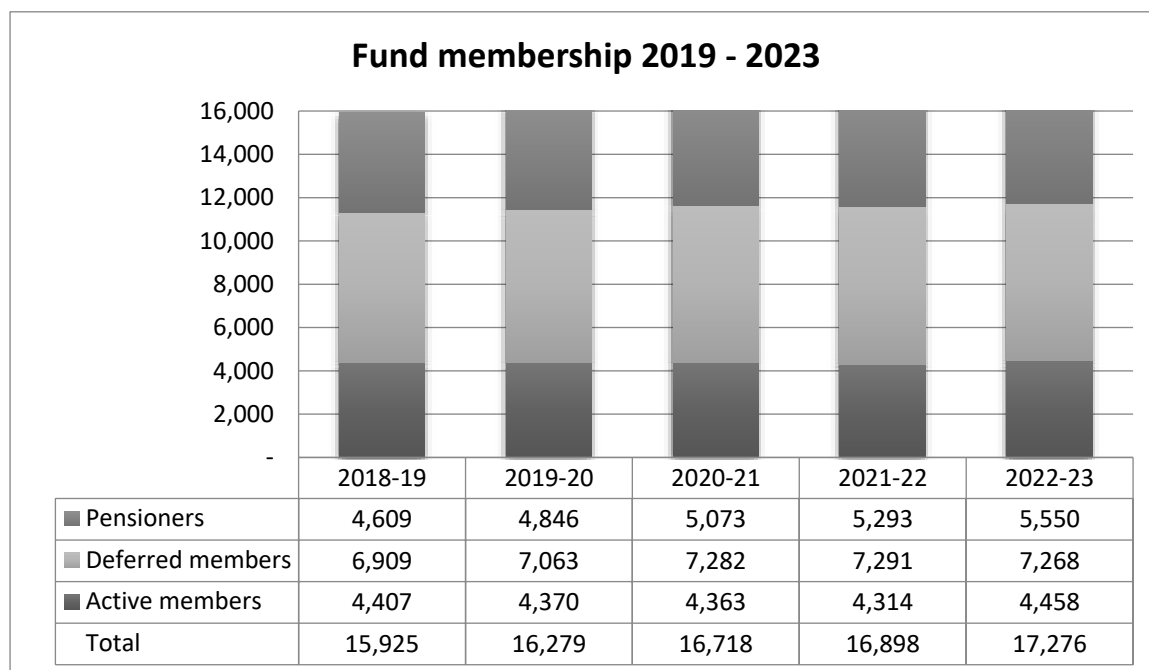
Fund account	2022-23 £000	2022-23 £000	Notes
Net withdrawals from dealings with members	(2,835)	(2,979)	Increase in basic contributions; increase in transfers in; inflationary increases in benefits paid & increase in number of pensioners; increased payments to leavers and on death
Management expenses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

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

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

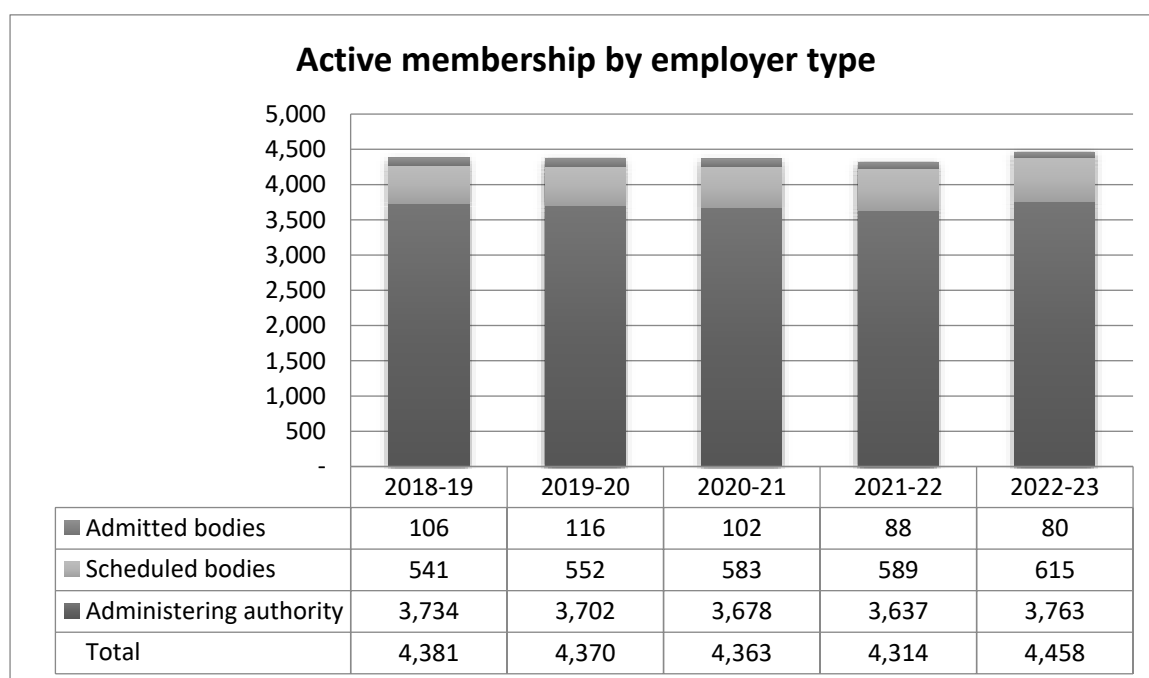
Membership data

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



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

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



Contributions analysis

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

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

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

The level of contributions from both employers and employees can be found with in the financial statements, which are included within this report, on page 232.

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

Isle of Wight Council Pension Fund 2022/23 Scheme management and advisers

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

			Joined	Resigned
Councillor C Jarman	Empowering Islanders	Chair		
Councillor D Andre	Alliance			
Councillor P Brading	Conservative			
Councillor V Churchman	Conservative	Vice-chair (from 17 May 2023)		
Councillor A Garratt	Liberal Democratic	Vice-chair (from 18 May 2022)		17 May 2023
Councillor K Lucioni	Alliance		17 May 2023	
Councillor M Oliver	Conservative			7 July 2022
Councillor R Quigley	Labour			18 May 2022
Councillor I Ward	Conservative		20 July 2022	

The Committee is advised by:

Mr C Ward, Director of Finance and section 151 officer

Mr D Walker, Investment Consultant – Hymans Robertson LLP

Mrs J Thistlewood, Pension Fund Manager

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

ACCESS Pool Operator

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

Investment Managers through Pool

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

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

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

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

Direct Investment Managers

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

Partners Group (UK) Ltd
14th Floor
110 Bishopsgate
London EC2N 4AY

Schroder Investment Management
Limited
31 Gresham Street
London EC2V 7QA

UBS Asset Management
5 Broadgate
London EC2M 2QS

Actuarial Services

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Investment Consultants

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

AVC Provider

Prudential
AVC Customer Services
Stirling FK9 4UE

Custodian

Northern Trust
50 Bank Street
London E14 5NT

Bankers

Lloyds Bank
3 Town Quay
Southampton
SO14 2AQ

Auditors

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

Scheme Administrator

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

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

Investment Policy and Performance Report

Report and Accounts for the period ending 31 March 2023

Introduction

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

The strategic benchmark allocation as at 31 March 2023 was:

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

Source: Investment Strategy Statement

Summary of strategic changes

The Committee previously agreed to several strategic changes in order to achieve its long-term target of being fully funded within the next 20 years which have been implemented over the last 3 years.

In July 2020, the Committee agreed a new 5% allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the Fund committed the 5% private debt allocation to Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV. This investment has continued to be drawn down and as at 31 March 2023 represented 3.8% of the Fund's assets. A commitment was also made to Partners Direct Infrastructure Fund which continues to draw down funds with 2.0% of the Fund's assets invested in the mandate as at 31 March 2023. These allocations will continue to be built up over time.

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

At the 24 May 2023 Pensions Committee meeting the Committee concluded a further review of the Pension Fund's strategy and approved an increase in the target allocations to private market investments. The strategic target benchmarks for Private Debt and Infrastructure were consequently adjusted from 5% to 10% each. Correspondingly, a selection exercise started in September 2023 is expected to identify suitable opportunities to meet the new target allocations, with commitments expected to be made through a reduction of the allocation to Diversified Growth by 10%.

Reflecting the opportunities presented by asset pooling and the direction from Government indicated by the new Investment consultation, the Committee approved moving the UK bond fund to an equivalent solution available under the ACCESS pool. This transition is expected to be finalised in Q4 2023, with Royal London replacing Schrodgers as the Fund's fixed income manager.

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

Asset Allocation

Manager/Asset Class	Actual Asset Allocation				Benchmark Allocation (%)
	Start of Year (£'000)	End of Year (£'000)	Start of Year (%)	End of Year (%)	
Liontrust / Blackrock – UK Equity (ACCESS)	99,534	98,341	13.7	14.3	12.5
Newton – Global Equity (ACCESS)	149,384	147,398	20.6	21.5	18.75
Baillie Gifford – Diversified Growth (ACCESS)	113,532	103,858	15.7	15.1	10.0
UBS – Global Equity	139,377	138,205	19.3	20.2	18.75
Partners - Infrastructure	7,975	16,082	1.1	2.0	5.0
Schrodgers – UK Bonds	131,508	111,222	18.2	16.2	22.0
Schrodgers – UK Property	45,100	37,819	6.2	5.5	8.0
Goldman Sachs – Private Debt	23,571	25,970	3.3	3.8	5.0
Cash	14,000	9,185	1.9	1.3	-
Total	723,982	686,285	100.0	100.0	100.0

Note: Figures may not sum to total due to rounding.

Reasons for variance from Benchmark

The Fund is slightly overweight to UK Equities, Global Equities and Diversified Growth, relative to strategic benchmark and correspondingly underweight to UK Bonds, Property and Private Debt. The existing Infrastructure and Private Debt allocations continue to draw down capital, with new mandates due to further close the allocation gap over the course of the next few years.

Most portfolios were within their target ranges as at 31 March 2023, except for the Global Equity and Diversified Growth mandates which marginally exceeded targets and the UK Bonds allocation, which was slightly underweight.

Market Background

Investment Markets

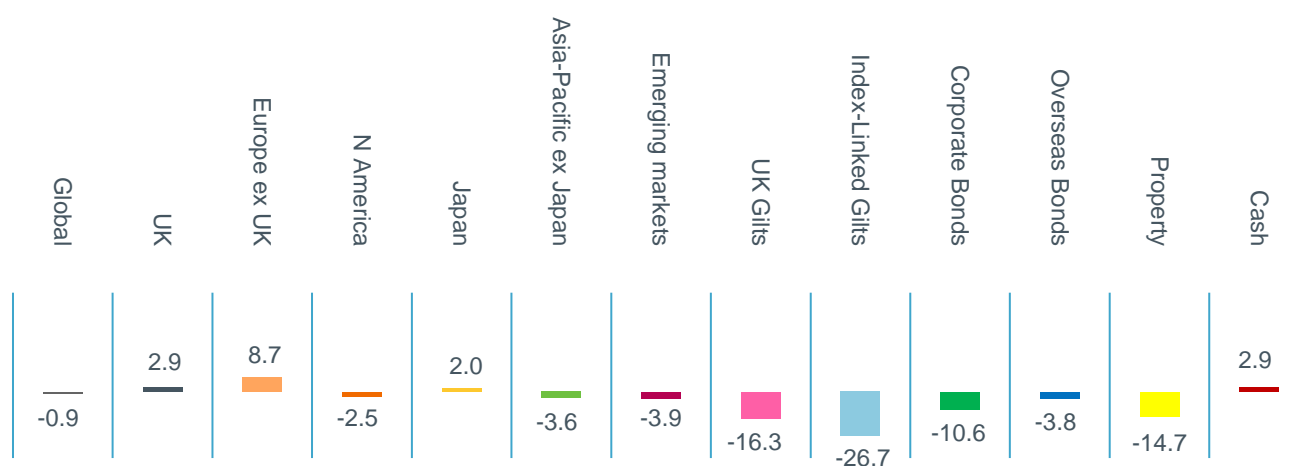
Global growth slowed over 2022 amid soaring interest rates and inflation but falling energy prices, strong labour markets, and firm consumption have led to an unexpected resilience in recent economic data. As a result, 2023 GDP forecasts for the major advanced economies have seen upwards revisions in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

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

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

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

12 Month performance to 31 March 2023



Equities

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

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

Bonds

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

Property

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

Investment Performance

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

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

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

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

Manager/Asset Class	Last Year		Last 3 Years	
	Fund (%)	Benchmark (%)	Fund (% p.a.)	Benchmark (% p.a.)
Liontrust / Blackrock – UK Equity (ACCESS)	1.1	-0.1	12.6	12.7
Newton – Global Equity (ACCESS)	0.4	-1.4	15.1	15.5
Baillie Gifford – Diversified Growth (ACCESS)	-8.2	5.9	4.1	4.4
UBS ¹	-0.9	0.5	-0.4	-0.2
Schrodgers – UK Bonds	-15.3	-13.7	-5.9	-6.3
Schrodgers – UK Property	-10.8	-9.5	1.1	2.2
Total	-4.8	-3.4	7.9	7.2

¹UBS "Last 3 Years" performance is for the period since inception (i.e., December 2021)

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

Linking the Investment Strategy with the Funding Strategy

The Committee regularly reviews the investment strategy to ensure that it remains appropriate for the Fund's liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every 3 years or after every actuarial valuation. The Committee reviewed the Fund's investment strategy following the results of the 2019 Actuarial Valuation and agreed to make strategic allocations to Infrastructure and Private Debt and to restructure the Fund's equities. As at 31 March 2023, the Committee have made allocations to investment solutions for both Private Debt and Infrastructure which have been drawing down funds since 2021.

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

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

Custodial Arrangements

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

Source: Investment Managers

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

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

Environmental, Social and Governance considerations

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

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

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

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

In line with the new expected LGPS regulations, the Fund is working towards becoming compliant with the Taskforce for Climate-related Financial Disclosures ("TCFD") framework and will seek to report against the four key areas of governance, strategy, risk management, and metrics and targets.

The Myners Review and Code of Best Practice

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

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

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

Principle	Response on Adherence
<p>Principle 1 Effective Decision Making: Administering authorities should ensure:</p> <ul style="list-style-type: none"> • That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<p>Compliant Decisions are taken by the Committee which is responsible for the management of the Fund. The Committee has support from council officers with sufficient experience to assist them. The Committee also seeks advice from professional actuarial and investment advisers to ensure it can be familiar with the issues concerned when making decisions. The Committee is able to make robust challenges to advice and is aware of where potential conflicts of interest may reside within the Committee and in relation to service providers.</p>
<p>Principle 2 Clear objectives: An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.</p>	<p>Compliant The Committee has established objectives for the Fund which takes account of the nature of fund liabilities and the contribution strategy. This involved discussions with the actuary to enable the Committee to set the overall risk budget for the Fund. This is reflected in the investment mandates awarded to the asset managers. There is dialogue with admitted bodies within the fund in relation to the contributions they pay, their capacity to pay these contributions and the level of guarantees they can provide.</p>
<p>Principle 3 Risk and liabilities:</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p>Compliant The investment strategy is considered in the light of the nature of the fund liabilities, the timescale over which benefits will be paid, and financial and demographic factors affecting the liabilities, such as inflation and improving longevity. The Committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the</p>

	<p>affordability of contributions and the strengths of their covenants.</p>
<p>Principle 4 Performance assessment:</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p>Partially Compliant</p> <p>The performance of the Fund and its individual managers are monitored on a regular basis. The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic re-tender. The Committee is developing formal processes to measure its own effectiveness.</p>
<p>Principle 5 Responsible Ownership:</p> <p>Administering authorities should</p> <ul style="list-style-type: none"> • Adopt, or ensure their investment managers adopt, the Institutional Shareholders’ Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. • Include a statement of their policy on responsible ownership in the Statement of Investment Principles or Investment Strategy Statement. • Report periodically to scheme members on the discharge of such responsibilities. 	<p>Partially Compliant</p> <p>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.</p> <p>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.</p>
<p>Principle 6 Transparency and Reporting:</p> <p>Administering authorities should</p> <ul style="list-style-type: none"> • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Should provide regular communication to scheme members in the form they consider most appropriate. 	<p>Compliant</p> <p>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.</p>

Prepared by:

David Walker, Partner

Chris King, Investment Consultant

Stefan Chilom, Investment Analyst

For and on behalf of Hymans Robertson LLP

Isle of Wight Pension Fund (the Fund)

Actuarial Statement for 2022/23

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). In summary, the key funding principles 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 meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £728 million, were sufficient to meet 102% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £15 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	3.7% pa
Salary increase assumption	3.7% pa
Benefit increase assumption (CPI)	2.7% pa

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners*	22.5 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Craig Alexander FFA

18 May 2023

For and on behalf of Hymans Robertson LLP

Breakdown of New Pensioners in 2022/23

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

Redundancy	4
Ill-Health	5
Early Retirement	212
Flexible Retirees	6
Normal Retirement	3
Total New Pensioners	230

Net operating expenses of Pension Administration

The majority of the costs of operating the pensions administration team are initially incurred by the Isle of Wight Council, as the administering authority, and are then recharged to the Pension Fund. There are also costs that are incurred directly by the pension fund.

The actual costs incurred are:

	Year ended 31/03/2023			Year ended 31/03/2022		
	Recharged by IWC	Incurred Directly	Total	Recharged by IWC	Incurred Directly	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	265	-	265	241	-	241
IT expenses	32	476	508	29	219	248
Professional Subscriptions	5	23	28	10	7	17
Professional Fees	-	-	-	-	-	-
Premises Expenses	49	-	49	47	-	47
Sundry Office Expenses	-	1	1	1	1	2
Total	351	500	851	328	227	555

IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Aggregate membership statistics @ 28 February 2023

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

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

Page 61

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
TOTALS	14,620	15,121	15,957	15,911	16,279	16,569	16,898
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%
TOTALS	100%	100%	100%	100%	100%	100%	100%

Historic membership data extracted from Pension Fund Annual Report

IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

Pensioner payroll statistics @ 28 February 2023

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

LOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 28 February 2023

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

IOW COUNCIL LOCAL GOVERNMENT PENSION SCHEME

KPI statistics @ 28 February 2023

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

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

Introduction from the Independent Chair of the Local Pension Board

Welcome to the Annual Report of the Local Pension Board (“the Board”) of the Isle of Wight Pension Fund. This report covers the period from 1 April 2022 to 31 March 2023 during which the Board held four meetings.

The focus of the Board has been on ensuring compliance with the Public Service Pensions Act, all of the relevant LGPS regulations, LGPS best practice guidance issued by the Scheme Advisory Board and the Chartered Institute of Public Finance and Accountancy (CIPFA) and the requirements of the Pensions Regulator (TPR). Section 2 “Functions and Operation of the Board” in this report gives more detail on our aims and responsibilities.

As Board Chair, I formally present to each Pension Committee an Executive Summary from each Board meeting indicating any specific recommendations made by the Board and any other matters considered to be relevant to the Committee.

I am pleased to say that, with the support of the Pension Fund Manager, Pensions Manager and the Chair of the Pension Committee, the Board made good progress in fulfilling its terms of reference during the 2022-23 financial year and the Board is able to provide assurance that the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is complying with its statutory duties.

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

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

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

1 Constitution, Representation and Attendance

- 1.1. The Local Pension Board of the Isle of Wight Council (the Administering Authority and Scheme Manager as defined in s.4 of the Public Service Pensions Act 2013) is established under s.5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2. The Board is established in the interests of the Fund, by the Administering Authority and operates independently of the Pension Fund Committee. The Board is accountable to the Scheme Manager and the Pensions Regulator
- 1.3. The Board is not a committee constituted under s.101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the Constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly provided.
- 1.4. Pension board meetings are not required to be open to members of the public.
- 1.5. The board held its first meeting on 14 August 2015.
- 1.6. The terms of reference allow the Board to consist of a minimum of four and a maximum of eight members, as well as an independent chairman.
- 1.7. Board membership during 2022-23 comprised three representatives of the Scheme employers, and three representatives of the Scheme members, all of whom are voting members. In addition, a non-voting independent chairman has been appointed.

Name	Category	date of appointment	end of term
Martin Doyle	Independent Chairman	07-Mar-22	06-Mar-26
Michael Lilley	Employer rep	21-Jul-21	05-May-25
Ashley Curzon	Employer rep	19-Jan-22	18-Jan-26
Liz Kingston	Employer rep	01-Jun-22	31-May-26
Trevor Ould	Scheme member rep	17-Nov-21	16-Nov-25
Neil Cain	Scheme member rep	01-Apr-22	31-Mar-26
Barbara Milton	Scheme member rep	01-Apr-22	31-Mar-26

- 1.8. The Board was scheduled to meet on four occasions during the year. All meetings took place in person at County Hall, Newport, Isle of Wight. The board's terms of reference allow members to attend these meetings virtually if required.
- 1.9. Agendas and minutes can be found at the following web link:
<https://iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&Year=0>

1.10. Members' attendance at each of the meetings is detailed on the following table.

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

1.11. To facilitate the operation of the Board, all the board members are invited as observers to meetings of the Isle of Wight Pension Fund Committee (“the Committee”).

2 Functions and Operation of the Board

- 2.1 The primary functions of a Local Pension Board (LPB) (as defined by the Public Services Pension Act 2013) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
 - ensure compliance with relevant laws and regulations.
 - ensure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pension Regulator.
 - such other matters as the scheme regulations may specify.
- 2.2 It therefore has a monitor/assist/review/scrutinise purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend.
- 2.3 It sets its own agenda and can be selective and probe particular topics in more depth than the Committee with its wider range of statutory responsibilities.
- 2.4 As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies that it is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.5 It can commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.
- 2.6 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Department for Levelling Up, Housing & Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.7 The Board is supported by the Pension Fund Manager and Democratic Services and operates under Terms of Reference which were initially agreed by Isle of Wight Council in January 2015.

- 2.8 The current Terms of Reference are included in the Council's constitution version 9.1
<https://iow.moderngov.co.uk/ieListDocuments.aspx?CId=219&MId=1529&Ver=4&Info=1> .
- 2.9 In 2022-23 the direct costs of operating the Board, covering training and development expenses relating to Board members amounted to £2,500 (2021-22: £145).
- 2.10 These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council.
- 2.11 The budget for 2023-24 is set at £3,500 (2022-23 budget was also set at £3,500), and actual spend will be monitored against this. The budget is set at a level to show the Boards' commitment to technical updating and training.
- 2.12 Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1 Since their inception, Local Pension Boards have become increasingly visible, as have the expectations of Boards by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2 In 2022-23, the work of the Board included:
- Monitoring of KPI's for review at each Board Meeting
 - Review of the Fund Risk Management Policy – April 2022 meeting
 - Review of the new Pension Fund Risk Register – June 2022 meeting and then risk register considered at each subsequent meeting
 - Structure Review Update – October 2022 meeting
 - Review of the Governance Compliance Statement 2021-22 (compliance with pensions legislation) – October 2022 meeting
 - Review of the Climate Change/ ESG Activities – October 2022 meeting
 - Communications Strategy Review (new Communications Policy) – June 2022 meeting
 - Review of the Triennial Valuation process – October 2022 meeting
 - Review of cyber risk resilience – October 2022 meeting
 - Review of Funding Strategy Statement as part of the consultation process for the assumptions used for the Triennial Valuation – January 2023 meeting
 - Priorities for policies updates/reviews
 - LGA and legislation update
- 3.1.3 The main elements of the work programme of the Board are governance and oversight of the pension administration function, which is run by an in-house team.
- 3.1.4 Paragraph 4 sets out further examples of how the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying,

as their efficient, accurate and timely supply of information and data is critical to the Fund avoiding poor key performance indicators, but more fundamentally, avoiding breaches of the law, inaccurate data, inaccurate contribution rates and inappropriate investment decisions.

3.2 Risk management

3.2.1 The fund's Risk Management Policy was adopted by the pension fund committee at its meeting on 24 November 2021. At that meeting it was agreed that the risk register would be created and presented in due course for adoption.

3.2.2 At the pension fund committee meeting on 25 May 2022, the committee adopted the Isle of Wight Pension Fund risk register and agreed that the Local Pension Board be asked to maintain oversight of the risk management framework and risk register, to be reported to the committee at each future meeting.

3.2.3 Risk scoring uses the previously agreed risk scoring matrix, set out in the June 2022 board report.

3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator examines the Fund's administration and governance on an ongoing basis and the Fund reports on its performance in these areas each year.

3.3.2 A key achievement of the Board has been to commence, with the Pension Fund Manager, a continuous review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14.

3.3.3 The assessment identifies areas in which the Fund needs to make improvements.

3.3.4 The Board monitors TPR's annual review of its priorities and reflects these in agenda setting.

3.4 Reporting and Recording Breaches

3.4.1 The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its agenda.

3.4.2 During 2022-23, none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority.

3.4.3 The Board has received training to improve skills and knowledge on their Board member responsibilities along with the Hymans Robertson LGPS Online Learning Academy training with regard to the identification of a breach and there will be further training to be undertaken to improve knowledge in this area over the coming year.

3.5 Scheme Advisory Board (SAB)

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

3.5.2 The SAB commissions periodic surveys of local pension boards, although there was no survey during 2022-23.

3.6 Review of Investment Issues

3.6.1 Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

3.6.2 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.

3.6.3 The Board continued to receive updates on progress by the ACCESS Pool on pooling of assets. In addition, following a decision by the ACCESS Pool Joint Committee to invite representation from local pension boards, two members from the Isle of Wight Board attended their December meeting.

3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

3.7 Scheme documents

3.7.1 The Board examines the range of scheme documents expected to be in place. It has reported where it found gaps or a need to update.

3.7.2 The Board pays particular regard to those standard documents which are sent to scheme members and has made recommendations regarding their content.

4 **Ensuring Compliance with Regulatory Deadlines.**

4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations.

4.2 In all cases progress reports are received, with the Board considering whether any recommendations are appropriate to help meet the deadlines.

4.3 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements and the submission of the Scheme Annual Return to the TPR. The Fund complied with these deadlines.

4.4 On-going compliance of legislation, such as GDPR and MiFID II forms part of the work of the board.

5 **Training**

5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge.

5.2 CIPFA's Knowledge & Skills Framework identified six areas of knowledge and skills as the core technical requirements for those working in public sector pensions - these are:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices.

5.3 The Fund has procured the Hymans LGPS Online Learning Academy for all Board members which covers the training for these core areas along with the TPR Toolkit.

5.4 In addition, Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference. (Board members attended various events in year, including the LGA Governance Conference, and various webinars).

5.5 Board members are encouraged to attend LGPS-focussed seminars/conferences each year. Training is often targeted to specific events, e.g. the Triennial Valuation 2022.

5.6 Board Members also attend in-house training, provided by the Isle of Wight Council to both Board and Committee members, as well as viewing relevant webinars.

6 Workplan

6.1 A work plan has been implemented for both Board and Committee members. Specifically, it incorporates the following areas of activity for 2023-24 for Board Members:

- Pension Fund Annual Report and Accounts.
- Triennial valuation: completion confirmation.
- Administration, including Key Performance Indicators, the Data Improvement Plan and the launch of the Pensions Administration Strategy.
- Audit and risk management, including the Risk Register, cyber risk and climate change.
- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with the expected TPR's General Code of practice, and the regulations implementing the Good Governance Project.
- Investments, including developments with the ACCESS Pool: implications for Administering Authorities.
- Training.
- Member communications.
- Communications between the Board and Committee.
- Policy updates: Reporting breaches, conflicts of interest, complaints/disputes.

6.2 There is flexibility to allow for any additional reviews and developments.

7 Public accountability

7.1 The agendas, minutes and the Board's Terms of Reference are available on the pension fund's website at the following address: [Local Pension Board | Isle of Wight Pension Fund](#)

8 Acknowledgment

- 8.1 I am grateful to the Pension Fund Manager, the Pensions Manager and the Chair of the Pension Committee and other fund officers for their support of the Board.
- 8.2 Finally, the Pension Board can only function effectively with the input of all Board members and I would like to thank my fellow Board members for their support and commitment to their roles on the Local Pension Board during the last financial year.

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

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

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

ISLE OF WIGHT COUNCIL PENSION FUND

2022 £000	NET ASSETS STATEMENT AS AT 31 MARCH	Notes	2023 £000
709,786	Investment assets	17	676,161
14,003	Cash deposits	17	9,187
723,789			685,348
	- Investment liabilities	17	-
	- Short-term borrowings	19A	-
183	Long-term assets	23	134
4,935	Current assets	24	6,171
(587)	Current liabilities	25	(530)
728,320	Net assets of the fund available to fund benefits at the period end		691,123

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

ISLE OF WIGHT COUNCIL PENSION FUND

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

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

The following description of the fund is a summary. For more detail, reference should be made to the Isle of Wight Council Pension Fund Annual Report 2022-23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

a) General

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

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

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

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

b) Membership

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

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

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

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

Bembridge Parish Council	Northwood Parish Council
Cowes Town Council	Northwood Primary Academy
Cowes Enterprise College, an Ormiston Academy	Ryde Academy
Fishbourne Parish Council	Ryde Town Council
Gurnard Parish Council	Sandown Town Council
Isle of Wight College	Shanklin Town Council
Isle of Wight Free School	St Blasius Primary Academy
Lanesend Primary Academy	St Francis Academy
Newport and Carisbrooke Community Council	Wootton Bridge Parish Council

The admitted bodies of the fund with active members at 31 March 2023 are:

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

The membership of the scheme is shown below:

Year ended 31 March 2023

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of employers with active members	1	18	11	30
Number of contributors (Active members)	3,763	615	80	4,458
Number of frozen refunds 1	736	96	4	836
Number of deferred pensioners 2	5,639	665	128	6,432
Number of pensioners/ widows/dependant pensioners	4,937	399	214	5,550
	15,075	1,775	426	17,276

Year ended 31 March 2022

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

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

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

c) Funding

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

The pay bands and rates applicable for the year ended 31 March 2023 are detailed below.

Range (Actual pensionable pay)	Contribution rate
Up to £15,000	5.50%
More than £15,001 and up to £23,600	5.80%
More than £23,601 and up to £38,300	6.50%
More than £38,301 and up to £48,500	6.80%
More than £48,501 and up to £67,900	8.50%
More than £67,901 and up to £96,200	9.90%
More than £96,201 and up to £113,400	10.50%
More than £113,401 and up to £170,100	11.40%
More than £170,101	12.50%

Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. The current and future employer contribution rates as determined by that valuation are detailed in note 21.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	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. For more details, please refer to the Pension Fund website: <http://www.isleofwightpensionfund.org/>

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2022-23 financial year and its position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022-23* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at note 22 of these accounts.

The accounts have been prepared on a going concern basis. Isle of Wight Council remains satisfied the LGPS that it administers continues to be a going concern, with detailed consideration of the period up to the twelve months from the date of approval of these accounts.

The Pension Fund's latest actuarial valuation, as at 31 March 2022, showed it to be 102% funded – an increase from the position 3 years prior of 95%. Investment markets continued to be affected by the Russian invasion of Ukraine which commenced in February 2022 and was still ongoing throughout the year. The increase in inflation and interest rates have also had an impact on the investment returns.

The vast majority of employers in the pension scheme (98% of the Fund by active membership, are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance. In the unlikely event that investments need to be sold, 88.8% of the Fund's investments can be converted into cash within 3 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis as follows:

- Employees contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see notes 8 and 11).

Individual transfers in/out are accounted for when paid or received, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund accounts as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the value of investments

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers from withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs (2016)*, as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses

All staff costs relating to the pension's administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in market value of investments.

Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the year-end date, an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2022-23 no fees are based on such estimates (2021-22: nil)

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the time spent by officers on investment management is also charged to the fund.

g) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Net assets statement

h) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet complete, at 31 March each year as accounted for as financial instruments held at amortised and reflected in the reconciliation of movements in investments in Note 17A.

Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

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

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

m) Additional Voluntary Contributions

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

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

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

n) Accruals of expenditure and income

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

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

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

o) Contingent Liabilities and Contingent Assets

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

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

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

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

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

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

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

The items in the net assets statement at 31 March 2023 for which there is a significant risk of material adjustment within the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 22)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: A 0.1% decrease in the discount rate assumption would result in a increase in the pension fund deficit of £11m. A 0.1% increase in assumed earnings inflation would increase the deficit by approximately £1m. A 0.1% increase in assumed price inflation/pension increases would increase the deficit by approximately £11m. A one-year increase in assumed life expectancy would increase the deficit by approximately £26m.

Pooled Property Funds (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.
Private Debt (Note 18)	These investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (December 2018), based on the fund manager valuations as at the end of the reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt investments are valued at £26.1m in the financial statements. There is a risk that this investment may be over or understated in the accounts.
Infrastructure (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 £14.3m in the financial statements. There is a risk that this investment may be over or understated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide additional information about conditions that existed at the end of the reporting period (adjusting events) and
- those that relate to events occurring after the reporting period (non-adjusting events)

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

There are no post balance sheet events recorded prior to the authorised for issue date and any events that occurred after this date have not been recognised in the statement of accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

2021-22 £000		2022-23 £000
4,277	Employees' normal contributions	4,774
5	Employees' additional contributions	6
4,282		4,780
15,951	Employers' normal contributions	17,766
158	Employers' deficit recovery contributions	159
624	Employers' augmentation contributions	566
16,733		18,491
21,015		23,271

By type of employer:

2021-22 £000		2022-23 £000
17,364	Administering authority	19,391
2,322	Scheduled bodies	2,546
1,329	Admitted bodies	1,334
21,015		23,271

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2021-22 £000		2022-23 £000
-	Group transfers	-
953	Individual transfers	2,143
953		2,143

9. OTHER INCOME

2021-22 £000		2022-23 £000
15	Miscellaneous income	24
-	Contribution Equivalent Premiums	4
15		28

10. BENEFITS PAYABLE**By category:**

2021-22 £000		2022-23 £000
20,110	Pensions	21,096
3,207	Commutation and lump sum retirement benefits	3,470
750	Lump sum death benefits	758
24,067		25,324

By type of employer:

2021-22 £000		2022-23 £000
20,824	Administering authority	22,002
1,422	Scheduled bodies	1,619
1,821	Admitted bodies	1,703
24,067		25,324

11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021-22 £000		2022-23 £000
80	Refund to members leaving service	159
-	Group transfers	-
815	Individual transfers	2,794
895		2,953

12. MANAGEMENT EXPENSES

2021-22 £000		2022-23 £000
557	Administrative costs	861
4,562	Investment management expenses	4,556
555	Oversight and governance costs	604
5,674		6,021

12A. INVESTMENT MANAGEMENT EXPENSES

2022-23	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	434	179	-	255
Pooled Investments *	2,570	1,383	-	1,187
Pooled Property Investments	588	489	-	99
Private Debt	463	246	173	44
Infrastructure	484	557	-	(73)
	4,539	2,854	173	1,512
Custody Fees	17			
Total	4,556			

* Included £2.5m charged to the pension fund by ACCESS regional asset pool (£2.6m in 2021-22)

2021-22	Total £'000	Management Fees £'000	Performance Related Fees £'000	Transaction Fees £'000
Bonds	366	278	-	88
Pooled Investments *	2,623	1,903	-	720
Pooled Property Investments	554	449	-	105
Private Debt	242	105	104	33
Infrastructure	752	718	-	34
	4,537	3,453	104	980
Custody Fees	25			
Total	4,562			

13. INVESTMENT INCOME

2021-22 £000		2022-23 £000
	Income from pooled investment vehicles:	
2,801	- ACCESS Global Equity	2,048
2,273	- ACCESS UK Equity	2,152
1,597	- ACCESS Diversified Growth	2,128
3,779	- Property	3,685
1,398	- Bonds	1,686
1,059	- Private Debt	2,120
1,252	- Infrastructure	1,874
3	- Interest on cash deposits	362
(6)	- Other	-
14,156		16,055

14. TAXATION

2021-22 £000		2022-23 £000
-	Withholding tax - equities	(23)
-		(23)

15. EXTERNAL AUDIT COSTS

2021-22 £000		2022-23 £000
62	Payable in respect of external audit	27
62		27

16. INTEREST PAYABLE

2021-22 £000		2022-23 £000
5	Interest on short term borrowing	-
5		-

17. INVESTMENTS

Market value 31 March 2022 £000		Market value 31 March 2023 £000
	Investment assets	
	Pooled Investment Vehicles	
99,534	Pooled UK Equity	98,342
288,761	Pooled Global Equity	285,604
131,952	Pooled Fixed Income unit trusts	110,824
113,532	Pooled Diversified Growth Fund	103,858
633,779		598,628
	Other Investments	
44,453	Pooled Property Investments	37,133
23,605	Private Debt	26,111
7,949	Infrastructure	14,277
76,007		77,521
14,003	Cash deposits	9,187
-	- Recoverable withholding tax	12
14,003		9,199
723,789	Total investment assets	685,348

17A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

	Market value 01/04/22	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/23
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	633,779	106,203	(103,147)	(38,207)	598,628
Pooled Property Investments	44,453	1,466	(612)	(8,174)	37,133
Private Debt	23,605	4,709	(3,982)	1,779	26,111
Infrastructure	7,949	7,104	(1,181)	405	14,277
	709,786	119,482	(108,922)	(44,197)	676,149
Cash deposits	14,003			(222)	9,187
Recoverable withholding tax	-			-	12
Net investment assets	723,789			(44,419)	685,348

	Market value 01/04/21	Purchases during year	Sales during year	Change in Mkt value	Mkt Value 31/03/22
	£000	£000	£000	£000	£000
Pooled Investment Vehicles	648,719	150,376	(190,468)	25,152	633,779
Pooled Property Investments	37,459	1,240	(105)	5,859	44,453
Private Debt	9,186	15,573	(2,031)	877	23,605
Infrastructure	-	11,544	(3,340)	(255)	7,949
	695,364	178,733	(195,944)	31,633	709,786
Cash deposits	-			492	14,003
Recoverable withholding tax	21			-	-
Net investment assets	695,385			32,125	723,789

17B. INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2022			Market value 31 March 2023	
£000	%		£000	%
Investments Managed by ACCESS pool:				
149,384	21.0%	ACCESS – Global Equities - Newton	147,399	21.8%
113,532	16.0%	ACCESS - Diversified Growth - Baillie Gifford	103,858	15.4%
99,534	14.0%	ACCESS - UK Equities - Liontrust (Majedie)		
		ACCESS - UK Equities - Liontrust (Blackrock)	98,342	14.5%
139,377	19.6%	UBS Life Climate Aware World Equity Fund	138,205	20.4%
501,827	70.7%		487,804	72.1%
Investments Managed outside ACCESS pool:				
131,952	18.6%	Schroder Investment Management – Bonds	110,824	16.4%
44,453	6.3%	Schroder Investment Management – Property	37,133	5.5%
23,605	3.3%	Goldman Sachs - Private Debt	26,111	3.9%
7,949	1.1%	Partners Investment - Infrastructure	14,277	2.1%
207,959	29.3%		188,345	27.9%
709,786	100.0%		676,149	100.0%
-	0.0%	Recoverable withholding tax	12	0.0%
709,786	100.0%		676,161	100.0%

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

Market value 31 March 2022			Market value 31 March 2023	
£000	%		£000	%
149,384	20.52%	ACCESS – Overseas Equities - Newton	147,399	21.33%
139,377	19.14%	UBS Life Climate Aware World Equity Fund	138,205	20.00%
131,952	18.12%	Schroder Institutional Sterling Broad Market X Account	110,824	16.04%
113,532	15.59%	ACCESS - Diversified Growth - Baillie Gifford	103,858	15.03%
		ACCESS - UK Equities - Blackrock	98,342	14.23%
99,534	13.67%	ACCESS - UK Equities - Liontrust		
44,453	6.11%	Schroder UK Property Fund	37,133	5.37%

17C. STOCK LENDING

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

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

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

During the year the average value of the fund's share of the quoted equities on loan was £7.8m (2021-22: £9.0m).

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

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

18. FAIR VALUE – BASIS OF VALUATION

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not Required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV- based pricing set on a forward pricing basis	Not Required
Private Debt	Level 3	The valuation is taken from the audited 31 December 2022 Goldman Sachs report, rolled forward to end of 31 March 2023 The quarterly valuation is calculated in accordance with the fair value assessment described in Accounting Standards Codification 820 (“Fair Value Measurements and Disclosures”) and in accordance with US GAAP. The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information. To date, the audited accounts for Goldman Sachs Asset Management Private Credit Funds have been given unqualified opinions without any identified exceptions.	Management's cash flow projections, estimates of growth expectations and profitability; profit margin expectations; gross domestic product; inflation; interest rates; discount rates; tax rates; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent transaction prices.
Infrastructure	Level 3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investments, assets and companies; Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiples	Valuations could be affected by changes in market conditions; industry specific conditions; differences in estimation techniques used in valuations.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Potential variation in fair value	Value at 31 March 2023 £'000	Potential value on increase £'000	Potential value on decrease £'000
Private Debt	+ / - 10%	26,111	28,722	23,500
Infrastructure	+ / - 10%	14,277	15,705	12,849
Total		40,388	44,427	36,349

18A. FAIR VALUE HEIRARCHY

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

Level 1

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

Level 2

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

Level 3

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

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

31 March 2022					31 March 2023			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total		Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
£000	£000	£000	£000		£000	£000	£000	£000
633,779	44,453	31,554	709,786	Financial assets at fair value through profit and loss	598,628	37,133	40,388	676,149
-	-	-	-	Financial liabilities at fair value through profit and loss	-	-	-	-
633,779	44,453	31,554	709,786	Net investment assets	598,628	37,133	40,388	676,149

18A. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITH LEVEL 3

	Private Debt £'000	Infrastructure £'000	Total £'000
Value at 1 April 2022	23,605	7,949	31,554
Purchases	4,709	7,104	11,813
Sales	(3,982)	(1,181)	(5,163)
Unrealised Gains and Losses *	(383)	405	22
Realised Gains and Losses *	2,162	-	2,162
Value at 31 March 2023	26,111	14,277	40,388

	Private Debt £'000	Infrastructure £'000	Total £'000
Value at 1 April 2021	9,186	-	9,186
Purchases	15,573	11,544	27,117
Sales	(2,031)	(3,340)	(5,371)
Unrealised Gains and Losses *	824	(135)	689
Realised Gains and Losses *	53	(120)	(67)
Value at 31 March 2022	23,605	7,949	31,554

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

Investment into Private debt commenced in January 2021.

Investment into Infrastructure commenced in July 2021.

19. FINANCIAL INSTRUMENTS

19A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2022				31 March 2023		
Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised costs £000	Liabilities at amortised cost £000
			Financial assets			
678,232	-	-	Pooled investment vehicles	635,761	-	-
23,605	-	-	Private Debt	26,111	-	-
7,949	-	-	Infrastructure	14,277	-	-
-	18,290	-	Cash	-	14,619	-
-	-	-	Other investment balances	12	-	-
-	8	-	Debtors	-	5	-
709,786	18,298	-		676,161	14,624	-
			Financial liabilities			
-	-	(379)	Creditors	-	-	(314)
-	-	-	Borrowings	-	-	-
-	-	(379)		-	-	(314)
709,786	18,298	(379)		676,161	14,624	(314)

20. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

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

a) Market risk

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

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

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

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

Other price risk

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

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

Other price risk - sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2022-23 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Had the market price of the fund investments increase/decreased in line with the percentages below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

	Value as at 31 March 2023 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Bonds	110,824	6.90%	118,471	103,177
Pooled Investment vehicles:				
UK Equities	98,342	1.20%	99,522	97,162
Global Equities	147,399	2.40%	150,937	143,861
Diversified Growth Fund	103,858	4.10%	108,116	99,600
UBS Climate Aware	138,205	2.70%	141,937	134,473
Pooled Property Investments	37,133	11.20%	41,292	32,974
Private Debt	26,111	6.00%	27,678	24,544
Infrastructure	14,277	13.60%	16,219	12,335
Cash & Cash Equivalents	9,187	0.00%	9,187	9,187
Amounts Receivable for Sales	-	-	-	-
Investment Income due	-	-	-	-
Recoverable withholding tax	12	0.00%	12	12
Total	685,348		713,371	657,325

	Value as at 31 March 2022 £000	Volatility of return %	Value on increase £000	Value on decrease £000
Bonds	131,952	3.30%	136,307	127,598
Pooled Investment vehicles:				
UK Equities	99,534	2.40%	101,923	97,145
Global Equities	149,384	3.60%	154,762	144,006
Diversified Growth Fund	113,532	2.80%	116,711	110,353
UBS Climate Aware	139,377	3.00%	143,558	135,196
Pooled Property Investments	44,453	4.10%	46,279	42,633
Private Debt 1	23,605	19.90%	28,302	18,907
Infrastructure	7,949	23.40%	9,809	6,089
Cash & Cash Equivalents	14,003	0.00%	14,003	14,003
Recoverable withholding tax	-	0.00%	-	-
Total	723,789		751,654	695,930

b) Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk - sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits.

The fund does not directly hold any fixed interest securities; hence a change in interest rates will not impact on the fair value of assets.

Changes in interest rates do not impact on the fair value of cash balances, but they will impact on the interest income earned.

c) Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. For a sterling-based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls.

The following table summarises the fund's currency exposure as at 31 March 2023, and as at the previous period end:

	Asset value as at 31 March 2023 £000	Asset value as at 31 March 2022 £000
Private Debt	26,111	23,605
Infrastructure	14,277	7,949
Investment Income	3,994	2,311
	44,382	33,865

Currency risk – sensitivity analysis

Following analysis of historical data, the fund considers the likely volatility associated with foreign exchange movements to not exceed be 6.62% (2021-22: 7.10%). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.67% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Value as at 31 March 2023 £000	Value on increase +6.62% £000	Value on decrease -6.62% £000
Private Debt	26,111	27,840	24,382
Infrastructure	14,277	15,222	13,332
Investment income due	3,994	4,258	3,730
	44,382	47,320	41,444
	Value as at 31 March 2022 £000	Value on increase +7.10% £000	Value on decrease -7.10% £000
Private Debt	23,605	25,669	21,540
Infrastructure	7,949	8,161	7,737
Investment income due	2,311	2,437	2,185
	33,865	36,267	31,462

d) Credit Risk

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

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

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

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

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

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years. All contributions due at 31 March 2023 and 31 March 2022 (£458k and £495k respectively) were received in the first month of the financial year.

e) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The fund maintains a cash balance to meet working requirements, which is supported by an available credit line from the Isle of Wight Council. Note 27 includes details of borrowing from the council for this purpose. Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund's investment strategy.

A substantial portion of the fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though they are held in pooled funds. However, the main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long-term nature of these liabilities. The fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments.

All financial liabilities at 31 March 2023 are due within one year.

f) Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

21. FUNDING ARRANGEMENTS

In accordance with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2023. In summary, the funding strategy objectives are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £728 million (2019: £596 million), were sufficient to meet 102% of the liabilities (2019: 95%) (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £15 million (2019: deficit £32 million).

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below: -

Employer Name	Minimum Contributions for the Year Ending 31 March		
	2024 % of pay	2025 % of pay	2026 % of pay
Isle of Wight Council	23.5	23.5	23.5
Barnardos	23.5	23.5	23.5
Caterlink	23.5	23.5	23.5
CleanTEC	23.5	23.5	23.5
Cowes Enterprise College, an Ormiston Academy *	23.5	23.5	23.5
Cowes Harbour Commissioners	32.8	32.8	32.8
The Island Free School	19.6	19.6	19.6
Island Roads	Nil	Nil	Nil
Isle of Wight College (from 1 August)	22.1	22.1	22.1
Keys Group (Formerly Accomplish Ltd)	23.5	23.5	23.5
Lanesend Academy	21.1	21.1	21.1
Northwood Academy *	23.5	23.5	23.5
RM Ltd	23.5	23.5	23.5
Ryde Academy, Academies Enterprise Trust *	23.5	23.5	23.5
Solutions 4 Health	23.5	23.5	23.5
Southern Vectis (Wightbus)	Nil	Nil	Nil
Southern Housing Group	32.8	32.8	32.8
Sovereign Housing Group	31.7	31.7	31.7
St Blasius Academy *	23.5	23.5	23.5
St Catherine's School Ltd	25.4	25.4	25.4
St Francis Academy *	23.5	23.5	23.5
Top Mops	21.5	21.5	21.5
Ventnor Botanical Gardens	Nil	Nil	Nil

in addition, certain employers make a lump sum contribution

Employer Name	Ending 31 March		
	2024 Lump Sum £000	2025 Lump Sum £000	2026 Lump Sum £000
Cowes Harbour Commissioners	20	20	20
Southern Housing Group	150	150	150
Sovereign Housing Group	18	18	18

* Academies within the fund were asked whether they wished to pool with the administering authority for contribution rate purposes only. Five of the academies in operation at the time of the 2022 valuation opted to pool, and the pooled rates are shown above.

Employers that have joined the fund since the last valuation have opted to pay the administering authority's contribution rate. This will be reviewed at the next valuation, 31 March 2025.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022 % p.a. Nominal
Discount rate (Investment returns)	3.7%
Salary Increases	3.7%
Price inflation/Pension Increases	2.7%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and not a reflection of what actual pay rises will be in the short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.5% p.a.

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

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners *	22.5 years	25.9 years

* based on members aged 45 at the valuation date.

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Isle of Wight Pension Fund website www.isleofwightpension.org.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 21). The actuary has also used valued ill health and death benefits in line with IAS 19.

Present value of promised retirement benefits

Year ended	31 March 2023 £m	31 March 2022 £m
Active members	207	318
Deferred members	137	223
Pensioners	318	380
Net Liability	662	921

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. The actuary has not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. The actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £340m. The actuary estimates that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £6m.

Financial assumptions

Year ended	31 March 2023 % p.a.	31 March 2022 % p.a.
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.95%	4.20%
Discount Rate	4.75%	2.70%

(Explanatory note: The pay increases shown above are for the purposes of the actuarial valuation only and are not a reflection of what actual pay rises will be in the short-term. The assumptions are consistent with other assumptions used in the actuarial valuation and reflect longer term trends.)

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020 data), standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a.

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

	Males	Females
Current Pensioners	21.6 years	24.3 years
Future Pensioners *	22.2 years	25.7 years

* Future pensioners are assumed to be aged 45 at the most recent formal valuation date, 31 March 2022

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

Sensitivity Analysis

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

change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	11
1-year increase in member life expectancy	4%	26
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	11

23. LONG TERM ASSETS

31 March 2022 £000		31 March 2023 £000
	Debtors	
29	Contributions due - employers	30
154	Reimbursement of annual tax allowances	104
183		134

24. CURRENT ASSETS

31 March 2022 £000		31 March 2022 £000
	Debtors	
99	Contributions due - employees	93
396	Contributions due - employers	365
495		458
8	Taxation	13
8	Sundry debtors	5
137	Payments in advance	263
4,287	Cash balances	5,432
4,935		6,171

25. CURRENT LIABILITIES

31 March 2022 £000		31 March 2023 £000
	Creditors	
208	Taxation	239
360	Accruals	272
19	Sundry creditors	19
587		530

26. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Market value 31 March 2022 £000		Market value 31 March 2023 £000
824	Prudential life and pensions	972

AVC contributions of £194 thousand were paid directly to Prudential Life and Pensions during the year (2021-22: £148 thousand).

The final annual reports from Prudential have not yet been received, but they have provided provisional figures which are incorporated above.

AVC amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

27. RELATED PARTY TRANSACTIONS

Isle of Wight Council

The Isle of Wight Council Pension Fund is administered by Isle of Wight Council. Consequently, there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £539 thousand (2021-22: £522 thousand) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £15.3 million in 2022-23 (2021-22: £13.7 million) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £43.7 thousand (2022: £39.6 thousand), were paid during the year.

During the year, the pension fund had the facility to borrow funds from the council to support its working cash flow requirements; interest would be charged on these borrowings at the broker local authority interest rate relevant to the amount and duration of the borrowing at the time it was made. During 2022-23 the pension fund did not take advantage of this facility so the balance due to the council at 31 March 2023 is Nil (2021-22: Nil) and no interest (2021-22 5.1 thousand) was payable on the borrowings in the year.

Governance

There are no voting members of the Isle of Wight Pension Fund Committee who are in receipt of pension benefits from, or who are active members of the Isle of Wight Council Pension Fund.

Each member of the Isle of Wight Pension Fund Committee is required to declare their interests at each meeting.

Council members named in note 29 formed the Isle of Wight Pension Fund Committee as trustees at 31 March 2023.

27A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are members of the Isle of Wight Pension Fund Committee, the Director of Finance and S151 Officer and the Pension Fund Manager.

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

Year ended 31 March 2022 £000		Year ended 31 March 2023 £000
60	Short-term benefits	72
13	Post-employment benefits	15
-	- Other long-term benefits	-
-	- Termination benefits	-
-	- Share-based payments	-
73		87

28. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2022 there was a contingent liability relating to Contribution Equivalent Premiums (CEPs) amounting to £8 thousand (2022: £4 thousand) payable by the Pension Fund. These sums do not form part of the net assets of the fund.

In October 2018 a decision was made to join a Class Action against BHP Billiton which seeks to recover some of the loss in share value suffered because of BHP Billiton's alleged failure to disclose material information and its alleged misleading and deceptive conduct. It is estimated that there is a possible benefit to the Pension Fund of £6 thousand (2022: £6 thousand). This case is still ongoing. The sums do not form part of the net assets of the fund.

One admitted body employer in the Isle of Wight Pension Fund holds a guaranteed bond to guard against the possibility of being unable to meet their pension obligations. This bond is drawn in favour of the pension fund and payment will only be triggered in the event of an employer default. No such default has occurred during 2022-23 (2021-22 Nil).

During the financial year the Pension Fund has committed to investing into a Private Debt and an Infrastructure Fund. Each of these funds are calling the capital in instalments, the value of which depend on the investments the funds are making at the time. The balance that has been committed but not paid as at the 31 March 2023 is as per the table below:

	31 March 2023				31 March 2022			
	Private Debt		Infrastructure		Private Debt		Infrastructure	
	\$'000	£'000	€'000	£'000	\$'000	£'000	€'000	£'000
Total amount Committed	39,300	31,837	41,000	36,095	39,300	29,890	41,000	34,532
Total Invested	33,169	26,871	45,965	13,175	30,065	22,866	9,225	7,770
Balance committed but not yet paid	6,131	4,967	26,035	22,920	9,235	7,024	31,775	26,762

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

29. TRUSTEES REPORT 2022-23

The trustees of the Isle of Wight Council Pension Fund are the members for the time being of the Isle of Wight Pension Fund Committee, who at 31 March 2023 were Cllrs Andre, Brading, Churchman, Critchison, Garratt (vice chair), Jarman (chair) and Ward.

In addition, a non-voting representative of the scheme members (selected by UNISON) attends the committee. Throughout the year, the position of non-voting representative of the scheme employers (selected by the fund's external employers) was vacant.

Throughout the year the committee has been advised by the Director of Finance and Section 151 Officer, the Pension Fund Manager, and Hymans Robertson LLP (the fund's actuaries, investment consultants and governance consultants).

Investment Performance

The net assets of the fund at 31 March 2023 were £691.1 million, a decrease of 5.1% on the 31 March 2022 valuation of £728.3 million. The fund's total investments under-performed compared to the agreed benchmarks by 1.5% during the year.

With the exception of a small over-performance by the fund's active global equity portfolio, all other portfolios under-performed against their respective benchmarks in the year to 31 March 2023, most notably the diversified growth portfolio, which underperformed by 13.3%.

Funding Level

The Fund's last triennial actuarial valuation was undertaken at 31 March 2022, showing a funding level of 102%, compared to 95% at the previous valuation at 31 March 2019. The results of this latest valuation, in terms of revised contribution rates, were implemented with effect from April 2023.

Governance – pension fund committee

There were four scheduled pension fund committee meetings during the year 2022-23. All meetings were held in person at County Hall, Newport, Isle of Wight.

During the year the committee considered the following key items of business:

- The completion of the 2022 actuarial valuation of the fund, including adoption of the updated funding strategy statement.
- Approval of the draft 2021-22 annual report and accounts, and regular updates on the progress of the much-delayed external audit.
- Adoption of the fund's updated communications policy.
- Implementation of the decision to switch the fund's UK Equity portfolio fund manager.
- Consideration of the fund's response to the government's consultation on climate change risk reporting
- Reports from the board on the fund's risk register.
- Procurement and contract management activities.
- Knowledge and understanding requirements and activities.
- Regular updates on the ACCESS pool.

In addition, the committee continues to receive presentations from its fund managers on the fund's investment performance as well as performance benchmarking and advice from its investment consultants, Hymans Robertson LLP

Development sessions were held outside the schedule of regular committee meetings, covering the planning for the Strategic Asset Allocation review in 2023-24 and the pensions dashboard project. Board and Committee members also took part in the Hymans Robertson National Knowledge Assessment, and received the output of that exercise, which is being used to develop a future training programme for the fund.

A summary of committee members' attendance for the year 2022-23 is detailed in table 1 below. Membership of the committee changed throughout the year, but the total number of members remained the same.

Table 1: committee attendance

	Chairman	Vice chairman	Elected member 1	Elected member 2	Elected member 3	Elected member 4	Elected member 5	Scheme member rep	Employer rep	
25-May-22	√	√	√	aps	√	√	aps	aps		63%
27-Jul-22	√	√	√	√	√	aps	√	√		88%
23-Nov-22	√	√	√	√	√	√	√	√		100%
08-Feb-23	√	√	√	aps	√	√	√	√		88%
	100%	100%	100%	50%	100%	75%	75%	75%		85%

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

Governance – local pension board

During the year 2022-23, the membership of the board was as follows:

- Three scheme member representatives: one of whom is nominated by recognised trade unions and the other two appointed following expressions of interest sought from all active, deferred and pensioner members of the fund.
- Three employer representatives: one an elected councillor of the Isle of Wight Council; one a senior officer of the Council, nominated by the corporate management team; the other appointed from nominations sought from the external employers in the fund.
- An independent chairperson (non-voting) appointed following external advertisement.

The final employer representative was appointed with effect from 1 June 2022, and membership has been consistent throughout the period.

There were four scheduled local pension board meetings during the year 2022-23. All meetings were held in person at County Hall, Newport, Isle of Wight. As the board is not a committee constituted under the Local Government Act 1972, members are given the opportunity to attend meetings virtually, and still be counted towards quorum and allowed to fully contribute to the meetings.

Table 2: board attendance

	Independent Chairman	Employer rep 1	Employer rep 2	Employer rep 3	Scheme member rep 1	Scheme member rep 2	Scheme member rep 3	TOTAL	Employer %	Scheme member %
06-Apr-22	√	√	n/a	aps	√	√	√	83%	50%	100%
15-Jun-22	√	√	√	√	√	aps	√	86%	100%	67%
26-Oct-22	√	√	√	√	√	√	√	100%	100%	100%
17-Jan-23	√	√	aps	√	√	√	√	86%	66%	100%
	100%	100%	67%	75%	100%	75%	100%	89%	82%	92%

Please note the percentage attendance at each meeting (final column) is based on a total board membership of seven, except where a member had not been appointed for that meeting (shown as “n/a”) when membership is counted as six.

During the year the board considered the following key items of business:

- An induction session for the newly constituted board.
- Detailed monitoring and review of the fund’s risk register, and recommendation of updates to the committee, including consideration of cyber security risks.
- Consideration of the fund’s response to the government’s consultation on climate change risk reporting
- Reports from the administration team on employer compliance with the fund’s administration strategy, major projects, key performance indicators, breaches and complaints.

- Review of the fund's key documents list, and ensuring policies are up to date:
 - Recommendation of the fund's updated communications policy to the committee for adoption.
 - Recommendation of the Policy for Recording and Reporting Breaches of the Law to the committee for adoption.
- Knowledge and understanding requirements and activities.

All Local Pension Board members have an open invitation to attend all committee meetings and are invited to participate in those meetings by the chair of the Committee.

The chairman of the Pension Fund Committee attended three of the four board meetings during the year.

APPENDIX A – Glossary of Terms

Accrual rate

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

Accrued liabilities

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

Accrued income

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

Active members

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

Actuarial assumptions

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

Actuarial liability

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

Actuarial valuation

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

Actuary

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

Additional voluntary contributions (AVCs)

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

Administering authority

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

Admitted bodies/transferee admission bodies

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

All Share Index

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

Asset allocation

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

Asset classes

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

Asset/liability modelling

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

Automatic enrolment

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

Authorised Unit trusts

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

Benchmark

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

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

Bond

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

Bonus issue

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

Career average revaluation of earnings scheme (CARE)

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

Cash

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

Corporate governance

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

Coupon

The interest payments on bonds.

Currency hedging

An approach aimed at eliminating or reducing foreign exchange risks.

Custody/custodian

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

Deferred members

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

Defined benefit scheme

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

Defined contribution scheme

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

Discount rate

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

Diversification

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

Dividend

A payment distributed by a company to equity shareholders

Equities

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

ESG

Environmental, social and governance.

Ethical investment

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

Ex

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

Financial Conduct Authority (FCA)

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

Fund managers

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

Funding Strategy Statement (FSS)

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

FTSE

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

Futures

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

Gilts

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

Hedging

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

IAS 19

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

Index-linked securities

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

Investment adviser

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

IRR

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

Listed security

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

Mandate

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

Market value

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

Maturity

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

Member

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

Mid-price

Halfway between the bid price and the offer price

Mortality assumptions

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

Pooled fund

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

Realised

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

Responsible investment (RI)

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

Return

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

Rights issue

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

Risk

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

Scheduled bodies

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

Scrip dividend

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

Securities

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

Stock

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

Strategic asset allocation

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

Transfer value

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

Unit trust

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

Unquoted security

A security which is not quoted on stock exchange

Unrealised Gains/(Losses)

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

Withholding tax

A tax deducted from overseas investment income.

Yield

A measure of the return earned on an investment.



Purpose: For Information

Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION COMMITTEE
Date	22 NOVEMBER 2023
Title	DRAFT GOVERNANCE COMPLIANCE STATEMENT 2022-23
Report of	PENSION FUND MANAGER

1. Executive Summary

- 1.1 This report presents the draft governance compliance statement for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2023. It demonstrates how the fund complies with the expected standards of governance as set out in the Pension Regulator's Code of Practice 14 Governance and Administration of Public Service Pension Schemes.
- 1.2 The compliance statement reviews the current operation of the governance framework against the fund's governance policy, the most recent version of which was adopted by the Pension Fund Committee in September 2020. It also compares the current level of compliance against that which was last reported in November 2022.
- 1.3 The draft governance compliance statement will be reviewed in detail at the Local Pension Board meeting on 13 December 2023, at which an action plan will be presented to address the areas of non-compliance.

2. Recommendation(s)

- | | |
|-----|--|
| 2.1 | The draft governance compliance statement for the year ended 31 March 2023 is noted. |
| 2.2 | That the final version will be presented to the committee at its February 2024 meeting for adoption. |

3. Background

- 3.1 Governance is how authorities 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.
- 3.2 The Isle of Wight Council (the council) is the administering authority for the Isle of Wight Council Pension Fund (the fund). An administering authority is defined in the Local Government Pension Scheme (LGPS) Regulations 2013 as “a [local authority] required to maintain a pension fund under the local government pension scheme regulations”.
- 3.3 Under section 4 of the Public Service Pensions Act 2013, this role is called the “scheme manager”.
- 3.4 The council has delegated its functions as scheme manager for the LGPS to the Isle of Wight Pension Fund Committee (the committee).
- 3.5 The governance policy required by regulation 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 must set out whether the administering authority delegates any part of its pension fund to a committee, sub-committee, or officer, and if it does so then it must record the frequency of meetings, terms of reference and whether there is employee representation with or without voting rights. If it delegates, the statement must record:
- 3.5.1 the frequency of committee or sub-committee meetings;
 - 3.5.2 the delegation’s terms of reference, structure and operational procedures;
 - 3.5.3 whether the committee or sub-committee includes representatives of scheme employers or members, and if so, whether these representatives have voting rights;
- and details of the terms, structure and operational procedures relating to the local pension board established.
- 3.6 The governance compliance statement must record the extent to which the delegation (or absence of a delegation) complies with the Secretary of State’s guidance and, to the extent it does not comply, the reasons for not complying.
- 3.7 In preparing the statement, the administering authority must consult with such persons as it considers appropriate. The statement requires authorities to consider the adoption of annual training plans for committee members and maintain a log of training undertaken. When published or revised, a copy of the statement must be forwarded to the Secretary of State.

4. Process for completion

- 4.1 The fund’s governance compliance statement comprises ten sections, each of which have been updated by the Pension Fund Manager, in consultation with fund officers.

- 4.2 This is the sixth time that the governance compliance statement has been presented in the current format, based on a template provided by the fund's governance consultants, Hymans Robertson LLP. The statement is supported by an assessment of compliance in 79 key governance criteria across the ten sections.
- 4.3 A summary of the changes in the level of compliance for each section since the statement published in the 2021-22 annual report (November 2022) is set out in table 1 below:

Table 1: compliance

	2022-23 level of compliance			2021-22 comparison
	Full	Partial	Non	
General requirements	5	5	2	Same
Knowledge and understanding	3	7	3	Same
Conflicts of interest	1	2	3	Decline
Publishing information	6	0	0	Same
Internal controls	4	1	0	Same
Record keeping	13	2	0	Same
Maintaining contributions	6	0	0	Same
Member communications	7	0	0	Improve
Disputes and resolution	0	3	2	Decline
Reporting breaches of the law	4	0	0	Improve
	49	20	10	
	Increase	Decrease	Increase	

- 4.4 Overall, the level of compliance with the standards of governance required by the Pension Regulator has remained relatively constant, with 62 per cent of all criteria deemed fully compliant, compared to 57 per cent at the last assessment, offset by an increase in non-compliant areas to 13 per cent, from 11 per cent.
- 4.5 The areas of non-compliance can be summarised into three key themes:

4.5.1 Knowledge and understanding:

- 4.5.1.1 Pension board to have its own policy on knowledge and understanding requirements.
- 4.5.1.2 All pension board members to have a personalised training plan in place that is regularly monitored and updated.
- 4.5.1.3 The administering authority should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding.
- 4.5.1.4 Administering authorities should offer pre-appointment training or mentoring if appropriate.

4.5.1.5 The members of the pension board should be familiar with the Additional Voluntary Contribution (AVC) options offered by the Fund, including the choice of investments offered to members and the relative performance of those investment options.

4.5.2 Conflicts of interest:

4.5.2.1 The administering authority should have in place an appropriate conflicts of interest policy, clearly identifying to whom any potential conflict should be reported.

4.5.2.2 The conflicts of interest policy should have a regular review date incorporated in to it.

4.5.2.3 The administering authority should maintain a register of all conflicts (and potential conflicts) that are raised , reviewing them appropriately.

4.5.3 Disputes and resolution:

4.5.3.1 The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (inc. the employer processes at stage 1).

4.5.3.2 The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes.

4.6 The Local Pension Board will review the draft governance compliance statement at its meeting on 13 December 2023, and will formulate an action plan to address these areas of non-compliance, many of which have been non-compliant for a number of years.

5. Corporate Priorities and Strategic Context

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

Pension Fund Strategic Aims

5.2 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.

5.3 The fund has also agreed the following objectives, which are supported by information in this report:

5.3.1 Ensure compliance with the LGPS regulations, other relevant legislation and the Pension Regulator's codes of practice.

- 5.3.2 Ensure the fund is managed, and its services provided, by people with the appropriate knowledge and understanding.
- 5.3.3 Communicate in a friendly, expert, and direct way to our stakeholders, treating each equally according to their needs.
- 5.3.4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust, and evidence based.
- 5.3.5 Understand and monitor risk and compliance.
- 5.3.6 Continually measure and monitor success against objectives.

6. Financial / Budget Implications

- 6.1 There are no direct financial implications relating to the review and revision of the governance compliance statement.
- 6.2 Actions required to improve future compliance will be funded from internal staff resources, with support from the fund's governance consultants, Hymans Robertson LLP. Additional costs will be reported as the action plan is developed and implemented.

7. Legal Implications

- 7.1 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".
- 7.2 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.
- 7.3 Regulation 55 of the LGPS Regulations 2013 prescribes the content of the governance compliance statement which must be included in the annual report. The governance compliance statement should outline the overall governance structure in place.
- 7.4 Regulation 57 of the LGPS Regulations 2013 requires the administering authority to prepare a pension fund annual report, which must contain, among others, the most recent version of the governance compliance statement specified under regulation 55.

8. Equality And Diversity

- 8.1 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.

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

9. Risk Management

- 9.1 Following the enactment of the Public Service Pensions Act 2013 (PSPA13), and the introduction of the Pension Regulator's code of practice number 14, there has been greater public scrutiny of the governance and administration of public service pension funds, including the LGPS.

- 9.2 It is the responsibility of the Isle of Wight Council, as administering authority, to ensure that the Isle of Wight Council Pension Fund is properly managed, governed and administered in compliance with relevant regulations and other requirements. The council has delegated the functions of scheme manager for the LGPS to the Isle of Wight Pension Fund Committee.

- 9.3 Established under PSPA13, the pension board is responsible for assisting the scheme manager in securing:

9.3.1 the effective and efficient governance and administration of the scheme;

9.3.2 compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; and

9.3.3 compliance with requirements imposed in relation to the scheme by the Pension Regulator.

- 9.4 Should the council, as administering authority, fail to ensure appropriate standards of governance and administration of the pension fund, the Pension Regulator has the powers to issue an improvement notice under section 13 of the Pensions Act 2004. This would have reputational issues for the council and the pension fund.

10. Appendices Attached

- 10.1 Appendix 1: Draft Governance Compliance Statement 2022-23 (v1.2 Nov 23)

11. Background Papers

- 11.1 Isle of Wight Pension Fund Governance Policy 2020.
<https://www.isleofwightpensionfund.org/resources/governance-policy-2020/>

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CHRIS WARD
Director of Finance

COUNCILLOR CHRIS JARMAN
Isle of Wight Pension Committee Chair

Isle of Wight Council Pension Fund Governance Compliance Statement Updated 17 October 2023




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

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



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



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


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



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

Establishment of the local pension board



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




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



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

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

The Pensions Regulator’s Code of Practice




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

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



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


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

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

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

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


	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P3	Publishing information about schemes			
P3.1	The administering authority must publish information about the local pension board and keep that information up to date	Provision is made on the Council website or Fund website that is available for all scheme members to view and should include: <ul style="list-style-type: none"> - Name - Representative role - Employment and job title (where relevant) - The appointment process to the pension board 	Full compliance 	<p><i>Enter here where the information about the local pension board is published and the post title of the person(s) responsible for its maintenance</i> <i>Add link to webpage</i></p> <p>The pension fund website includes a page dedicated to the pension board: Local Pension Board Isle of Wight Pension Fund This includes the names, representative role and nomination process, appointment date and term of office.</p> <p>The names of the pension board members are also published on the council's democratic web pages, but this does not include their representation category. Committee details - Local Pension Board - Modern Council (moderngov.co.uk)</p> <p>The process by which each category of board members appointed is covered in the terms of reference for the board included within the Council's Constitution Part 3, Section 6.</p> <p>The pension fund website also includes role profiles for both employer and scheme member representatives and the independent chair. Employer and Scheme Member Representatives on the Local Pension Board Isle of Wight Pension Fund Independent Chair of the Local Pension Board Role Description Isle of Wight Pension Fund</p>
P3.2	The administering authority should publish information about the local pension board's business	All board papers, agendas and minutes of meetings are available on the Council website or Fund website for all scheme members to view	Full compliance 	<p><i>Enter here where the board paper, agendas and minutes of meetings can be viewed.</i> <i>Add link to webpage</i></p> <p>All board meeting agendas, papers and minutes are published on the council's democratic web pages Browse meetings - Local Pension Board - Modern Council (moderngov.co.uk)</p>




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


DRAFT



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P4	Managing Risks			


DRAFT


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



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


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



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



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



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


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


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


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



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



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P5.13	The administering authority should reconcile member records with the relevant employers and be able to identify those scheme members who are approaching retirement, those who are active members and those that are deferred members	Scheme member records are reconciled with the relevant employers at least on an annual basis. Pension Administration software systems can identify scheme members approaching retirement, active members and deferred members.	Full compliance 	<i>Enter here when and how scheme member records are reconciled with their relevant employers.</i> <i>Confirm that the pension administration software system can identify scheme members approaching retirement, active members and deferred members.</i> An automated monthly report is produced for our Deferred members reaching 60 and normal retirement date (NRD) to enable information on pension options to be provided ahead of retirement. The automated report creates an automated task within the Pension System to ensure we send out the retirement options within the Pension Funds KPI's. Information from active members wishing to retire is received via the employers' payroll /HR teams. The reporting system within the Pension System enables reports to help employers review the age profile of the fund's active members, particularly those approaching retirement. Member tracing service is fully underway using Target and this has helped trace 'Gone Aways' and helped with mortality checks within the membership. Members are encouraged to use the member self-service portal to keep their personal information up to date.
P5.14	The administering authority must ensure that processes created to manage scheme member data are compliant with the General Data Protection Regulation (GDPR) 2018, in association with the Data Protection Act 2018 and the data protection principles.	GDPR and Data Protection Act are complied with and all relevant persons are aware of their responsibilities	Partial compliance 	<i>Enter here how this awareness is communicated</i> <i>Officers – internal</i> <i>Committee/LPB members –induction / info packs</i> The council continues to require all staff and elected members to complete online learning modules in respect of Data Protection Awareness, Information Security Awareness and Cyber Security Awareness. Completion of these courses is monitored at 1-2-1 meetings with supervisor. At the July 2022 pension committee meeting, committee members were asked to complete these modules to demonstrate their awareness. Progress on completion of these modules will be reported at each committee meeting. All members of the committee and board have been encouraged to complete the Pension Regulator's online toolkit module on maintaining accurate member data All members of the Pension Board have been encouraged to complete the Hymans Robertson LGPS Online Learning Academy modules.


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

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



	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P6.2	Employers should be provided with the necessary guidance to ensure they provide the required information to enable contributions to be monitored	Employers are provided with the necessary scheme documents and training requirements to fulfil their obligations within the Scheme. - Contribution templates - Fund liaison contact for contributions	Full compliance 	<i>Enter here where the employer contribution documents are held and the person responsible for maintaining them.</i> <i>Detail the Fund's contact for contribution pay over.</i> At the start of each financial year, guidance is provided to all employers including the employer contribution rate for the forthcoming year, and the timetable for submission of data and contributions. Following each triennial valuation, employers receive detailed communications about their funding level and required contribution rates. Meetings are offered with the fund's actuary to discuss and agree the contribution rate. The funding strategy statement for each valuation (2022 valuation linked below) is then published on the fund's website – this contains the rates and adjustment certificate setting out contribution rates for the three years following the valuation. https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/ A generic address is provided for employer queries: pensions@iow.gov.uk



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P6.3	Where the administering authority identify a payment failure they should follow a process to resolve issues quickly (e.g. monthly monitoring of employer payments to ensure contributions paid on time and in full) and maintain a record of investigations and communications in relation to such failures	Records are maintained of investigations and communications (and outcomes) in relation to payment failures, together with communication with the employer	Full compliance 	<p><i>Enter here confirmation that a procedure and process is in place to resolve issues where there is a payment failure by an employer</i></p> <p>The fund approved a new Pension Administration Strategy (PAS) in May 2023 https://www.isleofwightpensionfund.org/resources/pension-administration-strategy-may-2023/</p> <p>The strategy sets out the deadlines for the submission of data and payment of contributions. It contains provision for the application of sanctions (including financial penalties where appropriate) for the late payment of contributions.</p> <p>A monthly control check list of returns and contributions received is maintained. Late or missing information is followed up with the relevant employer, with continued non-compliance reported to management.</p> <p>Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting.</p>
P6.4	The administering authority should review processes or develop a new process which is able to detect situations where fraud may be more likely to occur and where additional checks may be appropriate.	This will be identified on the fund's risk register A regular review of processes to detect fraud is undertaken	Full compliance 	<p><i>Enter here confirmation the process to detect situations where fraud may take place is recorded on the risk register (enter reference)</i></p> <p><i>Confirm that regular reviews of the process to detect fraud are undertaken (date of last review / date of next review)</i></p> <p>The use of the i-connect portal by the vast majority of employers ensures that any starters, leavers and changes are automatically detected at the point of the monthly submission. The administration team review the reports generated by the system for each of these events. It also ensures that the correct contribution rates are applied relative to the member's salary.</p> <p>The fund tracing service confirms addresses of those deferred members with whom the fund has been unable to establish recent contact, and carried out mortality screening for both UK and overseas pensioners to prevent overpayment of benefits.</p> <p>The council participates in the National Fraud Initiative (NFI) exercise to match data and ensure consistency.</p>



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P6.5	The administering authority must report payment failures which are likely to be of material significance to the Regulator.	Responsible officers are aware of the requirement and there is a procedure in place for reporting payment failures to the regulator in accordance with the code of practice	Full compliance 	<i>Enter here where the procedure is documented (reporting policy)</i> The fund updated its <i>Policy for recording and reporting breaches of the law</i> in September 2023. https://www.isleofwightpensionfund.org/resources/policy-for-recording-and-reporting-breaches-of-the-law-2023/ Employer compliance with the payment and reporting deadlines is reported as part of the administration report to each pension board meeting. Due to the size of the employers within the fund, it is unlikely that any failure to report and pay will be of material significance to the Pensions Regulator. However, all incidents will be included on the breaches log, with an assessment of significance.
P7	Member communication			
P7.1	Administering authority to provide an annual benefit statement to all active, deferred and pension credit members containing certain legal information and to ensure all AVC members are provided with a similar statement from their AVC provider	Annual benefit statements are issued to each active, deferred pensioner and pension credit member. Statements must be issued no later than 5 months after the end of the Scheme year to which it relates The Administering Authority will have liaised with the Schemes AVC provider and ensured an appropriate timetabled production of the members AVC statement is produced.	Full compliance 	<i>Enter here the date annual benefit statements were issued to active, deferred and pension credit members and the relevant Scheme year to which it relates</i> <i>Enter here the Administering Authorities AVC provider and the agreement details for the member's annual benefit statement production.</i> Annual Benefits Statements (ABS) for all active, deferred and pension credit members are issued by 31 August in line with statutory deadlines, via the Member Self Service (MSS) portal. Performance against the statutory deadline is reported to the pension board as part of the administration report at each meeting. The fund's AVC provider, Prudential, issue confirmation to individual members their ABS has been uploaded to their portal and provide instructions to the member to support access. The fund receives confirmation from Prudential that the statements have been distributed; AVC ABS for March 2023 was issued on 5 September 2023.



	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P7.2	The administering authority must provide scheme members with basic scheme information, meeting minimum legal requirements	The fund will have in place a communication policy which contains details of what information is provided to scheme members and the communication media.	Full compliance 	<p><i>Enter here confirmation that a communication policy is in place (link to webpage) which sets out what information is provided to scheme members and how it is communicated (scheme booklet, dedicated fund website, council webpage)</i></p> <p>The fund's communications policy was updated in November 2022 and is published on the fund's website. https://www.isleofwightpensionfund.org/resources/communications-policy/</p> <p>Recruitment material for all council vacancies includes reference to the Local Government Pension Scheme. New employees are provided with information in their contract of employment and access to the Member Self Service portal which holds individual data. A representative of the Pensions Services team delivers information about the LGPS at each council corporate induction event.</p> <p>The pension fund website Home Isle of Wight Pension Fund provides up to date local information on the scheme to prospective and existing members, including links to the National LGPS website</p>



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

	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P7.5	The administering authority should attempt to make contact with their scheme members and where contact is not possible carry out a tracing exercise to locate scheme members.	A tracing service has been engaged to trace scheme members where contact details are considered incorrect	Full compliance 	<p><i>Enter here whether or not a tracing service is used and the circumstances in which it is used.</i></p> <p>The fund appointed Target in September 2022 to carry out address tracing and mortality screening services for UK and overseas deferred members and pensioner members of the fund.</p> <p>The priority continues to be the tracing of addresses for the 988 initial members, identified in April 2022 marked as “gone away”. When we engaged with Target in September 2022, we had 855 this is now down to 365, a reduction of 623 since April 2022; All linked addresses have been identified and followed up by fund staff; full trace has been carried out on those members where no linked address could be found.</p> <p>In addition, mortality monthly screening for pensioners, deferred and frozen members is being carried out, identifying any deceased members before our monthly Pensioner Payroll is run, so we can suspend pensions and reduce risk to the Fund for overpayments.</p>
P7.6	Requests for information should be acknowledged if information requested cannot be immediately provided.	A customer service standard is in place that requires a written response to be provided within a specified timescale and where that response cannot be provided that a letter of acknowledgement is sent with an indicative response time.	Full compliance 	<p><i>Enter here to confirm that a customer service standard is in place and what the response timescales</i></p> <p>The fund's communications policy, published on the fund's website, establishes the timescales for responses to various requests for information. https://www.isleofwightpensionfund.org/resources/communications-policy/</p> <p>For communication received via the pension team generic e-mail account (pensions@iow.gov.uk), an automatic acknowledgement is delivered advising a response will be made within 5 working days. Members are also referred to the member self-service portal where some information is readily available.</p> <p>Key performance indicators of compliance with agreed service standards are reported to each meeting of the pension board.</p>

	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P8	Internal Dispute Resolution Procedure			
P8.1	The administering authority has in place an Internal Dispute Resolution Procedure	An Internal Dispute Resolution Procedure is in place in accordance with the LGPS regulations and it clearly states the procedure and process to apply for a dispute to be resolved including – - Who it applies to - Who the adjudicator is (stage 1) - Who to contact with a dispute - The information that an applicant must include - How the final decision is reached - How the dispute can be escalated if dis-satisfied - The appropriate timescales	Partial compliance 	<i>Enter here confirmation that there is an Internal Dispute Resolution Procedure in place in accordance with the LGPS regulations and the required information included in correspondence where required (inc. website, booklets, etc.)</i> Link to webpage The <i>Complaints and Internal Disputes Resolution Procedure</i> (adopted in November 2017) is published on the fund’s website: https://www.isleofwightpensionfund.org/resources/idrp-guide/ This document is overdue for review; this review is included in the current governance improvement plan and will be completed during 2024-25.
P8.2	The administering authority has ensured all scheme employers have appropriate arrangements in place for dealing with stage 1 disputes	A ‘specified person’ has been nominated by the scheme employer. The appropriate timescales known by the scheme employer for their reply.	Non compliance 	<i>Enter here if a list of the ‘specified person’ for each employer is in existence, where it is held and who maintains it.</i> Unknown: as part of the approval process for the updated Internal Dispute Resolution Procedure, contact will be made with all scheme employers to determine and record their internal processes. No progress has been made on this issue since the last reporting period.

	Requirement	Full Compliance	Compliance (Full/Partial/ Non)	Statement of Compliance
P8.3	The administering authority should regularly review its dispute process to ensure its effectiveness and that the necessary timescales are being met (inc. the employer processes at stage 1)	The administering authority to complete an annual review of its dispute process. Ongoing and completed disputes to be logged appropriately. Timescales for completion of dispute cases reviewed.	Non compliance 	<i>Enter here the details of the annual review, where it is held and the post title(s) of the person(s) responsible for maintaining it. Is this accessible on the Fund's website?</i> The published Complaints and Internal Disputes Resolution Procedure is overdue for review. This review is included in the current governance improvement plan and will be completed during 2024-25.
P9	Breaches of the Law			
P9.1	The administering authority should be satisfied that those responsible for reporting breaches of the law are made aware of their legal requirements and the Pensions Regulator's guidance.	Those responsible for reporting breaches are made aware of the legal requirements and the regulator code of practice. Relevant training should be provided to those responsible for reporting breaches. Sign off required on completion of training and understanding. All those that are responsible to report breaches, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligation.	Full compliance 	<i>Enter here the details of all training provided and the corresponding training documentation.</i> -Include the procedures used -List of names and roles that should report breaches within the Fund -Training list document -Annual review of post holders involved As part of the process for the adoption of the updated <i>Policy for the recording and reporting of breaches of the law</i> both local pension board and pension fund committee were provided with a short development session within their respective meetings, setting out the purpose of the policy, what could be considered a breach, who is responsible for reporting potential breaches, to whom these should be reported, when breaches should be reported to the Pensions Regulator, and the new breaches log. The session also included reference to the Pension Regulator's draft general code requirements in respect of breaches of the law. In addition, all local pension board members are encouraged to complete the Pension Regulator's online toolkit module dealing with reporting breaches of the law within 6 months of their joining the board.

	Requirement	Full Compliance	Compliance (Full/Partial/Non)	Statement of Compliance
P9.2	The administering authority should have a breaches of the law policy in place	Breaches of the law policy detailed within the Fund's annual governance statement	Full compliance 	<i>Enter here whether a policy is in existence, where it is available and the post title(s) of the person(s) responsible for maintaining it.</i> The fund updated its <i>Policy for recording and reporting breaches of the law</i> in September 2023. https://www.isleofwightpensionfund.org/resources/policy-for-recording-and-reporting-breaches-of-the-law-2023/ The Pension Fund Manager is responsible for reviewing and updating the policy.
P9.3	The administering authority should maintain a breaches log and have identified a person responsible for maintaining the breaches of the law policy, logging, reporting and recording processes	Named person detailed within the Funds annual governance statement. Breaches log established, updated and maintained. Confirmation of the reporting of breaches.	Partial compliance 	<i>Enter here the post title(s) of the person(s) responsible.</i> The new <i>Policy for recording and reporting breaches of the law</i> includes a template Breaches Log, which is updated and maintained by the Pension Fund Manager. The pension fund committee agreed that the breaches log would be presented to all future Local Pension Board meetings for scrutiny, and that the board would report back to the committee on all actions. Since the adoption of the new policy, there have been no Board meetings.

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Isle of Wight Pension Fund - Overview Quarter to 30 September 2023

Manager	Asset class	Asset Allocation Proportion of Total Fund %	Market Value Previous Quarter 30/06/2023	Market Value Latest Quarter 30/09/2023	Current Proportion of Total Fund %	Actual Quarterly Performance %	Benchmark Performance	Actual relative to benchmark	Benchmark to Outperform by %
ACCESS	UK Equities	12.5	101,156,663	101,294,694	14.6	1.7	1.9	-0.2	2.0
ACCESS	Global Equities	18.8	155,913,283	153,450,097	22.2	-0.7	0.6	-1.3	2.0
ACCESS	Diversified Growth Fund	10.0	101,683,306	99,508,793	14.4	-0.2	2.2	-2.4	1.0
Total ACCESS holdings		41.3	358,753,252	354,253,584	51.2	0.2	1.4	-1.2	
Schroder	Bonds	22.0	109,072,319	106,429,611	15.4	0.9	0.7	0.2	1.0
UBS	Climate Aware Passive	18.8	143,797,264	144,734,461	20.9	0.7	0.7	0.0	n/a
Total Liquid Assets		82.0	611,622,834	605,417,655	87.6	0.2	0.9	-0.6	
Schroder	Property	8.0	36,140,168	35,513,681	5.1	-0.9	-0.4	-0.5	0.5
Goldman Sachs	Private Debt	5.0	25,927,923	27,390,822	4.0	o/s	o/s	o/s	
Partners	Infrastructure	5.0	16,433,547	18,371,352	2.7	o/s	o/s	o/s	
Total Alternative Funds		18.0	78,501,639	81,275,856	11.8	-0.9	-0.4	-0.5	
Direct Cash Holding		0.0	6,684,500	4,814,500	0.7	n/a	n/a	n/a	n/a
TOTAL FUND		100.0	696,808,973	691,508,011	100.0	0.3	0.7	-0.4	
Of which the following are equities:									
	UK Equities	12.5	101,156,663	101,294,694	14.6	1.7	1.9	-0.2	2.0
	Global Equities	37.5	299,710,547	298,184,558	43.1	0.0	650.1	-650.1	2.0
	Total Equities	50.0	400,867,210	399,479,252	57.8	0.4	488.1	-487.6	2.0
	Proportion of total fund		57.53%	57.77%					

NOTE 1: Schroder quarterly performance report based on MID price. Monthly reports from November 2010 are based on BID price. BID price is reported above. BID price on Schroder's property portfolio is £1,061,734 higher than MID price

TOTAL FUND 692,569,745 MID value

NOTE 2: September 2023 Goldman Sachs Private Debt portfolio and Partners Group Infrastructure portfolio values reported above are at 30 June 2023, updated for investments made since that date. The final valuation reports for September 2023 from these investment managers have not yet been received.

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Isle of Wight Pension Fund

Page 157

Q3 2023 - Investment Monitoring Report

David Walker – Partner

Contributors:

Stefan Chilom – Investment Analyst

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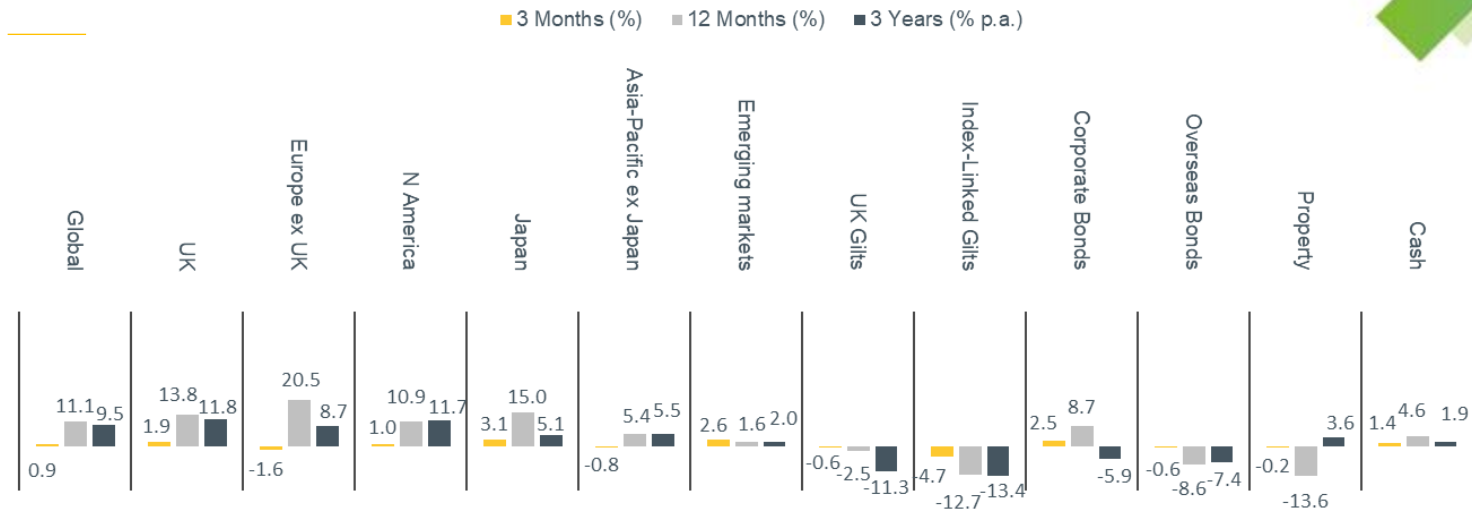
Better-than-expected Q2 data, released in Q3, led to further upwards revisions to 2023 global growth forecasts in Q3. However, survey indicators suggest that economic activity weakened throughout Q3, as services activity lost steam and the manufacturing sector remained in contraction. Europe looks a particular weak spot.

Headline inflation has generally stayed on a downwards trend, and came in at 3.7%, 6.7%, and 5.2% year on year in the US, UK, and eurozone, respectively. Core CPI inflation, which excludes volatile energy and food prices, has been falling more slowly, coming in at 4.3%, 6.2%, and 5.3%, in the US, UK and eurozone, respectively.

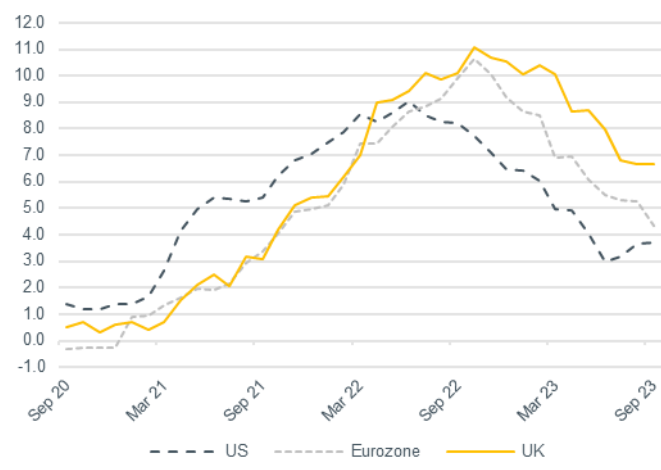
The Federal Reserve and Bank of England (BoE) raised rates 0.25% pa in Q3, to 5.5% pa and 5.25% pa. Both then left rates unchanged, unexpectedly so in the case of The BoE, at their September meetings. Meanwhile, the European Central Bank raised its deposit rate twice, to 4.0% p.a. The tone of central bank comments and market pricing suggest that policy rates are at, or close to peaking, but subsequent cuts will be more gradual than previously thought.

As a result, long-term sovereign bond yields rose. Heavy issuance amplified moves in 10-year US treasury yields which rose 0.7% pa to 4.6% pa. Equivalent German yields rose 0.5% p.a., to 2.8% p.a. Japanese government bond yields rose 0.4% pa, to 0.8% pa, as the Bank of Japan (BoJ) loosened its yield curve control policy in July. Short-term gilt yields fell, while longer-term yields rose – the 10-year yield saw more muted moves, rising 0.1% pa to 4.4% pa.

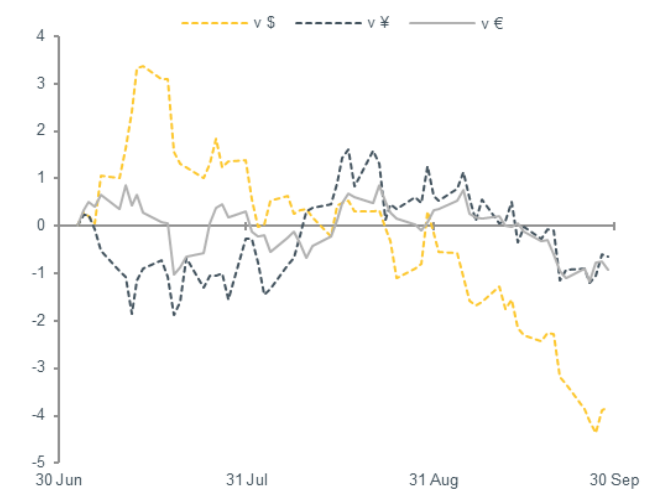
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1]Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

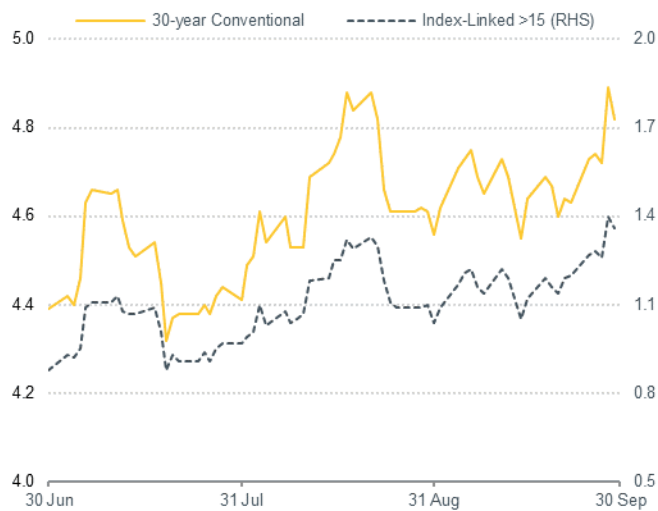
UK investment grade credit recorded positive total returns as short-term gilts yields and credit spreads fell. Global investment-grade spreads fell 0.1% pa to 1.3% pa. Speculative grade spread movements were muted with the US little changed, at 4.0% pa, and euro spreads tightening 0.1% to 4.4%.

The FTSE All World Total Return Index erased July's gains to end the quarter 2.1% lower, in local currency terms, as sovereign bond yields rose, and surveys indicated weaker global economic activity in Q3. Europe ex-UK underperformed, given weak business surveys and a large exposure to the struggling manufacturing sector. Above-average exposure to the tech sector saw North American equities also underperform. Japan outperformed as yen weakness lent support to the earnings of the export-heavy market. UK equities outperformed too, given above-average exposure to the energy sector.

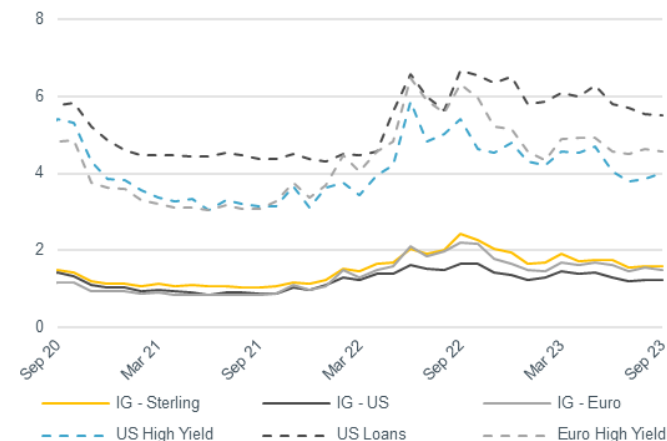
Oil prices rose 28% over the quarter on the back of supply shortfall fears, climbing close to \$100 per barrel. On a year-over-year basis, oil prices are up 8.1%. Trade-weighted sterling fell 2.1% as near-term interest rate expectations fell, while the equivalent US dollar measure rose 2.0% and the Japanese yen fell a further 1.7%.

The MSCI UK Monthly Property Total Return Index returned -0.2% over the quarter as capital value declines in the office and retail sectors more than offset income. Over 12-months, capital values are down around 14%, 20%, and 23% in the retail, industrial, and office sectors, respectively. The office and retail sectors continue to see month-on-month capital value declines, while the industrial sector has recorded seven consecutive months of growth, though the pace has eased.

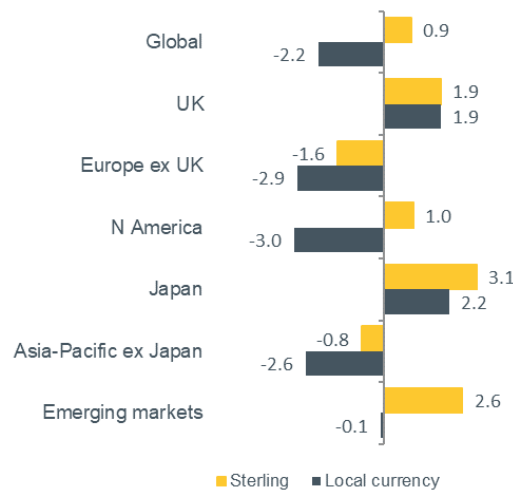
Gilt yields chart (% p.a.)



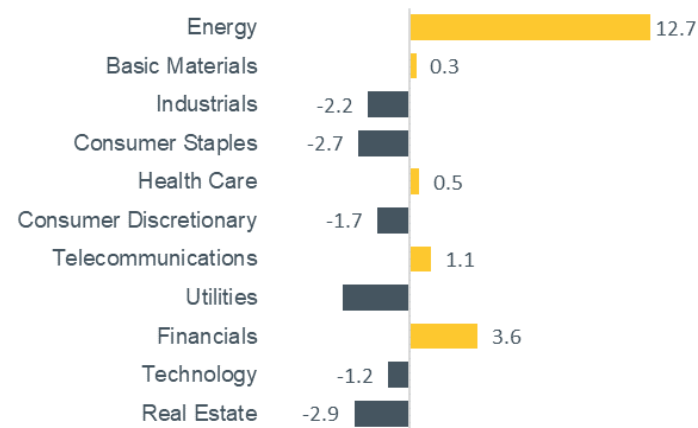
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

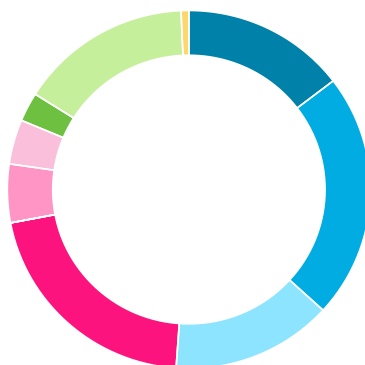
Summary of Medium-term Capital Market Views

	June 2023	September 2023	Comment
Index-linked gilts	Attractive	Attractive	Real yields are also reasonably attractive and continued above-target inflation still lends some relative fundamental support to index-linked gilts. We also think the technical backdrop is slightly less challenging for index-linked gilts seeing as index-linked gilts are not being sold as part of quantitative tightening.
Conventional gilts	Neutral	Attractive	Given the weak real growth outlook and expected declines in inflation, we think the fundamental outlook for gilts has improved. The recent back-up in yields means longer-term nominal yields look increasingly attractive relative to fair value. We also think a fall in long-term implied inflation is more likely to be driven by a fall in nominal yields than a rise in real yields. However, the technical backdrop remains challenging amid Bank of England asset sales and heavy government issuance to meet financing requirements.
Sterling non-government bonds	Neutral to Attractive	Neutral	Slowing global economic activity and shrinking profit margins points to an unattractive fundamental backdrop for corporates and will put pressure on the strength of corporate balance sheets. Furthermore, the impact of previous interest rate hikes is yet to be felt fully and higher for longer central bank rhetoric may put longer term pressure on debt affordability. However, the impact will be less severe and take longer to materialize in investment-grade markets than in speculative-grade markets given lower debt levels and longer maturities.
Private Debt	Neutral to Cautious	Neutral	Leverage levels on newly originated debt are low compared to historic averages as underwriting focuses on fixed charge and interest coverage ratios in a rising cost environment. However, despite these lower leverage levels, the corporate earnings outlook (across the board) remains challenging which may impact debt affordability.
Equities	Neutral to Cautious	Neutral to Cautious	2023 aggregate earnings expectations appear to have bottomed out at an underwhelming 0.7%. Although consensus expectations suggest a more appealing earnings environment in 2024 and 2025, risks are skewed to the downside. One of the main uncertainties is whether markets have correctly assessed the longer-term impact of higher rates on the consumer and business activity. Moreover, there are risks surrounding central banks' ability to navigate the current inflation environment. Cyclically adjusted valuations are currently in line with long-term averages, but they appear more stretched in the context of higher real yields.
Cash Strategies	Neutral	Neutral	Higher base rates means investors can now generate positive (although below inflation) returns through cash holdings. The deteriorating economic outlook could provide opportunities further down the line.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2023	Q3 2023			
Newton Global Equity Fund	155.9	153.5	22.1%	18.8%	3.4%
Baillie Gifford Diversified Growth Fund	101.7	99.5	14.4%	10.0%	4.4%
UBS Climate Aware World Equity Fund	143.8	144.7	20.9%	18.8%	2.1%
BlackRock UK Select Fund	101.2	101.3	14.6%	12.5%	2.1%
Total Growth	502.6	499.0	72.0%	60.0%	12.0%
Schroders Property Fund	36.9	36.6	5.3%	8.0%	-2.7%
GSAM Broad Street Loan Partners IV Fund	25.9	27.8	4.0%	5.0%	-1.0%
Partners Infrastructure	16.1	18.2	2.6%	5.0%	-2.4%
Total Income	78.9	82.6	11.9%	18.0%	-6.1%
Schroders Fixed Income Fund	105.5	106.5	15.4%	22.0%	-6.6%
Total Protection	105.5	106.5	15.4%	22.0%	-6.6%
Cash	7.2	4.8	0.7%	0.0%	0.7%
Total Scheme	694.1	692.9	100.0%	100.0%	

Asset class exposures



- BlackRock UK Select Fund 14.6%
- Newton Global Equity Fund 22.1%
- Baillie Gifford Diversified Growth Fund 14.4%
- UBS Climate Aware World Equity Fund 20.9%
- Schroders Property Fund 5.3%
- GSAM Broad Street Loan Partners IV Fund 4.0%
- Partners Infrastructure 2.6%
- Schroders Fixed Income Fund 15.4%
- Cash 0.7%

As at 30 September 2023, the Fund's assets totalled £692.9m, decreasing by £1.2m over the quarter.

Better-than-expected Q2 GDP data, released in Q3, led to further upwards revisions to 2023 global growth forecasts for Q3, albeit survey indicators point towards economic slowdown.

As inflation remains high (although continues trending downwards), interest rates are forecasted to stay higher for longer – this expectation was the main driver behind global equities delivering negative performance over the last quarter.

The Bank of England raised rates 0.25% pa in July, to 5.25% pa, however left rates unchanged at the following meeting in September.

Over the third quarter, gilt yields continued to rise at medium to long maturities but fell over the short term (reflecting August's downside inflation surprise and the BoE's unexpected pause in rate rises). Yields fell on shorter maturity issues, which led to overall positive performance for the Fund's fixed income mandate with Schroders.

Fund performance

Over Q3, the Fund returned -0.1% against its benchmark of 0.8%, a relative underperformance of 0.9%.

Over the medium term, the Fund fell short of its 12-month benchmark. Over the 3-year period the fund underperformed its benchmark by 0.5% p.a., delivering a 3.6% return per year. The recovery on the equity markets since Q4 2022 is evident over with a 5% absolute return over the 12-month period being a considerable improvement over the 3-year average of 3.6%.

The decrease in the Fund's value over Q3 was mainly caused by BG's diversified growth fund continuing to underperform and the Newton equity fund giving back a small fraction of its significant overperformance over the past 12 months.

Capital values in the offices and retails sectors continued to drop over Q3. As a result, the Schroders property mandate delivered a slightly negative outcome over the three months.

With yields steepening in the 3 months to September (i.e., short duration yields decreasing and long duration yields increasing) the underlying assets in the Schroders Fixed Income fund saw mixed movements. Overall, the contribution to performance was slightly positive.

Background

Strategy / Risk

Performance

Managers

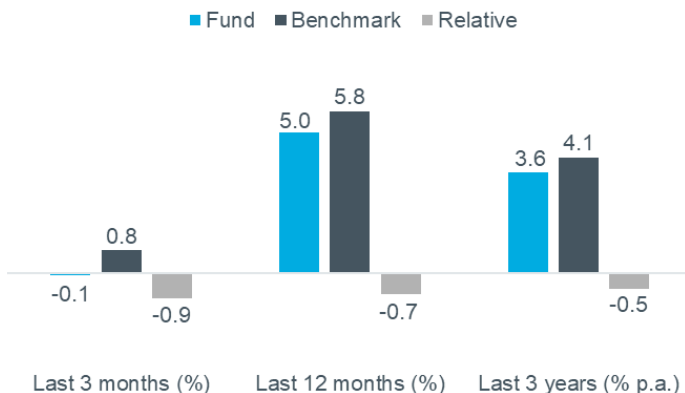
Appendix

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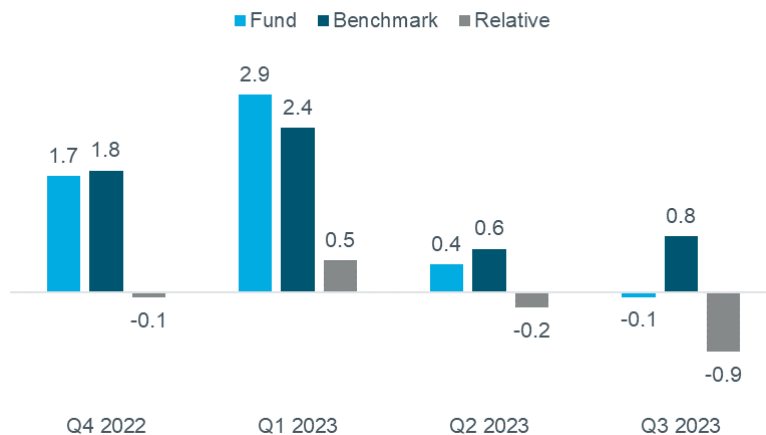
Manager performance (gross of fees)

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
BlackRock UK Select Fund	1.7	1.9	-0.2	2.5	-1.7	4.3	-	-	-
Newton Global Equity Fund	-0.5	0.6	-1.1	14.1	10.5	3.3	9.4	9.0	0.4
Baillie Gifford Diversified Growth Fund	-2.0	2.1	-4.1	-0.2	7.7	-7.4	-1.2	5.2	-6.0
UBS Climate Aware World Equity Fund	0.7	0.7	0.0	12.2	12.2	0.0	-	-	-
Income									
Schroders Property Fund	-0.9	-0.4	-0.5	-18.5	-14.3	-4.9	0.2	3.2	-2.9
Protection									
Schroders Fixed Income Fund	0.9	0.7	0.2	2.3	2.7	-0.4	-9.4	-8.8	-0.6
Total	-0.1	0.8	-0.9	5.0	5.8	-0.7	3.6	4.1	-0.5

Fund performance vs benchmark/target



Historical quarterly performance summary



Source: Fund performance and valuation data provided by Investment Managers and is gross of fees. Benchmark performance provided by Investment Managers and DataStream. 12-month BlackRock UK Select Fund's performance is since inception (23.02.2023). Total Performance excludes the impact of private market allocations and any cash held.

This page includes details of the current investment manager ratings together with any relevant manager business updates.

This page also shows RI ratings for the current investment managers.

Manager ratings

Mandate	Hymans Rating	RI
Newton Global Equity Fund	Suitable	Good
BlackRock UK Select Fund	Preferred	Adequate
Schroders Fixed Income Fund	Positive	Good
Schroders Property Fund	Positive	Good
Baillie Gifford Diversified Growth Fund	Positive	Good
GSAM Broad Street Loan Partners IV Fund	Positive	Adequate
Partners Infrastructure	Preferred	Good
UBS Climate Aware World Equity Fund	Preferred	Good

Newton's team changes

In Q3, Paul Markham, previously Head of Newton's Global Opportunities team, left Newton. Louise Kernohan expanded her role to become Head of the team and portfolio manager on the Global Equity strategy. Louise has 18 years' investment experience, having joined Newton in 2020 from Aberdeen Standard Investments, where she had managed UK and Pan-European equity portfolios. Georgina Cooper and Tom Wilson also joined the management team of the strategy. Georgina joined Newton 18 months ago and is portfolio manager on the UK Equity and Sustainable UK Opportunities strategies. She has nine years' industry experience and has managed equity portfolios for the last eight years. Tom joined the Global Opportunities team in September from Insight Investment and has 15 years of industry experience.

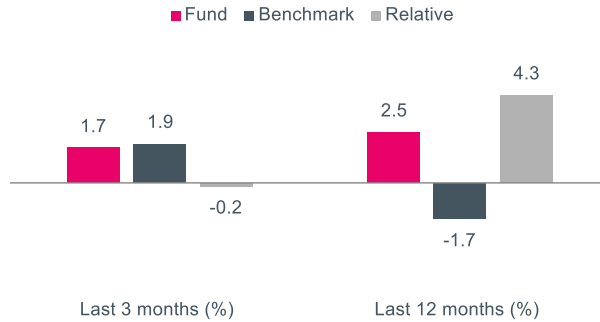
Blackrock UK Equity

The Liontrust UK Equity fund was replaced by the BlackRock UK Select fund as of the 23rd February 2023. The UK Equity allocation remains within the ACCESS LGPS Pool, despite the manager change.

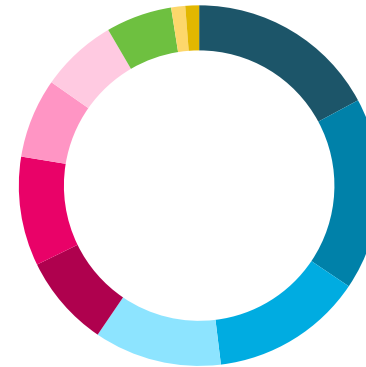
Over Q3 2023 the BlackRock UK Select Fund delivered a total return of 1.7%, marginally underperforming its FTSE All Share benchmark of 1.9%. The fund managed to perform better than its benchmark since the Fund's investment in the first quarter of 2023, with a relative outperformance of 4.3%.

The BlackRock Institutional Equity Fund ('BIEF') – UK Select takes active positions, with significantly overweight allocations to Communication and Industrials. On the other hand, the fund is materially underweighting the UK's Financial, Consumer Staples and Health Care sectors. This allocation is consistent with the fund's moderate quality/growth bias.

Performance summary*

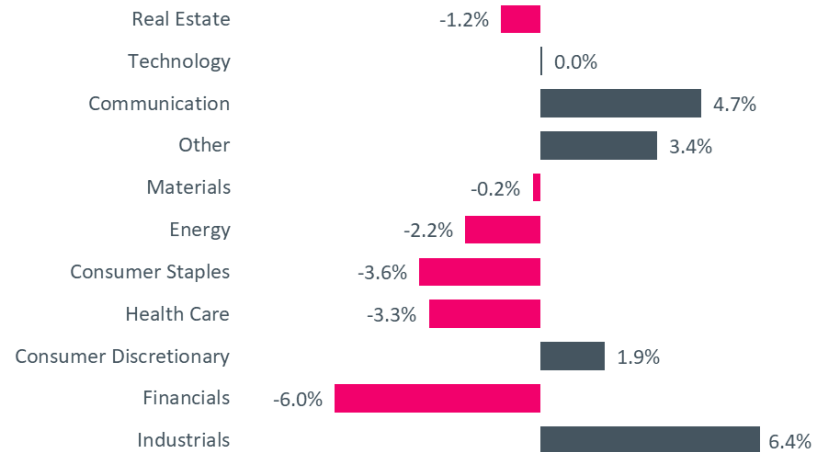


Sector allocation



- Industrials 17.2%
- Financials 17.3%
- Consumer Discretionary 13.7%
- Health Care 11.4%
- Consumer Staples 8.3%
- Energy 9.8%
- Other 6.9%
- Communication 5.9%
- Technology 1.3%
- Real Estate 1.2%

Allocation relative to benchmark



Source: Data and fund performance provided by Link Group and is gross of fees.
 *12m performance represents the SI figure provided by manager. SI date is 23/02/2023

Newton Global Equity

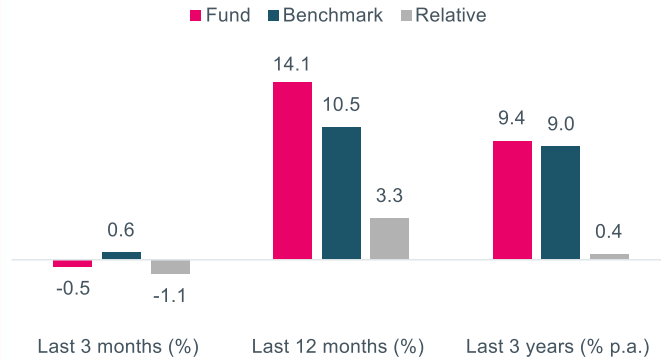
The Newton Global Equity Fund trailed its MSCI ACWI benchmark over Q3 2023, returning -0.5% in absolute terms. Despite this recent underperformance, the fund outperformed its 12-month and 3-year benchmarks by 3.3% and 0.4% respectively p.a.

Over the summer of 2023 the global equity market produced relatively muted results. Despite the UK not choosing to increase interest rates at the September BoE meeting, the US maintained its pace of interest rate hikes, continuing to build the investor expectations of higher rates persisting for longer.

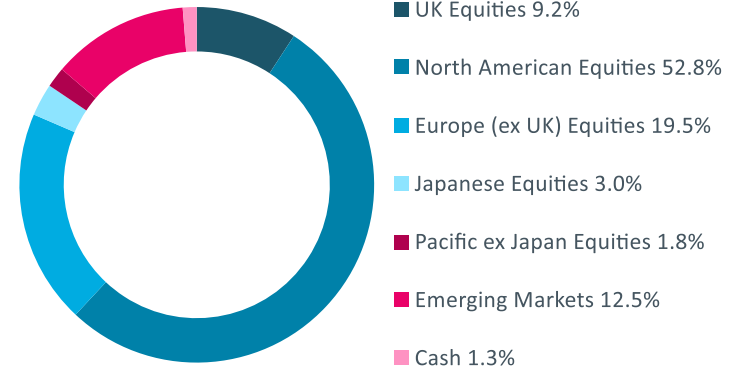
Underperformance was mainly driven by stock selection in financials and health care. The fund's underweight position in energy was also particularly detrimental in a quarter which saw a significant oil price increase. The technology sector was affected by the rising long-term yields, with growth stocks seen as having potential to deliver return in the distant future. Thus, the fund's overweight position in IT stocks also contributed to the negative absolute performance.

Strong stock selection in communication services and industrials reduced the extent of the underperformance over the quarter.

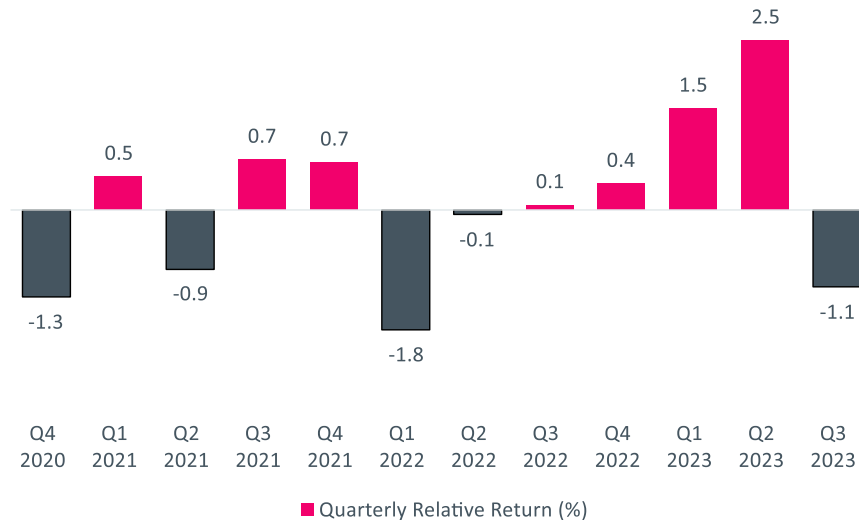
Performance summary



Asset allocation



Quarterly relative performance



Source: Data and fund performance provided by Newton and Link Group and is gross of fees.

UBS Climate Aware World Equity Fund

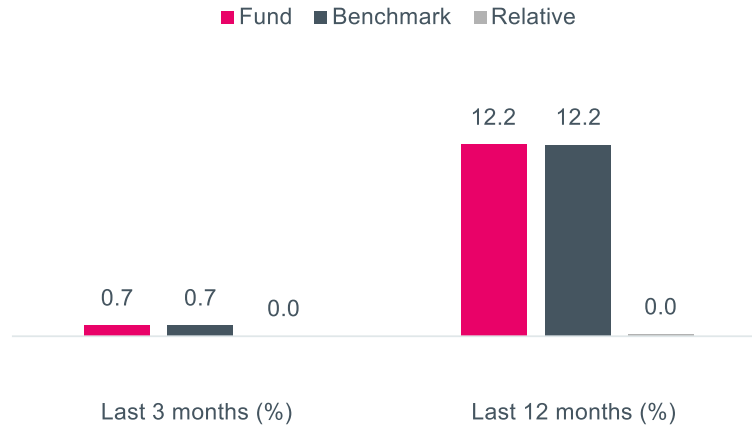
Following the equity review in November 2020, the Committee agreed to introduce a passively managed global mandate to provide a more balanced equity investment approach. In December 2021, the allocation of £145m was invested in the UBS Global Climate Aware mandate.

The aim of the mandate is to perform broadly in line with the FTSE AW Developed Index, delivering similar performance to standard global equity indices but with less carbon intensive investments.

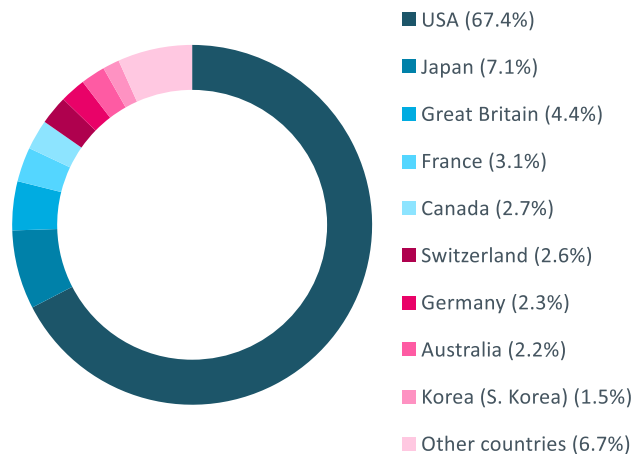
The positive return over the 3 months to September 2023 can be attributed to the relatively mixed signals received by investors. While unemployment in the US increased slightly, inflation came out higher than expected (headline 0.6% higher, core 0.3% higher, on a month-to-month basis). The mandate's exposure to Japanese equities detracted from performance, with inflation coming in above expectations.

The fund is performing broadly in line with the FTSE AW Developed Index over both the shorter and the longer term, some tracking error of +/- 0.5% is expected from this mandate.

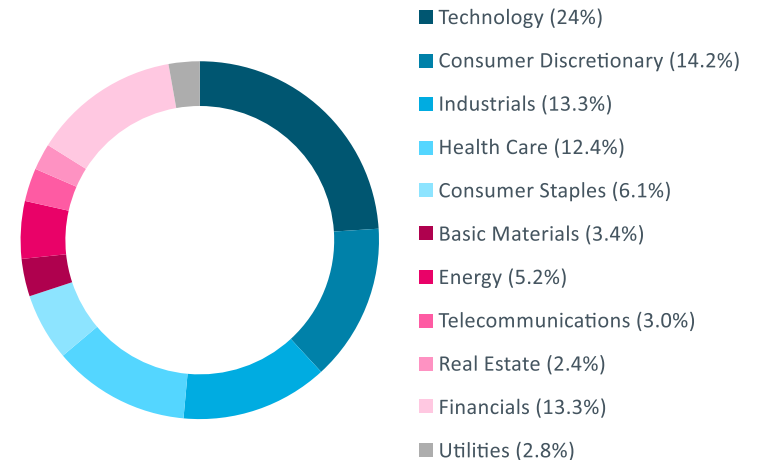
Performance summary



Geographical allocation



Sector allocation*



Source: Data and fund performance data provided by UBS and is gross of fees.
*Due to rounding the allocation total sums to over 100%

Baillie Gifford Diversified Growth

Over Q3 2023, the Diversified Growth Fund returned -2.0%, underperforming its benchmark, by 4.1%. The fund also fell short of its longer-term benchmarks, with the 12-month relative performance remaining the greatest laggard against its benchmark by 7.4%.

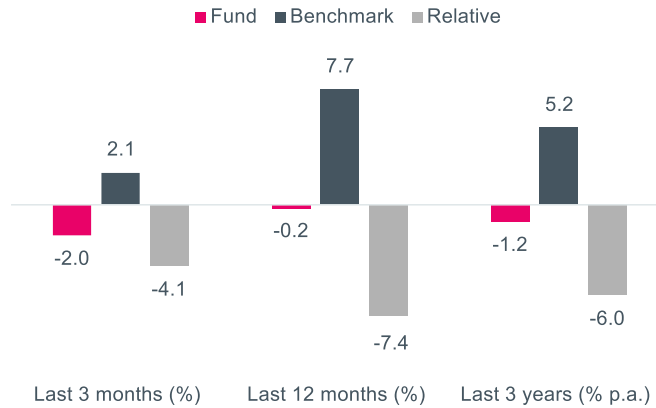
The quarter to September 2023 was characterised by markets continuing to adapt to increased rates and heightened inflation. This led to varied performance figures across the different asset classes held in the DGF.

The biggest detractor to performance was the fund's exposure to infrastructure, both through equity and debt instruments (9.6% allocation). The manager attributed this to an unexpected lack of diversification of risk between its listed holdings and its infrastructure exposure. Furthermore, as expected given the rising long-term yields over the quarter, holdings in Government Bonds (14.7% allocation), Emerging Market Bonds (18.4% allocation) and High Yield Credit (7.2% allocation) also detracted performance.

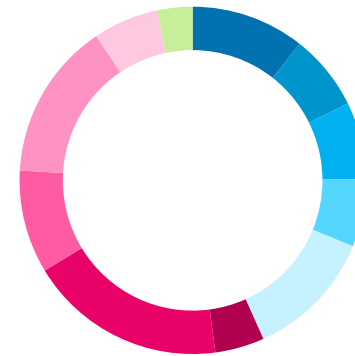
Structured finance and Insurance-linked securities (total allocation of c18.2%) were the top contributors to Q3 performance.

In terms of positioning, Baillie Gifford see opportunities in the assets affected by yield increases and are actively adding these to its portfolio.

Performance summary

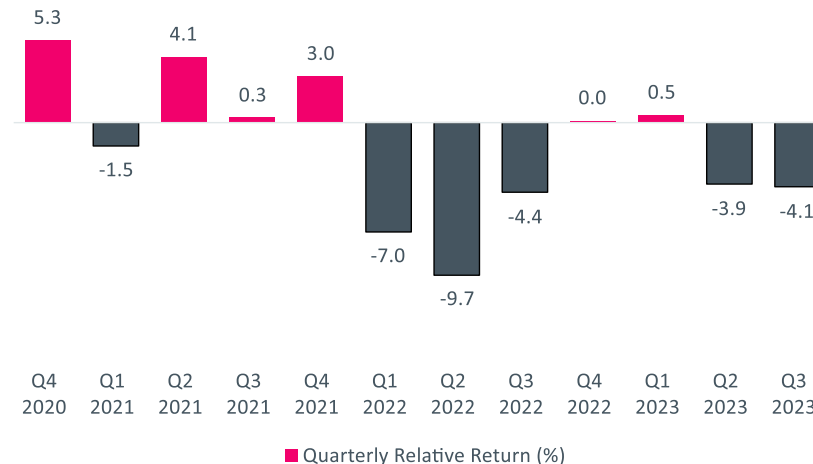


Asset allocation*



- Listed Equities 10.6%
- Property 7.1%
- High Yield Credit 7.2%
- Investment Grade Bonds 6.3%
- Structured Finance 12.1%
- Commodities 4.6%
- Emerging Market Bonds 18.4%
- Infrastructure 9.6%
- Government Bonds 14.7%
- Insurance Linked 6.1%
- Cash and Equivalents 3.3%

Quarterly relative performance



Source: Data and fund performance provided by Baillie Gifford and Link Group and is gross of fees.
*Due to rounding the allocation total sums to over 100%

Schroders Property

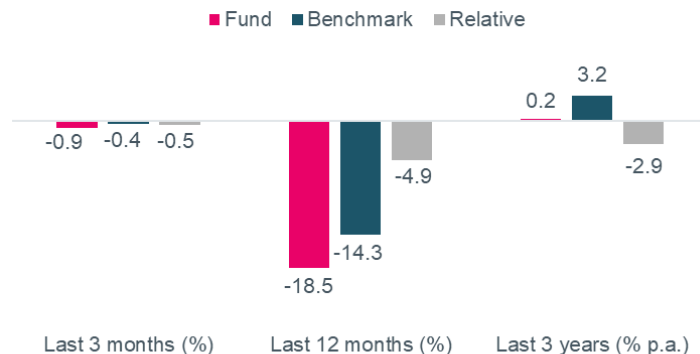
The Schroders UK Real Estate mandate returned -0.9% over Q3 2023, 0.5% below the benchmark return.

Weighed down by recent performance, the fund has delivered negative absolute and relative returns over all longer periods considered.

SCREF's performance during the quarter was driven mainly by continued capital value declines, primarily in the office and retail sectors. The fund is currently overweight to offices (c17%), especially outside of central London. Record-high vacancy rates in the offices are one of the reasons why the sector saw the highest falls in valuations over Q3, contributing to the fund's underperformance.

On the other hand, the fund's income return remains above the benchmark at 1.1% p.a. which aids absolute and relative performance.

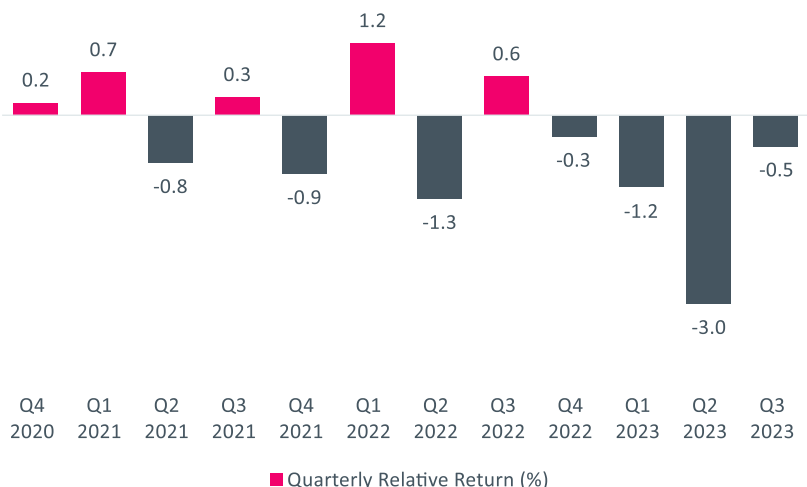
Performance summary



Key statistics

Fund size (gross)	£1,888.12m
Number of holdings	50
Number of tenants	664
Debt (% of NAV)	2.7%
Top 10 holdings as % of portfolio	46%

Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

Schroders Fixed Income

The Schroders Fixed Income fund returned 0.9% over Q3 2023, outperforming its benchmark of 0.7%.

The fund also delivered a positive return over the past 12 months, only falling marginally short of its benchmark by 0.4%.

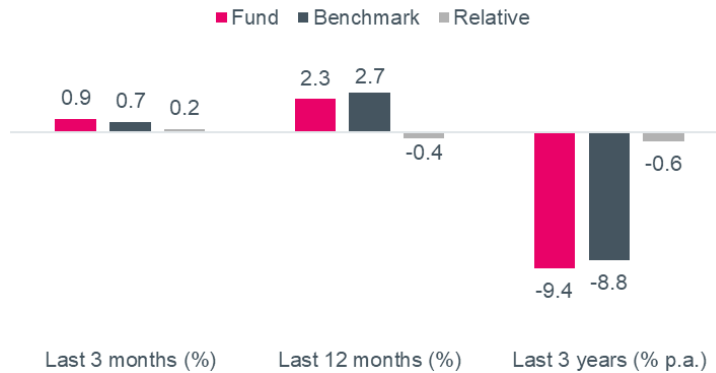
Performance over the 3-year period was also negative however more divergent from its target benchmark return due to the dramatic upward shift in yields which negatively impacted the fund in the first three quarters of 2022.

The fund's positive return over the quarter was aided by the US yield curve steepening over. The manager anticipated this move in yields given the growing confidence in the US avoiding a recessionary scenario and underweighted US holdings in favour of a German bund overweight position.

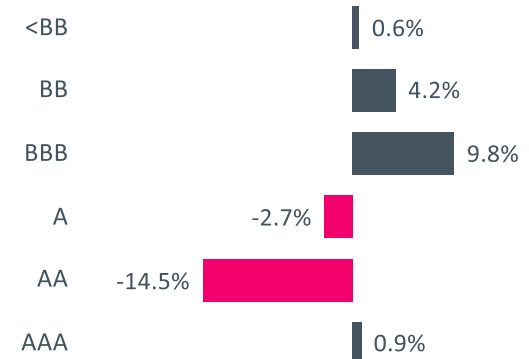
The fund also benefitted from asset allocation decisions in corporate bonds. An overweight allocation to GBP-denominated corporates benefited from credit spreads tightening over the quarter.

The transition of this fund onto the ACCESS pool is currently ongoing, with a similar mandate managed by Royal London expected to be in place soon.

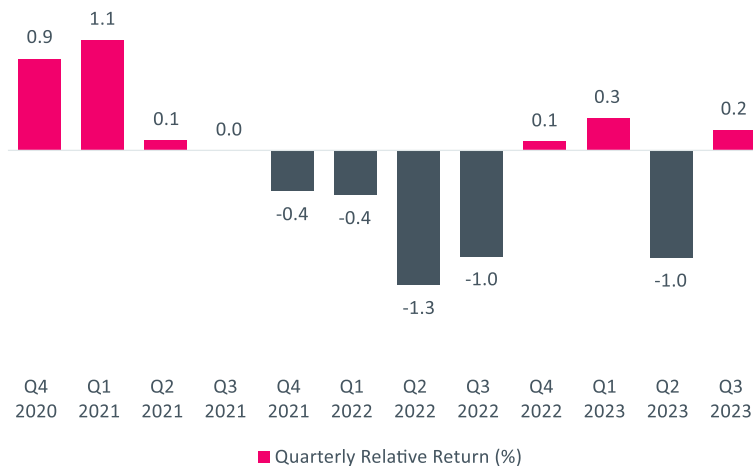
Performance summary



Relative credit allocation



Quarterly relative performance



Source: Data and fund performance provided by Schroders and is gross of fees.

GSAM Broad Street Loan Partners IV Fund

In July 2020, a new 5% allocation to private debt was agreed by the Committee which will be drawn down over time.

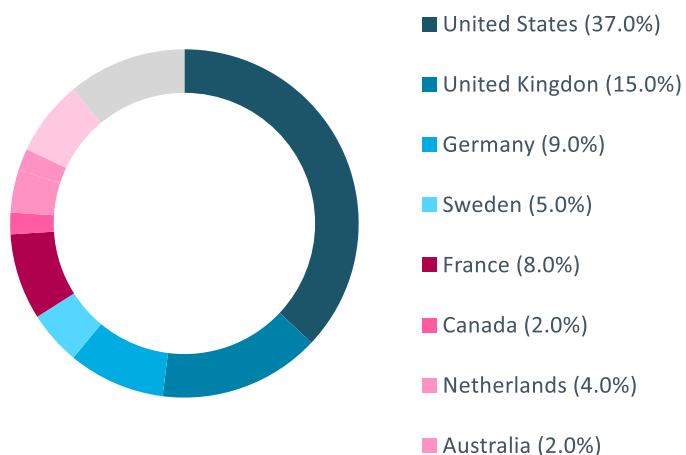
The table to the right reflects the key statistics since inception based on the estimated end of June figures from GSAM.

The estimated capital balance by GSAM as at 30 September 2023 was c.£27.8m and capital contributions were c.£30.6m (out of which £4.3m were distributed back).

First Lien term loans continue to hold the majority weighting, in line with the Fund's target investment profile.

*Net income allows for impact of currency movements. Over Q3 2023 the dollar appreciated against the pound, positively impacting returns

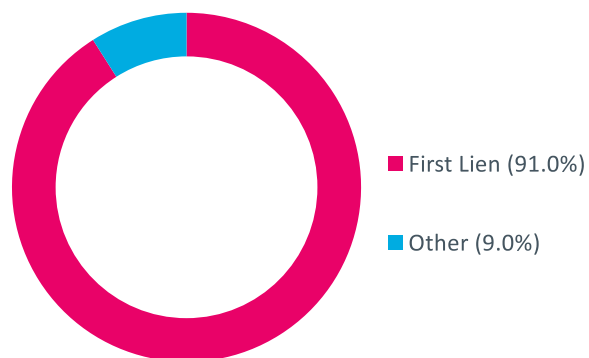
Geography split



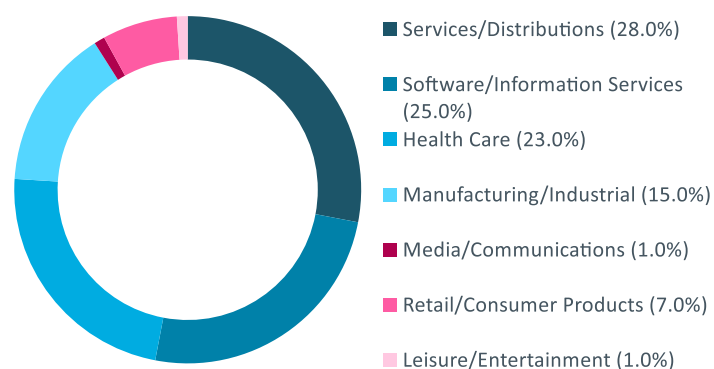
Key statistics since inception (£m)

Commitment	30.0
Capital contributed	30.6
Distributions	4.3
Estimated Capital balance	27.8
Estimated Net Income/Loss*	1.6

Security/Loan type



Industry split



Partners Direct Infrastructure

In July 2020, a new 5% allocation to infrastructure was agreed by the Committee which will be drawn down over time. The first allocation to Partners Direct Infrastructure Fund was drawn on 10 July 2021.

The estimated net asset value for the fund as at 30 September 2023 was c.£18.2m (vs. c.£16.4m as at 30 June 2023). The latest valuation available (as at 31 August 2023) was adjusted for the latest capital call due on the 25 September 2023.

A capital call was issued in September, bringing the net contributions to the fund up to £16.7m (vs £14.9m in June 2023)

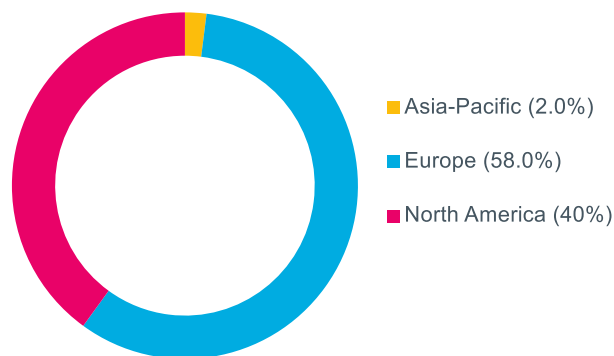
It should be noted that given this is a EUR fund, FX movements will impact the returns. During Q3 2023 the UK Sterling only mildly appreciated against the EUR and thus did not affect the reported NAV meaningfully.

Reporting for the fund will evolve over time as the fund establishes.

Key statistics (£m; 31st August 2023 statistics adjusted to 30th September 2023)

Commitment	35.1
Capital contributions	16.7
Distributions	0.4
Net contributions	16.3
Net asset value	18.2
Net multiple (as at 31 st August)	1.14x

Regional allocation (as at 31st August 2023)



Source: Fund data provided by Partners.

Benchmarks, Targets & Fees

Mandate	Date Appointed	Benchmark Description	Performance Target (% p.a.)
Newton Global Equity Fund	25/08/2009	MSCI AC World	+2% p.a. over rolling 5 years
BlackRock UK Select Fund	23/02/2023	FTSE All Share	+2% p.a. over rolling 5 years
Schroders Fixed Income Fund	31/08/2009	50% iBoxx Gilts and 50% iBoxx Non-Gilts Indices	Outperform benchmark by 1% p.a. (net of fees) over a market cycle before fees
Schroders Property Fund	31/08/2009	AREF/MSCI UK Quarterly Property Fund Index All Balanced Funds Median	Outperform benchmark by 0.5% p.a. (net of fees) over 3 year rolling period
Baillie Gifford Diversified Growth Fund	30/10/2013	UK Base Rate +3.5% p.a.	UK Base Rate +3.5% p.a. (net of fees) over 5 year rolling period
GSAM Broad Street Loan Partners IV Fund	25/01/2021	-	8% gross IRR
Partners Infrastructure	10/07/2021	-	8-12% p.a. net of fees
UBS Climate Aware World Equity Fund	08/12/2021	FTSE AW Developed Index	-

Source: Investment Managers

Hymans Ratings

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

This page sets out the benchmark, performance targets, and fees of each mandate.

It also provides descriptions of our ratings and the rationale behind our Hymans research and Responsible Investment ratings.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Hymans Robertson LLP and our group companies have a wide range of clients some of which are fund managers, who may be parties in our recommendations to you in various circumstances including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

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Purpose: For Decision

Committee Report

ISLE OF WIGHT COUNCIL

Committee	ISLE OF WIGHT PENSION COMMITTEE
Date	22 NOVEMBER 2023
Title	INVESTMENT STRATEGY IMPLEMENTATION UPDATE
Report of	PENSION FUND MANAGER

1. Executive Summary

- 1.1 At its September 2023 meeting, the committee agreed the process by which the fund managers for the increased allocations to both private debt and infrastructure would be selected.
- 1.2 Selection panels were held on 16 October 2023 for private debt and 30 October 2023 for infrastructure.
- 1.3 This report presents the outcomes of the two selection panels, and provides more information on the next steps to the implementation of those investments. A representative from Hymans Robertson LLP will be attending the committee meeting to present this report.
- 1.4 The September 2023 committee meeting also agreed to progress the transition of the fund's fixed income portfolio into the ACCESS pool. A verbal update on the progress of that transition will be provided at the meeting.

2. Recommendation(s)

2.1 In relation to private debt:

- 2.1.1 That the decision of the selection panel to appoint Pantheon be agreed.
- 2.1.2 That the Isle of Wight Pension Fund makes a commitment to the Pantheon – Senior Debt Secondaries III (GBP) fund.
- 2.1.3 That the Isle of Wight Pension Fund makes a commitment of £65 million to this strategy, based on the updated cash flow analysis to achieve the desired target allocation.

2.1.4 That the committee note the progress made towards commissioning a legal review of the fund documentation.

2.2 In relation to infrastructure:

2.2.1 That the decision of the selection panel to appoint JP Morgan be agreed.

2.2.2 That the Isle of Wight Pension Fund makes a commitment to the JP Morgan Infrastructure Investments Fund.

2.2.3 That the Isle of Wight Pension Fund makes a commitment of £30 million to this strategy in 2024 and considers a further commitment of approximately £40 million in 2028/29 to achieve the desired target allocation, based on updated analysis.

2.2.4 That the Isle of Wight Pension Fund opts for the GBP-hedged share class of the JP Morgan Infrastructure Investments Fund.

2.2.5 That officers are authorised to commission a legal review of the selected fund's documentation and commission taxation advice.

2.2.6 That Hymans Robertson be instructed to provide a transition plan and assess the availability of fund units on the secondary market (which sometimes trade at a discount if they are still in the lock-up period).

2.3 In relation to fixed income:

2.3.1 That the verbal update on the progress of the transition of the fund's fixed income holdings into the ACCESS Sterling Core Bond Fund (Royal London) is noted.

2.3.2 That a report on the completion of this activity be provided to the next committee meeting.

3. Confidential / Exempt Items

3.1 While this covering report is not considered exempt from publication, the two appendices are deemed to be exempt from disclosure by virtue of paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 (as amended) as it "relates to financial or business affairs of any particular person", (including the authority holding that information). The public interest in maintaining confidentiality outweighs the public interest in disclosing it. Disclosing the information could place the council at risk of legal challenge from individuals or other bodies identified in the report.

4. Private Debt

4.1 Appendix 1 to this report contains a report from Hymans Robertson on the private debt selection panel process and outcome, and recommendations for consideration.

- 4.2 The selection panel met on 16 October 2023. Members of the panel were Cllrs Jarman, Churchman, Brading and Lucioni, along with the scheme member representative on the committee, the Director of Finance, the Pension Fund Manager and the Pension Fund and Treasury Management Accountant. The panel was supported by two representatives from Hymans Robertson.
- 4.3 Three fund managers were invited to present to the panel, and it was unanimously agreed that the Pantheon – Senior Debt Secondaries III (GBP) fund was the preferred solution.
- 4.4 Subsequent to the panel meeting, fund officers and Hymans Robertson have engaged with Pantheon to progress the allocation. It had been agreed that the Isle of Wight Pension Fund will work towards completion of the necessary documentation to enable it to participate in the 20 December 2023 close for the fund, with the initial investment following early in calendar year 2024.
- 4.5 The fund has carried out a mini-competition for legal advice to support the review of the investment fund documentation, including completion of required tax documentation, using the National LGPS Framework for Legal Services. An update on this procurement will be provided at the committee meeting.

5. Infrastructure

- 5.1 Appendix 2 to this report contains a report from Hymans Robertson on the infrastructure selection panel process and outcome, and recommendations for consideration.
- 5.2 The selection panel met on 30 October 2023. Members of the panel were Cllrs Jarman and Churchman, along with the scheme member representative on the committee, the Director of Finance, the Pension Fund Manager and the Pension Fund and Treasury Management Accountant. The panel was supported by two representatives from Hymans Robertson.
- 5.3 Three fund managers were invited to present to the panel, and it was unanimously agreed that the JP Morgan Infrastructure Investment Fund was the preferred solution.
- 5.4 No further engagement has been held with the preferred manager, pending the decisions of this committee meeting.

6. Fixed Income

- 6.1 Fund officers have been working with Hymans Robertson, Northern Trust (as custodian to the fund), Schroders (incumbent manager) and Waystone (ACCESS pool operator) to progress the transition of the fixed income portfolio.
- 6.2 A verbal update on this progress will be provided at the committee meeting.

7. Corporate Priorities and Strategic Context

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

Pension Fund Strategic Aims

- 7.2 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.
- 7.3 The fund has also agreed the following objectives and beliefs, which are supported by information in this report:

Governance

- 7.3.1 The Committee supports medium to long term investing as a means of enhancing returns, and believe investment decisions should be assessed over an appropriate time scale.
- 7.3.2 Pooling presents an opportunity to access best in class investments at a lower cost. Such opportunities should always be assessed alongside the strategic asset allocation of the fund for suitability.
- 7.3.3 External advice from parties such as an investment consultant helps planning, risk management and decision making.

Strategy

- 7.3.4 The Fund's high-level investment strategy and asset allocation should be set by using asset liability modelling in conjunction with each triennial actuarial valuation.
- 7.3.5 Investors are rewarded for illiquidity in private markets.

Risk Management

- 7.3.6 Appropriate diversification reduces the overall level of dependence on any particular market or asset class and helps manage volatility, particularly in respect of equity markets.
- 7.3.7 Transitions between managers and asset classes can result in considerable transaction costs and market risks. It is important such transitions are carefully managed the Fund aims to have this managed by the ACCESS pool

8. Financial / Budget Implications

- 8.1 The costs of the support, advice and guidance from Hymans Robertson in respect of the implementation of the revised investment strategy are consistent with the values included in the pricing considerations when the investment consultancy services contract was procured in 2018.
- 8.2 The review of the investment strategy forms part of the outcome of the triennial valuation, a planning exercise for the fund, to assess the monies needed to meet the benefits owed to its members as they fall due. It estimates the cost of future liabilities for the members of the fund and allows the fund to determine the appropriate investment strategy and employer contributions required to ensure that there are sufficient assets to meet those liabilities as they fall due.

9. Legal Implications

- 9.1 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”.
- 9.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the investment regulations) set out the parameters under which administering authorities should formulate its investment strategy, in accordance with its duties in relation to diversification, on the basis of proper investment advice, and taking account of the level of risk and return.
- 9.3 Section 9 of the investment regulations states that the authority can appoint investment managers to manage investments on its behalf, provided it believes that the manager’s ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it; and that proper advice has been taken in relation to the appointment and the terms on which it is made.

10. Equality And Diversity

- 10.1 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.
- 10.2 There are no implications for any of the protected characteristics arising from items covered in the report.

11. Risk Management

11.1 The key risks associated with investment in each of the asset classes are included as part of the detailed reports from Hymans Robertson, attached as appendices to this report.

12. Appendices Attached

12.1 Appendix 1: Hymans Robertson report: Private debt – selection process and recommendations (CONFIDENTIAL)

12.2 Appendix 2: Hymans Robertson report: Infrastructure Update November 2023 (CONFIDENTIAL)

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

CHRIS WARD
Director of Finance

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

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Purpose: For information

Committee Report

ISLE OF WIGHT COUNCIL

Committee **ISLE OF WIGHT PENSION COMMITTEE**

Date **22 NOVEMBER 2023**

Title **GOVERNANCE SUPPORT UPDATE**

Report of **PENSION FUND MANAGER**

1. Executive Summary

- 1.1 As reported at the 6 September 2023 pension committee meeting, the fund has engaged Hymans Robertson LLP to support in identifying work priorities, develop a sensible work plan and identify the areas where further support may be required.
- 1.2 This report encloses the update on activities undertaken since the last report, including progress against the previously identified high priority actions.
- 1.3 As part of the ongoing activities, the fund has reviewed its risk register, focusing on those risks which were red-rated (high risks). This report also provides an update on those risks. A detailed review of the full risk register will be presented to the Local Pension board at its meeting on 13 December 2023.

2. Recommendation(s)

- | |
|---|
| <ul style="list-style-type: none">2.1 That the Fund Governance Outlook update report, and related appendix, from Hymans Robertson be noted.2.2 That the committee continue to support the actions and approach to fund governance.2.3 That the committee continue to pursue the conclusion of the Barnett Waddingham Structure options report.2.4 That the updates to the red rated risks in section 9 be noted. |
|---|

3. Background

- 3.1 Colleagues from Hymans Robertson will be attending the committee meeting to present this report.

4. Corporate Priorities and Strategic Context

- 4.1 There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 – 2025](#).
Pension Fund Strategic Aims
- 4.2 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.
- 4.3 The fund has also agreed the following objectives and beliefs, which are supported by information in this report:
- 4.3.1 Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
- 4.3.2 External advice from parties such as an investment consultant helps planning, risk management and decision making.
- 4.3.3 Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice

5. Local Pension Board

- 5.1 The Local Pension Board considered this matter at its meeting on 13 September 2023.
- 5.2 The board noted the report and supported the underlying assumptions. The board sought an update on the recruitment of the governance support post, and requested that a meeting be convened with the chairman of the committee and the director of finance to discuss the way forward.
- 5.3 The job description for the governance support post has been reviewed and updated in conjunction with Hymans Robertson. The revised job description has been sent to the council's job evaluation team for confirmation, but to date no response has been received. Advertisement of the role will be undertaken in due course, but has been delayed due to the ongoing issues with administration staffing.
- 5.4 To date, the independent chair of the Local Pension Board has received no response to his requests for a meeting.

6. Financial / Budget Implications

- 6.1 The ongoing costs from Hymans Robertson in providing this support for the fund are charged rates consistent with those set out in the submission document when the governance consultancy contract was originally awarded in 2018.
- 6.2 To date, no other external costs have been incurred, with work being delivered through the fund's existing financial and staffing resources, or through Hymans Robertson.

7. Legal Implications

- 7.1 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"
- 7.2 Maintaining business as usual activities, including the payment of pensioner benefits, implementing the investment strategy and maintaining accounting records, will ensure compliance with existing regulatory and legislative requirements.
- 7.3 Proper planning for future improvements in the governance framework will ensure the fund is prepared to comply with forthcoming changes including McCloud, the Pensions Regulator's General Code, and the outcomes of the Good Governance project.

8. Equality And Diversity

- 8.1 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.
- 8.2 There are no implications for any of the protected characteristics arising from items covered in the report

9. Risk Management

- 9.1 The fund's existing risk register can be summarised in the following table.

Table 1: risk register summary

Risk rating	Risk score range	Number of open risks	Number of closed risks
Red: VERY HIGH	15-16	2	1
Red: High	12-14	4	4
Amber: Medium	7-11	9	8
Green: Low	1-6	14	13
		<hr/> 29	<hr/> 26

9.2 The first review of the risks focussed on those rated red, with scores between 12 and 14.

Table 2: Red-rated risks

Risk description	Previous score	Current score	Action
Resilience: reliance on key people, lack of supporting resources, single points of failure	15 VERY HIGH	16 VERY HIGH	Treat
Capacity: Insufficient resource (staffing, financial) to deliver LGPS responsibilities	12 High	16 VERY HIGH	Treat
ACCESS investment pool fails to meet administering authority needs, through lack of appropriate sub-funds, additional costs, etc	12 High	9 Medium	Monitor
Cyber security	15 VERY HIGH	13 High	Monitor
ESG/RI and climate change	12 High	12 High	Accept (work to be deferred)
The fund is not aware of, or fails to respond adequately, to changes from central government and/or HMRC	12 High	9 Medium	Treat

9.3 The score for the resilience (key person) risk has been reviewed and the risk is determined to still be very high, hence no change in risk score. Support offered by Hymans Robertson for both governance and administration is providing some mitigation, but the score cannot be reduced until internal resource and support is implemented. Action is required to reduce this risk score.

9.4 The score for capacity (resourcing) risk has increased to very high, following the resignation of a significant number of administration team staff. Support from Hymans Robertson for both governance and administration is again providing some mitigation, but the immediate risk to business as usual activities can only be reduced once the administration service redesign is completed and recruitment activity carried out. Action is required to reduce this risk score.

9.5 The likelihood that the ACCESS pool fails to meet local requirements has been reduced, following the successful acquisition of the pool operator by Waystone Group, the progress being made on illiquid solutions within the pool, and the fund's local selection of investment managers to fulfil its illiquid asset allocations. This risk should continue to be monitored to ensure it does not deteriorate again.

9.6 The likelihood of a significant exposure to cyber security risks has been reduced to unlikely, given the reliance on the council's solutions and those of external software providers. This risk still remains high (rather than very high) as the impact of an attack would be major. Work to develop a fund-specific disaster recovery/cyber incident response plan continues. This risk should be monitored.

9.7 The score for the ESG/RI and climate change risk is unchanged, as no further work has been carried out on this subject given high levels of activity on governance and

administration issues. A proposal for support and action has been received from Hymans Robertson but has not been implemented. It is proposed that work on this area is deferred until the capacity and resilience risks are more under control.

- 9.8 The likelihood of the fund failing to react to changes in legislation has been reduced given the current good progress achieved in respect of the McCloud remedy data collection and analysis, and support in place from both Hymans Robertson and the fund's administration system software provider. There is a danger this risk could increase again when government finally issue new requirements for other anticipated changes in legislation (good governance, employment cases, etc).

10. Appendices Attached

- 10.1 Appendix 1: Hymans Robertson report – Fund governance outlook update November 2023
- 10.2 Appendix 2: high priority activities progress update
- 10.3 Appendix 3: risk register extract – red rated risks

11. Background Papers

- 11.1 Isle of Wight Pension Committee 6 September 2023. Governance Support <https://iow.moderngov.co.uk/documents/s12526/ITEM%209a%20Governance%20Support.pdf>

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CHRIS WARD
Director of Finance

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

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Isle of Wight Pension Fund

Fund Governance Outlook – Pension Fund Committee Update

November 2023

Susan McKenzie – Project Consultant

Andrew McKerns – Senior Governance, Administration & Projects Consultant

For and on behalf of Hymans Robertson LLP

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Contents

	Page
Fund Governance Outlook – Pension Fund Committee Update	1
1 Background	3
2 What's changed since September 2023	3
3 Progress since September 2023	3
4 Outlook for next Period	5
5 Action Required	5
6 Plan on a page – 12 month timeline (attached)	5

1 Background

This paper refers to ITEM 10A Governance Outlook presented to Isle of Wight Pension Fund Committee in September 2023.

The purpose of this paper is to provide an update on quick wins and next steps agreed by the Committee on 6 September 2023.

2 What's changed since September 2023

The Administration team has been impacted by experienced staff leaving the Fund. This has resulted in a focus on urgent support for the administration team to ensure that the Fund can fulfil its obligations to its active members, pensioners, and employers.

As a result, there has been re-prioritisation of some activities. However, this re-prioritisation aligns with the guiding principles agreed on 6 September.

3 Progress since September 2023

3.1 Quick Wins

Fund Officers identified quick wins to alleviate pressure and reduce risk. 3 areas were initially identified:

3.1.1 Data Improvement Plan

This is an area of concern for the Fund and is a strong focus for the Pension Regulator (TPR). Fund Officers have several data quality initiatives underway, which should be brought together under a Data Quality Maintenance/Improvement Plan. That plan will evidence the Fund's good work in this area.

- Action agreed September 2023: Hymans and the Fund will work together to produce a Data Quality Management Plan by end March 2024
- **Update November 2023: The start of this activity has been impacted by the resourcing challenges within the Administration team, however, remains on track for March 2024.**

3.1.2 Conflicts of Interest Policy

The Fund currently relies on IOW Council's Constitution; however, the introduction of expected [Good Governance](#) recommendations should specify that the Fund maintains its own conflicts of interest policy. Hymans have produced a template which can be tailored to Fund specifics and remove reliance on Council Constitutional documentation.

- Action agreed September 2023: Hymans and Fund Officers will work together to produce a Conflicts of Interest Policy by end September 2023.
- **Update November 2023: This activity has been impacted by the resourcing challenges within the Administration team. A proposal to adopt a tailored Conflicts of Interest policy template is with Jo for decision later this calendar year, for presentation to Committee in February 2024.**

3.1.3 System Project – Implementation of immediate payments functionality

This is an area where current subject matter expertise should be directed, to reduce effort required on a resource heavy administration task. Implementation of this functionality would allow resource to focus on more value-add tasks.

- Action agreed September 2023: Matthew to seek support to accelerate immediate payments project utilising resource due to leave the Fund by end September.
- **Update November 2023: This activity has been superseded by the implementation of “enhanced admin to pay”. This decision was taken to alleviate pressure on the administration team processes and can be implemented with the assistance of Heywood resource (the third-party admin system provider).**
- **Immediate payments functionality will move to early 2024 implementation. NOTE: There remains a dependency on Council IT resource to execute this project in the time available.**

3.2 Pinch Points

Key person dependency (Jo Thistlewood) to be alleviated by recruitment of a Governance Officer. Role profile reviewed by Hymans and has been submitted to IoW CC HR department for assessment. This should be re-advertised as soon as possible.

A heatmap of current resource demands on existing Governance resource has been created and evidence areas where additional resource will be directed to support Pension Fund Manager.

3.3 Next steps

Next steps were agreed at Septembers Pension Fund Committee. Good progress has been made and is summarised below:

Next Step agreed at September PFC	Update as at November 2023
Explore opportunities for high priority activities	See attached Plan on a Page for status
Risk assessment of medium priority activities, exploring support options Validate low priority activities Fund and Hymans meet regularly to maintain focus on delivery	Ongoing support from Hymans Robertson in place with regular meetings to track progress and outsource work where possible. Assessment of medium and low priority activities, monitoring changes in priority levels and identifying new priorities is discussed at these meetings.
Commence quick win actions	See 3.1 above for update and status
Seek clear direction or decision on structural options paper	No decision made or direction provided. Working assumption remains valid: Fund continues to function in the long term and will have a fully trained and resourced team. Resource challenges being managed.
Report progress to Pension Fund Committee	Report to November Committee prepared

Summary of high priority activities noted below. See attached document for more detail.

Status	Activities
Complete	4
In progress / on track	17
At risk	3
Not Started	7
Total	31

Key Gap

Confirmation of decision or direction with regards structural options paper. Assistance sought to progress.

4 Outlook for next Period

Continued focus on high priority activities.

Ongoing Governance support from Hymans Robertson.

Ongoing Administration support from Hymans Robertson.

Continued assessment of medium and low priority activities, monitoring changes in priority levels and identify new priorities.

Regular progress reporting to Pension Fund Committee.

5 Action Required

The Pension Fund Committee is requested to:

Note the content of this update.

Continue to support the actions and approach to Fund Governance

Support conclusion of structural options paper.

6 Plan on a page – 12-month timeline (attached)

High Priority activities August 2023 – July 2024

NOTE: These timelines remain indicative and each activity will require detailed planning and resources.

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Isle of Wight - Fund Governance Outlook - 2023 onwards

Green - On track Within accepted tolerances. No threat to delivery	Amber - Minor lag Corrective action and/or replan required. Potential risk to delivery.	Red - Significant lag Corrective action and/or potential escalation required. High risk to delivery	Complete - task closed
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Workstream	Activities	Status	Priority	Effort	Fund Rep	Year End													
						Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24		
Actuarial	Tender	not started	High	High	Jo T	Procurement for Tender						Tender review			PFC Recommendation				
Admin	Annual benefit statements	complete	High	n/a	Admin	BAU PRIORITY													
	Pension Saving statements	complete	High	n/a	Admin	BAU PRIORITY													
	Maintaining KPI's	at risk	High	n/a	Admin	BAU PRIORITY													
	Pensioner Payroll - maintenance	on track	High	n/a	Matthew	BAU PRIORITY													
	Record-keeping (data retention)	not started	High	Medium	Jo T	Identify requirements for record keeping policy						Create record keeping policy			Scheduled review date				
	Academy participation policy	on track	High	Medium	Jo T	Create policy document						Policy to PFC							
Data	TPR Data scoring	on track	High	Low	Matthew	Analysis of requirements and create DQ plan						Socialise proposal and metrics in place			Plan in place	Execute plan			
BAU	Retention of staff	at risk	High	Medium	Matthew / Jo T	Retention plan						Execute retention plan							
Governance	Recruitment/Induction - officers	at risk	High	Medium	Jo T	SME backfill - TBC													
	Governance Compliance Statement	in progress	High	High	Jo T	Input to annual report													
Projects	Systems projects - immediate payments	not started	High	Medium	Matthew							Plan and execute implementation							
	Systems projects - Enhanced admin to pay	in progress	High	Medium	Matthew	Plan and execute implementation													
	GMP reconciliation - pensioner fixes	in progress	High	Low	Matthew/Jo T	Ascertain population						Work with provider to remediate members						Complete by 07/03/2024	
ACCESS	Pooling consultation	complete	High	Medium	Jo T	input to consultation													
	Operator procurement	in progress	High	Low	Jo T	Input to operator procurement						Evaluation panel ??						Operator Appointment	
Investments	Strategy review - selection exercise for private debt	in progress	High	Medium	Jo T	Review and agree strategy proposed by Investment Adviser													
	Strategy review - selection exercise for infrastructure solutions	in progress	High	Medium	Jo T	Review and agree strategy proposed by Investment Adviser													
	Regular updates on access/pools	in progress	High	Low	Jo T	Committee update			Committee update			Committee update			Committee update				
	Investment Strategy Statement	in progress	High	Low	Jo T	Investment Strategy Review													
	Move to ACCESS Bond - due diligence on Schroder replacement	in progress	High	Low	Jo T	ACCESS bond move													
Risk	Disaster recovery - including BCP, Cyber risk, scenario planning	not started	High	High	Jo T / Matthew	Identify requirements for DR						Create DR plan engaging 3rd parties as required			Test and implement DR plan				
	Internal dispute resolution guide	in progress	High	Medium	Jo T	Review current IDR guide						Agree review cycle							
	Reporting breaches DRAFT	complete	High	Low	Jo T	Committee review													
	Risk register	in progress	High	2022/23	Jo T	Committee review						Revisit approach to risk register							
Finance & Accounting	Stat accounts at end of fin year - in time to include in council acs	not started	High	Medium	Jo C	2022/23 draft published						Prep for Stat Accounts - input to Council							
	Annual report for PF - end Oct	in progress	High	Low	Jo C	Prep for Annual Report													
	Audit - liaising with Auditors - no forewarning - 2023 dates confirmed	in progress	High	High	Jo C, Matthew, Jo T	Answering auditor questions - 30/10 - 06/12													
	Maintain cashflows and day to day accounting	on track	High	Low	Jo C	BAU PRIORITY													
Committee and Board	Committee/board meetings cycle	on track	High	High	Jo T	PFC/LPB update		PFC update		LPB update		PFC update		LPB update		PFC update		PFC update	

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IWCRMS - Service Area - Extract Risk Register (6risks)

Technical Finance - Technical Finance (Pension Fund)

Risk: RESILIENCE (Key person risk (G3)) (Id: 196) - Assigned To: Joanna Thistlewood					
Description:			Inherent Rating:	Current Rating	Target Rating:
reliance on key people, lack of supporting resource, single points of failure CLOSED 9 Sep 22: combined with A13 for NEW risk REOPENED 23Nov22 and renamed at request of committee Consequence: Severe disruption if key staff are absent for any period of time. Review Date: 30/11/2023 Closed Date:			15 - Very High	16 - Very High (13/11/2023)	5 - Low
Mitigations / Actions	% Complete	Due Date	Assigned To	Update	
Governance support from Hymans Robertson commissioned and reported to committee. Fortnightly meetings with fund officers and Hymans Robertson personnel.	25	31/03/2024	Joanna Thistlewood	update 13 Nov-23: underlying assumptions, and high priority items reported to PFC in September 2023. Regular update calls held. progress somewhat delayed due to administration staffing issues.	
work force plan to be developed, using IWC model	0	29/03/2024	Joanna Thistlewood	update 15-Mar-23: no progress on this, subject to outcome of structure review. update 13-Nov-23: no significant progress, although administration team redesign is being progressed following significant number of staff resignations.	
Barnett Waddingham to present options report from structure review to Council's Corporate Management Team on 4 April 2023	0	29/12/2023	Joanna Thistlewood	Report not presented to CMT - to be discussed with Director of Finance, Chief Executive and Director of Corporate Resources on 12 May 2023 update 13-Nov-2023: report was reviewed, but action deferred until after completion of Council's structure review. Discussed with Chris Ward/Kerry Hubbleday 13 October; no further progress to report.	
Administration staff resources and technical support programme agreed with Hymans Robertson, for period of three months, to cover gaps following staff resignations, while service redesign work is completed. Following redesign, recruitment to new structure can begin.	0	17/11/2023	Matthew Collier	Update 13-Nov-23: questions on support contract raised by HR, Corporate Information Unit, and Procurement, has delayed the implementation of this contract - which was scheduled to start on 30 October 2023 for a period of three months. Expect to sign contract before 17 November 2023.	

Recruitment of three trainee posts to pensions administration team, to replace three resignations.	100	28/04/2023	Matthew Collier	recruitment complete - new staff start on 9 May 2023
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Joanna Thistlewood	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,
Financial Management staffing restructure changes Technical Finance Manager role to Pension Fund Manager, with 100% focus on Pension Fund. New cost centre to be created to separate Pension Fund Finance costs from mainstream Accountancy team.	100	01/04/2022	Joanna Thistlewood	update 9-May-22: structure now implemented, cost centre created and budget transferred. costs to be monitored via Finance Mini Service Board monthly.

Risk: CAPACITY (Sufficient resources (A13)) (Id: 220) - Assigned To: Joanna Thistlewood

Description: Insufficient resources (staffing, financial) to deliver responsibilities - LGPS CLOSED 9-Sep-22: combined with G3 for NEW risk REOPENED 23-Nov-22 and renamed at request of committee Consequence: inability to pay benefits, unable to engage with stakeholders, inappropriate decisions, non-compliance with regulatory and best practice requirements Review Date: 29/12/2023 Closed Date:	Inherent Rating: 15 - Very High	Current Rating 16 - Very High (13/11/2023)	Target Rating: 9 - Medium
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Governance support from Hymans Robertson commissioned and reported to committee. Fortnightly meetings with fund officers and Hymans Robertson personnel.	25	31/03/2024	Joanna Thistlewood	update 13 Nov-23: underlying assumptions, and high priority items reported to PFC in September 2023. Regular update calls held. progress somewhat delayed due to administration staffing issues.
Ensure appropriate strategic planning is in place, identifying resource and budgetary needs and putting them in place as required	0	29/03/2024	Joanna Thistlewood	update 13-Nov-23: support commissioned from Hymans Robertson for both governance and administration activities, which should alleviate immediate pressures, but at a significant financial cost.
succession planning for administration team	25	31/12/2023	Matthew Collier	update 16-May-22: will be factored into output of operational structure review. Update 02-02-23 Due to be reviewed by CMT 7 March 2023. Update 16-03-23 review CMT pushed back to April. Update 11-May-23: Awaiting review by 151 Officer and IWC Directors TBC. Update 01-Oct-23: Director of Corporate services reviewing Pensions Admin Team structure.
next steps for structure review to be discussed between Chief Executive, Director of Finance and Director of Corporate Resources, including process for onward referral. meeting scheduled for 12 May 2023	0	29/12/2023	Joanna Thistlewood	update 13-Nov-2023: report was reviewed, but action deferred until after completion of Council's structure review. Discussed with Chris Ward/Kerry Hubbleday 13 October; no further progress to report.

Administration staff resources and technical support programme agreed with Hymans Robertson, for period of three months, to cover gaps following staff resignations, while service redesign work is completed. Following redesign, recruitment to new structure can begin.	0	17/11/2023	Matthew Collier	Update 13-Nov-23: questions on support contract raised by HR, Corporate Information Unit, and Procurement, has delayed the implementation of this contract - which was scheduled to start on 30 October 2023 for a period of three months. Expect to sign contract before 17 November 2023.
commission external review of pension fund structure to ensure most effective and appropriate structure is in place - linking into Good Governance Project.	100	31/08/2022	Joanna Thistlewood	update 9-May-22: further competition launched via procurement portal to National LGPS Framework providers on 3 May. Deadline for submission of responses 24 May 2022; evaluation to be complete by 7 June, with award shortly thereafter and work to commence as soon as possible after award. update 30-May-22: 4 tender submission received by deadline - evaluation in progress. update 01-Jul-22: unable to identify preferred provider, so procurement process suspended 10 June 2022. Reworking of further competition documentation to be deferred until after award of custodian contract, so early August 2022,

Risk: Investment pooling (I11) (Id: 231) - Assigned To: Joanna Thistlewood

<p>Description: ACCESS (investment asset pool) fails to meet Administering Authority's objectives or needs, through lack of appropriate sub-funds, additional costs, etc.</p> <p>Consequence: investments held outside pool, regulatory compliance, potential for government intervention, reputational issues</p> <p>Review Date: 29/12/2023 Closed Date:</p>	<p>Inherent Rating:</p> <p>12 - High</p>	<p>Current Rating</p> <p>9 - Medium</p> <p>(13/11/2023)</p>	<p>Target Rating:</p> <p>5 - Low</p>
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Mitigations / Actions	% Complete	Due Date	Assigned To	Update
Rolling annual mitigation. Attendance at, and participation in, officer working groups at least monthly - covering investment sub-funds, illiquid asset investments, governance, etc.	50	29/12/2023	Joanna Thistlewood	<p>update 24-Mar-23: JMT active participation in main officer working group, EPT (for operator contract work), and Reporting sub-group (JEC). JMT attended all s151 meetings, and supported IWPf rep at all JC meetings. attendance at other working groups as and when possible.</p> <p>significant burden on single officer</p> <p>Update 13-Nov-23: agreed that JMT will step back from some working groups where activity is not a local priority (NLSG, LSG, EPT, ESG-RI) while maintaining attendance to OWG, S151 and JC meetings. JEC attending reporting subgroup meetings.</p>
Rolling annual mitigation. Chair of pension committee or named deputy attendance at quarterly Joint Committee meetings.	50	29/12/2023	Joanna Thistlewood	<p>update 9-May-22: Cllr Andre named as primary attendee for JC meetings, agreed by Cllr Jarman and monitoring officer.</p> <p>2022-23 meetings: 6 Jun 22, 12 Sep 22, 5 Dec 22, 6 Mar 23</p> <p>Update 9-Sep-22: Cllr Churchman now primary representative, Cllr Andre named deputy.</p> <p>Update 24-Mar-23: 100% participation in JC meetings.</p> <p>Update 13-Nov-23: 100% elected member participation in JC meetings and related calls to date in 2023-24.</p>
as smallest fund, pressure on local budget from shared costs is greatest of all 11 ACCESS funds. Fund must be included in all governance and investment discussions to ensure our needs are reflected and our cost concerns are heard.	50	29/12/2023	Joanna Thistlewood	<p>update 9-Sep-22: active participation in officer meetings, and representation at Joint Committee meeting ensure our voice is heard.</p> <p>update 24-Mar-23: 100% representation at JC meetings in 2022-23, and active participation in discussions.</p> <p>update 13-Nov-23: 100% representation at JC meetings in 2023-24, and active participation in discussions. Views of smallest fund are considered in working groups even when officers are not present.</p>

implementation of illiquid asset solutions subject to issues with adviser (MJ Hudson). Timing of transition of investments into new real estate solutions subject to market conditions, meaning it could be a very lengthy and potentially very expensive process.	25	29/12/2023	Joanna Thistlewood	update 24-Mar-23: UK real estate manager has been identified, but lack of clear understanding about the solution and transition plan is of concern. Update 13-Nov-23: Apex (successor firm to MJ Hudson) have been approved by ACCESS pool to continue work on illiquid solutions. Still no confirmation of on-boarding process for Real Estate solution. Pool has confirmed some Infrastructure funds as "pool-aligned". work has begun on private debt and private equity solutions. In the meantime, fund has selected managers outside of the pool to fulfil its increased allocations to both private debt and infrastructure. A similar approach is being followed by other members of ACCESS pool.
pool operator, Link Fund Solutions, business being sold by Australian parent group. Pool working with advisers (Hymans Robertson and Squire Patton Boggs) to ensure the proposed purchaser (Waystone Group) is suitable for ongoing relationship with underlying authorities	100	13/11/2023	Joanna Thistlewood	update 24-Mar-23: negotiations between LFS and Waystone progressing. Assurance provided by advisers that, assuming negotiations conclude satisfactorily, there should be no significant disruption for the remaining duration of the current operator contract (march 2025) Update 28-Apr-23: confirmation that agreement between LFS and Waystone signed. expectation that regulatory approval will allow transaction to be completed by 30 September 2023. Update 13-Nov-23: successful takeover of Link Fund Solutions business by Waystone Group completed in October 2023. All LFS staff transferred to new organisation, ACCESS-related processes unchanged
monitoring of government consultations, briefings, and updates from ACCESS Support Unit to ensure that fund is up-to-date with asset pooling developments and best placed to act when required	100	02/10/2023	Joanna Thistlewood	update 9-May-22: DLUHC consultation on (among others) pooling and levelling-up expected to be issued in summer 2022. consultation will be shared with committee and board members for input. Update 24-Mar-23: Spring budget 2023 included details about potential consolidation of pools, fewer in number, larger in size. Consultation expected to be launched shortly, impact to be considered once consultation issued. Update 13-Nov-23: Response to DLUHC consultation submitted at both ACCESS and local fund level. Monitor until such time as government publishes its reply and confirms next steps.

Risk: Cyber security (NEW 2) (Id: 1276) - Assigned To: Joanna Thistlewood

Description:

A Cyber Security Incident is defined as:
 A Breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data or confidential information
 or
 An event having an actual adverse effect on the security of or unauthorised access to or use of, inability to access, loss or theft of, or malicious infection of network and information systems that reasonably may compromise the privacy or confidentiality, integrity, or availability of confidential information or personal data or the council's operating environment, services, network and information systems

Consequence:

Complete or significant Loss of data
 Unlawful release of personal data held by the Council to unauthorised third parties resulting in legal action/fines
 Loss of Council or individual staff members money through fraudulent transactions as a result of phishing
 Temporary or permanent disabling of key council ICT systems
 Other fraudulent activity
 Other breaches of GDPR

Review Date: 29/12/2023 **Closed Date:**

Inherent Rating:

15 - Very High

Current Rating

13 - High

(13/11/2023)

Target Rating:

13 - High

Page 235

Mitigations / Actions

% Complete

Due Date

Assigned To

Update

IWC cyber incident response plan has been obtained. To be reviewed for compatibility with pension fund needs, then used to create pension specific plan

0

29/03/2024

Joanna Thistlewood

update 13-Nov-23: no progress to date.

Review TPR single code of practice requirements for cyber risk considerations and ensure compliant. (NB TPR combined code expected to be launched Sept 2022)

25

29/12/2023

Joanna Thistlewood

Update 15-Mar-23: TPR expect to launch "General Code" in spring 2023. but reviewing cyber processes against expectations set out in draft code issued for consultation. First steps = assessment of IWC and Heywood controls at board meeting on 4 April 2023
 update 28-Apr-23: TPR code delayed until July 2023. Board agreed good start, needs further work on evidencing testing of controls in place.
 Update 13-Nov-23: TPR code still not launched. Hymans Robertson have agreed to support with training and understanding of TPR requirements in advance of launch of code.

Pension Fund specific disaster recovery/cyber incident response plan in place to ensure back-up systems are in place within an agreed timescale. Regularly reviewed and updated.	50	29/12/2023	Joanna Thistlewood	update 28-Apr-23: no progress to date update 13-Nov-23: included in high priority work following governance outlook review and support. Hymans have indicated that they can support with training and understanding of specific requirements of TPR code, but work must be carried out by IWC staff or external data risk specialists if needed.
Ensure appropriate training and awareness sessions provided to administration staff, other officers and members of the Pension Committee and Pension Board. monitored as part of annual PDR process and reported in pension fund annual report.	75	29/12/2023	Joanna Thistlewood	update 13-Nov-23: all finance and administration staff have completed required internal training. Hymans have offered to support future training for committee and board members.
compliance with Council data security protocols and building access controls maintained. rolling annual mitigation	100	31/03/2023	Joanna Thistlewood	
Cyber risk assessment tool (AON) to be completed, and action plan developed.	100	30/12/2022	Joanna Thistlewood	update 9-Sep-22: access to tool currently blocked under IWC firewalls; incident reported to ICT 5/9/22 update 15-Mar-23: Cyber risk assessment tool completed and presented to Pension Board 26 October 2022. Actions identified to improve performance.

Risk: ESG/RI and Climate Change (NEW 3) (Id: 1277) Assigned To: Joanna Thistlewood

<p>Description: The fund fails to consider Environmental, Social and Governance risk factors, including climate change, when considering its investment strategy, funding strategy and reporting requirements. It also fails to engage with its investment managers (including the ACCESS pool) to ensure their climate risk processes align with those of the fund.</p> <p>Consequence: loss of returns through obsolete investments and/or stranded assets; reduction in the creditworthiness of individual investee companies should they fail to address climate change implications, for example moving away from fossil fuels. reduction in funding level, higher employer contribution rates. reputational issues. non-compliance with legislation/regulations/reporting requirements.</p> <p>Review Date: 29/12/2023 Closed Date:</p>	<p>Inherent Rating:</p> <p>12 - High</p>	<p>Current Rating</p> <p>12 - High</p> <p>(13/11/2023)</p>	<p>Target Rating:</p> <p>9 - Medium</p>
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Mitigations / Actions	%	Due Date	Assigned To	Update
	Complete			
ESG/RI workgroup established to review fund's current beliefs and statements to ensure fit for purpose.	25	29/03/2024	Joanna Thistlewood	2 meetings held to date update 9-May-22: no meetings held since November 2021, due to officer capacity update 13-Nov-23: no further progress.
fund commissioned ESG analysis and carbon footprint report in June 2021, which has informed some manager challenge, and will form baseline for future climate change actions.	0	29/03/2024	Joanna Thistlewood	Update 9-May-22: consideration to be given to commissioning updated report for 2022-23. cost identified as £13k. update 28-4-23: to be reviewed as part of TCFD reporting compliance. Update 13-Nov-23: proposal for work plan has been received from Hymans Robertson, although further work deferred until such time as TCFD reporting for LGPS requirements are confirmed by central government. Indication that these will not come into force until 2024-25 reporting at the earliest.
consider requirements of UK Stewardship code	0	29/03/2024	Joanna Thistlewood	
Membership of LAPFF to improve engagement with investee companies. Reporting of engagement to be improved.	50	29/12/2023	Joanna Thistlewood	Update 28-Apr-23: LAPFF membership renewed for 2023-24. reporting of engagement to be improved. Update 13-Nov-23: membership of LAPFF continues, LAPFF communications shared with committee members as appropriate.
Fund has published responsible investment beliefs, set in 2019. To be reviewed to ensure still relevant and expanded where appropriate	0	29/12/2023	Joanna Thistlewood	update 28-4-23: to be reviewed as part of TCFD reporting compliance.

triennial valuation 2022 will model specific climate scenarios in determining likelihood of achieving funding targets, and setting contribution rates.	100	31/12/2022	Joanna Thistlewood	update 4-Jul-22: assumptions for climate modelling agreed update 15-Mar-23: draft valuation report presented to pension committee on 8 February 2023. this included sensitivity analysis of results in three different climate scenarios.
ACCESS pool developing ESG/RI guidelines which should encompass all current statements from all 11 funds. Continued involvement in the development of those guidelines at officer and elected member level	100	25/11/2022	Joanna Thistlewood	update 9-May-22: ACCESS ESG/RI guidelines were presented to elected member workshop on 27 April, with very few amendments proposed. Should be presented to 6 June 2022 JC meeting for onward recommendation. update 01-Jul-22: ACCESS JC meeting approved guidelines in principle. Next step, to build into local review of current statements. update 15-Mar-23: ACCESS JC formally recommended that guidelines be considered by local funds.
respond to DLUHC "Governance and reporting of climate change risks" consultation (issued 1 Sep. 22); develop action plan to ensure compliance with expected regulations. Reporting required for 2023-24 year, by 1 December 2024.	100	24/11/2022	Joanna Thistlewood	Update 15-Mar-23: consultation response submitted 24 November 2022. Government have not yet issued their response, nor the regulations which enforce the requirements.

Risk: Changes to legislation (NEW 6) (Id: 1304) Assigned To: Joanna Thistlewood

<p>Description: Fund is not aware of, or fails to adequately respond to, changes arising from central government and/or HMRC, including: - changes from public sector report (McCloud) - changed to a particular type of employer in LGPS (e.g. academies) - Climate risk reporting - TPR General code</p> <p>Consequence: - incorrect assessment or payment of benefits - inappropriate information provided to stakeholders - increased complaints - impact on funding strategy for particular type of employer and/or fund as a whole. - impact on investment strategy. - non-compliance with legislation, regulations and/or codes of practice - reputational damage - potential financial penalties.</p> <p>Review Date: 29/12/2023 Closed Date:</p>	<p>Inherent Rating: 12 - High</p>	<p>Current Rating 9 - Medium (13/11/2023)</p>	<p>Target Rating: 5 - Low</p>
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Mitigations / Actions	%	Due Date	Assigned To	Update
The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. rolling annual mitigation.	50	29/12/2023	Joanna Thistlewood	
Take advice from Fund actuary on impact of changes on the Fund and amend strategies as appropriate. rolling annual mitigation.	50	29/12/2023	Joanna Thistlewood	
participation in networking events, webinars, subscriptions to professional organisations, liaison with advisers to ensure kept up to date with latest developments. rolling annual mitigation.	50	29/12/2023	Joanna Thistlewood	update 27-Mar-23: participating throughout 2022-23. restart reprogress for 2023-24

business plan for pension fund includes these changes as they become apparent, with resource allocated as required. annual rolling mitigation.	50	29/12/2023	Joanna Thistlewood	
record of development activity and progress with learning toolkits will be presented at each board and committee meeting, and will be included in annual report, at member level.	50	29/12/2023	Joanna Thistlewood	update 27-Mar-23: included in all meetings 2022-23. renewed focus in 2023-24
Administration staff resources and technical support programme agreed with Hymans Robertson, for period of three months, to cover gaps following staff resignations, while service redesign work is completed. Following redesign, recruitment to new structure can begin.	0	17/11/2023	Matthew Collier	Update 13-Nov-23: questions on support contract raised by HR, Corporate Information Unit, and Procurement, has delayed the implementation of this contract - which was scheduled to start on 30 October 2023 for a period of three months. Expect to sign contract before 17 November 2023.
McCloud remedy consultation delayed until early calendar year 2023.	25	31/10/2023	Matthew Collier	update 9-Sep-22: Actuaries have factored in assumptions to valuation results, in line with government guidance. Data is being collected from employers - 86% of data requested has been received; 8%" analysed. Project report to each LPB meeting. update 3-Oct-22: Data from employers now 92% received and 81% analysed. Report to LPB on 26th October 2022 confirming these figures. Update 31-Oct-22: Data from employers now 92% received and 88% analysed. update 13-Nov-23: fund is working with administration system providers to implement solution. Fund is in a very strong position with respect to data.
training and development plans in place for all pension administration staff, identifying external events as well as in-house training. as part of annual PDR process.	100	30/06/2022	Matthew Collier	update 16-May-2022: all administration staff have bespoke training plans in place, which are monitored as part of regular 1-2-1 meetings.

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

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