



Isle of Wight Council Pension Fund

Annual report and accounts for the year ended 31 March 2025

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



Isle of Wight
Council

PENSION FUND

Contents

Foreword	5	5	Assumptions made about the future and other major sources of estimation uncertainty	45
Section 1 Overall fund management	8	6	Events after the balance sheet date	47
1.1 Scheme management and advisers	8	7	Contributions receivable	48
1.2 Risk management	10	8	Transfers in from other pension funds	48
Section 2 Governance and training	14	9	Other income	49
2.1 Overview of fund governance structure	14	10	Benefits payable	49
2.2 Training	17	11	Payments to and on account of leavers	50
2.3 Conflicts of interest	18	12	Management expenses	50
2.4 Oversight and governance of the asset pool	19	13	Investment income	51
2.5 Other key elements of governance structure	19	14	Taxation	52
2.6 Local pension board annual report for the year ending 31 March 2025	20	15	External audit costs	52
Section 3 Financial performance	26	16	Investments	52
3.1 Financial performance	26	16A	Reconciliation of movements in investments	53
3.2 Membership data	30	16B	Investments analysed by fund manager	54
3.3 Contributions analysis	30	17	Fair value - basis of valuation	55
Section 4 Pension fund accounts	33	17A	Fair value hierarchy	57
Fund account	33	17B	Reconciliation of fair value measurements with level 3	59
Net assets statement	34	18	Financial instruments	60
Notes to the accounts	35	19	Nature and extent of risks arising from financial instruments	61
1 Description of the fund	35	20	Funding arrangements	67
2 Basis of preparation	39	21	Actuarial present value of promised retirement benefits	70
3 Summary of significant accounting policies	40	22	Long term assets	73
4 Critical judgements in applying accounting policies	45	23	Current assets	73
		24	Current liabilities	74

25	Additional voluntary contributions (AVCs)	74
26	Related party transactions	74
26A	Key management personnel	75
27	Contingent assets, liabilities and capital commitments	75

Section 5 Investment and funding

5.1	Investment and funding information	77
5.2	Hymans Robertsons LLP Investment policy and performance report for the year ending 31 March 2025	78
5.3	ACCESS annual report for the year ending 31 March 2025	88
5.4	Investment pooling including supplemental reporting	94

Section 6 Administration

6.1	Administration overview	97
6.2	Annex A - administration key performance indicators	102
6.3	Dispute resolution	108
6.4	Breakdown of new pensioners	109
6.5	Member data	110

Section 7 Actuarial report

7.1	Hyman Robertson LLP actuarial statement for the year ending 31 March 2025	115
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Section 8 External audit opinion

	Independent auditor's report to the members of Isle Of Wight Council	118
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Section 9 Additional information

9.1	Internal audit report	119
9.2	Summary of freedom of information requests	120

Glossary of terms

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Foreword

As Chair of the Pension Fund Committee (Committee), I am pleased to introduce the annual report and accounts of the Isle of Wight Council Pension Fund (Pension Fund) for the year ended 31 March 2025, setting out the overall financial activity of the Pension Fund.



During the year ended 31 March 2025, the investment markets have seen a continuation of recovery from the earlier years when markets were impacted by uncertainty arising out of the illegal invasion of Ukraine by Russian forces, which also had economic effects of higher inflation and sharply increased interest rates. While financial market sentiment was reasonably positive over most of last financial year, economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge towards the end of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth.

Both UK and US interest rates fell over the year. The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the fed funds rate by 0.25 per cent to a range of 4.25 to 4.50 per cent in December, the third cut in succession. The financial year ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty with the economic outlook.

The overall impact has seen the value of assets held by the fund continue to move in a positive direction. Investment assets reached a value of £810.1 million at 31 March 2025, compared with

£775.5 million at 31 March 2024 - an increase of £34.6 million (or 4.5 per cent) over the financial year. These figures are still subject to finalisation via the audit of the statement of accounts.

During the year the ACCESS investment pool, to which we belong along with ten other local authority funds, exceeded over £50 billion of assets within it. At 31 March 2025 approximately 80 per cent of the fund's investments were under pooled management, or in pool aligned investments.

The Committee held five meetings during the year, each held in person at County Hall, with each meeting covering all aspects of pension fund business. This is one more meeting than the usual number of four quarterly meetings, with an extra meeting in February primarily devoted to the government's agenda on pensions and the response of the ACCESS pool to that agenda.

During the year the Committee:

- introduced and adopted a fund policy to help manage conflicts of interest;
- reviewed and updated the complaints and internal disputes resolution procedure;
- reviewed and updated the strategy and policy for risk management and introduced a new risk register;
- introduced and adopted a policy on knowledge and development that sets out a framework to assist those involved in making decisions and managing the fund;
- received updates on ACCESS pool activities, which included representation from our fund at the ACCESS quarterly joint committee meetings;
- received updates on government policy following publication (in November 2024) of the 'fit for the future' consultation and its impact on our fund, which includes major changes to investment pooling and the future governance for pension funds;
- received and agreed a proposal for the ACCESS pool to become Financial Conduct Authority (FCA) compliant in anticipation of changes expected. The fund received analysis from Hymans Robertson which supported the ACCESS business case which was also considered by the Committee;
- continued to monitor the performance of the investments held by the fund;
- introduced and adopted a cessation policy for employers exiting the fund, while protecting the fund's financial position;
- received regular updates on the work of the Local Pension Board, which exists to support the Pension Fund in ensuring compliance with legislation and the requirements of the Pension Regulator;
- received a report setting out the Pension Fund's first self-assessment of compliance with the new Pension Regulator general code that came into effect in March 2024 and approved delegation to the Local Pension Board to oversee and monitor progress of the action plan to address gaps in compliance.

During the year, one new Councillor, Ian Stephens, joined the Committee. The members of the Committee continued to develop their knowledge of pensions during the year. Training sessions for the Committee were organised covering areas relevant to the business plan as well as hot topics including: government's 'fit for the future' consultation response; background and history of pooling and future requirements; local and impact investing, responsible investment training, 2025 pre-valuation training, ACCESS updates on their business plans to become FCA regulated and property investment training provided by Schroders.

Following the resignation of several senior officers of the Pension Fund during 2023/24 and 2024/25, the Committee received regular operational updates at Committee meetings, and welcomed the appointment of the new Strategic Manager: Pensions in September 2024.

Following year-end, the Committee was informed in April that the government would not be supporting the ACCESS pool's business case to become FCA compliant investment pool by March 2026. The Committee is therefore still addressing the new pooling arrangement expectations of government and how our fund can best meet anticipated changes following the outcome of the fit for future consultations at the end of May and anticipated introduction of the new pensions bill in early 2026.

The Local Pension Board met four times during the course of the year. Its membership includes three scheme member representatives, three employer representatives and an independent chair. The board continued its work supporting the fund and reviewing policies. At each of its meetings the board received reports on the fund's risk register, administration matters, and knowledge and understanding matters. The annual report from the Local Pension Board for the year ended 31 March 2025 is presented within this document.

Looking beyond the last financial year, the current year continues to be a challenging year, managing the oversight necessary of our Pension Fund with the valuation of the fund by the actuary and engaging with government's agenda on pensions. The following key areas of work are relevant to the current financial year:

- On administration, the authority continues to assess the implications of the McCloud judgment and is working towards assessment of any impact by a 31 August 2026 deadline. This is based on a court ruling that members of public service pension schemes, including the local government pension scheme (LGPS), were discriminated against when changes to the schemes were introduced from 2014.
- The fund valuation is in progress, which is an important health check on the finances of the fund. Setting employer contribution rates from the 1 April 2026 will be part of this process.
- The government is progressing its pension reforms included in the pension bill going through parliament. The expectation is the Isle of Wight Pension Fund will be unable to continue as a member of the ACCESS Pool, as fund members from this pool take their decisions to join new investment pools to comply with government requirements. At the time of writing, work continues to secure the best arrangement for our fund members from a new investment pool.

This annual report for the year ended 31 March 2025 has been amended to reflect new national guidance aimed at standardising reports.

I would also like to take this opportunity to thank all the staff involved in supporting the Pension Fund over the last year, for their hard work and dedication. Maintaining high standards of performance helps ensure we can deliver good quality pension services which the fund members, our pensioners and also fund employers naturally expect.

Councillor Chris Jarman JP

Chair – Isle of Wight Council Pension Fund Committee

Section 1

Overall fund management

1.1 Scheme management and advisers

Senior fund officers

- Mr C Ward, Director of Finance and section 151 officer
- Mrs J Thistlewood, Pension Fund Manager (until 19 April 2024)
- Mr S Harrison, Strategic Manager - Pensions (from 9 September 2024)

External auditor

Ernst & Young LLP

Fund bankers

Lloyds Bank

Fund actuary

Hymans Robertson LLP

Fund external legal advisors

Gowling WLG (UK) LLP

Scheme administrator

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

pensions@iow.gov.uk

www.isleofwightpensionfund.org

Direct Tel No: 01983 823626

Investment consultant

Hymans Robertson LLP - Mr D Walker

Asset pool

ACCESS - A collaboration of central,
eastern and southern shires

ACCESS pool operator

Waystone Management UK

Fund custodian

Northern Trust Corporation

AVC provider

Prudential

Investment managers (pooled):

- Newton Investment Management Limited
- BlackRock, Inc
- Royal London Asset Management
- Baillie Gifford & Co (up to June 2024)

Investment managers (direct):

- Goldman Sachs Asset Management International
- Pantheon Ventures (UK) LLP
- Partners Group (UK) Ltd
- J.P. Morgan Asset Management
- UBS Asset Management
- Schroder Investment Management Limited

1.2 Risk management

The Isle of Wight Council pension fund has adopted a [risk management policy](#)¹ to help the committee, board and officers with the identification and management of risks specific to the fund. The procedures for identifying, managing and reviewing the fund's risks are set out in the policy. The risks identified for the fund are managed using the Isle of Wight Council's risk management framework with assurance provided through the work of Isle of Wight Council's internal audit function.

The fund also maintains its own risk register, which is the primary control document for the subsequent analysis and classification, control and monitoring of risks relating to the fund. The fund risk register is reviewed quarterly by the pension committee and local pension board. The risk register for the year ended 31 March 2025 can be viewed with the meeting papers. The register covers risks in key areas such as investment, governance, and administration. This includes financial risks to the fund's investments such as market, interest rate and foreign currency risks (reported in Note 19 in the pension fund's accounts on page 61, as well as risks to the fund's other main functions of governance and administration.

During the year ended 31 March 2025, the committee adopted a new conflicts of interest policy, and cyber policy for the fund. A new business continuity plan was also created to help the administering authority with oversight and to help mitigate principal key risks to the fund as outlined below.

Officers tasked with the day-to-day management of risks consider risk management of the Fund when assessing organisational processes, business planning, performance management, audit and assurance and business continuity management. Where necessary, risks associated with the Fund are escalated and included on the Isle of Wight Council's corporate risk register, reflecting the potential wider impact they may have on the local community and wider council services.

Various methods have been adopted by the fund to identify risks, including:

- reviewing various fund policies;
- reviewing of internal controls when there have been substantial changes to the scheme including scheme personnel, service providers, scheme advisors, administration, and other IT systems or when a control is not working to the standard required by the law;
- reviewing potential conflicts of interest;
- assessment of performance against the fund's agreed objectives, annual action plan and business plan;
- assessment of the fund against external requirements such as the Pension Regulator's general code of practice.

The principal key risks associated with the fund are outlined below.

1 www.isleofwightpensionfund.org/resources/risk-management-policy

Principal key risks

(i) Administering authority

The fund is integrated into the Isle of Wight Council processes where services are available within the council and are beneficial to the fund. This provides a cost-effective solution for the fund and its members. This also ensures that a good understanding of the fund is maintained by the local administering authority and agile services can be provided with the ever-changing complex legal, regulatory and macro-economic updates. Where specialist services or advice is required, this is procured externally with the help of the council procurement team. The fund also benefits from support being provided by council employees that dedicate 100 per cent of their time to the fund. This includes employees that provide in-house administration services, treasury and finance, governance compliance and strategic management services to the fund.

Services provided by the administering authority are monitored and challenged by the board and committee on a regular basis to ensure the services remain fit for purpose for the fund. The administration report for the fund is outlined in section 6 of this report (pages [97 to 114](#)).

A fund's [conflict of interest policy](#)² was adopted in 2024 to 2025. This helps the fund to manage potential conflicts of interests that may arise as a result of the administering authority also being the major employer in the fund (circa 85 per cent of beneficiaries).

(ii) Third party risks

Services provided by third parties (excluding the services provided by the administering authority) are provided in areas such as investment advice and administration software services due to the specialist nature of the services required. To ensure third party risks are managed, officers maintain close relationships with the service providers to ensure services continue to be delivered to the standards expected. To help the committee and board maintain oversight and challenge, officers provide updates during the year as required and third-party service providers are invited to attend and present at board and committee meetings.

In terms of other third-party risks to the fund, such as late payment of contributions and provision of data by scheme employers, a benefit of being a relatively modest size is that the fund is able to maintain close relationships with its 33 employers. Areas such as late payment of contribution and provision of data by scheme employers is monitored monthly by the in-house administration team and is reported quarterly to the board and committee. The administration strategy also sets out recourse in event that scheme employers do not pay contributions or provide data by the specified timeframes. The [pension administration strategy](#)³ can be found on the Isle of Wight pension fund website.

2 www.isleofwightpensionfund.org/resources/policy-on-conflicts-of-interest

3 www.isleofwightpensionfund.org/resources/pension-administration-strategy

(iii) investment risks and pooling arrangements

The fund's investment strategy statement (ISS) sets out the investment beliefs and objectives. To manage the fund's investments in line with the ISS and investment beliefs, the fund has appointed nine external investment managers.

The global equity, UK equity, diversified growth and bond investments are directly managed by the pool operator (Waystone), whilst the remaining investments are directly held by the fund.

To help manage risks associated with investments and pooling arrangements, the scheme has appointed Hymans Robertson LLP as the fund's investment consultant to provide advice before making investment decisions. As a standard procedure, the fund ensures that legal and investment reviews are carried out on all managed contractual arrangements prior to investment.

The committee receive quarterly monitoring reports on all investments from their investment consultant. Included in this reporting is both benchmark and fee information. The committee also invites investment managers to committee meetings to provide updates on performance of the fund's investments which enables the committee to challenge investment managers directly rather than via the fund's investment consultant.

To ensure the pension fund committee's knowledge of investment products remains up to date and to enable the committee to challenge advisors, the committee are invited to take part in training sessions as well as Hymans Robertson LLP knowledge progress assessment (KPA) annually. The annual assessment of knowledge and understanding helps to identify potential gaps in the committee's knowledge so future training plans can be set accordingly.

The fund is also a member of the ACCESS pool (the pool). This outsourced model enables cost-effective pooling implementation across all asset classes using external investment managers appointed by an independent third-party fund operator. The ACCESS pool looks to select the best investment managers, which provides the fund with an opportunity to access best in class managers, secured via a competitive process with benefits of scale reflected in competitive fees.

As a relatively modest sized fund, in comparison with other LGPS funds, the fund benefits from accessing a greater range of investment vehicles and opportunities through the pool, giving the fund the chance to diversify and improve investment risk. Updates are regularly received from ACCESS officers and the fund is invited to send officers to attend ACCESS meetings throughout the year.

(iv) cyber security risks

A key risk for the fund is monitoring and management of cyber security controls to protect the data and assets of the fund. Cyber mitigation arrangements for the fund include roles and responsibilities for cyber risk management set out under the overall governance framework, cyber security training, data mapping, assurance, monitoring of the risk on the risk register and incident response planning.

To help the fund manage cyber risks, the fund utilises data, risk management, IT and cyber expertise provided by the Isle of Wight Council. Through appropriate governance policies, processes and ICT security products, the council aims to achieve reasonable assurance that information, whether paper based or electronic, is adequately protected from unauthorised change or dissemination and information is always available. To help provide assurance of mitigating risks associated with cyber security breaches and data governance, the council aligns itself to the ISO/IEC 27001:2022 Information security management systems standard following a widely recognised good practice approach. Assurances are also provided regarding data back-up arrangements.

In the event of a cyber incident, the council's cyber incident response plan would be activated. This plan provides a structured and systematic incident response process for all cyber security incidents that affect any of the council's information technology (IT) systems, network, data and information assets, including the council's data held or IT services provided by third-party vendors or other service providers. The fund also has business continuity and disaster recovery arrangements in place as well as a data breach incident reporting policy and anti-fraud procedures to support the cyber security arrangements.



Section 2

Governance and training

2.1 Overview of fund governance structure

The [fund's governance policy](#)⁴, and the related [governance compliance statement](#)⁵ for the year ended 31 March 2025, outline the governance arrangements for the Isle of Wight Council pension fund, as required by regulation 55 of the Local Government Pension Scheme Regulations 2013.

An overview of the governance structure, meeting attendance and training records for committee and board members during the year are outlined below.

Pension fund committee

Under the terms of its constitution the Isle of Wight Council, as the administering authority of the Fund, has delegated certain functions to its pension fund committee in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The pension fund committee is an S102 committee of Isle of Wight Council and is defined as the scheme manager under the Public Service Pensions Act 2013 (PSPA13).

The committee is constituted to reflect the views of the council as administering authority and the largest employer within the fund with 85 per cent of the contributing membership. The committee consists of:

- seven elected members, on a politically proportionate basis, with voting rights;
- one representative of the other scheme employers in an observer capacity;
- one representative of the scheme members, nominated by UNISON, in an observer capacity.

4 www.isleofwightpensionfund.org/resources/governance-policy

5 www.isleofwightpensionfund.org/resources/governance-compliance-statement-year-end-31-march-2024

The chair, vice-chairman and elected committee members on the committee at 31 March 2025 are outlined below (please see page [16](#) for the full list of councillors on the committee throughout the year):

- [Councillor Christopher Jarman](#)⁶ (chairman)
- [Councillor Vanessa Churchman](#)⁷ (vice-chairman)
- [Councillor Paul Brading](#)⁸
- [Councillor Karen Lucioni](#)⁹
- [Councillor Nick Stuart](#)¹⁰
- [Councillor Ian Ward](#)¹¹
- [Councillor Ian Stephens](#)¹²

Scheme members and employer representatives with an observer capacity from 1 April 2024 to 31 March 2025:

- Steve Milford (co-opted - UNISON, scheme member representative - non-voting)
- Vacancy (co-opted - scheme employer representative - non-voting)

The committee is required to meet formally four times a year with ad hoc sessions arranged as required, as set out in the [committee terms of reference](#)¹³.

6 iow.moderngov.co.uk/mgUserInfo.aspx?UID=677

7 iow.moderngov.co.uk/mgUserInfo.aspx?UID=142

8 iow.moderngov.co.uk/mgUserInfo.aspx?UID=109

9 iow.moderngov.co.uk/mgUserInfo.aspx?UID=680

10 iow.moderngov.co.uk/mgUserInfo.aspx?UID=1026

11 iow.moderngov.co.uk/mgUserInfo.aspx?UID=114

12 iow.moderngov.co.uk/mgUserInfo.aspx?UID=168

13 www.iow.gov.uk/council-and-councillors/council-decision-making-and-democracy

The committee members attendance at meetings during 2024 to 2025 is outlined below:

	22 May 2024	10 July 2024	27 Nov 2024	5 Feb 2025	27 Feb 2025 (additional)	Attendance
Cllr Chris Jarman (chair)	Yes	Yes	Yes	Yes	Yes	100%
Cllr Vanessa Churchman (vice chair)	Yes	Yes	APS	Yes	Yes	80%
Cllr Paul Brading	Yes	APS	APS	Yes	Yes	60%
Cllr Ian Ward	Yes	APS	Yes	APS	Yes	60%
Cllr Karen Lucioni	APS	Yes	APS	No	APS	20%
Cllr Ian Stephens	N/A	N/A	Yes	Yes	Yes	100%
Cllr Nick Stuart	Yes	Yes	No	No	Yes	60%
Steve Milford	Yes	Yes	Yes	Yes	Yes	100%
Vacancy	N/A	N/A	N/A	N/A	N/A	-
Attendance	86%	71%	50%	62%	87%	-

APS - apologies sent

Local pension board

To support the committee, a local pension board was established in 2015, in line with the LGPS governance regulations by the Public Service Pensions Act 2013 (PSPA13). The Isle of Wight Council pension fund local pension board (the board) is accountable to the scheme manager and pension regulator.

The pension board is not a committee constituted under section 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 council's constitution, standing orders or scheme of delegation apply to the board unless expressly provided.

The role of the board is to assist the scheme manager in ensuring appropriate standards of governance and administration are maintained, as set out in the PSPA13, and encompass the following matters:

- Securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the fund and any statutory pension scheme that is connected with it.
- Securing compliance with requirements imposed on the fund and any connected scheme by the pensions regulator.
- Ensuring any breach of duty is considered and dealt with under the fund's procedure for reporting to the pensions regulator and to the scheme manager.
- Such other matters as the LGPS regulations may specify.

- Ensuring the effective and efficient governance and administration of the fund.
- Provide reports and information to the pension committee on matters within the board's remit.

Details about the board members, and their attendance at meetings during the year ended 31 March 2025 is outlined in the board report in this section of the Annual Report on page [20](#).

All meeting agendas, papers and minutes are published on the Isle of Wight Council's [democratic web pages](#)¹⁴.

A summary of the work undertaken by the board during the year ended 31 March 2025 is also out in the board report on page [23](#).

2.2 Training

The Isle of Wight Council pension fund objectives relating to knowledge and skills are:

- The fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise, and that the knowledge and expertise is maintained in the changing environment.
- The persons responsible for governing the fund have sufficient expertise to be able to evaluate and challenge the advice they receive, manage conflicts of interest and ensure their decisions are robust and well based.
- The fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and the delivery of the administration functions of the funds.

The ultimate aim is to ensure that the fund is managed by individuals who have the appropriate levels of knowledge and skills. To assist in achieving these objectives, the fund aims to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework and code of practice to meet the skills set within the framework.

The fund's approach to training aims to be supportive and flexible to ensure that it delivers pension committee members, local pension board members and officers the appropriate method to attain and maintain the required skills and knowledge through the most effective manner. The various methods used include:

¹⁴ iow.moderngov.co.uk/ieListMeetings.aspx?Committeeld=168

For pension committee and local pension board members:

- Using the TPR public service toolkit, LGPS online learning academy and other e-training facilities.
- Attending courses, seminars, and external events.
- Face-to-face training sessions.
- Manager and Advisor sessions provided at committee and board meetings.
- Updates from officers and advisors.
- Knowledge gained from other roles.
- Self-study.

For officers:

- Using the TPR public service toolkit, LGPS Online Learning Academy and other e-training facilities.
- Attending courses, seminars, and external events.
- Desktop and work-based training.
- Training for qualifications from recognised professional bodies (e.g. CIPFA, ACCA, CIPP, PMI).
- Internally developed sessions.
- Shared training with other funds or frameworks.

Every board and committee member has their own individual training plan which reflects the different stages of their training and knowledge.

Induction training is provided for all new officers and pension committee and board members.

Every year, committee and board members are expected to take part an annual knowledge assessment. This is so the collective skills and experience of the committee and board can be assessed, and gaps and imbalances can be identified and built into training plans.

2.3 Conflicts of interest

It is important that those managing the fund adhere to the highest standards of public office. The Isle of Wight Council's members code of conduct (contained in the council's constitution) applies to all members or voting co-opted members of the council. In addition, the code has been adopted to apply to all members of the pension fund committee and local pension board.

The fund recognises the potential that actual or perceived conflicts of interest may arise from time to time. For example, the Isle of Wight Council is the administering authority but is also a participating employer in the fund as well as key service provider. Individuals involved in managing, overseeing or advising the fund may also have professional or personal obligations outside the fund, which could give rise to a perceived or actual conflict of interest requiring management. The fund has therefore adopted a conflicts of interest policy. The conflicts of interest policy sets out how the administering authority will identify, manage and mitigate potential conflicts of interest.

The fund's aims and objectives related to the management of conflicts of interest are as follows:

- To outline how conflicts of interest will be identified, monitored and managed.
- To ensure that those involved in the operation of the fund fulfil their duties to act in the interests of the Fund's employers and scheme members.
- To provide confidence to scheme members, employers, regulators or any other interested parties that those responsible for the fund are fully committed to identifying, managing and monitoring conflicts of interest.
- To minimise the risk to the fund that conflicts of interest crystallise.
- To promote openness, transparency and a commitment to the seven principles of public life in all aspects of the fund's business.

2.4 Oversight and governance of the asset pool

To ensure oversight is maintained as part of effective governance of the pooling arrangements, the Committee receives regular updates on investment pooling and the performance of assets managed within the pool. This is carried out by officers representing the administering authority in various officer groups. The Vice-Chairman of the Committee is also a member of the ACCESS pool's Joint Committee. Board members are also invited to attend as observers on invite. These arrangements have been set up to ensure the administering local authority may exercise proper democratic accountability and continue to meet fiduciary responsibilities. Further information on the governance arrangements for the ACCESS pool can be found on the pool's website.

2.5 Other key elements of governance structure

The fund maintains a number of statutory statements, as follows:

- Funding strategy statement
- Investment strategy statement
- Governance policy and governance compliance statement
- Communication policy
- Administration strategy statement

Key officers responsible for the fund are outlined in the annual report in note 26A (page [75](#)) of this report.

2.6 Local pension board annual report for the year ending 31 March 2025

Introduction from the Independent chair of the local pension board

As board chair, I hereby present the annual report of the local pension board (the board) of the Isle of Wight Council local government pension scheme (the fund). This report covers the period from 1 April 2024 to 31 March 2025 during which four board meetings were held.

The focus of the board remained on ensuring the fund's compliance with the Public Service Pensions Act, 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).

During the year, and in line with our responsibilities as set out in the board terms of reference, the board has sought assurances with evidence from the fund and external bodies that the administering authority is meeting its objectives and managing its risks.

Updates on the board activities and any specific recommendations made by the board have been provided at each pension committee meetings including any other matters considered to be relevant to bring to the attention of the committee.

This report sets out:

- board membership attendance at meetings during the year;
- detailed activities of the board during 2024 to 2025;
- training sessions attended by board members during 2024 to 2025;
- the board workplan for 2025 to 2026.

I would like to thank the strategic manager - pensions, pension administration manager, pension governance compliance officer and the chair of the pension committee and fund officers for their support of the board.

I would also like to thank my fellow board members for their continued support and commitment to their roles on the local pension board during the last year.

Martin Doyle

**Chair, Local Pension Board
Isle of Wight Council LGPS**

1 – Constitution, membership representation and attendance

The local pension board of the fund was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 (the act) and regulation 106 of the Local Government Pension Scheme regulations. The terms of reference set out the roles and responsibilities of the Board along with membership, eligibility and appointments.

In line with the Public Service Pensions Act 2013, section 5,4(c) and LGPS regulations that require equal number of employer and member representatives, the terms of reference set out that the board shall consist of a minimum of four members and a maximum of eight members, as well as an independent chairman. There should also be an equal number of employer representatives and scheme member representatives.

The terms of reference state that one employer representatives shall be an elected member of the council, the other employer representative will be selected for nomination by the other employers.

One of the scheme member representatives shall be nominated by a recognised trades union, which is responsible for arranging its own nomination of a suitable candidate, representing both active and retired members. For all other scheme member representatives, the council will undertake a selection process by requesting expressions of interest from all active, deferred and retired members, with nominations put forward for the administering authority to determine who to appoint.

The chairman, each employer representative and each scheme member representative so appointed shall serve initially for a fixed four-year period from the date their appointment takes effect, which may be extended by decision of the administering authority for further four-year terms, subject to remaining eligible, re-nomination and re-selection.

Board membership during the year ended 31 March 2025 comprised, a non-voting independent chairman, three scheme employer representatives, and three scheme member representatives with equal voting rights. The board members during the year ended 31 March 2025 are set out below.

2 – Constitution, membership representation and attendance

Name	Category	Date of appointment	End of term
Martin Doyle	Independent chairman	7 March 2022	6 March 2026

Employer representatives

Paul Fuller	Elected member of the Isle of Wight Council	29 February 2024	1 May 2025
Liz Kingston	External employer	1 June 2022	21 February 2025
Tonya Jayston	Isle of Wight Council representative	9 November 2023	8 November 2027

Scheme member representatives

Trevor Ould	Union nomination	17 November 2021	16 November 2025
Barbara Milton	Member representative	1 April 2022	31 March 2026
Jean Ratnayake	Member representative	30 September 2024	29 September 2028

Notes: During the year (1 April 2024 to 30 March 2025), there have been two changes to the board membership: Jean Ratnayake was appointed as a member representative on 30 September 2024; and on 21 February 2025, Liz Kingston resigned from the board as an employer representative.

In line with the board terms of reference, all board members, whether scheme member or employer representatives, are expected to comply with the role profile for board members, published on the pension fund's website.

Each board member should endeavour to attend all board meetings during the year and are required to attend at least two of the scheduled meetings each financial year.

The quorum for board meetings is three members, requiring at least one employer representative and at least one scheme member representative to be present.

Agendas and minutes of the meetings can be found at the following web link:

iow.moderngov.co.uk/ieListMeetings.aspx?CId=168&Year=0

Members' attendance at board meetings is detailed on the following table:

Board member	Board meetings			
	19 June 2024	16 October 2024	18 December 2024	5 March 2025
Martin Doyle (chair)	✓	✓	✓	✓
Cllr Paul Fuller	✓	✓	X	X
Liz Kingston	✓	✓	X	N/A
Tonya Jayston	✓	✓	✓	✓
Trevor Ould	✓	✓	✓	✓
Barbara Milton	✓	✓	✓	✓
Jean Ratnayake	N/A	✓	✓	✓

3 – Activities of the board

In the year ended 31 March 2025, the work of the board included:

- monitoring of the in-house administration team with regards to the effective delivery of administration of member benefits in line with statutory deadlines;
- monitoring of administration KPIs and employer relationships including late payments and data, discretions, complaints, breaches of the law;
- monitoring of data quality and improvements and administration projects including implementation of McCloud remedy and dashboard connectivity;
- monitoring and reviewing risks on the risk register at each board meeting and carried out deep dives in specific topics including pension scams and transfer outs;
- noting and commenting on LGA and legislation updates including: Government 'fit for future' consultation, annual report SAB guidance March 2024;
- reviewing the draft governance compliance statement for the year ended 31 March 2024;
- reviewing knowledge and understanding scores and activities of board and committee members;
- receiving updates from meetings of the pension fund committee.

Other activities included:

- review of the fund business continuity arrangements;
- review of on-going resourcing and resilience of the fund in light of staff changes during the year (including new strategic manager - pensions, new head of governance, new interim fund accountant and new staff within the pension administration team);
- presentations received from two major IT suppliers to the fund - Isle of Wight Council and Heywood Pension Technologies on the disaster recovery procedures and cyber security controls;
- presentation received from Prudential on the AVC arrangements for the fund;

- review of the fund's self-reporting of compliance against the Pension Regulator's general code of practice including Hyman Robertson's Isle of Wight pension fund assurance report reviewing the fund's self-reporting against TPR general code of practice and on-going monitoring of compliance;
- review of the fund valuation plan for 2025 to 2026.

Policies reviewed in 2024 to 2025

- Recording and reporting breaches of the law policy
- Risk management policy
- Proposed new cyber security policy
- Proposed new knowledge and understanding of training policy

Investment Issues

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.

The board continued to receive updates on progress by the ACCESS pool on pooling of assets. In addition, two members from the Isle of Wight board attended the ACCESS pool joint committee meeting in March 2025.

The board also keeps a watchful eye on ongoing compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.

Reporting and recording breaches

The board monitors the fund's compliance against ongoing reporting requirements including annual requirements such as producing annual benefit statements for active members, pension savings statements and the submission of the scheme annual return to the TPR. The board noted in 2024 to 2025 the fund complied with these deadlines.

The board, and all associated with the fund, other than individual scheme members, also have a responsibility to report significant breaches of law to TPR.

During 2024 to 2025, 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.

4 – Training

Each board member must be conversant with the details of the scheme, which translates as having a good working knowledge.

The fund adopted a knowledge and development policy in February 2025 which sets out the training strategy and expectations in terms of knowledge and skills. As part of the development framework, board members are provided with licenses to access the Hymans LGPS online learning academy which compliments The Pension Regulators public sector toolkit training which board members are expected to complete.

Board members also attended various events in year, including industry briefings, union events, the LGA governance conference, and various webinars.

Collectively, the board members have several years of experience, adding to their knowledge, skills and experience as demonstrated by their length of service. Board members also bring a breadth of external experience, as union members, employer representatives, HR professionals, parish council members, employment tribunal members, assistant director of pensions shared service.

To facilitate the operation of the board and help board member knowledge and understanding, all the board members are invited as observers to meetings of the Isle of Wight pension fund committee.

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.

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.

5 – Workplan

A work plan has been implemented for both board and committee members. Specifically, it incorporates the following areas of activity for the year ended 31 March 2025 for board members:

- Pension fund annual report and accounts.
- Triennial valuation - completion confirmation.
- Administration, including key performance indicators, McCloud remedy, dashboard connectivity, digital improvements and review of the pension administration strategy in 2026.
- Audit and risk management, including the risk register, cyber risk and internal controls.
- Governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's general code of practice.
- Investments, including developments with the ACCESS pool: implications for administering authorities in light of 'fit for future' consultation.
- Training.
- Member communications.
- Communications between the board and committee.
- Policy updates - communications, governance, internal controls, delegated authorities.

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

Section 3

Financial performance

3.1 Financial performance

Shown below is the pension fund's financial results for the year ended 31 March 2025 compared to the year ended 31 March 2024.

Table A – Net additions and (withdrawals) from dealings with members

	Year to 31 March 2024	Year to 31 March 2025	Notes
Net additions and (withdrawals) from dealings with members	-£2,047,000	-£7,235,000	The net withdrawal is largely due to benefits paid being greater than contributions received in the year, plus net transfers out.

The components that derive the net withdrawals figure are contributions received, benefits paid, and net transfers. These have been analysed in further detail in the tables below.

The pension fund does not have day-to-day control over the components that derive the withdrawals figure as contributions received are determined by an actuarial valuation fixed for a three year period and both benefits paid and transfers are determined each month based on numerous factors. Therefore cash flows and investment returns are closely monitored in order to ensure all payments due are met.

A net withdrawal position is not in itself a concern, and for large multi-member pension funds periods of net withdrawals can be normal. The latest actuarial valuation, at 31 March 2022, concluded that the pension fund's assets meet the actuarial present value of promised retirement benefits by 102 per cent. The March 2025 indicative funding level provided by the actuaries show the pension fund's assets meet the actuarial present value of promised retirement benefits by 155 per cent.

Table B – Members' and employers' contributions

	Year to 31 March 2024	Year to 31 March 2025	Notes
Employee normal contributions	£5,040,000	£5,495,000	Normal employee and employer contributions have increased by 5.8 per cent largely due to the addition of three employers and an overall increase in active members.
Employer normal contributions	£18,842,000	£19,762,000	
Total	£23,882,000	£25,257,000	
Percentage increase in normal contributions		5.8%	Employers additional contributions have reduced largely due to less early and ill-health retirements occurring.
Employee additional contributions	£7,000	£5,000	
Employer deficit and augmentation contributions	£688,000	£306,000	
Total	£695,000	£311,000	
Total contributions	£24,577,000	£25,568,000	

Table C – Transfers in and payments to and on account of leavers

	Year to 31 March 2024	Year to 31 March 2025	Notes
Transfers in	£1,947,000	£863,000	There has been a net transfer out largely due to a bulk transfer payment for fire back office staff to Hampshire and Isle of Wight Fire Authority.
Refund to members leaving service	-£130,000	-£86,000	
Transfers out	-£588,000	-£4,056,000	
Total	£1,229,000	-£3,279,000	
Percentage change in transfers in and payments to and on account of leavers		-366.8%	

Table D – Benefits payable

	Year to 31 March 2024	Year to 31 March 2025	Notes
Pensions	£23,300,000	£25,234,000	Benefits payable have increased largely in line with the England and Wales LGPS inflationary increase of 6.7 per cent.
Commutation and lump sum retirement benefits	£3,844,000	£3,936,000	
Lump sum death benefits	£726,000	£379,000	
Tax recovery	-	-£4,000	
Total	£27,870,000	£29,545,000	
Percentage Increase in benefits payable		6%	

Management expenses

Management expenses comprise costs in relation to the operation of the pension fund as a whole (being administrative costs plus oversight and governance costs) along with the investment management expenses incurred directly in relation to the investment portfolio.

Table E – Administrative costs and oversight and governance costs

	Year to 31 March 2024	Year to 31 March 2025	Notes
Staffing costs	£478,000	£482,000	Management expenses have increased largely due to additional admin support costs plus costs connected with the upcoming relocation to an alternative Government approved LGPS investment pool.
Information and communication technology	£370,000	£405,000	
Premises costs	£54,000	£64,000	
Professional fees	£790,000	£979,000	
Other	£36,000	£55,000	
Total	£1,728,000	£1,985,000	
These are disclosed in the pension fund accounts as follows:			
Administrative costs	£850,000	£1,328,000	
Oversight and governance costs	£878,000	£657,000	
Total administrative costs plus oversight and governance costs	£1,728,000	£1,985,000	
Percentage increase in administrative costs and oversight and governance costs		14.9%	

Table F – Investment management expenses

	Year to 31 March 2024	Year to 31 March 2025	Notes
Management fees	£5,337,000	£7,607,000	Investment management expenses have increased as they are based on the increased NAV of investments and due to increased cost activity of non-pooled funds. Two investments are now outperforming benchmark, attracting performance fees.
Percentage increase in investment management expenses		42.5%	

Table G – Investment income

	Year to 31 March 2024	Year to 31 March 2025	Notes
Pooled investment vehicles	£12,214,000	£13,148,000	Investment income has increased largely due to greater returns from the growing private debt and infrastructure investments.
Pooled property investments	£1,806,000	£1,826,000	
Bonds	£3,696,000	–	
Private debt	£2,960,000	£4,146,000	
Infrastructure	£3,511,000	£9,728,000	
Cash	£580,000	£1,124,000	
Total	£24,767,000	£29,992,000	

Increase in investment income 21.0%

Table H – Non-investment assets and liabilities

	Year to 31 March 2024	Year to 31 March 2025	Notes
Long term assets	£145,000	£127,000	Non-investment assets and liabilities have decreased largely due to the cash balance held at the prior year-end being partly re-invested in the year to 31 March 2025.
Current assets	£18,297,000	£11,479,000	
Current liabilities	-£599,000	-£1,353,000	
Total	£17,843,000	£10,253,000	
Percentage decrease		-42.5%	

Recovery of pension overpayments

Overpaid pensions are recovered in line with national guidelines, following identification from a variety of sources including the national fraud initiative and ‘tell us once’ services.

Actions to deal with fraud

The pension fund has robust internal controls and service arrangements designed to prevent fraud. It has a procured external mortality and data cleansing and tracing service and participates in the national fraud initiative, which is independently audited, as well as the ‘tell us once’ service. It also implements LGPS and Action Fraud guidance associated with the key controls required for financial movements. The fund also fulfils its data quality obligations through the employment of data validation tools provided by its professional advisers.

3.2 Membership data

Shown below is the pension fund's summary membership data for the year ended 31 March 2025 compared to the year ended 31 March 2024 (further detail is reported in Section 6).

	Year to 31 March 2024	Year to 31 March 2025	Notes
Number of employers with contributors (active members)	30	33	The three new employers brought 152 active members to the pension fund.
Increase in employers with contributors		3	
Total number of contributors (active members)	4,450	4,504	
Increase in total contributors		54	
Number of contributors in the Isle of Wight Council (administering authority)	3,756	3,623	The Isle of Wight Council remains the largest employer in the fund.
Decrease in Isle of Wight Council contributors		-133	
Percentage of Isle of Wight Council contributors to total contributors	84.4%	80.4%	
Number of benefit recipients (Pensioners, widows, and dependant pensioners)	6,409	6,408	
Decrease in benefit recipients		-1	

3.3 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 as a percentage of pensionable pay, and the number of instances of late payments and returns of contributions during the year. The LGPS regulations specify that contributions must be received by the fund by the 22nd of the following month.

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

No	Employer	Active members – 31 March 2025	Employee basic contribution ¹⁵	Employer basic contribution ¹⁵	Instances payments late	Instances return late
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Administrative authority

1	Isle of Wight Council	3,623	6.5%	23.3%	-	10*
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Scheduled bodies

2	Bembridge Parish Council	2	6.3%	23.9%	-	-
3	Carisbrooke College	52	6%	23.5%	2	2
4	Cowes Enterprise College	71	6%	23.5%	-	1
5	Cowes Town Council	1	5.6%	23%	-	-
6	Fishbourne Parish Council	1	5.5%	23.5%	-	-
7	Gurnard Parish Council	1	5.3%	22.5%	1	-
8	Island Free School	40	5.9%	19.6%	-	10*
9	Isle of Wight College	271	6.1%	22.1%	-	-
10	Lanesend Primary	82	5.6%	21.1%	-	10*
11	Medina College	99	5.9%	23.4%	2	2
12	Newport and Carisbrooke Community Council	7	6.1%	23.6%	-	-
13	Northwood Parish Council	1	6.5%	23.5%	-	-
14	Northwood Primary School	31	6.2%	23.4%	-	10*
15	Ryde Academy	74	5.9%	23.5%	-	-
16	Ryde Town Council	25	6.2%	24.1%	-	-
17	Sandown Town Council	3	6%	23.5%	1	-
18	Shanklin Town Council	3	6.3%	23.5%	-	-
19	St Blasius Primary Academy	15	5.8%	23.5%	-	10*
20	St Francis Academy	34	5.8%	23.5%	-	10*
21	Wootton Bridge Parish Council	2	5.7%	23.5%	-	-

¹⁵ As a percentage of pensionable pay.

No	Employer	Active members – 31 March 2025	Employee basic contribution ¹⁵	Employer basic contribution ¹⁵	Instances payments late	Instances return late
Admitted bodies						
22	Barnardos 2021	4	6%	23.5%	-	-
23	CleanTEC	5	5.6%	23.5%	-	-
24	Cowes Harbour Commissioners	1	7%	35.4%	1	-
25	Island Roads Limited	14	6.8%	0%	1	-
26	Keys Group	9	5.8%	23.5%	-	-
27	Polaris	1	6.4%	23.5%	-	-
28	Southern Housing Group	2	6.7%	33.3%	-	-
29	Southern Vectis	4	5.5%	0%	-	-
30	Sovereign Housing Group	19	7.4%	31.6%	-	-
31	St Catherines School	5	6.7%	26.8%	2	1
32	Top Mops Ltd	1	5.4%	21.1%	1	-
33	Ventnor Botanic Gardens	1	6.5%	0%	-	-
Grand total		4,504	6.4%	23.1%	11	66

*The Isle of Wight Council is responsible for a number of maintained schools across the Isle of Wight. Several of these, along with a further five employers above, out-sourced their payroll services to Strictly Education during the year ended 31 March 2025.

Section 4

Pension fund accounts

Fund account

For the year ended 31 March 2024		Notes	For the year ended 31 March 2025
	Dealings with members, employers and others directly involved in the fund		
-£24,577,000	Contributions	7	-£25,568,000
-£1,947,000	Transfers in from other pension funds	8	-£863,000
-£17,000	Other income	9	-£21,000
-£26,541,000			-£26,452,000
£27,870,000	Benefits	10	£29,545,000
£718,000	Payments to and on account of leavers	11	£4,142,000
£28,588,000			£33,687,000
£2,047,000	Net withdrawals from dealings with members		£7,235,000
£7,065,000	Management expenses	12	£9,592,000
£9,112,000	Net withdrawals including fund management expenses		£16,827,000
	Returns on investments		
-£24,767,000	Investment income	13	-£29,972,000
-£3,000	Taxes on income	14	-
-£68,681,000	Profit and losses on disposal of investments and changes in the value of investments	16A	-£21,455,000
-£93,451,000	Net returns on investments		-£51,427,000
-£84,339,000	Net increase or decrease in the net assets available for benefits during the year		-£34,600,000
-£691,123,000	Opening net assets of the scheme		-£775,462,000
-£775,462,000	Closing net assets of the scheme		-£810,062,000

Net assets statement

Net assets statement as at 31 March

2024		Notes	2025
£715,431,000	Investment assets	16	£779,771,000
£42,188,000	Cash deposits	16	£8,038,000
£757,619,000	Total net investments		£799,809,000
£145,000	Long-term assets	22	£127,000
£18,297,000	Current assets	23	£11,479,000
£599,000	Current liabilities	24	£1,353,000
£775,462,000	Net assets of the fund available to fund benefits at the period end		£810,062,000

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 21 (page [70](#)).



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 for the year ended 31 March 2025 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 the council to provide pensions and other benefits for pensionable employees of the council, and a range of other scheduled and admitted bodies on the Isle of Wight. Teachers and police officers 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 the 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 2025 are:

- | | |
|---|---|
| • Bembridge Parish Council | • Newport and Carisbrooke Community Council |
| • Carisbrooke College | • 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 |
| • Island Free School | • St Blasius Primary Academy |
| • Lanesend Primary Academy | • St Francis Academy |
| • Medina College | • Wootton Bridge Parish Council |

The admitted bodies of the fund with active members at 31 March 2025 are:

- | | |
|--|---------------------------|
| • Barnados 2021 | • Southern Housing Group |
| • CleanTEC | • Southern Vectis |
| • Cowes Harbour Commissioners | • Sovereign Housing Group |
| • Island Roads Limited | • St Catherines School |
| • Keys Group (Formerly Accomplish Group Ltd) | • Top Mops Ltd |
| • Polaris | • Ventnor Botanic Gardens |

The membership of the scheme is shown below:

Year ended 31 March 2025	Administering authority	Scheduled bodies	Admitted bodies	Total
Number of employers with active members	1	20	12	33
Number of contributors (Active members)	3,623	815	66	4,504
Number of frozen refunds ¹⁶	763	112	3	878
Number of deferred pensioners ¹⁷	5,954	846	78	6,878
Number of pensioners, widows, and dependant pensioners	5,811	455	142	6,408
Membership total	16,151	2,228	289	18,668

Year ended 31 March 2024	Administering authority	Scheduled bodies	Admitted bodies	Total
Number of employers with active members	1	18	11	30
Number of contributors (Active members)	3,756	622	72	4,450
Number of frozen refunds ¹⁶	712	98	3	813
Number of deferred pensioners ¹⁷	5,825	718	122	6,665
Number of pensioners, widows, and dependant pensioners	5,483	427	223	6,133
Membership total	15,776	1,865	420	18,061

16 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.

17 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 or 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 2025 are detailed below.

Range (actual pensionable pay)	Contribution rate
Up to £17,600	5.50%
More than £17,601 and up to £27,600	5.80%
More than £27,601 and up to £44,900	6.50%
More than £44,901 and up to £56,800	6.80%
More than £56,801 and up to £79,700	8.50%
More than £79,701 and up to £112,900	9.90%
More than £112,901 and up to £133,100	10.50%
More than £133,101 and up to £199,700	11.40%
More than £199,701	12.50%

Employers' contributions 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 20 (page [67](#)).

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 $\frac{1}{80}$ times final pensionable salary	Each year worked is worth $\frac{1}{60}$ times final pensionable salary
Lump sum	Automatic lump sum of three times 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 $\frac{1}{49}$ th. 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: www.isleofwightpensionfund.org

2 Basis of preparation

The statement of accounts summarises the fund's transactions for the year ended 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024 to 2025 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 21 (page [70](#)) of these accounts.

The accounts have been prepared on a going concern basis. The 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 per cent funded - an increase from the position three years prior of 95 per cent. The March 2025 indicative funding level provided by the actuaries showed that the fund was 155 per cent funded. Investment markets continued to be impacted by the ongoing illegal Russian invasion of Ukraine which commenced in February 2022. Furthermore, market volatility was experienced towards the year-end due to the situation regarding international trade with the United States and the imposition of tariffs.

The vast majority of employers in the pension scheme (over 98 per cent 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 cash flow 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, at least 81 per cent of the fund's investments can be converted into cash within three months (84.8 per cent in 2023 to 2024).

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.

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.

Employers' augmentation contributions and pensions strain contributions are accounted for when received. Any amount due in year but unpaid will be classed as a current financial asset.

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, pages [48](#) and [50](#)).

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, page [48](#)).

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 2024 to 2025 £0.116 million fees are based on such estimates (2023 to 2024: nil)

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

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 16A (page [53](#)).

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 17, page [55](#)). 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 21, page [70](#)).

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 25 (page [74](#)).

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 27, page [75](#)).

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 21 (page [70](#)).

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 and 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 2025 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 21, page 70)	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: <ul style="list-style-type: none"> • A 0.1 per cent decrease in the discount rate assumption would result in a decrease in the pension fund surplus of £12 million. • A 0.1 per cent increase in assumed earnings inflation would cause the surplus to be unchanged. • A 0.1 per cent increase in assumed price inflation or pension increases would decrease the surplus by approximately £9 million. • A one-year increase in assumed life expectancy would decrease the surplus by approximately £23 million.
Pooled property funds (Note 17, page 55)	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 17, page 55)	These investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines (December 2018)', based on the fund manager valuations as at the end of the reporting period. These Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private debt investments are valued at £50.1 million in the financial statements. There is a risk that this investment may be over or understated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure (Note 17, page 55)	These investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines (December 2018)', based on the fund manager valuations as at the end of the reporting period. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Infrastructure investments are valued at £62.2 million 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).
- 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:

Year to 31 March 2024		Year to 31 March 2025
£5,040,000	Employees' normal contributions	£5,495,000
£7,000	Employees' additional contributions	£5,000
£5,047,000		£5,500,000
£18,842,000	Employers' normal contributions	£19,762,000
£490,000	Employers' deficit recovery contributions	£124,000
£198,000	Employers' augmentation contributions	£182,000
£19,530,000		£20,068,000
£24,577,000		£25,568,000

By type of employer:

Year to 31 March 2024		Year to 31 March 2025
£21,107,000	Administering authority	£21,334,000
£2,653,000	Scheduled bodies	£3,317,000
£817,000	Admitted bodies	£917,000
£24,577,000		£25,568,000

8 Transfers in from other pension funds

Year to 31 March 2024		Year to 31 March 2025
£1,947,000	Individual transfers	£863,000
£1,947,000		£863,000

9 Other income

Year to 31 March 2024		Year to 31 March 2025
£16,000	Miscellaneous income	£21,000
£1,000	Contribution equivalent premiums	-
£17,000		£21,000

10 Benefits payable

By category:

Year to 31 March 2024		Year to 31 March 2025
£23,300,000	Pensions	£25,234,000
£3,844,000	Commutation and lump sum retirement benefits	£3,936,000
£726,000	Lump sum death benefits	£379,000
-	Tax recovery	-£4,000
£27,870,000		£29,545,000

By type of employer:

Year to 31 March 2024		Year to 31 March 2025
£24,424,000	Administering authority	£25,696,000
£1,893,000	Scheduled bodies	£2,097,000
£1,553,000	Admitted bodies	£1,752,000
£27,870,000		£29,545,000

11 Payments to and on account of leavers

Year to 31 March 2024		Year to 31 March 2025
£130,000	Refund to members leaving service	£86,000
-	Group transfers	£2,019,000
£588,000	Individual transfers	£2,037,000
£718,000		£4,142,000

12 Management expenses

Year to 31 March 2024		Year to 31 March 2025
£850,000	Administrative costs	£1,328,000
£5,337,000	Investment management expenses	£7,607,000
£878,000	Oversight and governance costs	£657,000
£7,065,000		£9,592,000

12A Investment management expenses

Year to 31 March 2025	Total	Management fees	Performance related fees	Transaction fees
Pooled investments ²⁰	£1,513,000	£1,204,000	-	£309,000
Pooled property investments	£787,000	£776,000	-	£11,000
Private debt	£2,831,000	£2,617,000	£214,000	-
Infrastructure	£2,472,000	£2,341,000	£131,000	-
	£7,603,000	£6,938,000	£345,000	£320,000
Custody fees	£4,000			
Total	£7,607,000			

18 Included £1.4 million charged to the pension fund by ACCESS regional asset pool (£2.5 million in 2023 to 2024).

Year to 31 March 2024	Total	Management fees	Performance related fees	Transaction fees
Bonds	£437,000	£133,000	–	£304,000
Pooled investments ²¹	£2,277,000	£1,187,000	–	£1,090,000
Pooled property investments	£753,000	£440,000	–	£313,000
Private debt	£585,000	£185,000	£326,000	£74,000
Infrastructure	£1,281,000	£1,283,000	–	–£2,000
	£5,333,000	£3,228,000	£326,000	£1,779,000
Custody fees	£4,000			
Total	£5,337,000			

13 Investment income

Year to 31 March 2024		Year to 31 March 2025
	Income from pooled investment vehicles	
£2,442,000	- ACCESS global equity	£2,189,000
£2,843,000	- ACCESS UK equity	£2,838,000
£1,974,000	- ACCESS diversified growth	–
£4,955,000	- ACCESS core bond	£8,121,000
£1,806,000	Property	£1,826,000
£3,696,000	Bonds	–
£2,960,000	Private debt	£4,146,000
£3,511,000	Infrastructure	£9,728,000
£580,000	Interest on cash deposits	£1,124,000
£24,767,000		£29,972,000

19 Included £2.2 million charged to the pension fund by ACCESS regional asset pool (£2.5 million in 2022 to 2023).

14 Taxation

Year to 31 March 2024		Year to 31 March 2025
-£3,000	Withholding tax - equities	-
-£3,000		-

15 External audit costs

Year to 31 March 2024		Year to 31 March 2025
£74,000	Payable in respect of external audit	£74,000
£74,000		£74,000

16 Investments

Market value 31 March 2024	Investment assets	Market value 31 March 2025
	Pooled investment vehicles	
£108,739,000	Pooled UK equity	£114,881,000
£351,488,000	Pooled global equity	£356,771,000
£111,902,000	Pooled fixed income unit trusts	£171,508,000
£56,920,000	Pooled diversified growth fund	£2,000
£629,049,000		£643,162,000
	Other investments	
£35,163,000	Pooled property investments	£36,341,000
£25,842,000	Private debt	£50,083,000
£25,363,000	Infrastructure	£62,170,000
£86,368,000		£148,594,000
£42,188,000	Cash deposits	£8,038,000
£14,000	Recoverable withholding tax	£15,000
£42,202,000		£8,053,000
£757,619,000	Total investment assets	£799,809,000

16A Reconciliation of movements in investments

	Market value 1 April 2024	Purchases during year	Sales during year	Change in market value	Market value 31 March 2025
Pooled investment vehicles	£629,049,000	£65,093,000	-£68,400,000	£17,420,000	£643,162,000
Pooled property investments	£35,163,000	£1,610,000	-£572,000	£140,000	£36,341,000
Private debt	£25,842,000	£29,594,000	-£10,021,000	£4,668,000	£50,083,000
Infrastructure	£25,363,000	£39,224,000	-£2,156,000	-£261,000	£62,170,000
	£715,417,000	£135,521,000	-£81,149,000	£21,967,000	£791,756,000
Cash deposits	£42,188,000	£77,701,000	-£111,339,000	-£512,000	£8,038,000
Recoverable withholding tax	£14,000	£1,000	-	-	£15,000
Net investment assets	£757,619,000	£213,223,000	-£192,488,000	£21,455,000	£799,809,000

	Market value 1 April 2024	Purchases during year	Sales during year	Change in market value	Market value 31 March 2023
Pooled investment vehicles	£598,628,000	£120,403,000	-£162,238,000	£72,256,000	£629,049,000
Pooled property investments	£37,133,000	£1,592,000	-£780,000	-£2,782,000	£35,163,000
Private debt	£26,111,000	£5,987,000	-£6,004,000	£252,000	£25,842,000
Infrastructure	£14,277,000	£13,015,000	-£1,637,000	-£292,000	£25,363,000
	£676,149,000	£140,997,000	-£170,659,000	£68,930,000	£715,417,000
Cash deposits	£9,187,000	£53,509,000	-£20,259,000	-£249,000	£42,188,000
Recoverable withholding tax	12,000	£2,000	-	-	£14,000
Net investment assets	£685,348,000	194,508,000	-£190,918,000	£68,681,000	£757,619,000

16B Investments analysed by fund manager

54

Market value 31 March 2024			Market value 31 March 2025	
Investments managed by ACCESS pool				
£182,340,000	24.1%	ACCESS - Global Equities - Newton	£179,196,000	22.4%
£169,148,000	22.3%	UBS Life Climate Aware World Equity Fund	£177,575,000	22.2%
£111,902,000	14.8%	ACCESS - Core Bond (Royal London)	£171,508,000	21.4%
£108,739,000	14.4%	ACCESS - UK Equities - Liontrust (Blackrock)	£114,181,000	14.4%
£56,920,000	7.5%	ACCESS - Diversified Growth - Baillie Gifford	£2,000	0.0%
£629,049,000	83.0%		£643,162,000	80.4%
Investments managed outside ACCESS pool				
£35,163,000	4.6%	Schroder Investment Management - property	£36,341,000	4.5%
£25,363,000	3.3%	Partners investment - infrastructure	£30,950,000	3.9%
-	0.0%	JP Morgan - infrastructure	£31,220,000	3.9%
£25,842,000	3.4%	Goldman Sachs - private debt	£20,538,000	2.6%
-	0.0%	Pantheon - private debt	£29,545,000	3.7%
£86,368,000	11.4%		£148,594,000	18.6%
£715,417,000	94.4%		£791,756,000	99%
£14,000	0.0%	Recoverable withholding tax	£15,000	0.0%
£715,431,000	94.4%		£791,771,000	99%
Cash deposits				
£30,097,000	4.0%	JP Morgan	-	0.0%
£6,010,000	0.8%	Aberdeen	£4,000,000	0.5%
£6,004,000	0.8%	Aviva	£4,000,000	0.5%
£77,000	0.0%	Other	£38,000	0.0%
£42,188,000	5.6%		£8,038,000	1.0%
£757,619,000	100%		£799,809,000	100%

The following investments represent more than five per cent of the total net assets of the fund.

Market value 31 March 2024			Market value 31 March 2025	
£182,340,000	23.6%	ACCESS - Overseas Equities - Newton	£179,196,000	22.1%
£169,148,000	21.9%	UBS Life Climate Aware World Equity Fund	£177,575,000	21.9%
£111,902,000	14.5%	ACCESS - Core Bond (Royal London)	£171,508,000	21.2%
£108,738,000	14.0%	ACCESS - UK Equities - Blackrock	£114,881,000	14.2%
£56,920,000	7.4%	ACCESS - Diversified Growth - Baillie Gifford	£2,000	0.0%

16C Stock

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 £32.4 million (2023 to 2024: £9.6 million).

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.

17 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.

Market quoted investments

- **Valuation hierarchy** – Level 1
- **Basis of valuation** – Published bid market price ruling on the final day of the accounting period.
- **Observable and unobservable inputs** – Not required.
- **Key sensitivities affecting the valuations provided** – Not required.

Exchange traded pooled investments

- **Valuation hierarchy** – Level 1
- **Basis of valuation** – Closing bid value on published exchanges.
- **Observable and unobservable inputs** – Not required.
- **Key sensitivities affecting the valuations provided** – Not required.

Pooled investments – overseas unit trusts and property funds

- **Valuation hierarchy** – Level 2
- **Basis of valuation** – Closing bid price where bid and offer prices are published.
Closing single price where single price published.
- **Observable and unobservable inputs** – NAV-based pricing set on a forward pricing basis
- **Key sensitivities affecting the valuations provided** – Not required.

Private debt

- **Valuation hierarchy** – Level 3
- **Basis of valuation** – (i) Goldman Sachs report is based on a quarterly valuation to the end of 31 March 2025.

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.

(ii) Pantheon's quarterly valuation is produced in accordance with the relevant accounting standards.

However, the final quarter was estimated as at 31 March, based on information from the Investment Manager applying the previous quarter rolled forward for cash position.

- **Observable and unobservable inputs** – 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.
- **Key sensitivities affecting the valuations provided** – 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

- **Valuation hierarchy** – Level 3
- **Basis of valuation** – Fair values as per international private equity and venture capital guidelines (2012)
- **Observable and unobservable inputs** – Valuation of underlying investments, assets and companies; earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples.
- **Key sensitivities affecting the valuations provided** – 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 2025.

	Potential variation in fair value	Value at 31 March 2025	Potential value on increase	Potential value on decrease
Private debt	+/- 10%	£50,083,000	£55,092,000	£45,075,000
Infrastructure	+/- 10%	£62,170,000	£68,386,000	£55,953,000
Total		£112,253,000	£123,478,000	£101,028,000

17A Fair value hierarchy

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:

Note the 2023 to 2024 previously reported values have been restated following a review of the definitions applicable to the investments held by the fund, which has identified errors made in the prior year. Cash sums have been included (level1) having been previously omitted in error, whilst

pooled investments have been restated from level 1 to level 2 as these investments have been ascertained to be valued on a Net Asset Value, which is more in keeping with the level 2 definition.

31 March 2024				31 March 2025			
Quoted market price Level 1	Using Observa- ble Inputs Level 2	With Sig- nificant Unobserv- able Inputs Level 3	Total	Quoted market price Level 1	Using Observa- ble Inputs Level 2	With Sig- nificant Unobserv- able Inputs Level 3	Total
Financial assets at fair value through profit and loss							
£42,188,000	£664,212,000	£51,205,000	£757,605,000	£8,038,000	£679,503,000	£112,253,000	£799,794,000
Financial liabilities at fair value through profit and loss							
-	-	-	-	-	-	-	-
Net investment assets							
£42,188,000	£664,212,000	£51,205,000	£757,605,000	£8,038,000	£679,503,000	£112,253,000	£799,794,000

The previously reported 2023/24 figures have been restated as outlined in the table below:

	2023 to 2024 Figure previously reported	2023 to 2024 Adjustment	2023 to 2024 Figure where restated
Level 1			
Quoted market price	£629,049,000	-£586,861,000	£42,188,000
Level 2			
Using observable inputs	£35,163,000	£629,049,000	£664,212,000

17B Reconciliation of fair value measurements with level 3

	Private debt	Infrastructure	Total
Value at 1 April 2024	£25,842,000	£25,363,000	£51,205,000
Purchases	£29,594,000	£39,224,000	£68,818,000
Sales	-£10,021,000	-£2,156,000	-£12,177,000
Unrealised gains and losses*	£3,186,000	-£261,000	£2,925,000
Realised gains and losses*	£1,482,000	–	£1,482,000
Value at 31 March 2025	£50,083,000	£62,170,000	£112,253,000

	Private debt	Infrastructure	Total
Value at 1 April 2023	£26,111,000	£14,277,000	£40,388,000
Purchases	£5,987,000	£13,015,000	£19,002,000
Sales	-£6,004,000	-£1,637,000	-£7,641,000
Unrealised gains and losses*	£107,000	-£292,000	-£185,000
Realised gains and losses*	-£359,000	–	-£359,000
Value at 31 March 2024	£25,842,000	£25,363,000	£51,205,000

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

Investment into the initial Infrastructure fund commenced in July 2021, and the initial investment into a second Infrastructure fund commenced March 2024.

18 Financial instruments

a) 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 2024			31 March 2025		
Fair value through profit and loss	Assets at amortised costs	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised costs	Liabilities at amortised cost
Financial assets					
Pooled investment vehicles					
£664,212,000	–	–	£679,503,000	–	–
Private debt					
£25,842,000	–	–	£50,083,000	–	–
Infrastructure					
£25,363,000	–	–	£62,170,000	–	–
Cash					
–	£59,653,000	–	–	£18,670,000	–
Other investment balances					
£14,000	–	–	£15,000	–	–
Debtors					
–	£3,000	–	–	£21,000	–
£715,431,000	£59,656,000	–	£791,771,000	£18,691,000	–
Financial liabilities					
Creditors					
–	–	-£311,000	–	–	-£992,000
Borrowings					
–	–	–	–	–	–
–	–	-£311,000	–	–	-£992,000
Total					
£715,431,000	£59,656,000	-£311,000	£791,771,000	£18,691,000	-£992,000

19 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 2024 to 2025 assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same. Had the market price of the fund investments increased and 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 2025	Volatility of return	Value on increase	Value on decrease
Pooled Investment vehicles:				
UK equities	£114,881,000	16.3%	£133,606,000	£96,155,000
Global equities	£179,196,000	18.6%	£212,526,000	£145,865,000
Diversified growth fund	£2,000	8.6%	£2,000	£2,000
Core bonds	£171,508,000	7.4%	£184,200,000	£158,817,000
UBS climate aware	£177,575,000	18.6%	£210,604,000	£144,546,000
Pooled property investments	£36,341,000	15.2%	£41,865,000	£30,817,000
Private debt	£50,083,000	7.6%	£53,890,000	£46,277,000
Infrastructure	£62,170,000	14.5%	£71,184,000	£53,155,000
Cash and cash equivalents	£8,038,000	0.3%	£8,062,000	£8,014,000
Recoverable withholding tax	£15,000	0%	£15,000	£15,000
Total	£799,809,000		£915,954,000	£683,663,000

	Value as at 31 March 2024	Volatility of return	Value on increase	Value on decrease
Pooled Investment vehicles:				
UK equities	£108,739,000	1%	£109,826,000	£107,652,000
Global equities	£182,340,000	5.8%	£192,916,000	£171,764,000
Diversified growth fund	£56,920,000	2%	£58,058,000	£55,782,000
Core bonds	£111,902,000	1%	£113,021,000	£110,783,000
UBS climate aware	£169,148,000	5.7%	£178,789,000	£159,507,000
Pooled property investments	£35,163,000	2.8%	£36,148,000	£34,178,000
Private debt	£25,842,000	3.1%	£26,643,000	£25,041,000
Infrastructure	£25,363,000	17.7%	£29,852,000	£20,874,000
Cash and cash equivalents	£42,188,000	0%	£42,188,000	£42,188,000
Recoverable withholding tax	£14,000	0%	£14,000	£14,000
Total	£757,619,000		£787,456,000	£727,782,000

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.

A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy and is equivalent to one per cent.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates. The figures below for fixed interest securities do not include the fund's pooled investment in index linked gilts. Changes in interest rates do not impact on the fair value of cash balances, but they will impact on the interest income earned.

Asset type	Carrying amount as at 31 March 2025	Impact of 1% increase	Impact of 1% decrease
Cash and cash equivalents	£9,200,000	£9,292,000	£9,108,000
Cash balances	£1,432,000	£1,446,000	£1,418,000

Asset type	Carrying amount as at 31 March 2024	Impact of 1% increase	Impact of 1% decrease
Cash and cash equivalents	£15,000,000	£15,150,000	£14,850,000
Cash balances	£2,465,000	£2,490,000	£2,440,000

Income source	Interest receivable 2024 to 2025	Value on 1% increase	Value on 1% decrease
Cash deposits, cash and cash equivalents	£1,124,000	£1,135,000	£1,113,000

Income source	Interest receivable 2023 to 2024	Value on 1% increase	Value on 1% decrease
Cash deposits, cash and cash equivalents	£580,000	£586,000	£574,000

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 2025, and as at the previous period end:

	Asset value as at 31 March 2025	Asset value as at 31 March 2024
Private debt	£50,083,000	£25,842,000
Infrastructure	£62,170,000	£25,363,000
Investment Income	£13,874,000	£6,472,000
	£126,127,000	£57,677,000

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with Hymans Robertson, the fund considers the likely volatility associated with foreign exchange rate movements to be 9.1 per cent (2023 to 2024: 3.73 per cent). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.1 per cent strengthening or weakening of the pound against the various currencies in which the fund holds investments would increase or decrease the net assets available to pay benefits as follows:

	Value as at 31 March 2025	Value on increase +9.1%	Value on decrease -9.1%
Private debt	£50,083,000	£54,641,000	£45,525,000
Infrastructure	£62,170,000	£67,827,000	£56,513,000
Investment Income due	£13,874,000	£15,137,000	£12,611,000
	£126,127,000	£137,605,000	£114,649,000

	Value as at 31 March 2025	Value on increase +3.73%	Value on decrease -3.73%
Private debt	£25,842,000	£26,806,000	£24,878,000
Infrastructure	£25,363,000	£26,309,000	£24,417,000
Investment Income due	£6,472,000	£6,713,000	£6,231,000
	£57,677,000	£59,828,000	£55,526,000

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 such internally held cash in diversified money market funds, as well as with a UK bank.

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 per cent of stock lent, or 105 per cent 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 2024 and 31 March 2025 (£0.507 million and £0.435 million 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 26 (page [74](#)) 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 2025 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.

20 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 per cent 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 concluded that the fund's assets, which at 31 March 2022 were valued at £728 million (2019: £596 million), were sufficient to meet 102 per cent of the liabilities (2019: 95 per cent) (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 ²²	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	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 ²²	23.5%	23.5%	23.5%
RM Ltd (ceased)	23.5%	23.5%	23.5%
Ryde Academy, Academies Enterprise Trust ²²	23.5%	23.5%	23.5%
Solutions 4 Health (ceased)	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 ²²	23.5%	23.5%	23.5%
St Catherine's School Ltd	25.4%	25.4%	25.4%
St Francis Academy ²²	23.5%	23.5%	23.5%
Top Mops	21.5%	21.5%	21.5%

In addition, certain employers make a lump sum contribution

²⁰ 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.

Employer name	Minimum contributions		
	2024 Lump sum	2025 Lump sum	2026 Lump sum
Cowes Harbour Commissioners	£20,000	£20,000	£20,000
Southern Housing Group	£150,000	£150,000	£150,000
Sovereign Housing Group	£18,000	£18,000	£18,000

Town, parish and community councils are included in the Isle of Wight Council 'pool' for valuation purposes; hence they pay the same rate as the Isle of Wight Council.

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 and 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 per cent weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25 per cent and a long-term rate of 1.5 per cent per annum.

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 were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the fund’s assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1 per cent in April 2023 and 6.7 per cent in April 2024. However, inflation has reduced towards historical levels and the Bank of England’s target (two per cent per annum), with LGPS benefits increasing by 1.7 per cent in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the fund’s liabilities. Overall, the funding position is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

21 Actuarial present value of promised retirement benefits

CIPFA’s Code of Practice on Local Authority Accounting 2024/25 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members	£200,000,000	£222,000,000
Deferred members	£113,000,000	£135,000,000
Pensioners	£271,000,000	£310,000,000
Net liability	£584,000,000	£667,000,000

The promised retirement benefits at 31 March 2025 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 figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, 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 2025 and 31 March 2024. The pension fund actuary has estimated that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £102 million. The actuary estimates that the impact of the change in demographic assumptions is to decrease the actuarial present value by £1 million.

Financial assumptions

Year ended	31 March 2025 Per annum	31 March 2024 Per annum
Pension increase rate (CPI)	2.75%	2.75%
Salary increase rate	3.75%	3.75%
Discount rate	5.8%	4.85%

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 2023 model, with a 15 per cent weighting of 2023 (and 2022) data, 0 per cent weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25 per cent and a long term rate of improvement of 1.5 per cent per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	24 years
Future pensioners ²³	21.9 years	25.4 years

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 obligations are set out below:

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

Change in assumption at 31 March 2025	Approximate percentage increase to promised retirement benefits	Approximate monetary amount
0.1 per cent, per annum decrease in the discount rate	2%	£10,000,000
One-year increase in member life expectancy	4%	£23,000,000
0.1 per cent, per annum increase in the salary increase rate	0%	£0
0.1 per cent, per annum increase in the pension increase rate (CPI)	2%	£9,000,000

22 Long term assets

31 March 2024	Debtors	31 March 2025
£32,000	Contributions due - employers	£14,000
£113,000	Reimbursement of annual tax allowances	£113,000
£145,000		£127,000

23 Current assets

31 March 2024	Debtors	31 March 2025
£102,000	Contributions due - employees	£67,000
£405,000	Contributions due - employers	£368,000
£507,000		£435,000
£43,000	Taxation	£75,000
£3,000	Sundry debtors	£21,000
£279,000	Payments in advance	£316,000
£17,465,000	Cash balances	£10,632,000
£18,297,000		£11,479,000

24 Current liabilities

31 March 2024	Creditors	31 March 2025
£288,000	Taxation	£361,000
£291,000	Accruals	£684,000
£20,000	Sundry creditors	£308,000
£599,000		£1,353,000

25 Additional voluntary contributions (AVCs)

31 March 2024		31 March 2025
£1,087,000	Prudential Life and Pensions	£1,330,000

AVC contributions of £307,000 were paid directly to Prudential Life and Pensions during the year (2023 to 2024: £236,000).

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.

26 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 £0.616 million (2023 to 2024: £0.576 million) 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 £16.7 million in 2024 to 2025 (2023 to 2024: £16.8 million) to the fund. All monies owing to the fund, except for deferred balances in respect of pension strain costs totalling £0.05 million (2024: £0.05 million), 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 2024 to 2025 the pension fund did not take advantage of this facility so the balance due to the council at 31 March 2025 is Nil (2023 to 2024: Nil) and no interest (2023 to 2024: Nil) 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 and pension Board is required to declare their interests at each meeting. Council members named in the pension fund annual report formed the Isle of Wight pension fund committee as trustees at 31 March 2025.

26A 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 strategic manager - pensions.

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

Year ended 31 March 2024		Year ended 31 March 2025
£76,000	Short-term benefits	£57,000
£16,000	Post-employment benefits	£12,000
£92,000		£69,000

27 Contingent assets, liabilities and capital commitments

McCloud

In December 2018 the court of appeal ruled against the government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The Public Service Pensions and Judicial Offices Act 2022, the main purpose of which is to support implementation of the McCloud remedy, gained royal assent in March 2022 and revised regulations were published in September 2023. The financial impact of the remedy remains difficult to determine, but it is a future liability for the fund.

Employer guaranteed bonds

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 2024-25 (2023-24 Nil).

Committed Investments not yet paid

As at the of the financial year the pension fund had committed to investing into two private debt funds and an infrastructure fund which are calling the capital in instalments. The value of these instalments will 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 2025 is as per the table below:

	31 March 2025		
	Private debt		Infrastructure
	Goldman Sachs	Pantheon	Partners
Total amount committed	\$39,300,000 (£31,126,000)	£65,000,000	€41,000,000 (£35,028,000)
Total invested	\$35,291,000 (£26,374,000)	£24,745,000	€29,315,000 (£25,268,000)
Balance committed but not yet paid	\$4,009,000 (£4,752,000)	£40,255,000	€11,685,000 (£9,760,000)

	31 March 2024		
	Private debt		Infrastructure
	Goldman Sachs	Pantheon	Partners
Total amount committed	\$39,300,000 (£31,126,000)	£65,000,000	€41,000,000 (£35,028,000)
Total invested	\$34,545,000 (£27,360,000)	-	€25,625,000 (£21,892,000)
Balance committed but not yet paid	\$4,755,000 (£3,766,000)	£65,000,000	€15,375,000 (£13,136,000)

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

Section 5

Investment and funding

5.1 Investment and funding information

The Isle of Wight pension fund's investments are invested in accordance with the pension fund's investment strategy statement. This document is reviewed on an annual basis by both the local pension board and is then approved by the pension fund committee. After each triannual valuation the investment strategy will be reviewed by the pension fund's investment consultant, Hymans Robertson, to ensure that it is set to deliver the return target that has been set by the actuary during the valuation, and what has been included in the funding strategy statement.

All of the fund's investments are managed by external investment managers, other than the cash which is managed by the director of finance and Section 151 officer's staff. The full list of the pension fund's external investment managers including the portfolio they manage is available on page [78](#) of this annual report.

The funding strategy statement has been implemented by collecting employer contributions paid in line with the rates certified in the 2022 triennial actuarial valuation. No bonds or other secured funding arrangements were entered into during the year. All admission bodies were managed in accordance with the funding strategy statement.

Both the investment strategy statement and funding strategy statement are fully compliant with the applicable statutory guidance.

The pension fund's investments are administered by Isle of Wight Council in their role as the scheme manager. The pension fund contracts with a custodian (Northern Trust) who provides a variety of services to support the administration of investments providing:

- accounting and performance reporting on the pension fund individual investment portfolios and the fund in total;
- cash facilities to enable the pension fund to make and receive payments for its investments;
- foreign exchange settlement to enable the pension fund to buy and sell assets in foreign currencies;
- historic tax reclamation services;
- historic filing of US-based class action lawsuits.

Pooled investments are managed by the pool operator (Waystone) and are held in custody by their appointed custodian, which is also Northern Trust.

5.2 Hymans Robertsons LLP Investment policy and performance report for the year ending 31 March 2025

Introduction

The pension fund's investments have been managed during the year under review by Blackrock Asset Management, Newton Investment Management, UBS, Baillie Gifford (disinvested in June 2024), Goldman Sachs Merchant Banking Division, Partners Group, JP Morgan Asset Management, Pantheon, Royal London and Schroders. The Blackrock, Newton and Royal London funds are accessed through the ACCESS pool.

The strategic benchmark allocation as at 31 March 2025 was:

Manager	Mandate	Allocation	Control ranges	Benchmark
Blackrock (ACCESS)	UK equities	12.5%	10.5% to 14.5%	FTSE All-Share Index
Newton (ACCESS)	Global equities	18.75%	16.75% to 20.75%	MSCI AC (All Countries) World Index (Net dividends re-invested)
UBS	Global equities	18.75%	16.75% to 20.75%	FTSE All-World Developed Index
Partners	Infrastructure	5%	N/A	Not managed to a benchmark
JP Morgan	Infrastructure	5%	N/A	Not managed to a benchmark
Royal London (ACCESS)	UK bonds	22%	18% to 26%	50% iBoxx GBP Gilts TR + 50% iBoxx GBP Non-Gilts
Schroders	UK property	8%	4% to 12%	IPD Pooled Property Fund indices All Balanced Funds Median
Goldman Sachs	Private debt	5%	N/A	Not managed to a benchmark
Pantheon	Private debt	5%	N/A	Not managed to a benchmark
Total		100.0%	-	-

Source: Investment strategy statement

Summary of strategic changes

The committee have agreed to several strategic changes over the last few years to achieve its long-term target of continuing to be fully funded within the next 20 years.

In July 2020, the committee agreed a new five per cent allocation to two new mandates (private debt and infrastructure) that would be drawn down over time. In January 2021, the pension fund committed the five per cent private debt allocation to Goldman Sachs Merchant Banking Division Broad Street Loan Partners IV. This investment has now entered its capital distribution phase, representing 2.6 per cent of the fund's assets as at 31 March 2025. A commitment was also made to Partners Direct Infrastructure Fund which continues to draw down funds with 3.9 per cent of the pension fund's assets invested in the mandate as at 31 March 2025.

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 five per cent to 10 per cent each via an equivalent 10 per cent reduction in the pension fund's diversified growth target.

A selection exercise spanning September to November 2023 concluded with commitments made to the JP Morgan Infrastructure Fund and the Pantheon Private Debt Secondaries Fund. The JP Morgan fund was fully invested in one drawdown on the 28 March 2024 and represents 3.9 per cent of the pension fund's assets as at 31 March 2025. The Pantheon mandate accounts for 3.5 per cent of assets as at 31 March 2025, and is expected to continue to call capital.

As the Baillie Gifford Diversified Growth fund no longer formed part of the pension fund's strategic benchmark allocation the committee arranged a disinvestment from the mandate in June 2024. The proceeds of the redemption were used to rebalance the Royal London UK bonds allocation back in line with the strategic target.

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

Manager or asset class	Actual asset allocation				Benchmark allocation
	Start of year	End of year	Start of year	End of year	
Blackrock - UK Equity (ACCESS)	£108,738,000	£114,881,000	14.4%	14.4%	12.5%
Newton - Global Equity (ACCESS)	£182,339,000	£179,196,000	24.1%	22.4%	18.75%
UBS - Global Equity	£169,234,000	£177,575,000	22.3%	22.2%	18.75%
Baillie Gifford - Diversified Growth (ACCESS)	£56,920,000	–	7.5%	–	0%
Partners - Infrastructure	£24,319,000	£30,930,000	3.2%	3.9%	5%

Manager or asset class	Actual asset allocation				Benchmark allocation
	Start of year	End of year	Start of year	End of year	
JP Morgan - Infrastructure	£30,132,000	£31,220,000	4%	3.9%	5%
Royal London - UK Bonds (ACCESS)	£111,902,000	£171,508,000	14.8%	21.5%	22%
Schroders - UK Property	£35,849,000	£36,914,000	4.7%	4.6%	8%
Goldman Sachs - Private Debt	£25,794,000	£20,558,000	3.4%	2.6%	5%
Pantheon - Private Debt	-	£27,979,000	-	3.5%	5%
Cash	£12,015,000	£8,000,000	1.6%	1%	-
Total	£757,281,000	£798,761,000	100%	100%	100%

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

Reasons for variance from benchmark

The pension fund is slightly overweight to UK and global equities relative to strategic benchmark and correspondingly underweight to property, infrastructure and private debt. The newly implemented Pantheon mandate and the existing Infrastructure allocation with Partners will continue to draw down capital, closing the allocation gap over the course of the next few years.

Most portfolios were within their target ranges as at 31 March 2025, except for the global equity which marginally exceeded targets. As private market mandates draw down capital it is expected that funds will be sourced from the global equity funds, slowly reducing the overweight in the coming years.

Market background


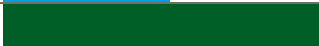











Investment markets

The US economy grew strongly in 2024, supported by consumer demand and government spending, but survey data point to slowing growth in the first quarter. The UK economy grew modestly, after a strong first half. The Eurozone also experienced growth, but manufacturing weakness weighed on the region. Ostensibly solid growth in China masks divergence within the economy: export-led growth and inventory building has offset weak domestic demand.

Year-on-year headline inflation fell to 2.6 per cent, 2.4 per cent, and 2.2 per cent in the UK, US and Eurozone, respectively. Core inflation, which excludes volatile food and energy prices, also fell but remains above the headline measure across regions, at 3.4 per cent, 2.8 per cent and 2.4 per cent in the UK, US and Eurozone.

The US Federal Reserve and European Central Bank lowered rates one per cent per annum, and 1.5 per cent per annum, to 4.25 to 4.5 per cent per annum and 2.5 per cent per annum, respectively. Given underlying inflation pressures, the Bank of England lowered rates more slowly, but still cut by 0.75 per cent per annum, to 4.5 per cent per annum. The Bank of Japan raised rates 0.4 per cent per annum, to 0.5 per cent per annum.

12 month performance to 31 March 2025 (in GBP)

Global	£5.5 million	
UK	£10.5 million	
Europe ex-UK	£3.8 million	
North America	£6.3 million	
Japan	£-3.4 million	
Asia-Pacific ex-Japan	£-5.7 million	
Emerging markets	£10.1 million	
UK gilts	£-1.2 million	
Index-linked gilts	£-8 million	
Corporate bonds	£2.4 million	
Overseas bonds	£0.8 million	
Property	£8.5 million	
Cash	£5.1 million	

Equities

Global equities rose eight per cent over the period, with falls in the first quarter of 2025. Emerging markets outperformed, supported by policies announced by Chinese authorities in mid-2024 and renewed optimism towards Chinese technology stocks. The UK outperformed thanks to its above-average exposure to financials, while strong consumer spending supported modest US outperformance. European stocks underperformed on a more cautious outlook for luxury consumer discretionary companies. Japan underperformed as yen strength and trade headwinds affected the export-oriented market.

Bonds

US 10-year yields were volatile but ended the period where they started, at 4.2 per cent per annum. Meanwhile, German yields climbed 0.4 per cent per annum as investors anticipated heavier issuance and stronger growth after government spending pledges on defence and infrastructure. UK yields rose 0.7 per cent per annum, to 4.7 per cent per annum, as the autumn budget implied higher gilt issuance. Japanese yields increased 0.8 per cent per annum on persistent inflation and monetary policy normalisation.

European investment-grade credit spreads narrowed, driven by optimism around fiscal support, with sterling investment-grade spreads falling 0.1 per cent per annum, to 1.1 per cent per annum. US speculative-grade spreads rose 0.4 per cent per annum, to 3.5 per cent per annum, while equivalent European spreads fell 0.3 per cent per annum, to 3.3 per cent per annum.

Property

The UK monthly property total return index rose 8.5 per cent in 2024, as a 2.5 per cent gain in aggregate capital values supplemented income: industrials and retail values rose 5.1 per cent and 2.9 per cent respectively, while offices fell 3.1 per cent.

Investment performance

The pension fund marginally outperformed its strategic benchmark over 12 months by 0.4 per cent. One of the main factors contributing to this positive result was the disinvestment from the Baillie Gifford Diversified Growth Fund, which had been meaningfully underperforming its cash plus benchmark. Moreover, the pension fund's return was boosted by the meaningful benchmark outperformance of the recently rebalanced UK bonds allocation. The actively managed UK equity allocation with Blackrock underperformed the wider UK equity market by two per cent, while the pension fund's global equity allocations returned in line with market expectations over the year. The Schroders UK property mandate continued to perform poorly due to its overweight allocation to the underperforming office sector.

The pension fund is ahead of its benchmark over three years returning 3.6 per cent per annum against a 2.5 per cent per annum aggregate target, with a majority of managers delivering higher or similar returns to their individual benchmarks. Moreover, over the period the pension fund benefited from an underweight position relative to target in the UK bond allocation and a significant overweight to the strongly performing listed equity mandates.

The relatively new 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 three year performance of the pension fund as at 31 March 2025.

Manager or asset class	Last year		Last three years	
	Fund	Benchmark	Fund (per annum)	Benchmark (per annum)
Liontrust and BlackRock - UK equity (ACCESS)	8.5%	10.5%	7.6%	7.2%
Newton - global equity (ACCESS)	4.9%	4.9%	9.9%	7.6%
UBS	4.9%	4.9%	8.4%	8.5%
Schroders and Royal London - UK bonds (ACCESS)	1.9%	0.3%	-5.2%	-6%
Schroders - UK property	3.2%	6.3%	-6.1%	-3%
Total	4.2%	3.8%	3.6%	2.5%

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 pension fund's liability profile. Although the investment strategy is set from a long-term perspective, it is formally reviewed every three years or after every actuarial valuation. The committee reviewed the pension 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 pension fund's equities. The committee have made allocations to investment solutions for both private debt and infrastructure which have been drawing down funds since 2021 and the equity portfolio matches the designed structure, albeit it is overweight.

In 2023 the committee agreed to increase target allocations to private debt and infrastructure and subsequently appointed two new managers in order to reach the adjusted benchmarks for the two asset classes. To implement the increased targets to private markets allocations a decision was made to remove the underperforming exposure to diversified growth. As at 31 March 2025 the pension fund has reassigned the proceeds from the sale of the diversified growth portfolio, facilitating the investment into the new infrastructure mandate with JP Morgan and the rebalancing of the fixed income portfolio.

The committee believes that the investment strategy provides the pension fund with the necessary potential for future returns to meet future benefits whilst also minimising the risks being taken. The majority of the pension 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
Royal London (ACCESS)	Northern Trust
Partners Group	JP Morgan
JP Morgan Asset Management	Bank of America
Schroders	Northern Trust
Goldman Sachs	Goldman Sachs & Co.
Pantheon	JP Morgan

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 pension fund's assets continue to be securely held. The committee reviews the custodian arrangements from time to time and the pension 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 is due to take effect on 1 January 2026. The committee are yet to consider becoming a signatory to the new code and aims to work closely with its pooling partner 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 pension fund's assets. This aimed to illustrate how the pension fund's mandates perform from an ESG perspective and the carbon intensity of the pension fund's investments. The committee consider the ESG implications of any strategic investment decisions they make. This is being repeated as part of the 2025 valuation process.

In line with the new expected LGPS regulations, the pension 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.

In early 2025 the officers committed to developing a formal Responsible Investment policy to assist the committee with a clear decision-making framework on ESG issues. The aim of such a policy is to adequately account for the committee members' views and ensure that ESG risk is adequately factored in to the pension fund's investment portfolio.

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 pension fund. The following table is an extract taken from the pension fund's latest investment strategy statement and provides an update on the pension fund's compliance with each of the six Myners principles

Principle	Response on adherence
Principle 1 – Effective decision making Administering authorities should ensure: <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. 	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.
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.	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.

Principle	Response on adherence
<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</p> <p>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.</p> <p>The committee and council officers have discussed the contribution strategy with the actuary taking account of the strength of covenant of the council and its long-term horizon. Discussions have also taken place with admitted bodies in relation to the affordability of contributions and the strengths of their covenants.</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.</p> <p>The quality of advisers is assessed on a qualitative basis but is not formally measured. Advisers are subject to periodic retender.</p> <p>The committee is developing formal processes to measure its own effectiveness.</p>

Principle	Response on adherence
<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 and pool to adopt the ISC statement of principles on the responsibilities of shareholders and agents on the fund’s behalf.</p> <p>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 2026 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.</p> <p>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.</p> <p>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:

Emma Garrett, Senior Investment Consultant
 Stefan Chilom, Senior Investment Analyst
 For and on behalf of Hymans Robertson LLP

5.3 ACCESS annual report for the year ending 31 March 2025

Foreword

At the first meeting after the end of 2024 to 2025, and in accordance with the ACCESS inter-authority agreement, elections were held for the positions of chairman and vice-chairman of the ACCESS joint committee. I am honoured to have been elected as chairman and delighted that one of our longstanding members, Councillor Gerard Fox from the East Sussex pension fund, is now the vice-chairman.

Of course, this annual report covers a year of activity in which my predecessor, Councillor Mark Kemp-Gee (Hampshire), was chairman. In more than five years in the role, during which time I was vice-chairman, he led the committee through the expansion of our pool's listed and non-listed asset offerings, the implications of the COVID pandemic and more recently the government consultation on LGPS: Fit for the future. I would therefore like to place on record the thanks and appreciation of the joint committee for all of Councillor Kemp-Gee's leadership and work. We are all also grateful that Councillor Kemp-Gee will continue to represent Hampshire on the committee and know that we will benefit from his experience and insight in the coming months.

The pooling landscape that first started to take shape in 2016 did not specify a particular model. The pool structure ACCESS chose to create continued the market sourced approach our authorities have always adopted, and although some other pools took different pathways, we were not alone in the model adopted. 2024 to 2025 has been dominated by the government's pension review and the implications for LGPS pools. Following last September's call for evidence, the consultation entitled LGPS: Fit for the future was launched after the chancellor's November Mansion House speech. This developed original government thinking and consolidated the notion of 'one model' for all pools. Against a March 2026 deadline for pools to be built around an FCA regulated investment management company, options included merger and, for those with models such as ACCESS, building an FCA company.

In order to comply with the expectations of LGPS Fit for the future, ACCESS launched Project Castle initiating an intense period of dialogue, engagement and analysis.

The result was a detailed assessment of options culminating in a 60-page, 18,000 word submission to ministers in late February, setting out the rationale for why the most effective course of action for our pool was to build our own FCA investment management company. As will be widely known, shortly after the end of 2024 to 2025, in early April, we were extremely disappointed when ministers indicated that they had chosen not to support ACCESS's proposal. At the time of writing the joint committee, ACCESS authorities and the ACCESS support unit continue to work through the implications of that decision.

In closing I would like to thank my fellow ten joint committee members, each representing their respective authorities, along with the officers who support them, and the ACCESS support unit (ASU).

Introduction

It is important to highlight that there were many activities and workstreams which came to fruition during the year which included the following achievements and successes:

- Further expansions to product offerings, particularly within the non-listed space, meant that pooled assets rose to £49 billion, representing 74 per cent of all AUM across the 11 ACCESS authorities.
- The re-appointment of Waystone as ACS operator following a detailed procurement process.
- Independent cost analysis by Clearglass indicated that ACCESS had saved £49 million (18 basis points) in investment management fees and risen to the seventh percentile in the data universe curated by Dr Chris Sier.
- In collaboration with our responsible investment advisor PIRC, ACCESS was successful in gaining formal recognition as a signatory to the UK stewardship code for the first time.

2024 to 2025 will be remembered for the government's pensions review which included a call for evidence and the LGPS: Fit for the future consultation.

In previous years' consultations ACCESS had highlighted the fact that, at the outset, a defined pooling model was not specified. However, in the autumn of 2024 it was clear that the direction of travel had been set, and our Project Castle objective has always been about how to implement LGPS: Fit for the future's expectations whilst preserving value and avoiding unnecessary cost.

In meeting this challenge head on, we explored merger with colleagues from both Border to Coast and Local Pension Partnership, and, in partnership with Alpha FMC as well as our longstanding advisers, researched the basis of building our own FCA investment management company.

Together with administering authorities we analysed the evidence, assessed the assumptions and considered the options against a range of criteria. We used data from independent and third-party sources and challenged ourselves not to underestimate the extent of the work any option entailed. Each had merit, however, overall, it made the most sense for ACCESS to build. The strapline to our proposal to government was 'ready for change'.

It was therefore with a profound sense of disappointment that shortly after our year-end date, we learned that ministers had chosen not to support the approach adopted by the 11 ACCESS authorities. Although the government's ambition of reducing the number of LGPS investments pools from eight to six is now clear, at the time of writing there remains a significant number of questions for which we do not yet have answers.

It is apparent that the LGPS will need to embark on yet further change, but this is a sector with a strong track record in collaboration and achievement. I am confident that with an evidence-based approach practitioners can plan effectively in sight of known risks. To make a success of the next chapter in LGPS pooling, what is paramount is that the sector is not burdened with an imposed rush to conclude but rather afforded the space to implement.

I would like to thank my ASU colleagues, the technical leads and the officers of the authorities for their enthusiasm, support and hard work in what continue to be exceptional circumstances.

Kevin McDonald
Director, ACCESS Support Unit

At a glance

Assets

£12.5 billion passively managed with UBS
 + **£3.7 billion** in real estate
 + **£2.1 billion** in infrastructure
 + **£30.4 billion** actively managed in ACS sub-funds (circa 93 per cent of listed assets pooled)
 = **£49.3 billion** (74 per cent) of assets within pooled arrangement

People and employers

3,500 employers
1.2 million scheme members

Performance

+11.8 per cent investment return on active listed assets annualised over five years
+11.2 per cent benchmark on active listed assets annualised over five years
+0.6% outperformance on active listed assets annualised over five years

Costs and savings since inception

£165.133 million gross savings
£41.862 million costs
£123.271 million net savings

Background

ACCESS (a collaboration of central, eastern and southern shires) is made up of eleven local government pension schemes (LGPS) administering authorities:

- Cambridgeshire County Council
- East Sussex County Council
- Essex County Council
- Hampshire County Council
- Hertfordshire County Council
- Isle of Wight Council
- Kent County Council
- Norfolk County Council
- Northamptonshire County Council (West Northamptonshire from 1 April 2021)
- Suffolk County Council
- West Sussex County Council

Strategic oversight and scrutiny responsibilities remain with the administering authorities as does all decision making on their individual funds asset allocation and the timing of transfers of assets from each fund into the arrangements developed by the ACCESS pool.

The joint committee (JC) has been appointed by the eleven administering authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The Section 151 officers of ACCESS authorities provide advice to the joint committee which is further supported by the officer working group (OWG) and the ACCESS support unit (ASU).

Re-appointed in early 2025, Waystone, provide the pooled operator service, overseeing an authorised contractual scheme for the sole use of ACCESS authorities. UBS act as the ACCESS authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and global property investments. JP Morgan and Stafford Capital were appointed during 2025 to provide investment in Timberland along with Arcmont and Golub for private debt investment.

Progress on pooling

ACCESS submitted its pooling proposal to government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having **£30.6 billion** assets pooled and estimated savings of **£21.0 million** by March 2027 exceeding the assets pooled by **£18.7 billion** and the savings by **£14 million**.

As at 31 March 2025, **74 per cent** of assets have been pooled:

Pooled investments	Pooled
Global equity	£16,539,000
UK equity	£1,583,000
Fixed income	£10,133,000
Diversified growth	£935,000
Emerging markets	£1,221,000
Passive investments	£12,513,000
Infrastructure	£2,128,000
Real estate	£3,721,000
Timberlands	£562,000
Total pooled investments	£49,335,000

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

Expected versus actual costs and savings

The table below summarises the financial position for 2024 to 2025 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the joint committee and is financed equally by each of the eleven Authorities. 2024 to 2025 saw a slight overspend, primarily due to higher than anticipated costs of external advice and additional work required in response to the governments fit for the future consultation and new pooling requirements.

	2024 to 2025		2016 to 2025	
	Actual in-year	Budget in-year	Actual cumulative to date	Budget cumulative to date
Setup costs	-	-	£1,824,000	£1,400,000
Transition costs	-	-	£3,338,000	£6,907,000
Ongoing operational costs	£1,617,000	£1,314,000	£8,517,000	£10,568,000
Operator and depositary costs	£5,791,000	£6,082,000	£28,183,000	£32,791,000
Total costs	£7,408,000	£7,396,000	£41,862,000	£51,666,000
Pool fee savings	£35,394,000	£21,400,000	£165,133,000	£106,850,000
Net savings realised	£27,986,000	£14,004,000	£123,271,000	£55,184,000

Operator and depositary fees are payable by each authority in relation to assets invested within the authorised contractual scheme established by Waystone as pool operator.

The 2024 to 25 fee savings have been calculated using the CIP FA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Environmental, social and governance (ESG) and responsible investment (RI)

The ACCESS authorities believe in making long term sustainable investments while integrating environmental and social risk considerations, promoting good governance and stewardship.

While the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

ACCESS is committed to expanding its ESG and responsible investment oversight, reviewing its own ESG and RI guidelines to reflect both the requirements of the authorities and the expectations associated with this fundamental aspect of institutional investment.

It has been a year of continual development, with ACCESS submitting and being approved as a signatory to the UK stewardship code and publishing its first responsible investment and stewardship report.

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year ACCESS voted at **2,439** meetings on **37,473** resolutions and UBS voted at **10,848** meetings on **126,989** resolutions on ACCESS investments held with them.

5.4 Investment pooling including supplemental reporting

The pension fund is part of the ACCESS (A collaboration of central, eastern and southern shires) pool, along with a further ten local government pension scheme (LGPS). The pool was created in June 2017, and since then progress has been made in moving the investments of the pension fund into both fully pooled and pool aligned categories.

Investments are considered to be pooled if they are invested in a fund operated by Waystone as part of the authorised contractual scheme, which has been developed for the use of the ACCESS authorities.

Assets that are described as being either ‘pool aligned’, or ‘under pooled management’ are in funds whose oversight is managed by Waystone, but which are not necessarily procured by them. An example of this is the UBS passive climate aware fund that the pension fund is invested in.

The table below shows the investment portfolios that the pension fund currently invests in via the ACCESS pool. As you can see at the end of March 2025 the pension fund had invested 85 per cent of its investments in the pool. There are plans in place to transition the property holding into the pool once a suitable investment fund is available. The investment in private debt and infrastructure are in close ended funds, so as these funds mature then investment will transition into a suitable pooled fund.

Investments in pooled investments 31 March 2025

	Pooled	Pool aligned	Not pooled	Total
Equities	£294,077,000	£177,575,000	–	£471,652,000
Diversified growth	£2,000	–	–	£2,000
Bonds	£171,508,000	–	–	£171,508,000
Property	–	–	36,341,000	£36,341,000
Private debt	–	–	£50,083,000	£50,083,000
Infrastructure	–	–	£62,170,000	£62,170,000
Cash	£38,000	–	£8,015,000	£8,053,000
Total	£465,625,000	£177,575,000	£156,609,000	£799,809,000
Percentage	58.2%	22.2%	19.6%	100%

The following table shows the pension fund's investment costs split between those inside the ACCESS pool and those outside. The costs are broken down into the following categories:

- **Direct fees** - these are invoiced to the pension fund directly by its investment managers.
- **Indirect fees** - these are charged directly against the pension fund investments both within and without the pool.
- **Transaction costs** - These comprise broker commissions incurred in the purchase and sale of investments, costs incurred in the private debt and infrastructure funds and property expenses in the property portfolio.
- **Custody costs** - these are the fees paid to the pension fund's custodian for the custody and administration of the fund's investments.

	Pooled	Pooled-aligned	Non-pooled	Total
Direct fees	–	£76,000	–	£76,000
Indirect fees	£1,127,000	–	£6,080,000	£7,207,000
Transaction costs	£299,000	£10,000	£11,000	£320,000
Custody costs	£1,000	–	£3,000	£4,000
Total	£1,427,000	£86,000	£6,094,000	£7,607,000

The Department for Levelling Up, Housing and Communities requires pension funds to report on investments in the UK, which is shown in the table below.

The pension fund invests in mandates that are not set to a geographical limit, except for the property fund and UK equities, but there is an expectation that some of these investments will be in the UK. The table below shows the value of the pension fund's investments in certain categories of assets, but these will not add up to whole of our investment as above.

	Pooled	Pool-aligned	Not pooled	Total
UK listed equities	£294,079,000	£177,575,000	–	£471,654,000
UK government bonds	£171,508,000	–	–	£171,508,000
UK infrastructure	–	–	£37,964,000	£37,964,000
UK private debt	–	–	£29,545,000	£29,545,000
Total	£465,587	£177,575,000	£67,509,000	£710,671,000



Section 6 Administration

6.1 Administration overview

The fund's administration services are delivered in-house by the pensions administration team, who in 2024 to 2025 were supported by Hymans Robertson's administration service. Hymans services were procured in May 2024, initially on a 12-month basis, following the unexpected loss of a number of key personnel and to ensure continuity of service to the fund's membership. As a result, the fund embarked on a restructure of its service, which involved the outsourcing a number of strategic tasks to Hymans, including its retirement, death and transfer-in and out casework. Hymans Robertson also assumed the management of the fund's McCloud remedy data collation exercise and provided training to the administration team as part of its restructure arrangements.

During the year the fund appointed a new assistant pension administration manager, an employer relationship and data quality officer and two new trainee pension officers as well as conducting salary surveys and role reviews. To maintain its continuity service, the fund officers established monthly reporting and review meetings with Hymans and following the appointment of staff began the process of transferring work back in-house, providing the relevant training and development, as required.

In the scheme year the administration team managed a series of projects which included the fund's preparedness for the pensions dashboard, appointing Heywood Technologies as its preferred internet service provider (ISP) and continued its process of data cleansing and testing in readiness for its 31 October 2025 deadline. The team also elected to migrate to the new Engage on-line member portal supplied by Heywood's, the anticipated successor to its current member self-service portal, which allows members access to their benefit information directly. This service is due to go live in January 2026.

The fund's opted to implement a new member tracing and mortality screening service, which coupled with a national fraud initiative (NFI), with other agencies, aims to identify anyone claiming benefits who should not be and plans the introduction of additional service known as enhanced admin to pay, a function notably designed amongst other benefits to manage payroll adjustments more efficiently. A service which the administration team anticipates will see great benefits, as they now have their own payroll capability established, following the successful completion of their first independent pension increase exercise in March 2025.

In addition, to its administration service restructure and implementation of projects and new software, the fund maintained its business as usual activities too, with overall casework KPIs continuing to exceed 90 per cent against target, a reasonable assurance of its internal controls

from the Isle of Wight Council's internal auditor and the implementation of changes, where required, of its internal controls to align with the Pension Regulator's general code of practice. It also continued to maintain information on the fund's website, managed special exercises including work relating to an Isle of Wight school closure and ensure the ongoing collection, validation and processing of employer data in anticipation of the fund's 2025 triennial valuation and annual benefit statements exercises as at 31 March 2025 and 31 August 2025 respectively.

The collection, validation and processing of employer data being a particularly significant challenge in 2024 to 2025, following the withdrawal from the payroll service provider market by a key provider, Strictly Education.

Looking forward the fund's administration team will review its pension administration strategy to align with its restructured service, particularly in relation to the digital platform it has developed to 31 March 2025 and will continue to build upon. This alignment will continue to give consideration to the efficient delivery of member benefits which are reliant upon effective administrative procedures put in place between the administering authority and other employers, notably the timely exchange of accurate information in relation to scheme members.

As a key document the [pension administration strategy](#)²⁴ sets out the service level expectations in relation to the administration of the scheme and enables stakeholders to be held to account. It is published on the pension fund website to ensure it is accessible to employers and members.

The aim of the strategy is to help the administering authority and employers understand their respective roles and responsibilities under the LGPS regulations along with the expected levels of performance by which they fulfil those responsibilities. The strategy also provides details about the monitoring of those performance levels and the actions that could be taken where standards are not met or when persistent non-compliance occurs.

Performance and monitoring

With effect from 2024 to 2025 the fund started to fully benchmark its administration performance against the CIPFA benchmarks as outlined in the table within this report. The fund achieved 90.7 per cent compliance overall despite the impact of low staffing levels, which had dropped by about 40 per cent during the year. In turn, whilst this effected the overall knowledge and experience within the team and caused lower than anticipated performance in targets areas such as complex casework like aggregations, deaths, retirements and transfers-in and out, officers' response to the situation should be commended.

22 www.isleofwightpensionfund.org/resources/pension-administration-strategy

Monthly data quality was impacted as a result of Strictly Education's decision to withdraw from the payroll service provider market during the scheme year and in turn impacted employers' performance whilst seeking new payroll providers. However, the overall data quality levels during the year continue to achieve 98 per cent for common data and 91 per cent for scheme specific data. As part of the fund's data quality verification process it also continues to use Hyman Robertson's 'the Brain' to support on-going data quality checks.

In respect of the annual benefit statements issued to members by 31 August 2024, 99.7 per cent were issued in line with statutory guidance and deadline, with a small number of outstanding statements being due to missing data arising from casual member records.

During 2025 to 2026 the fund will continue to develop its performance and monitoring arrangements, and will focus on developing its employer monitoring functions, and escalations and breach reporting. All of which will be reported to the local pension board and the pension fund committee, with the assistance of the scheme manager.

Fund members and employers

Fund members

See the membership table in section 4 on page [37](#).

Fund employers

See the employer table in section 4 on page [37](#).

Communications

The fund's [communications policy](#)²³ is published on its website. This sets out the various communication tools available to the fund including a schedule setting out the review dates for different communications and materials.

In line with the communication strategy set out within the policy the fund provided members with a range statutory communications during the scheme year including starter packs for new members and leaflets at monthly employee induction sessions, the provision of annual benefits statements to active and deferred members and payslips to pensioner members where changes in payments of more than £50 had occurred, along with their annual P60s. In addition, active and deferred scheme members also received annual newsletters and received communications as part of the fund's participation in the LGPS's annual pension awareness week, scheduled each September.

23 www.isleofwightpensionfund.org/resources/communications-policy

Communication with employers and other stakeholders were also offered, with invitations to an employer forum and training events and public access to the local pension board and pension committee's minutes and meetings packs detailing the fund's business during the year.

The fund's website, along with its member self-service (MSS) capability, continued to play a central role in the fund's communication with its members and employers, provided access to strategic documentation, policies, procedures, factsheets and forms, as well as other information about its services.

During 2024 to 2025 the fund also provided pre-retirement communications to members, information in respect of its AVC provider, the Prudential and information in respect of members individual AVC values which formed part of the issuance of annual AVC statements.

While the fund continued to fulfil its communications strategy during the scheme year, its desire for continuous improvement recognises the need to review its strategy to ensure that it increases its engagement with its members and employers. During 2025 to 2026 it will therefore plan to update its communication policy, giving consideration to the fund's updating of its pension administration strategy. Noting that the process of updating its communication strategy has already started with its planned migration to the new Engage member self-service portal. It will review its engagement with scheme employers too, taking a more active management approach to engaging with employer contacts, a central pillar of which will be the provision of increased training materials to assist scheme employer knowledge and understanding and awareness of the fund's processes.

Finally, to ensure members are kept up to date with the latest news and developments, the fund participates in LGPS regional joint communication meetings. These meetings enable the circulation of communication materials which can be produced regionally and adapted and shared with the fund's members.

Value for money statement

The 2024 to 2025 scheme year saw the development of a new business plan and the procurement of additional software applications aimed at providing the fund with a robust digital platform for the future, which in turn seeks to enable a more efficient and effective administration service. Under the council's restructure plans the pension fund's reporting line returned to its finance directorate effective from 1 April 2025 and along with the development of its new business plan, and revised approach to budgeting of the fund's administration expenses, it anticipates a focus on value for money during 2025 to 2026.

The basis of this revised approach is intended to enhance the demonstration of the fund's commitment to its value for money strategy in the longer term, albeit it recognises that its investment in digital technology during 2024/25 and its temporary outsourcing Hymans' Robertson for administrative support will have increased the cost of running the service in the short term. However, longer term these investments should be recovered through an increased continuity of service across the administration practice.

The additional costs highlighted have been reflected in the management expenses table within this annual report and accounts.

6.2 Annex A – administration key performance indicators

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	1	158	156	98.1%	179	99.4%
A2	New dependent member benefits	0	126	125	99.2%	179	99.4%
A3	Deferred member retirements	7	85	92	100%	103	100%
A4	Active member retirements	18	212	230	100%	199	100%
A5	Deferred benefits	0	400	398	99.5%	411	99.5%
A6	Transfers in (including interfunds in, club	1	32	31	93.9%	39	95.1%
A7	Transfers out (including interfunds out, club	3	38	40	97.6%	23	95.8%
A8	Refunds	0	86	86	100%	193	100%
A9	Divorce quotations issued	0	33	33	100%	38	100%
A10	Actual divorce cases	0	2	2	100%	0	100%
A11	Member estimates requested either by scheme	0	163	162	99.4%	259	99.6%
A12	New joiner notifications	2	751	734	97.5%	1040	98.2%
A13	Aggregation cases	13	242	242	94.9%	285	95.6%
A14	Optants out received after three months membership	0	21	21	100%	31	100%

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target ²⁴	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	80.1%	96.1%
B2	Communication issued confirming the amount of dependents pension	10 days	44%	95.5%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	87.7%	69.1%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	96%	70.7%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	100%	100%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	100%	97.6%
B7	Payment of lump sum (both actives and deferreds)	15 days	99.2%	100%
B8	Communication issued with deferred benefit options	30 days	91%	99.2%
B9	Communication issued to scheme member with completion of transfer in	15 days	44.8%	79.4%
B10	Communication issued to scheme member with completion of transfer out	15 days	42.5%	52.2%
B11	Payment of refund	10 days	90.7%	99%
B12	Divorce quotation	45 days	100%	94.7%
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	15 days	0%	0%
B14	Communication issued to new starters	40 days	85.7%	97.9%
B15	Member estimates requested by scheme member and employer	15 days	95%	98.4%

²⁴ Days in this column are a suggested fund target for completion and not the statutory timescale

Table C - Communications and engagement

Ref	Engagement with online portals	As at 31 March 2025
C1	Percentage of active members registered	53.9%
C2	Percentage of deferred member registered	40.5%
C3	Percentage of pensioner and survivor members	42.5%
C4	Percentage total of all scheme members registered for self-service	44.4%
C5	Number of registered users by age	-
C6	Percentage of all registered users that have logged onto the service in the last 12 months	40.65%
Communication		
C7	Total number of telephone calls received in year	880
C8	Total number of email and online channel queries received	962
C9	Number of scheme member events held in year (total of in-person and online)	5
C10	Number of employer engagement events held in year (in-person and online)	3
C11	Number of active members who received a one-to-one (in-person and online)	-
C12	Number of times a communication (i.e. newsletter) issued to:	
	a) Active members	1
	b) Deferred members	1
	c) Pensioners	N/A

Table D – Resources

Ref	Resources	
D1	Total number of all administration staff (FTE)	7.2
D2	Average service length of all administration staff	4.5 years
D3	Staff vacancy rate as a percentage	40%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2,593 to 1
D5	Ratio of administration staff (excluding management) to total number of scheme members	3,590 to 1

Table E - Data Quality

Ref	Annual benefit statements	
E1	Percentage of annual benefit statements issued as at 31 August Short commentary if less than 100 per cent Both active and deferred statement issuance exceeded 99 per cent, with the non-issuance largely associated with members holding casual posts, where reliable data could not be established. A plan to resolve outstanding statement insurance was executed during September.	99.7%
Data category		
E3	Common data score	96.8%
E4	Scheme specific data score	83.6%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	2.6%
E6	Percentage of active, deferred and pensioner members with an email address held on file	74.2%
Employer performance		
E7	Percentage of employers set up to make monthly data submissions	100%
E8	Percentage of employers who submitted monthly data on time during the reporting year	84.4%

Administration KPIs guidance notes

Definitions for casework KPIs

Measurement starts Measurement of working days starting on the day of receipt of all relevant, accurate and full information to process the casework. This should generally be the same day of the notification by email, phone, employer, in-person, self- service. If use following day, this should be stated.

Measurement ends When the processing casework is completed. If the casework is completed when payment made, rather than payment set up date, this should be stated.

Internal delays Any internal team delays should be included in the measurement in the time taken.

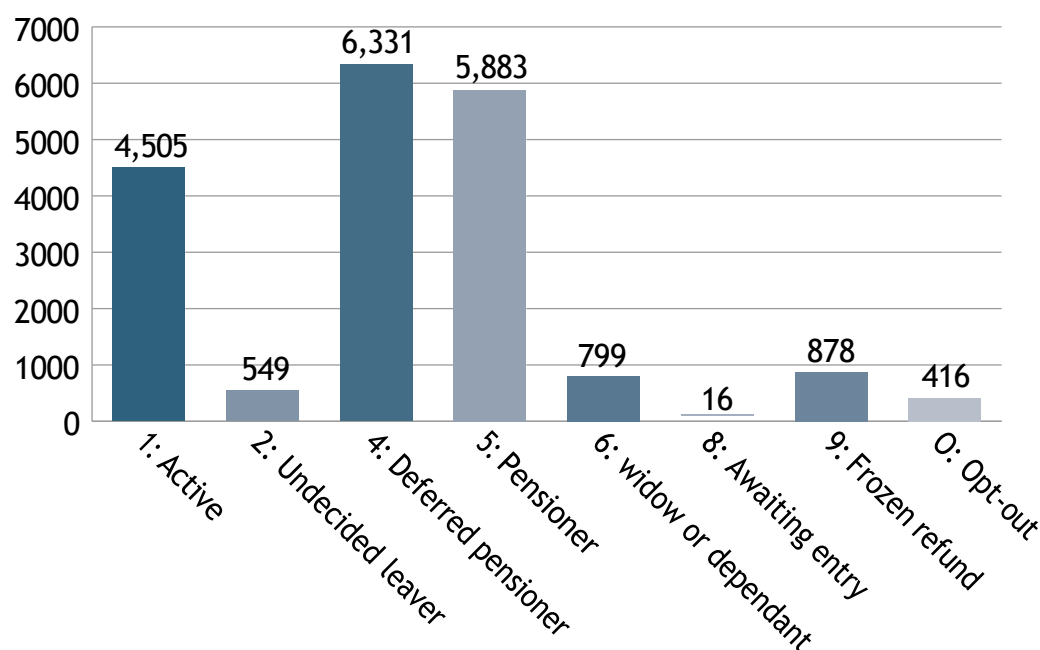
External delays Any external delays should be deducted from the time taken if the case cannot proceed. Example external delays are delayed or missing information from employers or other teams, scheme member or family and next of kin delays.

Days to complete Working days

Guidance Notes for specific KPIs

- A13** Notes to table should state whether this KPI also includes post number changes, internal transfers, actual aggregations, concurrent record etc.
- A14** It is acknowledged that funds may not hold the opt out data for employees who opt out in the first three months.
- B1** First communication following notification according to internal fund process. This could be from the initial notification following ‘tell us once’, email, phone call or upon receipt of death certificate.
- B2** Payment of death grant and money due to the estate not included because this is often complex casework with multiple external factors. This KPI should measure how quickly survivor benefits are communicated following confirmation that a survivor benefit is due under the regulations and following receipt of all relevant and accurate information.
- B3** This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e. lump sum conversion options.
- B4** This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e. lump sum conversion options.
- B5** Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member.
- B6** Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member.
- B7** Following receipt of all relevant and accurate information from scheme member, the time taken to make the payment of the lump sum. If fund’s internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
- B8** Note that measurement of time taken starts when all relevant information received.
- B9** Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.

- B10** Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
- B11** Starting point is from receipt of all relevant and accurate information to proceed with payment of the refund. If fund's internal process means casework is completed when



payment made, rather than payment set up date, this should be stated.

- B12** Funds may also be providing relevant death and normal pension age benefits with this quotation, if this is the case, this should be stated as this may be more time consuming and reflected in statistics.
- B13** When all relevant and full information received. Recognising this is complex casework. Measurement should only take place when all required and full information received by the fund.
- B14** Following receipt of relevant and full information from employer.
- B15** Measurement of issuing an individual member estimate to scheme member following a

request and receipt of all relevant and full information.

- D2** Include non-processing staff (i.e. systems, communications, employer support staff and management involved in administration).
- D3** Include non-processing staff (i.e. systems, communications, employer support staff and management involved in administration).
- E5** Include all individual active, deferred and pensioner or survivor records.
- E6** Include all individual active, deferred and pensioner or survivor records.

6.3 Dispute resolution

The pension fund [complaints and internal resolution procedure](#)²⁷ is published on the fund website and shared with employers. All employers are reminded of their responsibilities to communicate and share the policy with members.

The pension fund complaints and internal resolution procedure includes the latest regulatory requirements. To ensure oversight and regular monitoring of any complaints received to the fund, the administration team produce a quarterly report which includes the number of complaints received by the pension fund. The report is reviewed by the board quarterly and an update is provided subsequently to the committee.

During the financial year ended 31 March 2024, the fund received no complaints and there were no internal dispute resolution requests.

The latest version of the pension fund's internal dispute resolution procedure (IDRP) was approved in May 2024 and published on the fund's website, as well as being shared with employers. The process for a complaint or internal resolution is set out within the procedure at [Complaints and Internal Dispute Resolution Procedure \(IDRP\)](#)²⁸ and all employers reminded of their responsibilities to communicate and share the policy with members.

During 2024 to 2025 fund officers started to review the background administrative framework by which complaint and other similar cases were managed, which included a quarterly report being submitted to the board and committee of the number of complaints and IDRPs received and resolved by the pension fund. It was noted that during the financial year ending 31 March 2025,

25 www.isleofwightpensionfund.org/resources/complaints-internal-dispute-resolution-procedure-idrp

26 www.isleofwightpensionfund.org/forms-documents/complaints-internal-dispute-resolution-procedure-idrp

no complaints or internal dispute resolution requests were received by the fund. The ongoing review intends to involve the formalisation of the administrative framework, so that root cause analysis of cases can take place as well as targeted corrective actions.

As part of this ongoing administrative review fund officers will also seek to improve the fund's capturing of its employer and member satisfaction levels.

6.4 Breakdown of new pensioners

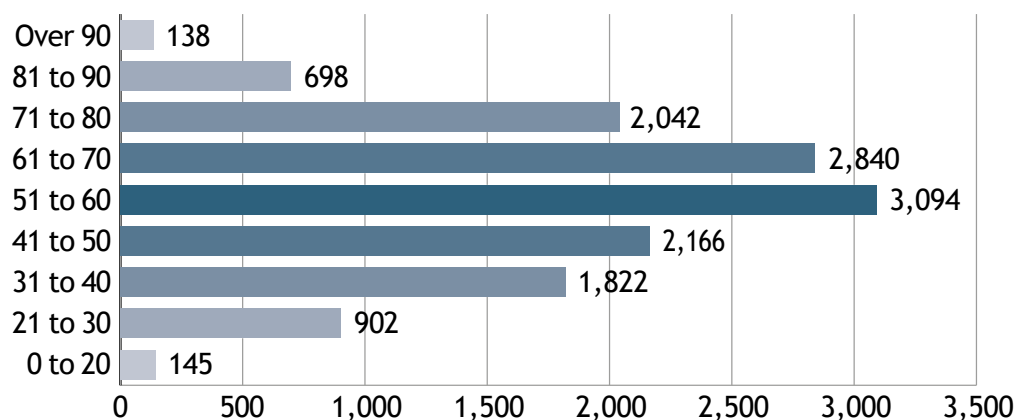
The new pensioners that arose during 2024 to 2025 can be broken down as follows:

	2024 to 2025	2023 to 2024
Redundancy	6	9
Ill-health	3	6
Early retirement	197	0
Flexible retirees	11	11
Normal retirement	3	43
Total new pensioners	220	69

6.5 Member data

Status breakdown at start date 31 March 2025.

Unique members by scheme



Unique members by part time indicator and status

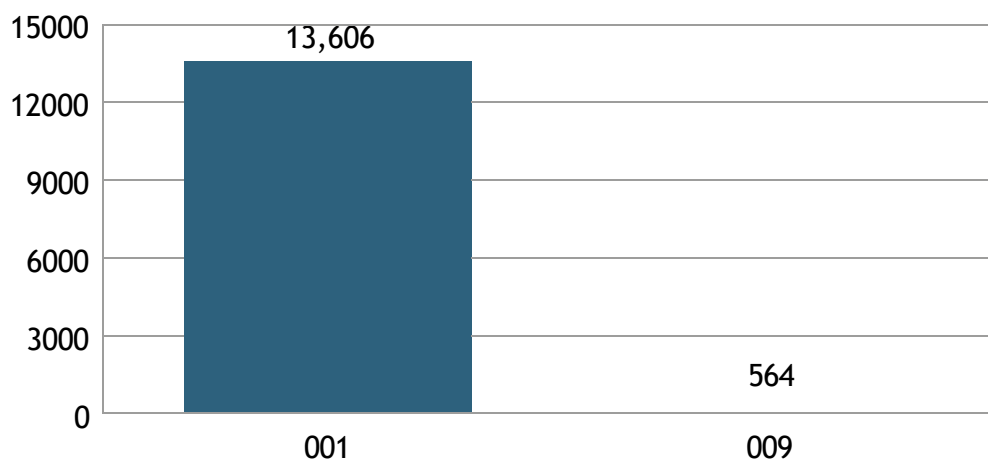
Status	C	F-T	N	V	Y
1	556	1,163	2	–	2,226
2	44	37		–	123
4	557	1,484	4	1	3,327
5	168	2,478	2	–	2,299
6	–	615	–	–	
8	6	3	–	–	11
9	128	142	1	–	523

Unique members by employment type

Members employment type

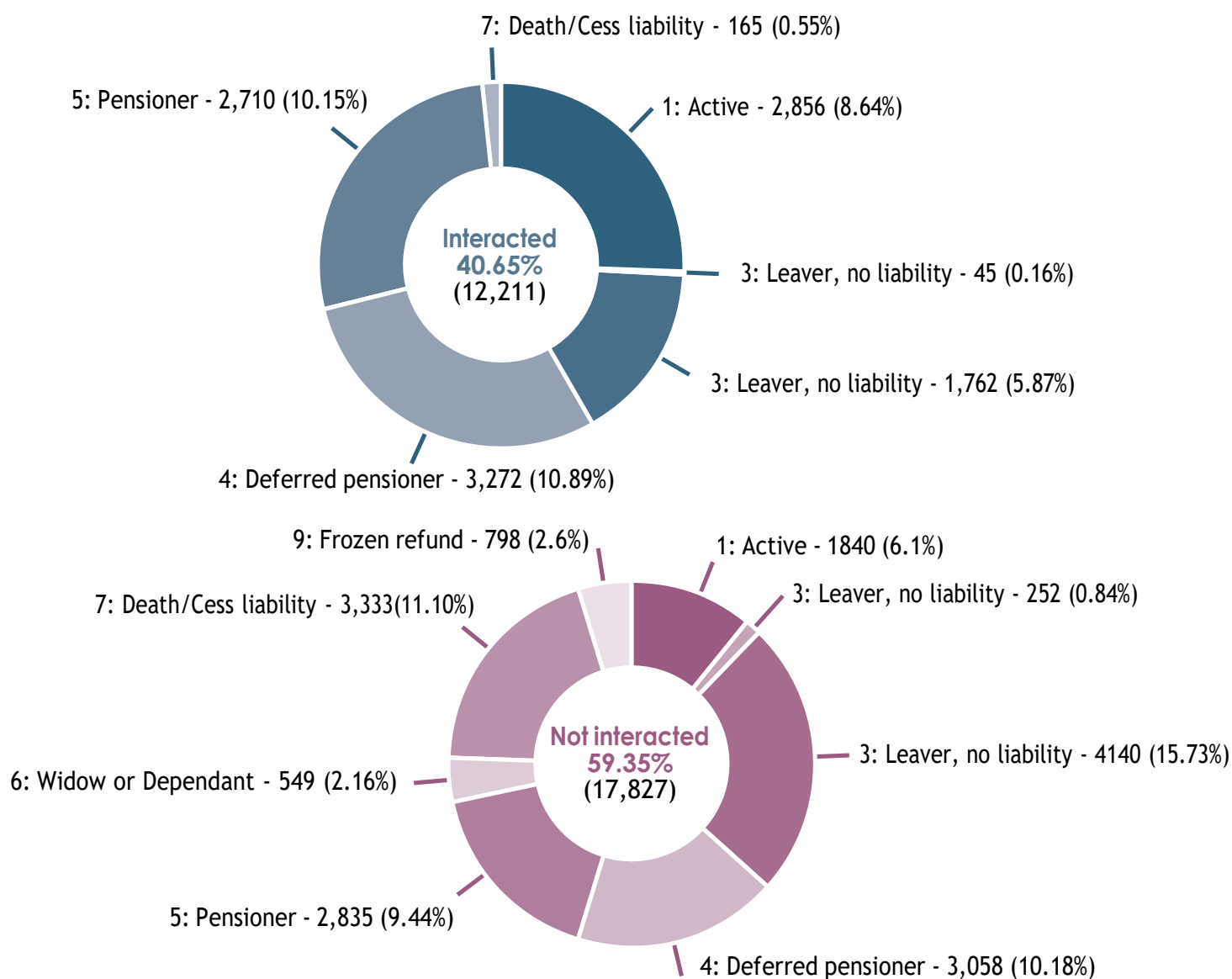
1: Officer	12,463
2: Manual worker	1,401
7: Female granted post 72 service	307
Pc: pension credit	20
3: Former reg 21 (Elig ret 60/5)	5
5: Coroner	3
4: Former reg 23 (Elig ret 55/25)	1
8: Female officer (E12 applies)	1

Unique members by current age



111

Membership by interaction with MSS and member status



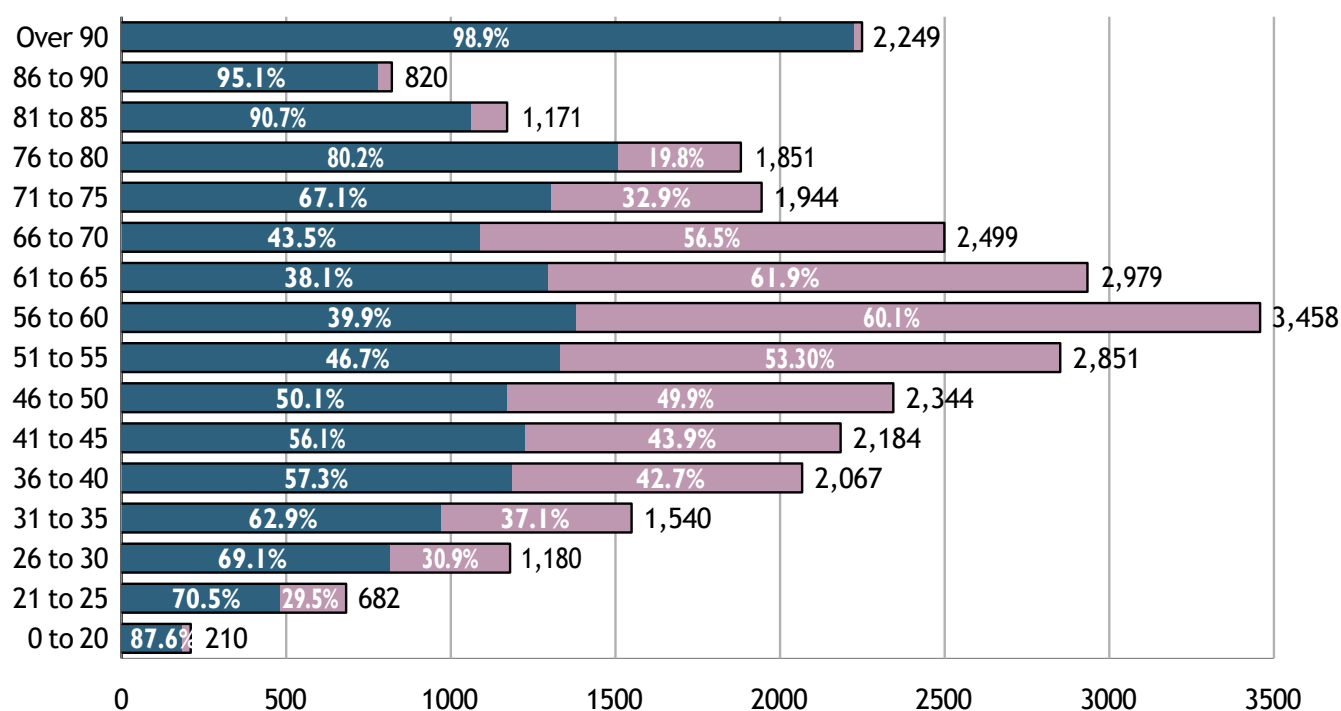
Membership by MSS authorisation status and member status

	Account activated by email	Disa- bled	Interacted			Securi- ty ques- tion reset issued	Not inter- acted Not regis- tered	Grand total
			Pass- word and security question reset	Password reset issued	Regis- tered			
1: Active	136	51	1	26	2,428	14	1,840	4,405
2: Undecided leaver	8	4		2	271	3	261	549
3: Leaver - no liability	2				45		252	297
3: Leaver - no liability	118	32	2	25	1,580	5	4,140	5,902
4: Deferred pensioner	334	70		53	2,804	11	3,058	6,330
5: Pensioner	168	83	3	84	2,709	2	2,835	5,884
6: Widow/ Dependant	7	5		5	133		640	799
7: Death							3	3
7: Death/Cess liability	18	3		5	139		3,333	3,408
8: Awaiting entry	1				8		7	18
9: Frozen refund	11	4			65		798	878
0: Opt-out	9	3		2	122	1	279	416
Z: Aggregation	26	6		7	556	3	353	961
Grand Total	838	261	6	209	10,858	39	17,827	30,038

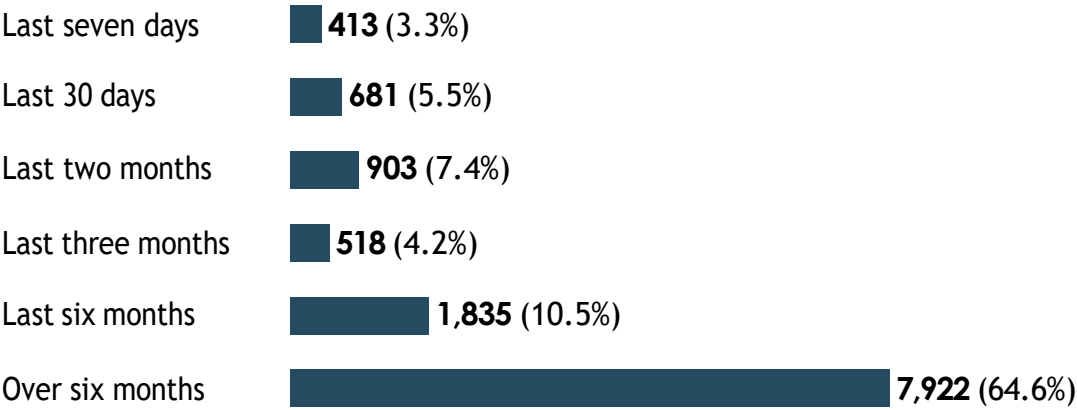
Not interacted/Registered member breakdown

Scheme description	Location/employer	Status description	
001: Isle of Wight Council	00001: Isle of Wight County Council	3: Leaver - no liability	209 (1.2%)
		4: Deferred pensioner	23 (0.1%)
		5: Pensioner	244 (1.4%)
		6: Widow/Dependant	99 (0.5%)
		7: Death/Cess liability	1,164 (6.5%)
		9: Frozen refund	34 (0.2%)
	00002: Medina Borough Council	3: Leaver - no liability	39 (0.2%)
		4: Deferred pensioner	1 (0.0%)
		5: Pensioner	73 (0.4%)
		6: Widow/Dependant	33 (0.2%)
		7: Death/Cess liability	330 (1.9%)
		8: Awaiting entry	1 (0.0%)
		9: Frozen refund	7 (0.0%)
	00003: South Wight Borough Council	3: Leaver - no liability	28 (0.2%)
		4: Deferred pensioner	6 (0.0%)
		5: Pensioner	??
		6: Widow/Dependant	??

Membership by interaction with MSS and member age



Membership by days since last logged on to MSS



Section 7 Actuarial report

7.1 Hymans Robertson LLP actuarial statement for the year ending 31 March 2025

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 per cent 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 per cent 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:

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

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 per cent weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25 per cent and a long term rate of 1.50 per cent per annum. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current Pensioners	21.9 years	24.5 years
Future Pensioners* ²⁹	22.5 years	25.9 years

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 were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1 per cent in April 2023 and 6.7 per cent in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (two per cent per annum), with LGPS benefits increasing by 1.7 per cent in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the fund's liabilities. Overall, the funding position is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Craig Alexander FFA C.Act

16 May 2025

For and on behalf of Hymans Robertson LLP

²⁹ Aged 45 at the 2022 valuation

Section 8

External audit opinion

118

Independent auditor's report to the members of Isle Of Wight Council



Section 9

Additional information

9.1 Internal audit report

The chief internal auditor for the Isle of Wight Council schedules an annual programme of work, which informs an annual opinion on the adequacy of the council's governance, risk management and control environment, including areas directly applicable to the pension fund.

In the year ended 31 March 2025 four audits were completed, which covered elements of direct relevance to pensions:

- **Payroll** - reasonable assurance
- **Altair Pension System** - reasonable assurance
- **Schools audits** - Haylands and Niton primaries (both reasonable assurance)³⁰

No significant issues were identified through the reviews listed above, with opinions concluding that generally controls were operating effectively.

The overall audit opinion for the year ended 31 March 2025, presented to the governance and audit committee in July 2025 was 'reasonable assurance', with mainly medium or low risk exceptions raised through audit reviews. For clarity no critical or high-risk exceptions were raised of direct relevance to the pension fund.

³⁰ As part of school audit scope schools carry out a self-assessment of their payroll and pension arrangements.

9.2 Summary of freedom of information requests

During the year ended 31 March 2025 the Isle of Wight Council received two freedom of information requests that related to the pension fund.

The council complies fully with the Freedom of Information Act, and where information is not commercially sensitive to the pension fund, or is otherwise classed as confidential, then it is sent to the requesters.

Below is summary of the requests received, classified by topic.

<u>Topic</u>	<u>Number of requests</u>
Alternative investments	1
Investments in asset pools	6



Glossary of terms

Accounting policies

The principles, bases, conventions, rules and practices that specify how the effect of transactions and other events are to be reflected in the financial statements.

Accruals concept

Income and expenditure are recognised as they are earned or incurred, not as money is paid or received.

Amortisation

An accounting technique of recognising a cost or item of income in the comprehensive income and expenditure statement over a period of years rather than when the initial payment is made. Its purpose is to charge or credit the cost and income over the accounting periods that gain benefit for the respective item.

Capital charge

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services (e.g. depreciation).

Capital expenditure

Expenditure that is incurred to create or add value to a non-current asset.

Capitalised pension cost

An additional amount payable by a service to the pension fund where an employee who is below pensionable age has taken early retirement following redundancy without any actuarial reduction being made to their pension. Minimum age limits apply, and granting is at the discretion of the employer. Under statute and local arrangement, the amounts payable to the pension fund can be spread over a period not exceeding five years.

Capital receipt

The proceeds from the sale of capital asset which, subject to various limitations, can be used to finance capital expenditure, be invested, or repay outstanding debt on assets originally financed through borrowing.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 24 hours from the date of acquisition.

Collection fund

A fund administered by the council which records receipts from council tax and non-domestic rates, and payments to the precepting bodies (Isle of Wight Council, the Police and Crime Commissioner for Hampshire and Central Government).

Community assets

Assets that the council intends to hold indefinitely, and which may have some restrictions on their disposal. E.g. parks and historic buildings.

Consistency concept

This concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one accounting period to the next.

Council tax

A banded property tax that is levied on domestic properties. The banding is based on property values at as 1991.

Credit risk

The possibility that one party to a financial instrument will fail to meet their contractual obligation, causing a loss to the other party.

Creditor

An amount owed by the council for work done, goods received, or services rendered, but for which no payment has been made.

Current assets

Asset expected to be realised within twelve months after the reporting period (including cash or cash equivalents).

Debtors

An amount owed to the council for work done, goods supplied, or services rendered, but for which no payment has been received.

Defined benefit scheme

A pension or other retirement benefit scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the deterioration, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.

Depreciated replacement cost

A valuation measure where insufficient market-based evidence of current value is available because an asset is specialised and/or rarely sold.

Earmarked reserves

The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External audit

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the authority has made proper arrangements to secure value for money for its use of resources.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance lease

An agreement that transfers all the risks and rewards of ownership of an asset. The payments usually cover the full cost of the asset together with a return for the cost of finance. Property, plant and equipment held under finance leases are recognised on the balance sheet at the commencement of the lease and are matched by a liability for the obligation.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives.

Financial regulations

These are the written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General fund

The total services of the council except for the Collection Fund, the Isle of Wight Council Pension Fund and the Fire-fighters' Pension Fund.

Heritage asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Infrastructure asset

A category of property, plant and equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples are highways, footpaths, bridges and coast protection facilities.

Intangible asset

Assets that do not have a physical substance but are identified and controlled by the entity through custody or legal rights. Examples of intangible assets are patents and software licences.

International financial reporting standards (IFRS)

These are defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position. The standards provide a method of comparison with financial statements of other entities.

Investment property

Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.

Materiality

An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distorted view given by the financial statements.

Minimum revenue provision (MRP)

The MRP is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing act 1989.

Net book value

The amount at which assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation and impairment.

Business rates (non-domestic rates)

A levy on business properties based on a government determined rate in the pound (multiplier) which is applied to a rateable value of the property. Local authorities collect the sums due and retain a proportion of the sums received, with the remaining proportions shared between precepting bodies.

Non-current assets

An asset held by the authority for a period greater than one year and is not expected to be disposed of within one year.

Operating lease

An agreement in which the council derives the use of an asset in exchange for rental payments, although the risks and rewards of ownership of the asset are not substantially transferred to the council.

Precepts

The amount levied by another body, such as the Police and Crime Commissioner for Hampshire and Central Government that is collected by the council on their behalf.

Private finance initiative (PFI)

A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset which previously had been provided by the council. The council will pay for the provision of this service, which is linked to availability, performance and levels of usage.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used for more than one financial year.

Provisions

Amounts charged to revenue during the year for costs with uncertain timing, although a reliable estimate of the cost involved can be made.

Prudence concept

This concept requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Prudential Code for Capital Finance in Local Authorities (the Code) is a professional code that sets out a framework for self-regulation of capital spending. In effect, this allows councils to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable, subject to government reserve powers to restrict borrowing for national economic reasons.

Public Works Loan Board (PWLb)

A government agency which provides loans to authorities at favourable rates.

Reserves

Specific amounts can be set-aside as earmarked reserves for future policy purposes or to cover contingencies. Certain reserves are maintained to manage the accounting process for noncurrent assets, financial instruments, retirement and employee benefits and do not represent usable resources.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than cash. Pension contributions payable by either the employer or employee are excluded.

Revenue expenditure

The cost of running local authority services within the financial year, for example staffing costs, supplies and transport.

Revenue support grant (RSG)

This a government grant paid to the council to finance general expenditure. It is based on the government's assessment of how much an authority needs to spend in order to provide a standard level of service.

Specific government grants

These are designed to aid particular services and may be revenue or capital in nature. They may have specified conditions attached to them which determine that they can only be used to fund expenditure which is incurred in pursuit of defined objectives (known as ring-fenced grants).