

Isle of Wight Council Pension Fund

Funding and risk report as at 31 March 2021

HEADLINE

31 March 2021	Ongoing funding
Assets	£695m
Liabilities	£670m
Surplus/(deficit)	£25m
Funding level	103.7%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 31 March 2021, for the Isle of Wight Council Pension Fund (“the Fund”).

At the last formal valuation, the Fund assets were £596m and the liabilities were £628m. This represented a deficit of £32m and equated to a funding level of c95%.

Markets have been severely disrupted by COVID 19 which have resulted in volatile conditions. In the 24 months since the formal valuation, investment returns have been significantly above expectations – with asset values experiencing a strong rebound after falling in March 2020. However, the outlook for future investment returns on the Fund’s portfolio of assets is less positive (and lower than the expectations set at the 2019 valuation) which serves to increase the value placed on the liabilities. Combining these key factors, the funding level is estimated to have increased by c8.7% compared to 31 March 2019.

Should you have any queries please contact me.

Tom Hoare FFA

CURRENT POSITION

31 March 2021	Ongoing funding
Assets	£695m
Liabilities	£670m
Surplus/(deficit)	£25m
Funding level	103.7%

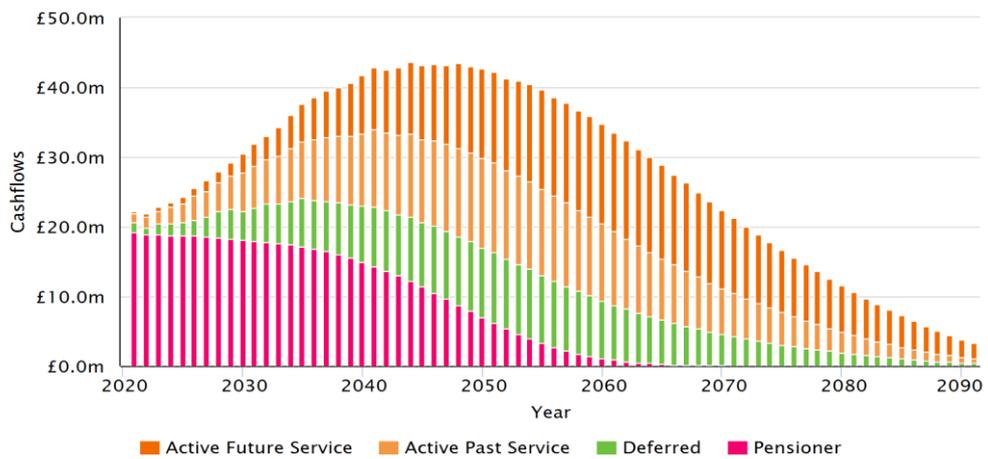
Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(32)
Contributions (less benefits accruing)	(6)
Interest on surplus/(deficit)	(3)
Excess return on assets	68
Impact of change in yields & inflation	(3)
Surplus/(deficit) as at 31/03/2021	25

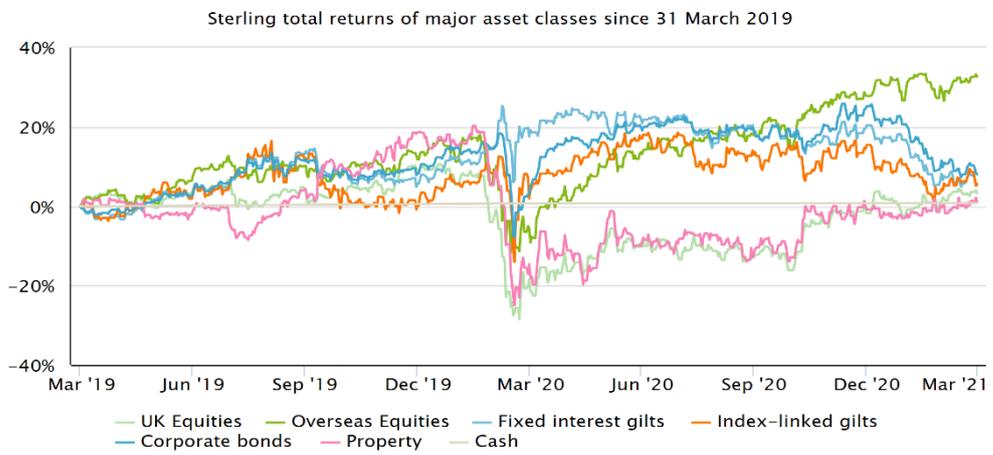
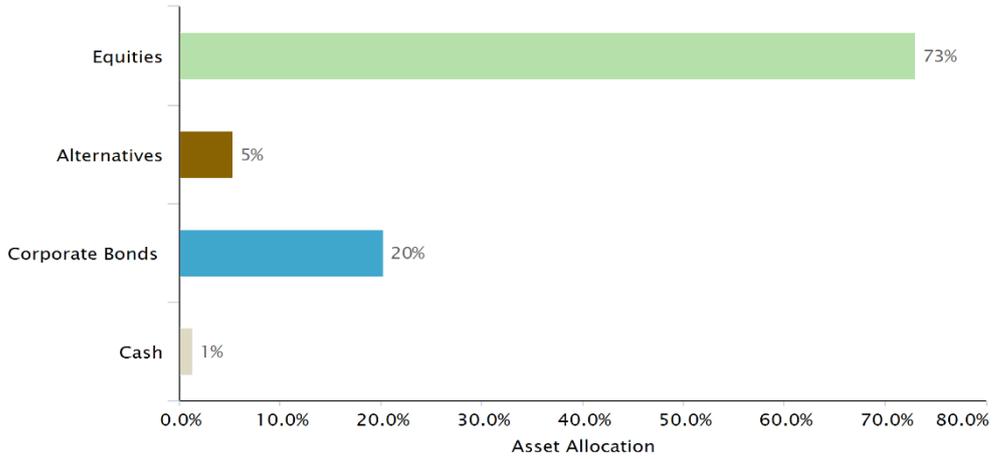
Market Indicators Table

	31 March 2019	31 March 2021
Market yields (p.a.)		
Fixed interest gilts	1.49%	1.32%
Index-linked gilts	-1.81%	-1.99%
Implied inflation	3.36%	3.38%
AA corporate bond yield	2.36%	2.03%
Price Index		
FTSE All Share	3,978	3,831
FTSE 100	7,279	6,714
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	3.4%	3.2%

*There is at least a 75% likelihood of the Fund's investments achieving a return of at least 3.2% p.a. over the next 20 years

PROGRESS





Sensitivity Matrix as at 31 March 2021 for Ongoing funding basis (£m)

Shift in equity level (using FTSE 100 levels as proxy)

	4,700 -30%	5,371 -20%	6,042 -10%	6,714	7,385 +10%	8,056 +20%	8,728 +30%
+0.6	(82)	(28)	27	81	136	190	245
+0.4	(100)	(45)	9	64	118	173	227
+0.2	(119)	(64)	(10)	45	99	154	208
0.0	(139)	(84)	(30)	25	79	134	188
-0.2	(160)	(106)	(51)	3	58	113	167
-0.4	(183)	(128)	(74)	(19)	35	90	144
-0.6	(207)	(152)	(98)	(43)	11	66	120

Shift in expected future investment return (% p.a.)

Legend for Sensitivity Matrix:

- less than 50% (Dark Orange)
- 50% - 85% (Orange)
- 85% - 95% (Light Orange)
- 95% - 100% (Light Green)
- 100% - 105% (Green)
- 105% - 115% (Dark Green)
- greater than 115% (Very Dark Green)



Reliances and limitations

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

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation as at 31 March 2019 although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

