



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	25 MAY 2022
Title	DRAFT FINANCIAL RESULTS 2021-22
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. This report presents the committee with an early draft of the financial results for the Isle of Wight Council Pension Fund (the fund) for the year ended 31 March 2022, including the change in the fund's net assets and change in membership numbers.
2. A separate report will be presented to the meeting covering the fund's investment managers' performance for the year, and the indicative funding level at 31 March 2022.
3. The draft results presented within this report are subject to change, as not all information has yet been received from investment managers.

RECOMMENDATION

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| <ol style="list-style-type: none">4. That the committee notes the pension fund's draft financial results for the year ended 31 March 2022, and requests an update on the final year end position, subject to external audit, at the next meeting of the committee. |
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BACKGROUND

5. The accounts for the Isle of Wight Council Pension Fund will form part of the council's annual accounts, which are required by the Accounts and Audit (England) Regulations 2015 to be approved by the council sitting as a whole, or by a committee with delegated powers to make such a decision (for the Isle of Wight Council this is the Audit Committee), no later than 31 July for each financial year.
6. The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations as a result of the Covid-19 pandemic lockdown, to allow for local authority accounts for the financial years beginning in 2020 and 2021 to be approved no later than 30 September following the relevant year end.

7. While there is currently no specific regulatory requirement for the pension fund accounts to be separately approved, it is considered good practice to provide the Pension Fund Committee with the draft results figures as part of the overall approval process.
8. This report is presented to provide members of the committee with early notification of the financial results for the year ended 31 March 2022. This allows members to consider the fund's draft results and financial position at the end of the 2021-22 financial year and to seek clarification of any significant issues arising as a result.
9. There is still some information outstanding in relation to final valuation of the pension fund's investments in private debt and infrastructure, which is due to be received by the end of May 2022.
10. The final draft financial statements will be presented to the July 2022 committee meeting; that report will highlight changes to the results which are presented to the committee in this report.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

Pension Fund Strategic Aims

12. The primary objective of the fund is to pay benefits to scheme members or their dependants in accordance with the Local Government Pension Scheme (LGPS) Regulations and other statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
13. Receiving information on the fund's draft results statements, and the overall stewardship of public funds, fulfils the fund's governance objective to ensure compliance with the LGPS regulations, other relevant legislation and the Pension Regulator's codes of practice.

DRAFT FINANCIAL RESULTS

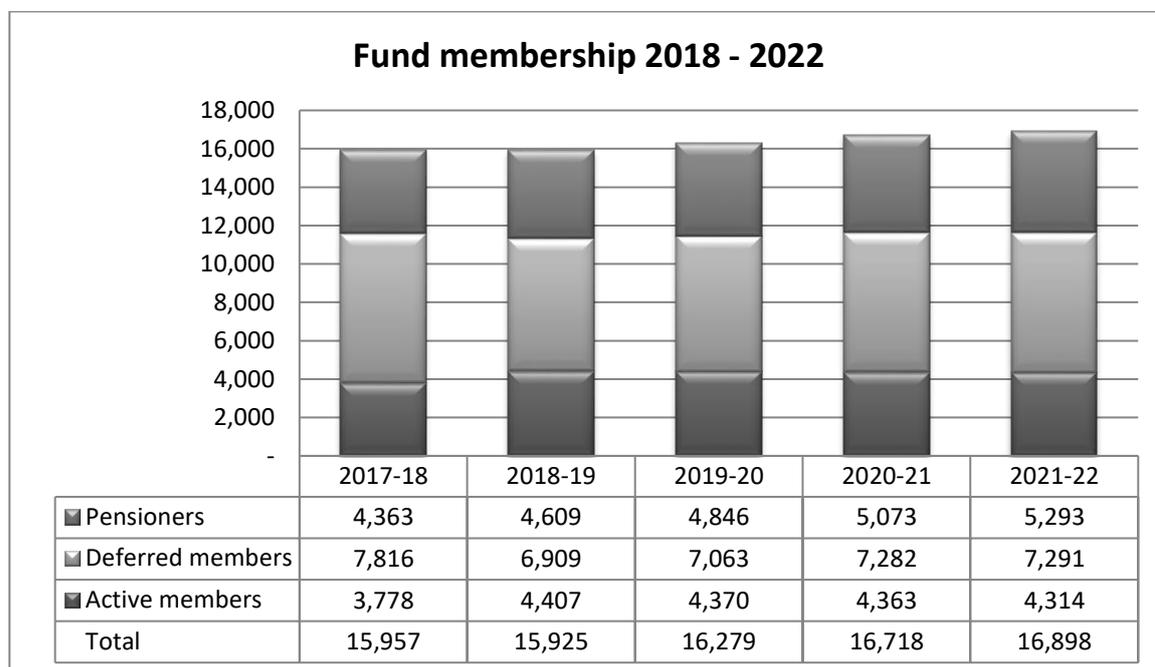
14. Appendix 1 to this report sets out the current draft fund account (income and expenditure/revenue account) and balance sheet for the year ended 31 March 2022, based on accounting information available on 29 April 2022.
15. These draft results do not include the final valuation results for the fund's private debt and infrastructure investment portfolios, which will not be available from the investment managers until the end of May 2022 at the earliest.
16. Subject to the changes in investment valuations and associated revenue account entries, the draft results show an increase in the total net assets of the fund of approximately £36.6 million (5.3 percent), being £727.3 million at 31 March 2022.
17. The increase in net assets is due to the increase in value of the fund's investment assets from £695.4 million at 31 March 2021 to £722.7 million at 31 March 2022 (subject to paragraph 14 above); the full repayment of £5.5 million borrowing from

the Council outstanding at the previous year end, and an increase in operational cash balances by £3.7 million at 31 March 2022 in comparison to the previous year end.

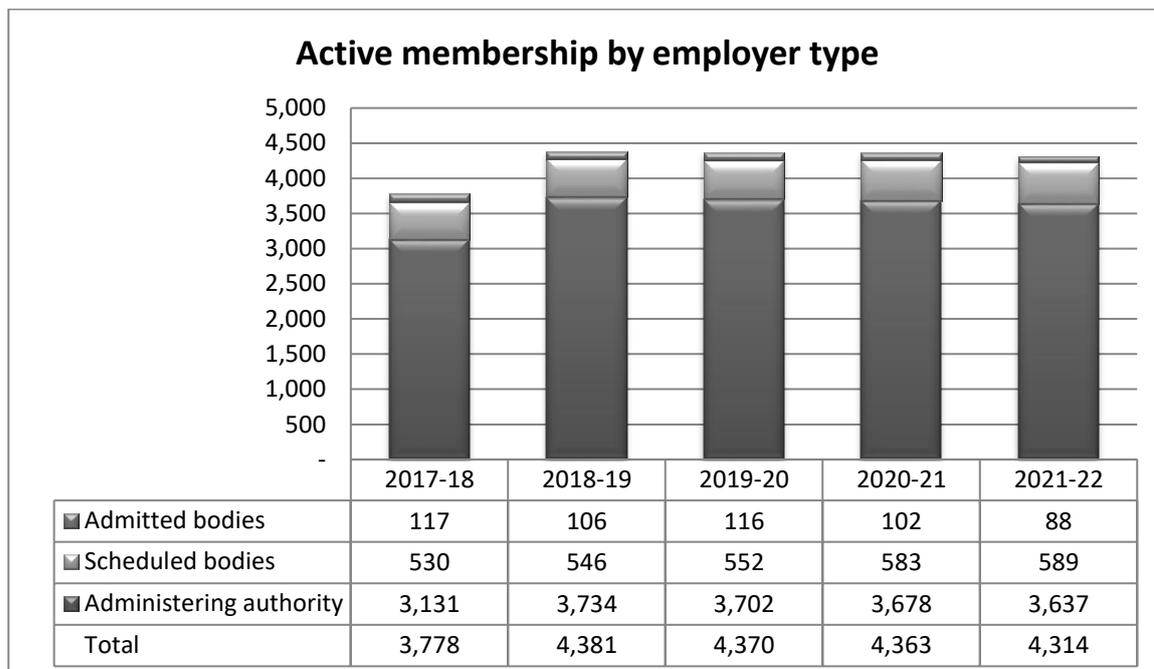
18. Contributions received have increased by £0.7 million (3.2 per cent) compared to the previous year, primarily as a result of salary increases in year, since active membership numbers have not changed significantly year on year.
19. Benefits payable have increased by £1.7 million (7.6 per cent) in comparison to the previous year; contributing factors include inflationary pension increases, and higher pensioner numbers with a resulting increase in lump sum retirement grants.
20. The final investment management fees and return on investment figures are as yet incomplete, due to the late notification of year end investment valuations for the fund's illiquid assets.

MEMBERSHIP NUMBERS

21. Total members of the fund at 31 March 2022 were 16,898, an overall increase of 180 since 31 March 2021.
22. The graph below shows the total change in membership, and the composition of the membership (active members, deferred members and pensioners) for the last five years.



23. The council's proportion of active members has remained constant this year at 84.3 per cent of the total.
24. The graph below shows the movement in active membership numbers by type of employer (council (as administering authority), admitted body and scheduled body) over the last five years.



25. Membership of admitted bodies continues to decline as those employers are not able to admit new members to the scheme. At 31 March 2022, there were 15 admitted bodies in the fund, of whom only three have ten or more active members.

FINANCIAL / BUDGET IMPLICATIONS

26. There are no direct financial implications associated with this report.
27. As an annual process, 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.

LEGAL IMPLICATIONS

28. The accounts for the Isle of Wight Council Pension Fund will form part of the council's annual accounts, which are required by the Accounts and Audit (England) Regulations 2015 to be approved by the council sitting as a whole, or by a committee with delegated powers to make such a decision (for the Isle of Wight Council this is the Audit Committee), no later than 31 July for each financial year.
29. The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations as a result of the Covid-19 pandemic lockdown, to allow for local authority accounts for the financial years beginning in 2020 and 2021 to be approved no later than 30 September following the relevant year end.
30. In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced a package of measures to tackle delays in local audit, which includes a commitment to an extended deadline for the publication of audited accounts of 30 November for 2021-22 and then a deadline of 30 September for the following five years, beginning with the 2022-23 accounts and ending after the 2027-28 accounts have been completed. This is currently subject to consultation and the introduction of secondary legislation.

31. While there is currently no specific regulatory requirement for the pension fund accounts to be separately approved, it is considered good practice to provide the Pension Fund Committee with the draft results figures as part of the overall approval process.

EQUALITY AND DIVERSITY

32. 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.
33. There is no impact on any of the protected characteristics arising from this report.

RISK MANAGEMENT

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

APPENDICES ATTACHED

36. Appendix 1 – draft financial results for the year ended 31 March 2022.

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