

Douglas



Douglas Borough Council
Administering Authority
Cooncil Valley Corpagh Doolish
Lught-Reill Reiree

Isle of Man Local Government Superannuation Scheme

**Pension Fund Annual Report for the
year ending 31 March 2019**



Being a public service pension scheme as defined by the Superannuation Act 1984 (an Act of Tynwald), the Isle of Man Local Government Superannuation Scheme 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 public sector schemes. Furthermore, the Pension Fund Annual Report has been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised November 2014), ("the pensions SORP") as far as is practicable.

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The Administering Authority and their Advisers

Administering Authority: Douglas Borough Council, PO Box 2, Town Hall, Ridgeway Street, Douglas, Isle of Man IM99 1AD

Chief Executive: Miss K J Rice, BA (Hons) Solicitor

Director of Finance: Mr A J T Boyd FCPFA

Auditor: Grant Thornton Limited, PO Box 307, Exchange House, 54/62 Athol Street, Douglas, Isle of Man IM99 2BE

Bankers: Isle of Man Bank, Athol Street, Douglas, Isle of Man IM99 1AN

Scheme Administrator: Capita Employee Solutions, Hartshead House, 2 Cutlers Gate, Sheffield, United Kingdom S4 7TL

Investment Consultant: Hymans Robertson LLP, One London Wall, London, United Kingdom EC2Y 5EA

Consulting Actuary: Hymans Robertson LLP, Central Exchange, 20 Waterloo Street, Glasgow, United Kingdom G2 6DB (until March 2019).

Consulting Actuary: Barnett Waddingham LLP, 163 West George Street, Glasgow, United Kingdom G2 2JJ (from April 2019).

Investment Fund Managers: Capital International Limited, Capital House, Circular Road, Douglas, Isle of Man IM1 1AG

Canaccord Genuity Wealth (International) Limited, Anglo International House, Bank Hill, Douglas, Isle of Man IM1 4LN

St James's Place Wealth Management, through Investasure Financial Services Limited, 2nd Floor, 19 Victoria Street, Douglas, Isle of Man IM1 2LW (until August 2019)

Custodians: Capital International Nominees Limited, Capital House, Circular Road, Douglas, Isle of Man IM1 1AG

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

Report by Douglas Borough Council

INTRODUCTION

The Isle of Man Local Government Superannuation Scheme (“the Scheme”) is a statutory public service pension scheme (as defined by the Superannuation Act 1984 (“the 1984 Act”), an Act of Tynwald) and following the repeal of the 1984 Act on the 17th day of January 2012 the 1984 Act continues to apply to the Scheme pursuant to Schedule 1 of the Public Sector Pensions Act 2011. The Scheme operates under the Isle of Man Local Government Superannuation Scheme Regulations and provides retirement and dependants’ benefits for employees of local government employers (including resolution bodies) and other admitted bodies on the Isle of Man.

During the financial year the Scheme was contracted-out of the State Second Pension Scheme (“S2P”) and was 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. S2P ceased to exist after the end of the financial year.

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 Director of Finance who is the Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Pension Fund Annual Report 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 Member, 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 2018 made under the Audit Act 2006, the Responsible Financial Officer is responsible for the preparation of the Pension Fund Annual Report of the Isle of Man Local Government Superannuation Scheme in accordance with proper practices as set out therein.

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and with guidance set out in the Statement of Recommended Practice (Revised November 2014).

Report by Douglas Borough Council – continued

MANAGEMENT (continued)

In preparing the Pension Fund Annual Report, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Pension SORP: Financial Reports of Pension Schemes (Revised November 2014) as far as practicable.

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 was delegated to the three fund managers shown on page 1.

The Administering Authority has a contractual arrangement with Capita Employee Solutions, a trading division of Capita Group plc, to undertake the day to day administration of the Scheme.

During the financial year Hymans Robertson LLP provided actuarial services and investment consulting advice to the Pensions Committee.

The Administering Authority carried out a tender exercise in respect of the administration, investment consultancy and actuarial services during the financial year. The tender was won by the incumbent service providers mentioned above for administration services and investment consultancy services. The actuarial services tender was won by Barnett Waddingham LLP, who replaced Hymans Robertson LLP as provider after the end of the financial year.

The Administering Authority has appointed Aviva Life & Pension UK Limited to provide an Additional Voluntary Contribution (AVC) arrangement for members. AVCs are not reflected within these financial statements.

Report by Douglas Borough Council – continued

MANAGEMENT (continued)

Enquiries

General scheme enquiries and member enquiries should be sent to:

Isle of Man Local Government Superannuation Scheme,
Capita Employee Solutions,
11b Lingfield Point,
Darlington,
DL1 1AX

Telephone (from the Isle of Man): 672730 – calls will be charged at local rates
Telephone from the UK: 01624 672730
Email: iomenq@capita.co.uk

Previous financial accounts and actuarial valuations are available on the website (www.iomlgps.im).

ADMINISTRATION

The Regulations Affecting the Scheme

The Isle of Man Local Government Superannuation Scheme Regulations apply to individuals who were contributing members of the Scheme on 1 April 2012 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 2008, and some provisions are effective from that date.

The Scheme rules and benefits are summarised at the back of this document. Full details of the rules and benefits are available to members on the Douglas Borough Council website (www.iomlgps.im).

Pensions Increase

Pensions in payment and preserved benefits are subject to annual review under the Pensions (Increase) Act 1974 (an Act of Tynwald). The pensions increase effective date was 9 April 2018. The Treasury Order/Pensions Increase was 3%. (2017/18: 1.0% from 10 April 2017) 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 in the Isle of Man, being the rise in the UK's Consumer Prices Index during the 12 months ended 30 September 2018 (2017/18: 30 September 2017).

Report by Douglas Borough Council – continued

ADMINISTRATION (continued)

Code of Best Practice

The *Governance Statement including 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 *Governance Statement including Adherence to Best Practice* are in force. They are available to members on the Douglas Borough Council website (www.iomlgps.im). The Pensions Committee, working together with the Investment Consultant and Officers of the Council's Finance Department, monitors and reviews these procedures, and updates the documents as required.

Report by Douglas Borough Council – continued

MEMBERSHIP AND BENEFICIARIES

	2018/19	2017/18
	No.	No.
Active Membership		
As at 1 April	413	403
Late adjustments	(17)	1
<i>Add:</i>		
Entrants - new starters	31	33
	<u>14</u>	<u>34</u>
<i>Less:</i>		
Exits - new retirement pensions	(7)	(14)
- deferred benefits	(23)	(9)
- deaths in service	-	(1)
	<u>(30)</u>	<u>(24)</u>
As at 31 March	397	413
Deferred Membership		
As at 1 April	258	260
Late adjustments	27	1
<i>Add:</i>		
Entrants - deferred benefits	23	9
	<u>50</u>	<u>10</u>
<i>Less:</i>		
Exits - new retirement pensions	(6)	(7)
- transfers	(5)	(2)
- commuted benefits	(1)	-
- deaths in deferment	-	(3)
	<u>(12)</u>	<u>(12)</u>
As at 31 March	296	258

Report by Douglas Borough Council – continued

MEMBERSHIP AND BENEFICIARIES

	2018/19	2017/18
	No.	No.
Pensioner Membership		
As at 1 April	302	301
Late adjustments	6	1
<i>Add:</i>		
Entrants - new pensioners	12	21
- new dependent pensions	2	2
	<u>20</u>	<u>24</u>
<i>Less:</i>		
Exits - suspended pension	-	(9)
- ineligible	-	(1)
- deaths	(9)	(13)
	<u>(9)</u>	<u>(23)</u>
As at 31 March	<u>313</u>	<u>302</u>

Report by Douglas Borough Council – continued

MEMBERSHIP AND BENEFICIARIES - continued

Membership as at 31 March 2019 by employer

	2019 Active	2019 Deferred	2019 Pensioners	2019 Total	2018 Total
Local Authorities					
Douglas Borough Council	222	178	146	546	524
Castletown Town Commissioners	9	6	12	27	27
Garff Parish District Commissioners	3	-	1	4	4
Michael District Commissioners	1	1	-	2	2
Onchan District Commissioners	34	28	43	105	103
Peel Town Commissioners	15	4	10	29	30
Port Erin Village Commissioners	12	10	9	31	31
Port St Mary Village Commissioners	10	14	11	35	34
Ramsey Town Commissioners	48	20	33	101	93
Resolution Bodies					
(a) Parish Districts					
Braddan Parish Commissioners	5	-	1	6	6
Bride Parish Commissioners	1	-	-	1	1
Malew Parish Commissioners	6	4	3	13	12
Marown Parish Commissioners	1	-	-	1	1
(b) Joint Boards					
Castletown & Malew Elderly Persons Housing	-	2	-	2	2
Marashen Crescent Housing Committee	5	-	1	6	6
Northern Local Authorities Swimming Pool	7	6	2	15	15
Peel & Western District Housing Committee	2	-	1	3	3
Ramsey & Northern District Housing Committee	4	-	6	10	10
Southern Civic Amenity Site Board	1	5	1	7	7
Southern Local Authorities Swimming Pool	9	10	9	28	27
Admitted Bodies					
Crossroads Caring for Carers– includes Manx Foundation for Physically Disabled	-	3	4	7	7
Leonard Cheshire Foundation	-	-	3	3	4
Manx Blind Welfare	-	-	1	1	1
Vicar and Wardens of Kirk Braddan	2	1	-	3	3
Vicar and Wardens of St Peter's Church Onchan	-	-	1	1	1
Other (former admitted bodies)					
Manx Churches Adoption & Welfare Society	-	4	13	17	17
Department of Education, Sport & Culture – Villa Marina	-	-	2	2	2
	397	296	313	1006	973

Report by Douglas Borough Council – continued

Membership as at 31 March 2019 (continued)

Bodies with no members

The following designate bodies had no members during the year:

(a) Parish Districts

Andreas Parish Commissioners
Arbory Parish Commissioners
Ballaugh Parish Commissioners
German Parish Commissioners
Jurby Parish Commissioners
Lezayre 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 Board
Western Local Authorities Swimming Pool Board

ACTUARIAL VALUATION

The Scheme regulations require 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.

A valuation of the Scheme was made as at 31 March 2016 which showed that it continued to be in deficit. An actuarial statement that relates to that valuation is reproduced on pages 13 to 14 of the Annual Report. The net assets of the Scheme at the date of the valuation at 31 March 2016 were £62,187,353.

Report by Douglas Borough Council – continued

CERTIFICATE BY THE RESPONSIBLE FINANCIAL OFFICER

Under the Accounts and Audit Regulations 2018 these accounts are to be prepared by the 31 July and must be approved by the Responsible Financial Officer prior to submission to the auditor.

I certify that the financial statements give a true and fair view of the income and expenditure of the Isle of Man Local Government Superannuation Scheme for the year ended 31 March 2019 and of its financial position at 31 March 2019.

A J T Boyd FCPFA
Director of Finance
Douglas Borough Council
10 July 2019

Investment Strategy

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis payable under the Local Government Superannuation Scheme rules.

The Pensions Committee sets the investment strategy for the Scheme. The investment strategy takes account of the Scheme's liabilities, the strength of the Employers' covenants and the attitude to risk of both the Pensions Committee and the Employers, and clearly communicates these to advisers and investment managers.

The investment strategy is set out in the Scheme's Governance Statement and monitored by the Pensions Committee. The strategic benchmark asset allocation applicable during the financial year is shown below:

<u>Asset Portfolio</u>	<u>Asset Allocation as at 31 March 2019</u>		<u>Strategic Allocation</u>
	£	%	%
Canaccord UK Equities	13,501,018	17.0	17.0
St James' Place Global Equities	18,049,799	22.7	23.0
Capital International Absolute Return	15,928,335	20.0	20.0
Canaccord Property	9,421,632	11.8	12.0
Canaccord Conventional gilts	7,661,098	9.6	9.5
Canaccord Index-linked gilts	8,755,329	11.0	10.5
Canaccord Corporate bonds	6,320,923	7.9	8.0
Total	79,638,134	100.0	100.0

Part of the Scheme assets are invested in conventional gilts, index-linked gilts and UK corporate bonds, and are expected to change in value broadly in line with the Scheme's long-term liabilities.

The remaining portion of Scheme assets are invested in return-seeking investments comprising UK and global equities, commercial property, and absolute return funds.

INVESTMENT MANAGEMENT AND CUSTODY OF ASSETS

The overall management of the Scheme's investments is the responsibility of the Administering Authority. The Administering Authority has delegated management of investments to professional investment managers which are listed on page 1. These managers manage the investments within the restrictions stipulated in investment management agreements which are designed to ensure that the objectives and policies set out in the Statement of Investment Principles (SIP) are followed.

Investment Strategy - continued

INVESTMENT MANAGEMENT AND CUSTODY OF ASSETS (continued)

The mandates put in place by the Administering Authority specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental factors when making investment decisions. The Administering Authority have less influence over the underlying investments within pooled investment vehicles held by the Scheme but review the managers' policies and statements of compliance in respect of these matters.

The Administering Authority have appointed the custodians named on page 1 to keep custody of the Scheme's assets, other than where pooled investment vehicles are held by Canaccord Genuity Wealth (International) Limited and St James's Place Wealth Management, the respective managers make their own arrangements for custody of underlying investments.

The table below shows the performance of the pension fund in aggregate compared to the benchmark.

	Year %	3 Years % p.a.	5 Years % p.a.
Fund	6.0	8.5	7.5
Benchmark	6.3	8.4	7.2

The benchmark indexes for each class of assets held are as follows:

Asset Class	Benchmark Index
UK Equities	FTSE All Share
Overseas Equities	MSCI All Countries ex UK Index (GBP Unhedged)
Conventional Gilts	Barclays 15 Year+ Gilts Index
Index Linked Gilts	Barclays UK Govt Inflation Linked Float Adjusted Bond Index
Corporate Bonds	Barclays Sterling Corporate Bond Index
Property	IPD All Balanced Funds Weighted Average
Absolute Return	LIBOR +3% p.a.

Actuarial Statement

Isle of Man Local Government Superannuation Scheme (“the Scheme”) Actuarial Statement for 2018/19

Introduction

The last full triennial valuation of the Isle of Man Local Government Superannuation Scheme (the Scheme) was carried out as at 31 March 2016 in accordance with the Local Government Superannuation Scheme 2012 Statutory Document No 0104/12 and the Funding Strategy Statement of the Scheme. The results were published in the triennial valuation report dated 24 March 2017.

Asset value and funding level

The results for the Scheme at 31 March 2016 were as follows:

- The market value of the Scheme’s assets as at 31 March 2016 for valuation purposes was £62m.
- The Scheme had a funding level of 82% i.e. the assets were 82% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £14m;

Contribution Rates

The Scheme contributions rates, in addition to those paid by the members of the Scheme, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due (the future service contribution rate);
- plus an amount to reflect any shortfall of the Scheme’s assets compared with the liabilities in the Scheme in respect of service to the valuation date (the deficit contribution rate).

Details of the contribution rates payable by the employers in the Scheme are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Actuarial Statement - continued

Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

Financial assumptions	31 March 2016
Discount rate	4.0% p.a.
Pension increases	2.1% p.a.
Salary increases	3.0% p.a.
Mortality	Based on the Scheme's Vitacurves with improvements in line with the Continuous Mortality Investigation's CMI_2013 Model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.

The discount rate assumption adopted for the Scheme's 2016 valuation is set with reference to gilt yields, allowing for an Asset Outperformance Assumption of 1.8% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2016 valuation report prepared for the Scheme by Hymans Robertson LLP (dated 24 March 2017). This is available on the Scheme's website (www.iomlgps.im).

Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a significant decrease in the gilt yields underlying the 2016 valuation funding model. Overall, on methods and assumptions consistent with those adopted for the Scheme's 2016 valuation, we estimate that the funding position as at 31 March 2019 has worsened slightly compared with the position as at 31 March 2016 and the future service contribution rate will have also increased due to changes in market conditions.

However, the next formal valuation will be carried out as at 31 March 2019 with new contribution rates set from 1 April 2021. As part of the 2019 valuation, the Scheme and us as the Fund Actuary will work together in setting the assumptions for the valuation. In particular, we intend on moving away from a gilts plus approach to setting the discount rate for funding purposes, and instead will look at the Scheme's long term investment strategy and the expected returns for each asset within that strategy.



Graeme D Muir FFA
Partner, Barnett Waddingham LLP

30 April 2019.

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Isle of Man Local Government Superannuation Scheme for the year ended 31 March 2019 which comprise the fund account, the statement of net assets available for benefits and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) as applied to an Isle of Man entity.

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 2019, 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 2018 made under the Audit Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the 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.

Independent Auditor's Report - continued

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Administering Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Administering Authority has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Administering Authority is responsible for the other information. The other information comprises the information included in the annual report set out on pages 1-38, other than the financial statements and both our auditor's report and auditor's statement about contributions thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard:

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 of 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.

Independent Auditor's Report - continued

Responsibilities of Administering Authority

As explained more fully in the Administering Authority's responsibilities statement on page 2, the Administering Authority is responsible for the preparation of the financial statements which show a true and fair view, and for such internal control as the Administering Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administering Authority is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the Scheme or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited
Chartered Accountants
Douglas
Isle of Man

Date: 23 October 2019

Independent Auditor's Statement about Contributions

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 2019 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

As described in the responsibilities statement 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 at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Independent Auditor's Statement about Contributions - continued

Statement about contributions

In our opinion contributions for the Scheme year ended 31 March 2019 as reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions including the Schedule certified by the Scheme Actuary on 24 March 2017.

Grant Thornton Limited
Chartered Accountants
Douglas
Isle of Man

Date: 23 October 2019

Summary of Contributions

Summary of Contributions payable in the year to 31 March 2019

Contributions payable under the Schedule of Contributions/ Payment Schedule:

	£
Employer normal contributions	2,909,206
Employee normal contributions	730,361
	<hr/>
Total contributions payable under the Schedule	3,639,567
Other contributions:	
Employee additional Scheme contributions	12,356
Employer other contributions	55,598
Employee other contributions	10,500
	<hr/>
Total contributions payable to the Scheme:	3,718,021
	<hr/> <hr/>

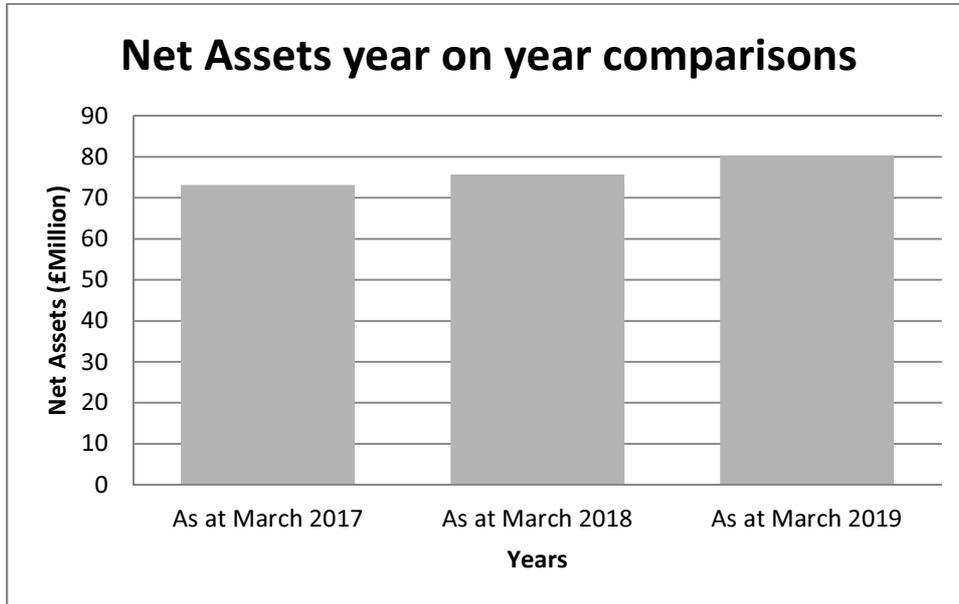
This Summary of Contributions was approved and authorised for issue by the Pensions Committee on 23 October 2019.

K Angela
Chairman of the Pensions Committee
23 October 2019

A J T Boyd FCPFA
Director of Finance
23 October 2019

Foreword to the Financial Statements

As at the 31 March 2019 the accumulated Fund Net Assets stood at £80,423,861 (2017/18 £75,720,225). The Fund has increased in value by £4,703,456 (2017/18 increased £2,585,504).

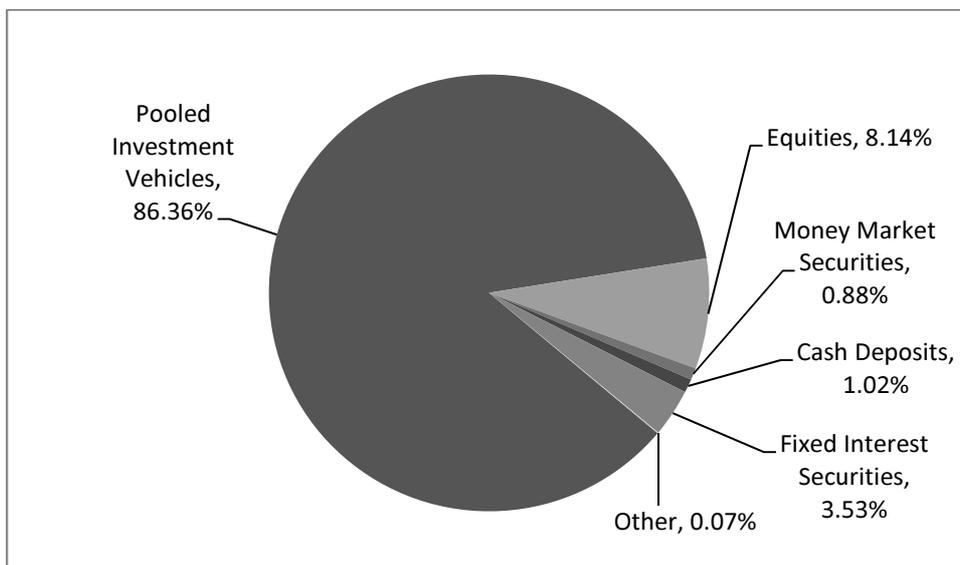


The Fund Value comparison for the last three years can be seen in the graph.

The income from all transfer values received has decreased by £230,077 (2017/18 increased by £448,337). Contributions have increased by £205,685 (2017/18 increased by £218,380). This has resulted in a net decrease in income in respect of Scheme members of £24,392 (2017/18 increase of £666,717). Retirement benefits and payments made to or in respect of Scheme members during the year (including administrative expenses) have increased by £656,683 (2017/18 decreased by £283,987).

In overall terms the net additions from dealings with Scheme members (before administration expenses) during the year amount to £788,249 (2017/18 £1,459,005).

The holdings by type as at 31 March 2019 are illustrated in the pie chart below.



Financial Statements for the year ended 31 March 2019

	Notes	2018/19 £	2017/18 £
FUND ACCOUNT			
Contributions and Benefits			
Employer contributions	3	2,964,804	2,796,711
Employee contributions	3	753,217	715,625
Transfers in	4	218,260	448,337
		3,936,281	3,960,673
Benefits			
Retirement and dependant's pensions	5	(1,890,897)	(1,775,803)
Lump sum retirement grants & commutations	5	(749,851)	(568,673)
Lump sum payable on death	5	(354,858)	(125,740)
Leavers	6	(152,426)	(31,452)
Administrative expenses	7	(240,002)	(229,683)
		(3,388,034)	(2,731,351)
Net additions from dealings with members		548,247	1,229,322
Returns on investments			
Investment income	8	952,925	783,355
Realised and unrealised gains on investments	9a	3,307,163	678,039
Investment management expenditure	11	(104,879)	(105,212)
Net return on investments		4,155,209	1,356,182
Net increase in the Scheme during the year		4,703,456	2,585,504
Net assets of the Scheme			
At year beginning		75,720,225	73,134,721
At year end		80,423,681	75,720,225

Financial Statements for the year ended 31 March 2019 - continued

	Notes	As at 31 March 2019 £	As at 31 March 2018 £
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 MARCH 2019			
Investment assets			
Fixed interest securities	9a	2,814,877	1,724,690
Equities	9a	6,485,494	4,864,491
Pooled investment vehicles	9a	68,777,040	67,394,099
Cash deposits	9a	808,641	811,537
Money market securities	9a	700,000	0
Accrued investment income	9a	52,082	23,814
		79,638,134	74,818,631
Current Assets	14	1,081,840	1,205,981
Current Liabilities	15	(296,293)	(304,387)
		80,423,681	75,720,225
Net Assets of the Scheme at year end		80,423,681	75,720,225

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 financial 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 13 to 14 and these financial statements should be read in conjunction with that Statement.

The notes on pages 24 to 38 form part of these Financial Statements.

These accounts were approved and authorised for issue by Pensions Committee on 23 October 2019.

K Angela
Chairman of the Pensions Committee
23 October 2019

A J T Boyd FCPFA
Director of Finance
23 October 2019

Notes to the Financial Statements for the year ended 31 March 2019

General Information

The Isle of Man Local Government Superannuation Scheme (the “Scheme”) is a statutory public service pension scheme as defined by the Superannuation Act 1984 (an Act of Tynwald of the Isle of Man).

The address of the Administering Authority is: Douglas Borough Council, PO Box 2, Town Hall, Ridgeway Street, Douglas, Isle of Man, IM99 1AD.

1. Basis of Preparation

The financial statements have been prepared in accordance with the Superannuation Act 1984 and in accordance with the Audit Act 2006.

The financial statements have also been prepared in accordance with the Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (Revised November 2014) (“the Pensions SORP”). The Administering Authority has not adopted the Statement of Recommended Practice (SORP) (Revised 2018) early for these financial statements.

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 scheme contributions made to purchase additional defined 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 part of their benefits as a pension or a pension and lump sum. Pensions and lump sums are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the later of the date of retirement or death and the date the Administering Authority is notified.

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 when made or, where the trustees of the receiving scheme have agreed to accept the liabilities in respect of transferring members before the year end, and in advance of actual transfer of funds.

Death in Service expense

Death in Service expense is accounted for when payable.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

2. Accounting Policies (continued)

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.

Investment income

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

Income from fixed interest, pooled investment vehicles, cash and short term deposits, and other investments 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 held by the Scheme are carried at market value. Equities traded through a Primary Exchange are valued at closing bid prices for assets. Pooled investment vehicles are valued using the official net asset value provided by the relevant fund managers, which reflects the market value of the underlying investments. Where separate bid and offer prices are available, the bid price is used, otherwise the closing single price is used.

Fixed interest securities are generally valued at bid prices using clean pricing. Accrued interest is identified separately in the total market value of investments.

Any foreign exchange contracts and forwards held by the Scheme at the year-end are valued using the applicable mark to market rates to calculate the unrealised gain/loss at that date. Realised gains are recorded in investment income in the Fund Account.

3. Contributions

	2018/19 £	2017/18 £
Employers		
Normal contributions	2,909,206	2,796,711
Other	55,598	0
Members		
Normal contributions	730,361	701,733
Scheme additional	12,356	13,892
Other	10,500	0
	<u>3,718,021</u>	<u>3,512,336</u>

Other contributions relate to augmentations and backdated contributions paid in respect of certain members.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

3. Contributions (continued)

Contributions breakdown

	2018/19 Employers Normal £	2018/19 Employees Normal £	2018/19 Employees Scheme Additional £	2018/19 Total £	2017/18 Total £
Braddan Parish Commissioners	61,600	16,571	0	78,171	76,148
Bride Parish Commissioners	897	230	0	1,127	1,127
Castletown Town Commissioners	75,313	19,219	0	94,532	88,752
Castletown & Malew Elderly Persons Housing Board	0	0	0	0	1,214
Douglas Borough Council	1,678,262	422,489	9,147	2,109,898	2,069,488
Garff Parish District Commissioners	26,757	6,806	0	33,563	32,539
Malew Parish Commissioners	48,003	12,395	0	60,398	45,653
Marashen Crescent Housing Committee	28,436	7,039	0	35,475	33,048
Marown Parish Commissioners	2,866	606	992	4,464	4,776
Michael District Commissioners	4,550	1,137	0	5,687	5,407
Northern Local Authorities Swimming Pool Board	28,333	7,095	0	35,428	30,614
Onchan District Commissioners	250,690	62,838	0	313,528	303,994
Peel Town Commissioners	109,008	26,983	436	136,427	132,276
Peel & Western District Housing Committee	11,287	2,561	0	13,848	13,260
Port Erin Village Commissioners	86,919	21,522	0	108,441	96,015
Port St Mary Village Commissioners	63,293	15,325	0	78,618	77,020
Ramsey & Northern District Housing Committee	17,979	4,455	1,781	24,215	23,563
Ramsey Town Commissioners	347,237	86,410	0	433,647	394,203
Southern Local Authorities Swimming Pool Board	48,180	11,912	0	60,092	60,855
Southern Civic Amenity Site Board	6,779	1,695	0	8,474	7,124
Vicar and Wardens of Kirk Braddan	12,817	3,073	0	15,890	15,260
	2,909,206	730,361	12,356	3,651,923	3,512,336
Other Commissioners	55,598	10,500	0	66,098	0
	2,964,804	740,861	12,356	3,718,021	3,512,336

Notes to the Financial Statements for the year ended 31 March 2019 – continued

4. Transfers In

	2018/19 £	2017/18 £
Individual transfers in from other Pension Schemes and Private Sector Institutions	218,260	448,337

5. Benefits

	2018/19 £	2017/18 £
Retirement and dependants' pensions	1,890,897	1,775,803
Lump sum retirement grants & commutations	749,851	568,673
Lump sum payable on death	354,858	125,740
	<u>2,995,606</u>	<u>2,470,216</u>

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 £7,767 (2017/18: £7,745).

6. Leavers

	2018/19 £	2017/18 £
Individual transfers to other schemes	151,817	31,312
Refunds to members leaving service	609	140
	<u>152,426</u>	<u>31,452</u>

7. Administrative Expenses

	2018/19 £	2017/18 £
Administering Authority (see note 16)	75,600	68,667
Scheme Administrator	76,735	75,345
Investment Advice	64,040	64,281
Audit Fees	16,822	15,800
Valuation	2,000	0
Other Actuarial	1,383	3,120
Legal & Professional	3,842	2,405
Other Fees	0	65
Admin Income	(420)	0
	<u>240,002</u>	<u>229,683</u>

Notes to the Financial Statements for the year ended 31 March 2019 – continued

8. Investment Income

	2018/19 £	2017/18 £
Income from fixed interest securities	295,786	139,695
Dividends from equities and net gains/losses on foreign exchange contracts	217,592	172,510
Income from pooled investment vehicles	438,420	471,145
Other investment income	1,127	5
	<u>952,925</u>	<u>783,355</u>

9a. Investments

	Value at 1 April 2018 £	Purchases at Cost £	Sales Proceeds £	Realised & Unrealised Gains £	Value at 31 March 2019 £
Fixed interest securities	1,724,690	1,644,647	(534,255)	(20,205)	2,814,877
Equities	4,864,491	3,699,273	(2,121,016)	42,746	6,485,494
Pooled investment vehicles	67,394,099	3,815,400	(5,717,081)	3,284,622	68,777,040
Money market securities	0	700,000	0	0	700,000
	<u>73,983,280</u>	<u>9,859,320</u>	<u>(8,372,352)</u>	<u>3,307,163</u>	<u>78,777,411</u>
Cash Deposits	811,537				808,641
Other – accrued investment income	23,814				52,082
	<u>74,818,631</u>			<u>3,307,163</u>	<u>79,638,134</u>

The realised and unrealised gains and losses on investments and derivative financial instruments during the year comprises profits and losses realised on sales, and unrealised changes in market value.

Direct investment transaction costs are included in the cost of purchases and sales proceeds. Direct investment transaction costs incurred during the year amounted to £38,628 (2017/18: £15,862). In addition to the direct investment transaction costs disclosed above, for certain pooled investment vehicles investment managers' fees incurred are taken into account in calculating the bid offer spread on investments within these pooled vehicles. The amount of these indirect costs is not separately provided to the Scheme.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

9b. Investments (continued)

Investments with Investment Fund Managers

	As at 31 March 2019 £	As at 31 March 2018 £
Fixed interest securities		
UK public sector quoted	0	230,111
UK corporate bonds	2,290,081	1,323,446
Overseas corporate bonds	524,796	171,133
	<u>2,814,877</u>	<u>1,724,690</u>
Equities		
UK quoted	3,431,565	2,843,177
Overseas quoted	3,053,929	2,021,314
	<u>6,485,494</u>	<u>4,864,491</u>
Pooled investment vehicles		
Unit trusts - UK equities	13,501,018	12,690,559
- Overseas equities	392,315	890,438
- Property	11,430,798	11,308,603
- UK fixed interest	11,117,101	12,306,064
- Overseas fixed interest	2,744,421	2,523,429
- UK index-linked securities	8,755,329	7,945,034
- Absolute return	695,572	212,576
- International equity	20,140,486	19,517,396
	<u>68,777,040</u>	<u>67,394,099</u>
Cash deposits		
Sterling	628,969	792,989
US Dollar	150,614	16,047
Swiss Franc	1,692	1,313
Norwegian Kroner	892	0
Euro	26,474	1,188
	<u>808,641</u>	<u>811,537</u>
Other		
Money Market Securities	700,000	0
Accrued investment income	52,082	23,814
Total Investments	<u>79,638,134</u>	<u>74,818,631</u>

Notes to the Financial Statements for the year ended 31 March 2019 – continued

9b. Investments (continued)

The aggregate holdings of the investment managers were as follows:

Managers	As at 31 March 2019	As at 31 March 2018
	£	£
Capital International	15,928,335	14,777,964
Canaccord	45,660,000	43,066,308
St James's Place Wealth Management	18,049,799	16,974,359
	<hr/>	<hr/>
Total Investments	79,638,134	74,818,631
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 March 2019	As at 31 March 2018
Royal London UK All Tracker Fund	16.8%	16.8%
Blackrock UK Property Fund	11.7%	12.2%
Vanguard UK Inf Linked Gilt Idx Fund	10.9%	10.5%
SSGA Barclays 15+ Year Gilt Fund	9.5%	9.7%
St James's Global Equity Income UT	6.8%	6.4%
St James's Global Equity UT	6.8%	6.8%
St James's Global UT	6.6%	6.7%

Notes to the Financial Statements for the year ended 31 March 2019 – continued

10. AVC (Additional Voluntary Contributions) Investments

The Administering Authority hold assets invested separately from the Fund with the AVC Provider Aviva in the form of individual building society funds securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. In accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No. 1831), these amounts have not been included within the Financial Statements.

11. Investment Management Expenses

	2018/19 £	2017/18 £
Canaccord	42,519	45,990
Capital International	62,360	59,222
	<hr/>	<hr/>
	104,879	105,212
	<hr/> <hr/>	<hr/> <hr/>

There are no expenses listed in the table relating to St James's Place Wealth Management. This is because the expenses are taken from the funds and reflected in the price at which the assets are valued.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

12. Fair value determination

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Plan's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

	Fixed Interest Securities	Equities	Pooled Investment Vehicles	Cash Deposits	Money Market Securities	Total
	£	£	£	£	£	£
As at 31 March 2019						
Level 1	2,814,877	6,485,494	8,754,373	1,568,911	700,000	20,323,655
Level 2	-	-	48,591,869	-	-	48,591,869
Level 3	-	-	11,430,798	-	-	11,430,798
Total	2,814,877	6,485,494	68,777,040	1,568,911	700,000	80,346,322
As at 31 March 2018						
Level 1	1,724,690	4,864,491	8,900,218	1,731,052	-	17,220,451
Level 2	-	-	47,185,278	-	-	47,185,278
Level 3	-	-	11,308,603	-	-	11,308,603
Total	1,724,690	4,864,491	67,394,099	1,731,052	-	75,714,332

The figures for cash deposits shown above differ from the totals in Note 9 due to the inclusion here of the scheme's cash at bank, which forms part of current assets shown in note 14.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

13. Investment Risk Disclosures

The Pensions Committee has identified a number of key risks that will impact on the Scheme's funding level and contribute to funding risk.

FRS 102 requires the disclosure of information in relation to certain investment risks.

- Credit risk: this is the risk that the counterparty to a financial instrument will cause financial loss for the Scheme by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.

(i) Credit risk

As at 31 March 2019 the Scheme holds the following asset classes that contain direct credit risk:

- Conventional gilts
- Index-linked gilts
- UK corporate bonds
- Pooled investment vehicles
- Cash
- Money market securities

The total value of asset classes containing credit risk is as follows:

	Fixed Interest Securities	Pooled Investment Vehicles	Cash	Money Market Securities	Total
	£	£	£	£	£
As at 31 March 2019	2,814,877	68,777,040	1,568,911	700,000	73,860,828
As at 31 March 2018	1,724,690	67,394,099	1,731,052	-	70,849,841

The Pensions Committee mitigates this risk by investing in bond assets that are high quality investment grade bonds. In the case of the conventional and index-linked gilts, these bonds are backed by the full credit and faith of the United Kingdom government. The credit risk on UK corporate bonds is mitigated through an active management approach and the investment manager's continuous analysis on the credit quality of the securities held within this mandate.

Cash is held with creditworthy financial institutions and parties.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

13. Investment Risk Disclosures (continued)

(i) Credit risk (continued)

Direct credit risk from holding pooled investment vehicles is mitigated by the underlying assets held in trust and separate from the assets of the investment manager. The risk is further mitigated by the Pensions Committee investing in regulated markets and regularly reviewing the investment managers in conjunction with their investment advisor.

The Scheme invests in pooled investment vehicles. The underlying assets held in certain funds may contain indirect credit risk; however, this risk is mitigated by the dynamic asset allocation and holistic risk management focus employed by the investment manager.

(ii) Market Risk

(a) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas equity markets either directly or indirectly via pooled investment vehicles. Accordingly, the value of the Scheme's assets may be affected favourably or unfavourably by fluctuations in currency rates.

The Scheme's managers mitigate currency risk by the use of derivative instruments.

The Scheme's total net unhedged exposure at the year-end was as follows:

	Fixed Interest Securities	Equities	Pooled Investment Vehicles	Cash	Total
	£	£	£	£	£
As at 31 March 2019					
US Dollars	184,097	1,366,372	842,233	150,614	2,543,316
Euros	-	689,922	-	26,474	716,396
Swiss Francs	-	78,762	-	1,692	80,454
Norwegian Krone	-	56,951	-	892	57,843
2019 Total	184,097	2,192,007	842,233	179,672	3,398,009
As at 31 March 2018					
US Dollars	174,409	854,475	849,433	16,047	1,894,364
Euros	-	470,286	-	1,313	471,599
Swiss Francs	-	32,667	-	1,188	33,855
Norwegian Krone	-	-	-	-	-
2018 Total	174,409	1,357,428	849,433	18,548	2,399,818

Notes to the Financial Statements for the year ended 31 March 2019 – continued

13. Investment Risk Disclosures (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 March 2019 the Scheme invests in the following asset classes, either directly or indirectly through pooled investment vehicles that contain interest rate risk:

- Conventional gilts
- UK Corporate bonds

The above asset classes are expected to broadly change in value in line with the Scheme's liabilities as a consequence of changing interest rates.

The total interest rate risk is as follows:

	Fixed Interest Securities	Pooled Investment Vehicles	Total
	£	£	£
As at 31 March 2019	2,814,877	13,861,522	16,676,399
As at 31 March 2018	1,724,890	14,829,493	16,554,383

The Pensions Committee mitigates direct interest rate risk by setting a strategic allocation for investment in gilts and bonds as a percentage as part of their investment strategy.

The Scheme also invests in absolute return, money market security, and index linked pooled investment vehicles. The underlying assets held in these funds may contain indirect interest rate risk; however, this risk is mitigated by the dynamic asset allocation and holistic risk management focus employed by the manager.

Notes to the Financial Statements for the year ended 31 March 2019 – continued

13. Investment Risk Disclosures (continued)

(c) Other price risk

Other price risk includes the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate, credit or currency risk), whether those changes are caused by factors specific to the financial instruments or their issuer, or factors affecting all similarly traded financial instruments in the market.

Other price risk arises principally in relation to the Scheme's return-seeking portfolio which includes equities and pooled investment vehicles. The Scheme manages this exposure by constructing a diversified portfolio of instruments across various markets. In accordance with the Scheme's Governance Statement, each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In addition, the asset allocation is monitored on a regular basis by the Pensions Committee.

The total indirect other price risk is as follows:

	Equities	Pooled Investment Vehicles	Total
	£	£	£
As at 31 March 2019	6,485,494	46,160,189	52,645,683
As at 31 March 2018	4,864,491	44,619,572	49,484,063

Notes to the Financial Statements for the year ended 31 March 2019 – continued

16. Related party transactions and balances

Douglas Borough Council is the administering authority for the Isle of Man Local Government Superannuation Scheme. The Council's Director of Finance is the Responsible Financial Officer for both the Council and the Scheme.

The Council incurred administration expenses in respect of the Scheme during the year which related to a combination of direct and indirect costs. Further expenditure was incurred by the Council in respect of the Scheme's fund managers, actuary, investment advisors, contracted administrator and other professional fees. These costs were recharged to the Scheme and are set out below, along with the balance outstanding (to)/from the Council as at the year end.

	Year to 31 March 2019 £	Year to 31 March 2018 £
Scheme administration expenses	75,600	68,667
Scheme professional fees	250,992	237,885
	326,592	306,552
	As at 31 March 2019 £	As at 31 March 2018 £
Due to the Council	(65,391)	(89,834)

17. Post Balance Sheet Event

In August 2019 the global equities fund manager was changed. The holdings with St. James's Place Wealth Management through Investasure Financial Services Limited were sold. The proceeds were immediately invested by Canaccord Genuity Wealth (International) Limited in two global equity funds.

Summary of Scheme Rules and Benefits

THESE PAGES DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

The scheme rules and benefits are governed under the Local Government Superannuation Scheme (LGSS) Regulations 2012.

SCHEME MEMBERSHIP AND INCOME

- (a) All employees of Douglas Borough Council and other local authorities are eligible for membership of the scheme providing they are aged under 75 and have a contract of employment for at least 3 months (or continuous contracts for 3 months or more). Employees of a Local Authority for a Parish District, Joint Board or Admitted body must be designated as eligible by their employer in order to be a member of the Scheme. Providing the previous criteria are met, full and part-time employees, whether permanent or temporary, become members automatically with the right to opt out.

Members' contributions are deducted from pensionable pay and the rate is dependent on the value of the assessed pensionable earnings. The rate the member pays depends on which earnings band the member falls into, but the rate will fall between 5.5% and 7.5% of pensionable earnings. If the member works part-time, the rate will be based on the full time equivalent permanent pensionable pay for the job, although the member will only pay contributions on the pensionable pay actually earned.

Members can increase their benefits if they:

- Pay additional voluntary contributions (AVCs) to AVIVA to buy retirement pension and tax free cash, or increase the death grant for their dependants.
 - Purchase additional pension in the LGSS.
- (b) Pension rights in almost any other scheme can be transferred into the Scheme to increase benefits, providing the transfer payment is received within 12 months of joining the Scheme (or such a longer date that the employer may allow).
- (c) The participating employers must make balancing contributions to keep the Scheme solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of the members' pensionable pay by the Fund Actuary following each triennial actuarial valuation of the Scheme.
- (d) Employers are required to fund early retirements (other than dismissal on the grounds of ill-health) and discretionary awards of additional membership or additional pension by making up front payments into the Scheme.
- (e) Monies not immediately required for the payment of benefits and other outgoings have to be invested in accordance with the provisions of the Scheme.

Summary of Scheme Rules and Benefits - continued

BENEFITS AVAILABLE

Three months' or more membership (includes where a transfer has been received, the member holds a deferred benefit in the Scheme or is drawing a pension from the Scheme):

- A. Retirement pension and tax-free lump sum (tax-free lump sum only based upon membership period accrued prior to 1 April 2012):
1. Payable immediately on cessation of employment:
 - Voluntarily from age 55 onwards (employer's consent required before age 60); or
 - Through permanent incapacity at any age with employer's consent; or
 - On the grounds of redundancy or efficiency after age 55.
 2. Deferred and payable from:
 - Normal retirement age; or
 - Voluntarily from age 55 onwards (employer's consent required before age 60); or
 - Through permanent incapacity at any age with the former employer's consent.
- B. Spouses', Civil Partners', Nominated Co-habiting Partners' and Children's pensions and a lump sum death grant following death:
- During employment; or
 - Whilst in receipt of a retirement pension (a death grant lump sum may not always be payable); or
 - Before deferred benefits become payable.

Less than three months' membership:

- A. Retirement pension on retirement at age 65.
- B. Lump sum death grant payable on death in employment.
- C. Refund of contributions or Cash Equivalent Transfer Value, when no other benefit is payable.

Although it will take into consideration the deceased person's wishes, the Pensions Committee has absolute discretion in deciding who should receive any lump sum death grant.

Summary of Scheme Rules and Benefits – continued

PENSIONS INCREASE AWARDS

All pensions in payment and deferred pensions are revalued in April each year in line with the increase in the UK Consumer Prices Index.

TRANSFERS TO OTHER SCHEMES

When benefits are not payable immediately, a transfer can usually be made to another tax-approved employer's pension scheme, or to a tax-approved personal pension or stakeholder 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.iomlgps.im).

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