

## ISLE OF MAN LOCAL GOVERNMENT SUPERANNUATION SCHEME



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**CAPITA HARTSHEAD**

**Contract Administrators**

**BLACKROCK**

**Fund Manager**

**HYMANS  ROBERTSON**

**Actuarial and Investment Support**

Being a public service pension scheme as defined by the Superannuation Act 1984 (an Act of Parliament of Tynwald), the Isle of Man Local Government Superannuation Scheme 2003 is statutorily exempt from the overriding provisions relating to the issue and content of a pension scheme's annual report; nevertheless, every effort has been made to ensure that this Report meets the major requirements imposed on other schemes, allowing for the differences between statutory schemes and those operating under trust. Furthermore, the Statement of Accounts has been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007), ("the pensions SORP") as far as is practicable.

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# ISLE OF MAN LOCAL GOVERNMENT SUPERANNUATION SCHEME

## STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED  
31 MARCH 2012

### **Administering Authority**

Douglas Borough Council  
Town Hall  
PO Box 2  
Douglas  
Isle of Man IM99 1AD

### **Chief Executive**

Miss K J Rice, BA (Hons) Solicitor

### **Borough Treasurer**

Mr G M Bolt, CPFA

### **Auditor**

PKF (Isle of Man) LLC  
PO Box 16  
Analyst House  
20 – 26 Peel Road  
Douglas  
Isle of Man IM99 1AP

### **Bankers**

Isle of Man Bank  
Athol Street  
Douglas  
Isle of Man IM99 1AN

### **Consulting Actuary and Investment Consultant**

Hymans Robertson LLP  
Central Exchange  
20 Waterloo Street  
Glasgow G2 6DB  
United Kingdom

### **Scheme Administrator**

Capita Employee Benefits Limited  
(formally Capita Hartshead Limited)  
Hartshead House  
2 Cutlers Gate  
Sheffield  
United Kingdom S4 7TL

### **Investment Fund Manager**

BlackRock (Isle of Man) Limited  
3<sup>rd</sup> Floor Atlantic House  
4-8 Circular Road  
Douglas  
Isle of Man IM1 1AG

### **Custodian of Securities**

BNP Paribas Securities Services S.C.A.  
Isle of Man Branch  
PO Box 57  
Merchant's House  
24 North Quay  
Douglas  
Isle of Man IM99 2P6

### **AVC Provider**

Aviva Life & Pension UK Limited  
Rose Lane Business Centre  
Norwich NR1 1BB  
United Kingdom

# Report by Douglas Borough Council

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## INTRODUCTION

The Isle of Man Local Government Superannuation Scheme 2003 (“the Scheme”) is a statutory public service pension scheme (as defined by the Superannuation Act 1984, an Act of Parliament of Tynwald) under the Isle of Man Local Government Superannuation Scheme Regulations 2003 (“the 2003 Scheme”) which provides retirement and dependants’ benefits for employees of local government employers (including resolution bodies) and other admitted bodies on the Isle of Man.

The Scheme is contracted-out of the State Second Pension Scheme (“S2P”) and is exempt approved for the purposes of the Income Tax (Retirement Benefit Schemes) Act 1978 and Part I of the Income Tax Act 1989 (Acts of Tynwald). Full tax relief is granted on members’ and the employers’ contributions paid to the Scheme and on all investment income.

## MANAGEMENT

### The Administering Authority’s Responsibilities

Douglas Borough Council as Administering Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Responsible Financial Officer (i.e. the Borough Treasurer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts of the Isle of Man Local Government Superannuation Scheme.

The Pensions Committee delegates day to day monitoring responsibilities to the officers of Douglas Borough Council. This Committee, which comprises Members of the Council and one independent observer, meets regularly to consider administrative and investment matters as informed by its officers. All minutes and resolutions of the Pensions Committee are subject to approval at the Borough’s full Council meetings.

### The Responsible Financial Officer’s Responsibilities

Under the Accounts and Audit Regulations 2007 made under the Audit Act 2006, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts of the Isle of Man Local Government Superannuation Scheme in accordance with proper practices as set out in the Isle of Man Statement of Recommended Practice 2007 on accounting for entities subject to the Audit Act 2006 (“the SORP”), as far as is practicable.

In preparing the Statement of Accounts, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the pension SORP: Financial Reports of Pension Schemes (Revised May 2007) as far as practicable.

# Report by Douglas Borough Council – continued

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## **MANAGEMENT (continued)**

The Responsible Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **General**

Responsibility for managing the Scheme's Fund investments has been delegated to BlackRock (Isle of Man) Limited. The Council has appointed Capital International Limited to manage 10% of the Scheme's investments and this arrangement will commence in 2012/2013.

As well as providing actuarial services to the Scheme's Fund, Hymans Robertson LLP also provide investment consulting advice to the Pensions Committee.

The Administering Authority has a contractual arrangement with Capita Employee Benefits Limited (formally Capita Hartshead Limited), a trading division of Capita Group plc, to undertake the day to day administration of the Scheme.

The Administering Authority has appointed Aviva Life & Pension UK Limited to provide an AVC arrangement for members. AVC's are no longer reflected within these financial statements.

## **ADMINISTRATION**

### **The Regulations Affecting the Scheme**

The Isle of Man Local Government Superannuation Scheme Regulations 2003 apply to individuals who were contributing members of the Scheme on 1 April 2003 or who have since joined the Scheme. The Scheme is based on the regulations that applied to England and Wales with effect from 1 April 1998, and some provisions are effective from that date.

New regulations for the Scheme were introduced with effect from 1 April 2012. The Scheme rules and benefits applicable for the period covered by these accounts, the year ending 31 March 2012, are summarised at the back of this document. Full details of the new rules and benefits are available to members on the Douglas Borough Council website ([www.douglas.gov.im](http://www.douglas.gov.im)).

### **Pensions Increase**

Pensions in payment and preserved benefits are subject to annual review under the Pensions (Increase) Act 1974 (an Act of Tynwald). There was an increase of 3.1% from 11 April 2011 (2010: 0% based on Retail Price Index) reduced proportionately for pensions in payment for less than 12 months. This corresponds to the increase applied to state retirement pensions and pensions paid by other public service pension schemes on the Isle of Man, being the rise in the UK's Consumer Prices Index during the 12 months ended 30 September 2010 (2010: 30 September 2009 – based on Retail Price Index).

# Report by Douglas Borough Council – continued

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## ADMINISTRATION (continued)

### Code of Best Practice

The *Adherence to Best Practice* document sets out the governance of the administration of the Scheme and investment of funds therein.

The Scheme's investment practices are considered against the following Best Practice principles:-

- Effective decision making
- Investment objective
- Risk and liabilities
- Performance assessment
- Responsible ownership
- Transparency and reporting

Separate documents entitled *Statement of Investment Principles* and *Adherence to Best Practice* are in force. They are available to members on the Douglas Borough Council website ([www.douglas.gov.im](http://www.douglas.gov.im)). The Pensions Committee, working together with the Investment Consultant, monitors and reviews these procedures, and updates the documents as required.

# Report by Douglas Borough Council – continued

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## MEMBERSHIP AND BENEFICIARIES

	2012	2011
	No.	No.
<b>Active Membership</b>		
<b>As at the beginning of the year (1 April)</b>	<b>441</b>	445
Late adjustments (new starters)	5	2
Late adjustments (leavers)	(4)	(3)
<i>Add:</i>		
Entrants - new starters	23	35
	-----	-----
	465	479
	-----	-----
<i>Less:</i>		
Exits - new retirement pensions	(10)	(8)
- deaths in service	(2)	(1)
- preserved benefits	(15)	(23)
- refunds of contributions	(6)	(6)
	-----	-----
	(33)	(38)
	-----	-----
<b>As at the end of the year (31 March)</b>	<b>432</b>	441
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# Report by Douglas Borough Council – continued

## MEMBERSHIP AND BENEFICIARIES - continued

### Membership as at 31 March 2012 by employer

	Active	Deferred	Pensioners	2012 Total	2011 Total
<b>Local Authorities</b>					
Castletown Town Commissioners	11	5	9	25	24
Douglas Borough Council	236	106	124	466	471
Laxey Village Commissioners	2	0	0	2	2
Michael Village Commissioners	1	1	0	2	2
Onchan District Commissioners	40	20	33	93	93
Peel Town Commissioners	19	6	9	34	34
Port Erin Village Commissioners	16	7	3	26	27
Port St Mary Village Commissioners	6	10	10	26	26
Ramsey Town Commissioners	42	13	19	74	70
<b>Resolution Bodies</b>					
(a) Parish Districts					
Braddan Parish Commissioners	6	0	0	6	6
Bride Parish Commissioners	1	0	0	1	1
Malew Parish Commissioners	6	4	1	11	11
Marown Parish Commissioners	1	0	0	1	1
(b) Joint Boards					
Castletown & Malew Elderly Persons Housing Board	1	0	0	1	1
Marashen Crescent Housing Committee	4	0	1	5	5
Northern Local Authorities Swimming Pool Board	8	2	1	11	10
Peel & Western District Housing Committee	0	0	1	1	1
Ramsey & Northern District Housing Committee	6	0	4	10	10
Southern Civic Amenity Site Board	3	2	1	6	6
Southern Local Authorities Swimming Pool Board	12	7	7	26	23
<b>Admitted Bodies</b>					
Crossroads Caring for Carers	0	2	2	4	4
Department of Community, Culture and Leisure – Villa Marina	0	1	1	2	2
Leonard Cheshire Foundation	1	1	2	4	4
Manx Blind Welfare	0	1	0	1	1
Manx Foundation for Physically Disabled	0	2	1	3	3
Manx Churches Adoption & Welfare Society	7	3	6	16	15
Vicar and Wardens of Kirk Braddan	2	1	0	3	3
Vicar and Wardens of St Peters Church Onchan	1	0	0	1	1
	<b>432</b>	<b>194</b>	<b>235</b>	<b>861</b>	<b>857</b>

# Report by Douglas Borough Council – continued

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## Membership as at 31 March 2012 (continued)

### Bodies with no Members

The following bodies had no members during the year:

#### Resolution Bodies:

##### (a) Parish Districts

Andreas Parish Commissioners  
Arbory Parish Commissioners  
Ballaugh Parish Commissioners  
German Parish Commissioners  
Jurby Village Parish Commissioners  
Lezayre Parish Commissioners  
Lonan Parish Commissioners  
Maughold Parish Commissioners  
Patrick Parish Commissioners  
Rushen Parish Commissioners  
Santon Parish Commissioners

##### (b) Joint Boards and Committees

Cooil Roi Housing Authority  
Northern Parishes Refuse Collection Board  
Western Civic Amenity Site Committee  
Western Swimming Pool Board

## ACTUARIAL VALUATION

The 2003 Scheme requires an actuarial valuation of the Scheme to be carried out every three years. The purpose of a valuation is to review the funding position and determine an appropriate level of employers' contributions.

In accordance with the 2003 Scheme, a valuation of the Scheme was made as at 31 March 2010 which showed that it continued to be in deficit.

The Actuarial Statement from the 2010 valuation is reproduced on pages 16 and 17 of the Annual Report.

# Report by Douglas Borough Council – continued

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## **REGISTRATION UNDER THE DATA PROTECTION ACT 2002 (An Act of Tynwald)**

The data provided by members on their starter's forms is processed using information communications systems, with records held in both electronic and paper format. The use of the data is registered under the Data Protection Act 2002 for the purposes of pensions administration by the Borough and of personnel/employee administration by the employers.

## **CERTIFICATE BY THE RESPONSIBLE FINANCIAL OFFICER**

Under the Accounts and Audit Regulations 2007 these accounts are to be prepared by the 31 July and must be approved by the Responsible Financial Officer prior to approval by Douglas Borough Council (as delegated to the Pensions Committee).

I certify that the financial statements present fairly the Fund Account and Net Assets Statement position of the Isle of Man Local Government Superannuation Scheme 2003 for the year ended 31 March 2012.

**G M BOLT, CPFA**

Borough Treasurer as Responsible Financial Officer  
Douglas Borough Council as Administering Authority

**30 July 2012**

A set of accounts were passed to PKF (Isle of Man) LLC for audit. The Statement of Accounts were approved by the Pensions Committee on 30 July 2012.

# Investments

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## INVESTMENT LIMITS

The Isle of Man Local Government Superannuation Scheme Regulations 2003 require the Administering Authority to immediately invest any monies not needed to make payments from the Scheme. In doing so, it prescribes the limits on the type and extent of investments which the Administering Authority may pursue.

Although they may vary, the types of investment adopted are in accordance with the Scheme's investment policy which must be formulated with a view to:

- the advisability of investing Scheme money in a wide variety of investments; and
- the suitability of particular types of investments.

However, of the total value of the Scheme's investments, no more than the percentages shown below can be invested in the form of investment described:

- **1%** - a single sub-underwriting contract, i.e. a contract with a person who is underwriting a share issue to acquire the shares from him if that is what he requires, but with the total value of all sub-underwriting contracts not exceeding 15%;
- **2%** - as a limited partner in any single partnership (but not exceeding more than a total of 5% in such partnerships);
- **10%** - loans made other than to the Government of the Isle of Man, or Her Majesty's Government;
  - total investments in unlisted securities, i.e. securities not quoted on a recognised stock exchange;
  - total deposits with any single bank, or similar institution except the National Savings Bank; and
  - any single holding unless the investment is made by an external investment manager in a unit trust scheme;
- **35%** - all investments in unit trust schemes managed by any one body;
  - all investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body;
  - all investments in unit trust schemes and open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body;
  - the total value of all insurance contracts; and
  - all securities (shares, stocks, debentures, etc) which the Administering Authority transfers or agrees to transfer under stock lending arrangements.

# Investments - continued

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## **INVESTMENT STRATEGY AND MANAGEMENT**

The investment strategy developed by the Administering Authority aims to maximise the return of the Scheme consistent with the risk that is appropriate. It seeks to reduce risk by diversifying its investments over a mix of asset classes spread over UK and overseas markets. The benchmark is heavily weighted towards equities (the asset class expected to provide the highest return over the medium to long term). Within equities, diversification is achieved by investing in global markets with exposure to many different sectors and stocks. There is also significant exposure to bonds (which are lower risk relative to the Scheme's liabilities) and to property (a "real" asset with a different performance cycle to equities).

The Administering Authority employed BlackRock (Isle of Man) Limited as its sole Investment Fund Manager for the year ended 31 March 2012.

## **INVESTMENT PERFORMANCE BENCHMARK**

The benchmark is used as a reference point to compare the performance of the portfolio. It allows the overall performance of the Investment Fund Manager to be compared with the overall performance of the various indices. Any divergence between the benchmark and the Fund's return is due to the preferences of the Investment Fund Manager for particular markets or for individual stocks.

# Investments - continued

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## INVESTMENT FUND MANAGER'S REPORT

### Summary

The portfolio increased in value by £2,150,716 over the year (with net inflows of £1,250,000). This equates to a rise of 2.9% over the period which underperformed the benchmark return of 4.4%.

### UK Equities

The FTSE All Share returned 1.4% over the period, with 2011 characterised by a series of one-off events. As uncertainties over the global growth outlook and the European sovereign debt crisis intensified through the second quarter of 2011, markets faltered, failing to extend the gains seen through 2010. The extreme sell-off in August saw the UK equity market lose 13.5% during the third quarter, with the Financials and Basic Materials sectors experiencing particularly weak performance as concerns around the eurozone debt crisis and global growth persisted. However, the final 6 months of the period saw a turnaround in sentiment as officials made meaningful progress to tackle problems in Europe and global economic growth indicators posted stronger readings. UK equity losses were reversed as markets rallied through the fourth quarter and the start of 2012. In sector terms, sizeable losses from cyclical sectors such as Basic Materials and Financials were offset by stronger performances from Consumer Goods and Healthcare. The UK equity sub-portfolio underperformed its benchmark and was the key detractor from overall fund performance for the period, delivering a negative absolute return over the 12 months.

### Overseas Equities

Overseas equities underperformed UK equities in Sterling terms with the MSCI All Countries ex UK returning 0.3%. In local currency terms, US equities were the strongest performers, driven primarily by improving economic data through the final quarter of 2011 and the first three months of 2012. The S&P500 closed up 8.5% for the period. Japanese equities staged a late rally as the Yen depreciated at the start of 2012, lending support to Japanese exporters, but the MSCI Japan closed the period down 0.3%, failing to fully retrace poor performance during the second half of 2011. Emerging market equities also experienced a significant sell-off in August 2011 as investors withdrew from risky assets. However, monetary easing by a number of emerging economy central banks and reassuring economic indicator readings from the more export-led Asian economies reassured investors. This reassurance, combined with improvements in the global growth outlook, resulted in the MSCI Emerging Markets Index retracing some of its earlier losses to close the period down 3.7%. European equities were the hardest hit by the August downturn, and residual fears around the sovereign debt crisis and widespread recession weighed on markets. Despite participating in the rally during the final 6 months of the period, the MSCI Europe ex-UK Index closed down 6.3% at the end of March.

# Investments - continued

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## Bonds

Many developed government bond markets delivered positive returns for the period as investors sought “safe haven” investments despite negative real interest rates in many developed markets. The FT-A UK Government All – Stocks Index returned 10.1% over the period. Corporate bonds performed more in line with risk assets, and the FTSE UK Corporate Bond All Maturities Index returned 4.6% over the 12 months, rallying towards the end of the period after falling in the third quarter of 2011. Global corporate bonds outperformed those of UK companies and contributed positively to returns, with the CitiGroup WorldBIG Corporate Index closing the period up 9.1%, as concerns over the global growth outlook ebbed during the first quarter of 2012. Inflation-linked debt was a particularly strong performing asset class over the period, as investors accepted negative real yields for protection against an increase in inflation. The Bank of America Merrill Lynch UK Inflation Linked Gilts Index returned 16.7%.

## Property

The IPD/AREF Property Index rose by 5.7% over the twelve month period. The fund remains underweight relative to benchmark, as prospects are expected to remain challenged for some time yet.

## Inflation during the year

UK inflation has fallen during the twelve month period. In the 12 month period to March 2012, RPI inflation was 3.6%, compared to 5.4% for the previous 12 months. CPI annual inflation – the UK government’s target measure – was 3.5% in March. Again this represents a drop over the twelve month period. The drop in inflation reflects a dissipation of some of the upward pressure on prices previously seen from firming energy and commodity prices, and spare capacity in the labour force putting downward pressure on wages.

We expect the Bank of England to remain cautious on the prospect of raising interest rates in the near term, given the perceived fragility of the UK economic recovery and the fact that inflation remains above long term targets.

## Investment Performance

Portfolio	2.9%
Benchmark	4.4%
Value of Portfolio as at 31 <sup>st</sup> March 2011	£41,269,972
Value of Portfolio as at 31 <sup>st</sup> March 2012	£43,420,688

# Investments - continued

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## INVESTMENT FUND MANAGER'S REPORT (continued)

### Performance of Fund

	<b>Year %</b>	<b>3 Years % p.a.</b>	<b>5 Years % p.a.</b>	<b>Since Inception % p.a.</b>
<b>UK Equities</b>	-2.4	17.7	3.2	5.2
<b>Overseas Equities</b>	-1.7	17.5	3.1	6.2
<b>Fixed Income</b>	-	-	-	-
<b>Property</b>	5.8	11.1	-11.8	0.2
<b>TOTAL FUND</b>	<b>2.9</b>	<b>14.6</b>	<b>3.8</b>	<b>5.8</b>

### Performance of Benchmark

	<b>Year %</b>	<b>3 Years % p.a.</b>	<b>5 Years % p.a.</b>	<b>Since Inception % p.a.</b>
<b>UK Equities</b>	1.4	18.8	1.8	4.2
<b>Overseas Equities</b>	0.3	16.7	4.3	5.2
<b>Fixed Income</b>	-	-	-	-
<b>Property</b>	5.7	8.3	-3.9	3.2
<b>TOTAL FUND</b>	<b>4.4</b>	<b>14.7</b>	<b>4.4</b>	<b>5.5</b>



# Investments - continued

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## CUSTODIAL ARRANGEMENTS

The Administering Authority has appointed BNP Paribas as its custodian.

The custodian will arrange for the Fund's UK securities (other than bearer securities for which the custodian shall arrange safekeeping) to be registered in the name of a nominee company, normally Securities Services Nominees Limited, a wholly owned subsidiary of BNP Paribas Securities Services S.C.A., directly or indirectly as bare Trustee for the customer. Any non-UK securities of the Fund will be held by the custodian, or to the order of the custodian, by subcustodians chosen by it. Securities relating to investments of the Fund in In-House Funds will normally be registered in the name of BNP Paribas Securities Nominees Limited, a Jersey-based Affiliated Company of the custodian. Any securities registered in the name of a nominee company are pooled with those of other clients of the custodian. The custodian cannot pool such securities with its own property except when settling transactions.

Where the Scheme investments are held collectively in a pool, its entitlements may not be identifiable by separate certificates or other physical documents of title and, should the custodian default, any shortfall in investments belonging to the Scheme and other customers of the custodian may be shared pro-rata among all customers whose investments are so held.

## INVESTMENT ACCOUNTING AND BANKING ARRANGEMENTS

The Administering Authority has authorised monies to be held on the Scheme's behalf on the following basis:

- In investment and income accounts with the custodian in the Administering Authority's or the Scheme's name. The Administering Authority has authorised BlackRock (Isle of Man) Limited to give the custodian instructions regarding such accounts on the Scheme's behalf.
- In BlackRock (IOM) Limited Specified Client Bank Accounts (as defined in Part 3 of the Financial Services Rule Book 2011) (the "Rule Book") with those institutions being Recognised Banks (as defined by the Rule Book) which meet the minimum short-term credit rating of A1/P1 and which may include the custodian or any of its associates.

Monies held awaiting delayed settlement are held by the custodian in a pooled settlement account.

Interest is paid on the investment and income accounts, and balances on the income accounts are dealt with on the basis set out below;

Interest period: Quarterly on all accounts

Interest Rate: A commercial rate appropriate to the balances standing to the credit of the above accounts. The custodian benefits from the provision of banking services for clients.

Accounts are maintained in the currency of account and in such other currencies as may be required from time to time.

# Investments - continued

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## REMUNERATION BASIS OF THE INVESTMENT FUND MANAGER

### Ordinary Portfolio

BlackRock's remuneration for managing and administering the portfolio is calculated and paid in arrears on its market value (including uninvested cash) as shown in its valuations. The fees are calculated on the basis of all portfolio assets (other than excluded funds). Any charges already paid within in-house funds and connected investment trust (other than excluded funds) are then deducted from this amount.

BlackRock's fees in respect of managing the portfolio are at the following rates between 1 April 2011 to 31 March 2012:

<b>Market Value</b>	<b>Rate per annum</b>
On the first £5,000,000	0.75%
Thereafter	0.51%

They include those of the custodian and are settled by transfers from the portfolio on the due dates and no interest is charged if such transfers are effected after the due date.

### Property Fund

Charges are 1% of the underlying net asset value per annum.

### Charges Within In-House Funds and Connected Investment Trusts and Commissions

Initial (and in some cases conversion) charges are waived for investments made for the Isle of Man Local Government Superannuation Scheme. The price of each share or unit of certain In-House Funds and Connected Investment Trusts normally includes, on both subscriptions and redemptions, a 'rounding' of a maximum of one currency unit which is retained by the relevant manager or the relevant In-House Fund and Connected Investment Trusts.

# Actuarial Statement

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This statement has been prepared in accordance with The Isle of Man Local Government Pension Scheme Regulations 2003 (Statutory Document No. 61/03), and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

## **Descriptions of Funding Policy**

The funding policy is set out in the Borough of Douglas Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to minimise the degree of short-term change in the level of employer's contributions where the Administering Authority considers it reasonable to do so, and;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Ratepayers from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under The Isle of Man Local Government Pension Scheme Regulations 2003 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £36.6 million, were sufficient to meet 74% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £12.8 million. Employer contributions have been approved to attempt to address the deficit over 20 years.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 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 my valuation report dated 28 March 2011.

# Actuarial Statement - continued

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## METHOD

The liabilities were assessed using the projected unit valuation 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 2010 valuation were as follows:

Financial Assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.1	2.8
Pay increases*	5.3	2.0
Price inflation/pension increase	3.3	-

\* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with standard SAPS mortality tables, and included improvements based on medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.1 years	22.9 years
Future Pensioners	22.0 years	24.8 years

Copies of the 2010, 2007 and 2004 valuation reports and the Funding Strategy Statement can be found on the Council's website.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

## Peter Summers FFA

Fellow of the Institute of Faculty and Actuaries  
For and on behalf of Hymans Robertson LLP

30 July 2012

# Independent Auditor's Report

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## **To Douglas Borough Council as the Administering Authority of the Isle of Man Local Government Superannuation Scheme**

We have audited the financial statements of Isle of Man Local Government Superannuation Scheme for the year ended 31 March 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Scheme's Administering Authority, as a body, in accordance with Section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Administering Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Administering Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of administering authority and auditor**

As explained more fully in the Administering Authority's responsibilities statement, the Administering Authority is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the administering authority; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Independent Auditor's Report - continued

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## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2012, and of the amount and disposition at that date of its assets and liabilities; other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts and Audit Regulations 2007 made under the Audit Act 2006.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the section 4 of the Audit Act 2006 requires us to report to you if, in our opinion:

- the financial statements do not comply with the regulations made under section 12 f the Act and any directions under section 13; or
- expenditure or income or any other transaction effected by or on account of the scheme is or will be contrary to law; or
- the internal organisation of the scheme and the internal controls maintained by it are not such as to secure proper management of the finances of the scheme and economy and efficiency in the use of its resources.

**PKF (Isle of Man) LLC**  
Douglas Isle of Man

Date 31 October 2012

# Independent Auditor's Statement about Contributions

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## **To Douglas Borough Council as the Administering Authority of the Isle of Man Local Government Superannuation Scheme**

We have examined the summary of contributions to Isle of Man Local Government Superannuation Scheme for the Scheme year ended 31 March 2012 to which this statement is attached.

This statement is made solely to the Scheme's Administering Authority, as a body, in accordance with the Superannuation Act 1984. Our work has been undertaken so that we might state to the Administering Authority those matters we are required to state to them in an auditor's statement about contributions under the Scheme and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Administering Authority, for our work, for this statement, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

The Administering Authority are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Administering Authority are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Scheme and the timing of those payments under the schedule of contributions.

### **Statement about contributions**

In our opinion contributions for the Scheme year ended 31 March 2012 as reported in the summary of contributions have been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 March 2011.

**PKF (Isle of Man) LLC**  
Douglas Isle of Man

Date 31 October 2012

# Summary of Contributions

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## Summary of Contributions payable in the year to 31 March 2012

### Contributions payable under the Schedule of Contributions/ Payment Schedule:

Employer normal contributions	2,486,374
Employee normal contributions	635,751
Employee additional contributions	<u>19,702</u>
<b>Total contributions payable under the Schedule</b>	<b>3,141,827</b>

### Other contributions:

Employer other contributions	<u>5,323</u>
<b>Total contributions payable to the Scheme:</b>	<b><u>3,147,150</u></b>

This Summary of Contributions was approved and authorised for issue by the Pensions Committee on behalf of the Administering Authority.

**C L H CAIN**  
Chairman  
Pensions Committee  
Douglas Borough Council

**31 October 2012**

**G M BOLT, CPFA**  
Borough Treasurer  
Douglas Borough Council

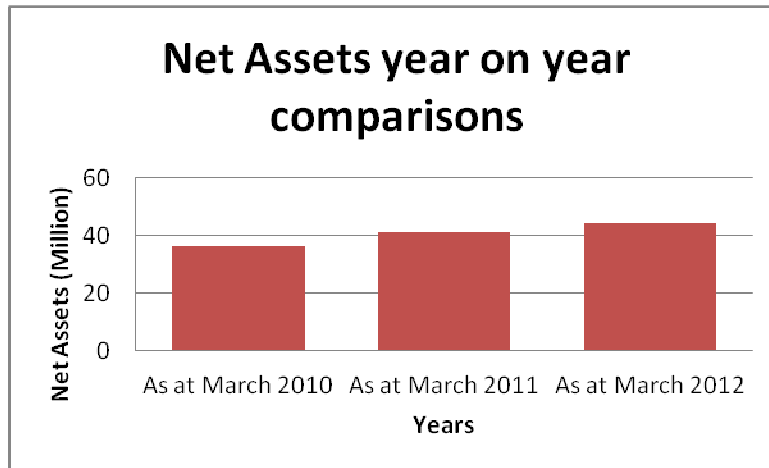
**31 October 2012**



# Foreword to the Financial Statements

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As at the 31 March 2012 the accumulated Fund Net assets stood as £43,771,812 (2011: £41,429,926). The Fund has increased in value by £2,240,061 and has underperformed the benchmark, and an explanation can be found in the Investment Fund Managers report on pages 11-13.

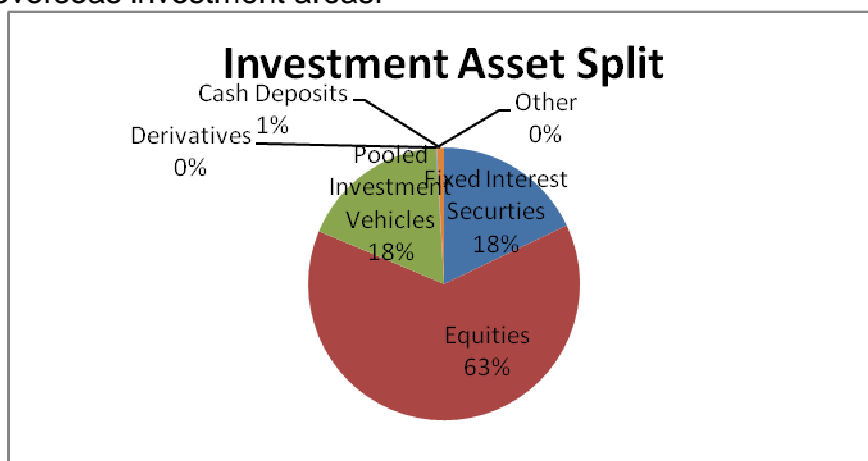


The Fund Value comparison for the last three years can be seen in the graph.

The net income from all transfer values received has decreased by £497,583 (2010/2011 increase by £463,886). Contributions have increased by £55,444 (2010/2011 decreased by £9,900). This has resulted in a decrease in income in respect of Scheme members of £442,139 (2010/2011 increased by £453,986). Retirement benefits and other benefits made to or in respect of Scheme members during the year have increased by £120,583 (2010/2011 increased by £159,424).

In overall terms the net additions from dealings with Scheme members during the year amount to £1,361,189 (2010/2011: £2,036,241).

The Scheme invests in a variety of different areas, as demonstrated by the chart below. The majority of the Fund's investments are made in equities with pooled investment vehicles being the next largest investment area. These include the property market and other UK and overseas investment areas.



# Financial Statements for the year ended 31 March 2012

	Notes	2011/2012 £	2010/2011 £
<b>FUND ACCOUNT</b>			
<b>Contributions and Benefits</b>			
Contributions	3	3,147,150	3,091,706
Transfers in	4	59,023	556,606
		<u>3,206,173</u>	<u>3,648,312</u>
Benefits	5	(1,480,741)	(1,360,158)
Leavers	6	(36,762)	(12,736)
Administrative expenses	7	(327,481)	(239,177)
		<u>(1,844,984)</u>	<u>(1,612,071)</u>
<b>Net additions from dealings with members</b>		<b><u>1,361,189</u></b>	<b><u>2,036,241</u></b>
<b>Returns on investments</b>			
Investment income	8	1,049,538	789,886
Change in market value of investments	9a	81,902	2,177,867
Investment management expenditure		(150,743)	(153,674)
<b>Net return on investments</b>		<b><u>980,697</u></b>	<b><u>2,814,079</u></b>
<b>Net increase in the Scheme during the year</b>		<b><u>2,341,886</u></b>	<b><u>4,850,320</u></b>
<b>Net assets of the Scheme</b>			
At year beginning		<u>41,429,926</u>	<u>36,579,606</u>
<b>At year end</b>		<b><u>43,771,812</u></b>	<b><u>41,429,926</u></b>

# Financial Statements for the year ended 31 March 2012 - continued

	Notes	As at 31 March 2012 £	As at 31 March 2011 £
<b>NET ASSETS STATEMENT</b>			
Investments	9b	43,420,688	41,269,972
Current Assets	11	532,063	372,781
Current Liabilities	12	(180,939)	(212,827)
<b>Net Assets of the Scheme at year end</b>		<b>43,771,812</b>	<b>41,429,926</b>

The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Scheme year are not dealt with in the financial statements. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Actuarial Statement on pages 16 and 17 and these financial statements should be read in conjunction with that Statement.

The notes on pages 25 to 33 form part of these Financial Statements.

These accounts were approved and authorised for issue by the Pensions Committee on behalf of the Administering Authority.

**C L H CAIN**  
Chairman  
Pensions Committee  
Douglas Borough Council

**31 October 2012**

**G M BOLT, CPFA**  
Borough Treasurer  
Douglas Borough Council

**31 October 2012**

# Notes to the Financial Statements for the year ended 31 March 2012

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## 1. Basis of Preparation

The financial statements have been prepared in accordance with the Superannuation Act 1984 and with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007), ("the pensions SORP") as far as is practicable. These accounts have also been prepared in accordance with the Audit Act 2006.

## 2. Accounting Policies

The following principal accounting policies which have been applied consistently have been adopted in the preparation of the financial statements:

### Contributions

Contributions represent the total amount receivable from Local Government employers and Admitted Bodies on the Isle of Man in respect of their own contributions and from active members including additional payments made to purchase additional benefits. The employers' contributions are made at a rate determined by the Consulting Actuary necessary to ensure that the Scheme is able to meet its existing and prospective liabilities including indexation.

### Benefits payable

Members can choose whether to take their benefits as a pension or a pension and lump sum. Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised.

### Transfers to and from other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

### Other expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Investment management expenses include fees paid to the custodian.

# Notes to the Financial Statements for the year ended 31 March 2012 – continued

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## 2. Accounting Policies (continued)

### Investment income

Income from equities is accounted for on the date stocks are quoted ex-dividend.

Income from fixed interest and index-linked securities, pooled investment vehicles, cash and short term deposits are accounted for on an accruals basis.

Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

### Investments

Investments are held at market value. Equities traded through the Stock Exchange Electronic Trading Service ("SETS") are valued on the basis of the latest bid price. Other quoted investments are valued on the basis of the bid value quoted on the relevant stock market. Pooled investment vehicles are valued at the bid prices provided by the relevant fund managers, which reflect the market value of the underlying investments. Unquoted securities are valued by the fund managers at the year end in accordance with their internal policies and generally accepted accounting practices. At BlackRock, the valuation of securities is undertaken by an expert body which is independent to the portfolio management group. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. The foreign exchange contracts are over the counter derivatives and are valued using the applicable month end foreign exchange rate to calculate the unrealised gain/loss at that date, which is reflected in derivatives.

## 3. Contributions

	2011/2012	2010/2011
	£	£
Employers		
normal	2,486,374	2,430,212
other	5,323	23,961
Members		
normal	635,751	618,803
scheme additional	19,702	18,730
	<u>3,147,150</u>	<u>3,091,706</u>

# Notes to the Financial Statements for the year ended 31 March 2012 – continued

## 3. Contributions (continued)

### Contributions breakdown

	Employers	Employees	2011/2012 Employees Scheme Additional	Total	2010/2011 Total
	Normal £	Normal £	£	£	£
Braddan Parish Commissioners	53,061	13,842	-	66,903	64,121
Bride Parish Commissioners	875	228	-	1,103	1,100
Castletown Town Commissioners	54,749	13,570	-	68,319	66,690
Castletown & Malew Elderly Persons Housing Board	4,288	1,119	-	5,407	-
Douglas Borough Council	1,448,581	369,511	15,102	1,833,194	1,788,076
Laxey Village Commissioners	9,194	2,401	-	11,595	11,419
Leonard Cheshire Foundation	2,068	450	-	2,518	2,501
Malew Parish Commissioners	33,023	8,427	-	41,450	39,749
Manx Churches Adoption & Welfare Society	53,839	14,045	-	67,884	59,806
Manx Foundation for Physically Disabled	4,760	1,242	-	6,002	9,049
Marashen Crescent Housing Committee	18,753	4,692	-	23,445	22,871
Marown Parish Commissioners	2,056	536	690	3,282	5,729
Michael Village Commissioners	4,766	1,243	-	6,009	5,482
Northern Local Authorities Swimming Pool Board	24,936	6,440	-	31,376	32,645
Onchan District Commissioners	228,583	59,045	-	287,628	270,685
Peel Town Commissioners	115,789	29,326	-	145,115	143,708
Port Erin Village Commissioners	73,727	19,996	-	93,723	94,047
Port St Mary Village Commissioners	33,805	8,818	-	42,623	49,340
Ramsey & Northern District Housing Committee	18,856	4,315	580	23,751	24,943
Ramsey Town Commissioners	228,635	58,200	3,330	290,165	287,866
Southern Local Authorities Swimming Pool Board	42,718	10,893	-	53,611	52,476
Southern Civic Amenity Site Board	15,623	4,075	-	19,698	19,194
Vicar and Wardens of Kirk Braddan	9,673	2,289	-	11,962	11,223
Vicar and Wardens of St Peters Church Onchan	4,016	1,048	-	5,064	5,025
	<b>2,486,374</b>	<b>635,751</b>	<b>19,702</b>	<b>3,141,827</b>	<b>3,067,745</b>
Backdated contributions – Laxey Village Commissioners	5,323	-	-	5,323	-
Augmentations – Ramsey Town Commissioners	-	-	-	-	23,961
	<b>2,491,697</b>	<b>635,751</b>	<b>19,702</b>	<b>3,147,150</b>	<b>3,091,706</b>

# Notes to the Financial Statements for the year ended 31 March 2012 – continued

## 4. Transfers In

	2011/2012 £	2010/2011 £
Individual transfers in from other Pension Schemes and Private Sector Institutions	59,023	556,606

## 5. Benefits

	2011/2012 £	2010/2011 £
Retirement and dependants' pensions	1,097,578	1,063,867
Lump sum retirement grants	263,044	259,780
Lump sum death grants	120,119	36,511
	<b>1,480,741</b>	<b>1,360,158</b>

Pensions are paid including added benefits awarded by some employers. The value of pensions shown above is arrived at after netting off the added benefits, as these have been recharged to respective employers, amounting to £13,676 (2010/2011: £29,606).

## 6. Leavers

	2011/2012 £	2010/2011 £
Refunds of contributions	6,030	3,398
Payments to State Second Pension	4,569	389
Individual transfers to other schemes	26,163	8,949
	<b>36,762</b>	<b>12,736</b>

## 7. Administrative Expenses

	2011/2012 £	2010/2011 £
Administering Authority (see note 13)	40,318	38,681
Fund Administrator	71,728	64,757
Actuarial	13,801	33,400
Investment Advice	88,430	79,375
New Regulation Implementation	99,586	-
Audit Fees	12,842	16,617
Legal & Professional	650	1,745
Other Fees	126	4,602
	<b>327,481</b>	<b>239,177</b>

# Notes to the Financial Statements for the year ended 31 March 2012 – continued

## 8. Investment Income

	2011/2012	2010/2011
	£	£
Income from fixed interest securities	193,185	180,938
Dividends from equities	654,172	385,225
Income from pooled investment vehicles	185,267	188,846
Interest on cash deposits	3,218	9,258
Income from index-linked securities	13,696	25,619
	<u>1,049,538</u>	<u>789,886</u>

## 9a. Investments

	Restated Value at Purchases 1.04.11	at Cost	Sales Proceeds	Change in Market Value	Value at 31.3.12
	£	£	£	£	£
Fixed interest securities	5,000,538	19,663,021	(17,330,259)	437,434	7,770,734
Equities	25,869,316	16,225,654	(13,634,283)	(902,248)	27,558,439
Index-linked securities	2,070,328	619,942	(2,876,116)	185,846	-
Pooled investment vehicles	7,993,605	-	(635,932)	309,224	7,666,897
Derivatives	(9,095)	18,835,792	(18,858,741)	51,647	19,603
	<u>40,924,692</u>	<u>55,344,410</u>	<u>(53,335,331)</u>	<u>81,902</u>	<u>43,015,673</u>
Cash Deposits	285,692				377,071
Other	59,588				27,944
	<u>41,269,972</u>				<u>43,420,688</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions and other expenses. Transaction costs incurred during the year amounted to £50,594 (2010/2011: £50,226). In addition to the transaction costs disclosed above, for certain funds indirect costs may be incurred due to the bid offer spread on investments within these pooled vehicles. The amount of indirect cost is not separately provided to the Scheme.



# Notes to the Financial Statements for the year ended 31 March 2012 – continued

## 9b. Investments (continued)

Investments with Investment Fund Manager	As at 31 March 2012 £	As at 31 March 2011 £
<b>Fixed interest securities</b>		
UK public sector quoted	6,894,969	4,804,323
UK corporate bonds	304,892	-
Overseas public sector	-	149,367
Overseas corporate bonds	570,873	46,848
	<u>7,770,734</u>	<u>5,000,538</u>
<b>Equities</b>		
UK quoted	10,254,415	10,792,874
Overseas quoted	17,304,024	15,076,442
	<u>27,558,439</u>	<u>25,869,316</u>
<b>Index-linked securities</b>		
UK quoted	-	2,070,328
<b>Pooled investment vehicles</b>		
Unit trusts - UK Equities	487,649	624,742
- Property	3,650,484	3,632,085
- UK fixed interest	3,215,463	3,009,595
- International	313,301	727,183
	<u>7,666,897</u>	<u>7,993,605</u>
<b>Derivative</b>		
Forward foreign exchange contracts	19,603	(9,095)
<b>Cash deposits</b>		
Sterling	377,071	285,692
<b>Other</b>		
Accrued investment income	27,944	59,588
<b>Total Investments</b>	<u>43,420,688</u>	<u>41,269,972</u>

The following holdings represented over 5% of the Scheme's assets:

	As at 31 March 2012	As at 31 March 2011
SPDR S&P 500 ETF	9.3%	9.4%
BlackRock UK Property Fund	8.4%	8.8%
BlackRock Corporate Bond Fund	7.4%	7.3%
Powershares QQQ	5.6%	N/A

# Notes to the Financial Statements for the year ended 31 March 2012 – continued

## 9b. Investments (continued)

### Forward Foreign Exchange Contracts

Forward foreign exchange contracts (derivatives) are used by the Scheme to reduce risk. At present these are used solely for the purpose of hedging the foreign currency exposure introduced when investing in overseas securities. The Scheme's exposure to overseas securities and hence currency forward contracts is restricted. Derivative receipts and payments represent the realised gains and losses on derivative contracts. All contracts have an expiry date within one year. The table below shows all such contracts as at the year end.

Settlement Date	Currency Bought	Value of Currency Bought £	Currency Sold	Value of Currency Sold £	As at 31 March 2012 Assets	As at 31 March 2012 Liabilities
3 months	GBP	594,623	EUR	(583,845)	10,778	-
3 months	GBP	338,000	JPY	(329,175)	8,825	-
					<b>19,603</b>	<b>-</b>



# Notes to the Financial Statements for the year ended 31 March 2012 – continued

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## 15. Comparatives

Investment within other pooled investments, where their respective underlying investments are in fixed interest securities and equities, have been included within fixed interest securities and equities respectively in the current year. The opening value of these investments has been restated.

This has resulted in an increase on the opening balances of fixed interest securities of £196,215, an increase in equities of £14,451,700 and a decrease in pooled investment vehicles of £14,647,915. The total net effect of this investment reclassification is £Nil.

# Summary of Scheme Rules and Benefits

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As previously mentioned, the regulations changed with effect from 1 April 2012. This section summarises the notes and benefits in force during the period this report relates to i.e. the year ended 31 March 2012.

## **SCHEME MEMBERSHIP AND INCOME**

- (a) All employees of Douglas Borough Council and other local authorities and admitted body employers on the Isle of Man (other than a local authority or joint board defined as a resolution body) under the age of 65 are eligible for membership of the Isle of Man Local Government Superannuation Scheme 2003. Whole-time and part-time employees, whether permanent or temporary, become members automatically with the right to opt out (back-dated to the start of their membership if made within three months). Employees of resolution bodies are eligible for membership if their authority passes a resolution to that effect. Those employed by admitted bodies are eligible if the admission agreement specifies them as such.

During 2011/2012 members' contributions from pensionable pay are 6%, except for employees who were carrying out manual duties immediately before 1 April 1998. For as long as they remained on manual duties their contributions are 5% of pensionable pay.

- (b) Transfer payments for pension rights in almost any other scheme can be accepted by the Scheme to increase benefits which may eventually become payable.
- (c) The participating employers must make the balancing contribution required to keep the Scheme solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of the members' normal contributions by the Consulting Actuary following each triennial actuarial valuation of the Scheme.
- (d) Employers are now required to fund early retirements (other than ill-health) and discretionary added years by making up front payments.
- (e) Monies not immediately required for the payment of benefits and other outgoings have to be invested in accordance with the Isle of Man Local Government Superannuation Scheme 2003.

## **BENEFITS AVAILABLE**

### **Two or more years' membership (or a transfer value credited):**

- A. Retirement pension and lump sum awarded:
1. Payable immediately on cessation of employment:
    - (i) through permanent incapacity at any age, or
    - (ii) as a result of redundancy after age 50.
  2. Deferred and payable from retirement age in any other circumstances.

**This page does not form part of the audited financial statements**

# Summary of Scheme Rules and Benefits – continued

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## **BENEFITS AVAILABLE (continued)**

- B. Spouses' and children's pensions and a lump sum death grant following death:
- (i) in employment,
  - (ii) in receipt of retirement pension (a lump sum may **not** always be payable),  
or
  - (iii) before deferred benefits become payable.

## **Under two years' membership (and no transfer value has been credited):**

- A. Retirement pension and lump sum on retirement at age 65.
- B. Lump sum payable on retirement through permanent incapacity.
- C. Spouses' short term pension and a tax free lump sum death grant on death in employment.
- D. Children's pensions.
- E. Refund of contributions or transfer out to a tax-approved pension scheme when no other benefit payable.

## **PENSIONS INCREASE AWARDS**

Retirement and dependants' pensions in payment and preserved are increased each year by cost of living rises as determined by the Parliament of Tynwald.

## **TRANSFERS TO OTHER SCHEMES**

When benefits are not payable immediately, a transfer can usually be made to another employer's occupational pension scheme or to a personal pension plan or to purchase an insurance annuity bond.

**Full details of the current regulations of the Pension Scheme can be found on the website ([www.douglas.gov.im](http://www.douglas.gov.im)).**

**This page does not form part of the audited financial statements**

Any enquiries regarding this Report should be addressed to:

Peter Pierce  
Assistant Chief Officer (Finance)  
Borough Treasurer's Department  
Douglas Borough Council  
P O Box 2, Town Hall  
Ridgeway Street  
Douglas  
ISLE OF MAN  
IM99 1AD

Tel: 01624 696360  
Fax: 01624 696400

Previous financial accounts and actuarial valuations are available  
on the website ([www.douglas.gov.im](http://www.douglas.gov.im))

MR670