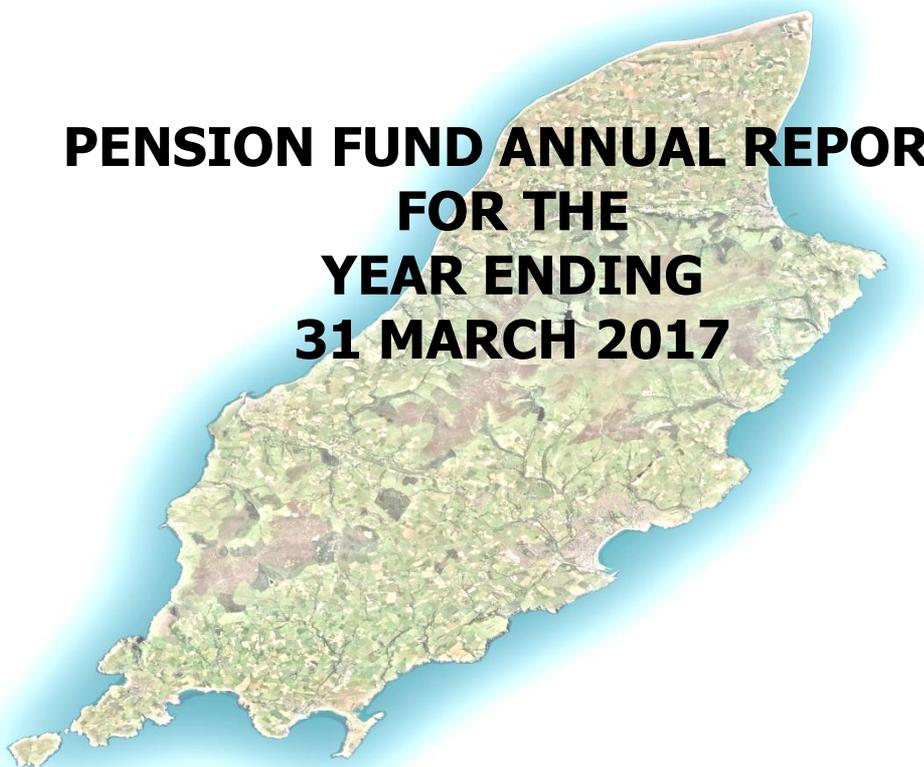


ISLE OF MAN LOCAL GOVERNMENT SUPERANNUATION SCHEME

PENSION FUND ANNUAL REPORT FOR THE YEAR ENDING 31 MARCH 2017



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CAPITA
Contract Administrators

HYMANS  ROBERTSON

Actuarial and Investment Support

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.

Table of Contents

	Page No.
The Administering Authority and their Advisers	1
Report by Douglas Borough Council	
Introduction	2
Management	2
Administration	4
Membership and Beneficiaries	6
Actuarial Valuation	9
Registration under the Data Protection Act 2002	10
Certificate by the Responsible Financial Officer	10
Investment Strategy	11
Actuarial Statement	13
Independent Auditor's Report	16
Independent Auditor's Statement about Contributions	18
Summary of Contributions	20
Foreword to the Financial Statements	21
Financial Statements for the year ended 31 March 2017	
Fund Account	22
Statement of Net Assets Available for Benefits	23
Notes to the Financial Statements	24
The following pages do not form part of the audited financial statements:	
Summary of Scheme Rules and Benefits	39

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 G M Bolt, CPFA

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 Benefits Limited, Hartshead House, 2 Cutlers Gate, Sheffield, United Kingdom S4 7TL

Consulting Actuary and Investment Consultant: Hymans Robertson LLP, Central Exchange, 20 Waterloo Street, Glasgow, United Kingdom G2 6DB

Investment Fund Managers: BlackRock (Isle of Man) Limited, 3rd Floor Atlantic House, 4-8 Circular Road, Douglas, Isle of Man IM1 1AG (until October 2016)

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

Custodians: BNP Paribas Securities Services S.C.A., Jersey Branch, Liberte House, 19-23 La Motte Street, St Helier, Jersey, Channel Islands JE4 5RL (until October 2016)

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 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.

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 Director of Finance);
- 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 2013 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 in the Isle of Man Statement of Recommended Practice 2015 on accounting for entities subject to the Audit Act 2006 (“the SORP”), as far as is practicable.

The financial statements have also 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 four fund managers shown on page 1. BlackRock (Isle of Man) Limited gave written notice on 11 May 2016 that it was planning to surrender its Isle of Man Financial Services Authority-issued licence and close its office by the end of 2016. A tender exercise was carried out to select investment managers with licences issued by the Isle of Man Financial Services Authority to take over the portfolios that had been managed by BlackRock. Canaccord Genuity Wealth was appointed and has subsequently taken over the management of the corporate bond and property mandates. Capital International was appointed and subsequently took over the absolute return mandate that had been managed by BlackRock initially, adding to the amount of absolute return investments that they already manage on behalf of the pension scheme.

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, 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 Additional Voluntary Contribution (AVC) arrangement for members. AVC's are not reflected within these financial statements.

Report by Douglas Borough Council – continued

MANAGEMENT (continued)

Enquires

General scheme enquiries and member enquiries should be sent to:

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

Tel: 01624 672730

Tel (from Isle of Man): 672730 – calls will be charged at local rates

Email: iomenq@capita.co.uk

Previous financial accounts and actuarial valuations are available on the website
www.douglas.gov.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.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). The pensions increase effective date was 11 April 2016. The Treasury Order/Pensions Increase was 0.1%. (2015/16: 1.2% from 6 April 2015) 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 2016 (2015/16: 30 September 2015).

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.douglas.gov.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

	2016/17	Restated 2015/16
	No.	No.
Active Membership		
As at 1 April (restated)	383	384
Late adjustments	-	(2)
<i>Add:</i>		
Entrants - new starters	40	40
	<u>40</u>	<u>38</u>
<i>Less:</i>		
Exits - new retirement pensions	(10)	(12)
- deferred benefits	(9)	(24)
- deaths in service	-	(1)
- pending member instruction	(1)	(2)
	<u>(20)</u>	<u>(39)</u>
As at 31 March	<u>403</u>	<u>383</u>
Deferred Membership		
As at 1 April (restated)	260	250
Late adjustments	-	(2)
<i>Add:</i>		
Entrants - deferred benefits	9	18
	<u>9</u>	<u>16</u>
<i>Less:</i>		
Exits - new retirement pensions	(6)	(5)
- transfers	(3)	-
- commuted benefits	-	(1)
	<u>(9)</u>	<u>(6)</u>
As at 31 March	<u>260</u>	<u>260</u>

Report by Douglas Borough Council – continued

MEMBERSHIP AND BENEFICIARIES

	2016/17	Restated 2015/16
	No.	No.
Pensioner Membership		
As at 1 April (restated)	293	288
Late adjustments - additions	-	2
- leavers	-	(3)
<i>Add:</i>		
Entrants - new pensioners	16	16
- new dependent pensions	2	4
	<u>18</u>	<u>19</u>
<i>Less:</i>		
Exits - suspended pension	-	(1)
- ineligible	-	(1)
- deaths	(10)	(12)
	<u>(10)</u>	<u>(14)</u>
As at 31 March	<u>301</u>	<u>293</u>

Report by Douglas Borough Council – continued

MEMBERSHIP AND BENEFICIARIES - continued

Membership as at 31 March 2017 by employer

	2017 Active	2017 Deferred	2017 Pensioners	2017 Total	Restated 2016 Total
Local Authorities					
Douglas Borough Council	227	158	141	526	508
Castletown Town Commissioners	9	5	12	26	27
Garff Parish District Commissioners (see note on page 9)	3	-	1	4	2
Michael District Commissioners	1	1	-	2	2
Onchan District Commissioners	37	24	42	103	101
Peel Town Commissioners	16	4	13	33	33
Port Erin Village Commissioners	10	12	5	27	27
Port St Mary Village Commissioners	9	11	12	32	31
Ramsey Town Commissioners	46	12	28	86	80
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	13
Marown Parish Commissioners	1	-	-	1	1
(b) Joint Boards					
Castletown & Malew Elderly Persons Housing Board	1	1	-	2	2
Marashen Crescent Housing Committee	5	-	1	6	6
Northern Local Authorities Swimming Pool Board	6	7	1	14	14
Peel & Western District Housing Committee	2	-	1	3	3
Ramsey & Northern District Housing Committee	4	-	6	10	10
Southern Civic Amenity Site Board	3	3	1	7	7
Southern Local Authorities Swimming Pool Board	9	9	9	27	27
Admitted Bodies					
Crossroads Caring for Carers– includes Manx Foundation for Physically Disabled Former Department of Tourism & Leisure – Villa Marina	-	3	4	7	7
Leonard Cheshire Foundation	-	1	3	4	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					
Manx Churches Adoption & Welfare Society (former admitted body)	-	4	13	17	17
	403	260	301	964	936

Report by Douglas Borough Council – continued

Membership as at 31 March 2017 (continued)

Bodies with no Members

The following bodies had no members during the year:

Designate Bodies:

(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

Note: From 30 April 2016 Laxey Village Commissioners, Lonan Parish Commissioners and Maughold Parish Commissioners ceased to exist, and their assets and liabilities were transferred to a new body, Garff Parish District Commissioners. In the prior year Lonan and Maughold Parish Commissioners had no members, whilst Laxey Village Commissioners had two members.

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 15 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

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 2013 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 2017 and of its financial position at 31 March 2017.

G M BOLT CPFA

Director of Finance as Responsible Financial Officer
Douglas Borough Council as Administering Authority
28 June 2017

Investments

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 Class</u>	<u>Asset Allocation as at 31 March 2017</u>		<u>Strategic Allocation</u>
	<u>£</u>	<u>%</u>	<u>%</u>
UK Equities	14,657,387	20.2%	20.0%
Global Equities	18,520,538	25.5%	25.0%
Absolute Return	14,285,628	19.6%	20.0%
Property	8,518,389	11.7%	12.0%
Conventional gilts	5,070,076	7.0%	7.0%
Index-linked gilts	5,963,433	8.2%	8.0%
Corporate bonds	5,648,237	7.8%	8.0%
Total	72,663,688	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 was 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 set out 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.

Investments 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	17.5	9.8	9.6
Benchmark	16.1	8.9	8.8

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	iBoxx non-Gilts All Stocks
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 2016/17

This statement has been prepared in accordance with The Isle of Man Local Government Superannuation Scheme Regulations 2012 (Statutory Document No 0104/12) and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2016/17.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Scheme, using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Scheme, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by ratepayers);
- to use reasonable measures to reduce the risk to other employers and ultimately to the ratepayer 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 Scheme and keeping employer contributions stable. The Scheme adopts a pooled approach for setting contributions, and contributions for all employers have been stabilised below the market-derived rate required to return their portion of the Scheme to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 65% chance that the Scheme will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Superannuation Scheme 2012 Document No. 0104/12, was at 31 March 2016. This valuation revealed that the Scheme’s assets, which at 31 March 2016 were valued at £62 million, were sufficient to meet 82% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £14 million.

Employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Scheme’s funding policy as set out in its FSS.

Actuarial Statement - continued

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report dated 24 March 2017.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Scheme assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Scheme's VitaCurves with improvements in line with the 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. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	24.1 years	27.1 years

**Aged 45 at the 2016 valuation.*

Copies of the 2016 valuation report and Funding Strategy Statement are available on the Administering Authority to the Scheme's website (www.douglas.gov.im).

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. The effect of this has been broadly offset by strong asset returns. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

Actuarial Statement - continued

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.



Douglas Green FFA

Fellow of the Institute and Faculty of
Actuaries

For and on behalf of Hymans Robertson
LLP

16 May 2017

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6OB

Independent Auditor's Report

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 2017 which comprise the fund account, the statement of net assets available for benefits 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), including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" as applicable to an Isle of Man entity.

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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report - continued

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2017, 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 2013 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 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.

Grant Thornton Limited
Chartered Accountants
Douglas
Isle of Man

Date: 25 October 2017

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 2017 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 2017 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: 25 October 2017

Summary of Contributions

Summary of Contributions payable in the year to 31 March 2017

Contributions payable under the Schedule of Contributions/ Payment Schedule:

Employer normal contributions	2,593,281
Employee normal contributions	675,941
	<hr/>
Total contributions payable under the Schedule	3,269,222
Other contributions:	
Employee additional Scheme contributions	12,170
Employer other contributions	12,564
	<hr/>
Total contributions payable to the Scheme:	3,293,956
	<hr/> <hr/>

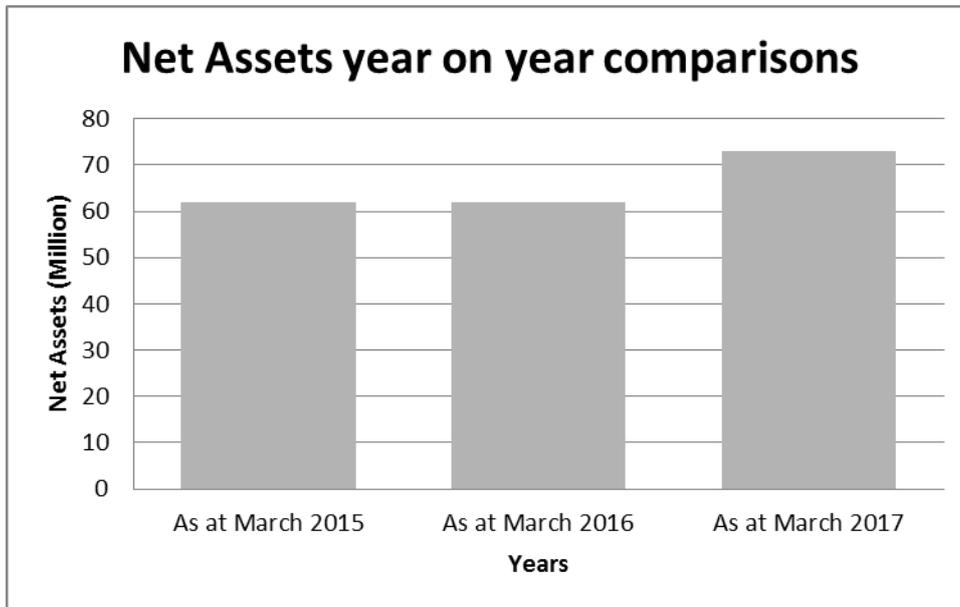
This Summary of Contributions was approved and authorised for issue by the Pensions Committee on 25 October 2017.

C L H CAIN
Chairman of the Pensions Committee
25 October 2017

G M BOLT CPFA
Director of Finance
25 October 2017

Foreword to the Financial Statements

As at the 31 March 2017 the accumulated Fund Net Assets stood at £73,134,721 (2015/16 £62,187,353). The Fund has increased in value by £10,947,368 (2015/16 decreased £141,263).

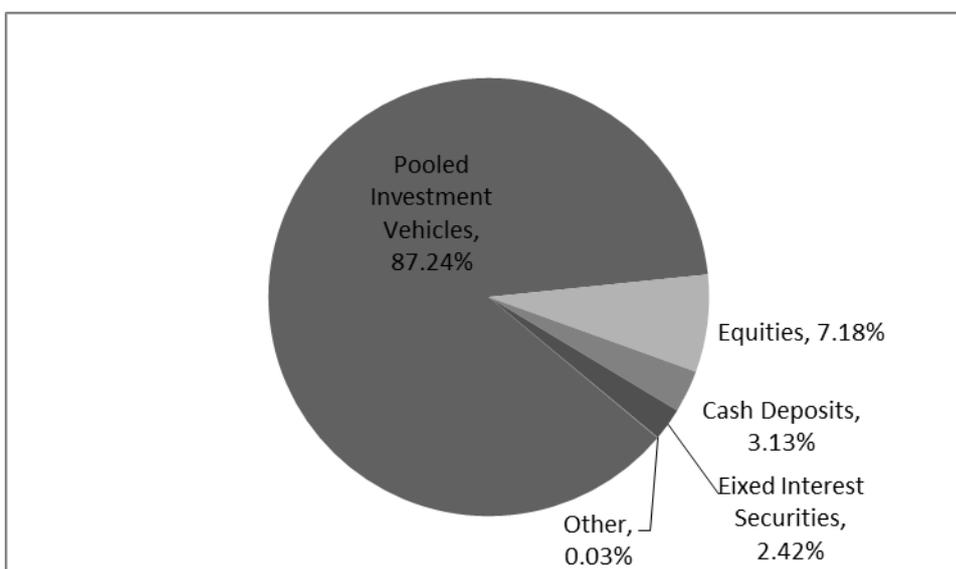


The Fund Value comparison for the last three years can be seen in the graph.

The income from all transfer values received in has decreased by £1,213 (2015/16 decreased by £14,013). Contributions have increased by £162,522 (2015/16 increased by £168,051). This has resulted in a net increase in income in respect of Scheme members of £161,309 (2015/16 increase of £154,038). Retirement benefits and payments made to or in respect of Scheme members during the year have increased by £219,896 (2015/16 increased by £127,191).

In overall terms the net additions from dealings with Scheme members (before administration expenses) during the year amount to £628,669 (2015/16 £687,256).

The holdings as at 31 March 2017 are illustrated in the pie chart below.



Financial Statements for the year ended 31 March 2017

	Notes	2016/17 £	2015/16 £
FUND ACCOUNT			
Contributions and Benefits			
Employer contributions	3	2,605,845	2,459,995
Employee contributions	3	688,111	671,439
Transfers in	4	-	1,213
		<u>3,293,956</u>	<u>3,132,647</u>
Benefits			
Retirement and dependant's pensions	5	(1,702,318)	(1,606,189)
Lump sum retirement grants	5	(680,984)	(736,599)
Lump sum payable on death	5	(66,825)	(102,603)
Leavers	6	(215,160)	-
Administrative expenses	7	(350,051)	(237,066)
		<u>(3,015,338)</u>	<u>(2,682,457)</u>
Net additions from dealings with members		<u>278,618</u>	<u>450,190</u>
Returns on investments			
Investment income	8	593,281	849,028
Change in market value of investments	9a	10,140,075	(1,310,541)
Investment management expenditure	11	(64,606)	(129,940)
Net return on investments		<u>10,668,750</u>	<u>(591,453)</u>
Net increase/(decrease) in the Scheme during the year		<u>10,947,368</u>	<u>(141,263)</u>
Net assets of the Scheme			
At year beginning		<u>62,187,353</u>	<u>62,328,616</u>
At year end		<u><u>73,134,721</u></u>	<u><u>62,187,353</u></u>

Financial Statements for the year ended 31 March 2017 - continued

	Notes	As at 31 March 2017 £	As at 31 March 2016 £
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 MARCH 2017			
Investment assets			
Fixed interest securities	9	1,758,242	791,421
Equities	9	5,219,623	2,246,959
Pooled investment vehicles	9	63,392,680	58,338,100
Cash	9	2,272,157	284,995
Other investment balances	9	20,986	14,308
Current Assets	14	509,914	601,288
Current Liabilities	15	(38,881)	(89,718)
Net Assets of the Scheme at year end		73,134,721	62,187,353

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 15 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 25 October 2017.

C L H CAIN
Chairman of the Pensions Committee
25 October 2017

G M BOLT CPFA
Director of Finance
25 October 2017

Notes to the Financial Statements for the year ended 31 March 2017

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").

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 date of retirement or death as appropriate.

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.

Death in Service expense

Death in Service expense is accounted for when payable.

Notes to the Financial Statements for the year ended 31 March 2017 – 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

	2016/17 £	2015/16 £
Employers		
normal	2,593,281	2,430,731
other	12,564	29,264
Members		
normal	675,941	658,458
scheme additional	12,170	12,981
	3,293,956	3,131,434

Employers' other contributions relate to augmentations paid in respect of certain members' redundancy.

Notes to the Financial Statements for the year ended 31 March 2017 – continued

3. Contributions (continued)

Contributions breakdown

	2016/17 Employers Normal £	2016/17 Employees Normal £	2016/17 Employees Scheme Additional £	2016/17 Total £	2015/16 Total £
Braddan Parish Commissioners	54,816	15,221	-	70,037	67,293
Bride Parish Commissioners	897	230	-	1,127	1,127
Castletown Town Commissioners	66,540	17,319	-	83,859	65,984
Castletown & Malew Elderly Persons Housing Board	4,942	1,194	-	6,136	5,920
Douglas Borough Council	1,523,632	397,230	8,953	1,929,815	1,845,172
Garff Parish District Commissioners	20,684	5,432	-	26,116	14,094
Malew Parish Commissioners	37,434	9,882	-	47,316	44,767
Marashen Crescent Housing Committee	25,129	6,458	-	31,587	28,167
Marown Parish Commissioners	2,649	583	954	4,186	3,702
Michael District Commissioners	3,722	881	-	4,603	2,708
Northern Local Authorities Swimming Pool Board	18,914	4,927	-	23,841	33,849
Onchan District Commissioners	247,605	64,927	-	312,532	290,492
Peel Town Commissioners	103,081	26,366	-	129,447	129,155
Peel & Western District Housing Committee	9,417	3,145	-	12,562	12,138
Port Erin Village Commissioners	69,439	17,723	-	87,162	83,467
Port St Mary Village Commissioners	49,991	12,563	-	62,554	63,552
Ramsey & Northern District Housing Committee	13,824	4,090	1,158	19,072	18,122
Ramsey Town Commissioners	273,277	70,742	1,105	345,124	305,462
Southern Local Authorities Swimming Pool Board	50,376	12,877	-	63,253	61,568
Southern Civic Amenity Site Board	5,324	1,259	-	6,583	12,364
Vicar and Wardens of Kirk Braddan	11,588	2,892	-	14,480	13,067
	2,593,281	675,941	12,170	3,281,392	3,102,170
Augmentation contributions – redundancy benefits receivable from Douglas Borough Council	12,564	-	-	12,564	-
from Peel Town Commissioners	-	-	-	-	29,264
	2,605,845	675,941	12,170	3,293,956	3,131,434

Notes to the Financial Statements for the year ended 31 March 2017 – continued

4. Transfers In

	2016/17 £	2015/16 £
Individual transfers in from other Pension Schemes and Private Sector Institutions	-	1,213
	<u> </u>	<u> </u>

5. Benefits

	2016/17 £	2015/16 £
Retirement and dependants' pensions	1,702,318	1,606,189
Lump sum retirement grants	680,984	736,599
Lump sum payable on death	66,825	102,603
	<u>2,450,127</u>	<u>2,445,391</u>
	<u> </u>	<u> </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 £12,671 (2015/16: £19,163).

6. Leavers

	2016/17 £	2015/16 £
Individual transfers to other schemes	215,160	-
	<u> </u>	<u> </u>

7. Administrative Expenses

	2016/17 £	2015/16 £
Administering Authority (see note 16)	69,689	64,471
Fund Administrator	75,592	68,940
Valuation	65,450	920
Other Actuarial	3,201	500
Investment Advice	116,720	69,275
New Regulation Implementation	-	8,873
Audit Fees	14,890	17,822
Legal & Professional	4,440	6,255
Other Fees	69	10
	<u>350,051</u>	<u>237,066</u>
	<u> </u>	<u> </u>

Notes to the Financial Statements for the year ended 31 March 2017 – continued

8. Investment Income

	2016/17 £	2015/16 £
Income from fixed interest securities	157,803	72,355
Dividends from equities and net gains/losses on foreign exchange contracts	100,556	563,732
Income from pooled investment vehicles	325,166	209,287
Interest on cash deposits	97	436
Other investment income	9,659	3,218
	<u>593,281</u>	<u>849,028</u>

9a. Investments

	Value at 1.04.16 £	Purchases at Cost & Derivative Payments £	Sales Proceeds & Derivative Receipts £	Realised & Unrealised Gains £	Value at 31.03.17 £
Fixed interest securities	791,421	889,491	-	77,330	1,758,242
Equities	2,246,959	2,258,542	-	714,122	5,219,623
Pooled investment vehicles	58,338,100	7,963,795	(12,257,838)	9,348,623	63,392,680
	<u>61,376,480</u>	<u>11,111,828</u>	<u>(12,257,838)</u>	<u>10,140,075</u>	<u>70,370,545</u>
Cash Deposits	284,995			-	2,272,157
Other – accrued investment income	14,308			-	20,986
	<u>61,675,783</u>			<u>10,140,075</u>	<u>72,663,688</u>

Direct investment transaction costs are included in the cost of purchases and sales proceeds. Direct investment transaction costs incurred during the year amounted to £26,112 (2015/16: £35,705). 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.

During the year investments that were held by Blackrock of £18,530,394 were transferred to Canaccord and Capital International at fair value.

Notes to the Financial Statements for the year ended 31 March 2017 – continued

9b. Investments (continued)

Investments with Investment Fund Managers

	As at 31 March 2017 £	As at 31 March 2016 £
Fixed interest securities		
UK public sector quoted	229,376	209,615
UK corporate bonds	1,329,185	406,911
Overseas corporate bonds	199,681	174,895
	<u>1,758,242</u>	<u>791,421</u>
Equities		
UK quoted	3,613,577	1,389,762
Overseas quoted	1,606,046	857,197
	<u>5,219,623</u>	<u>2,246,959</u>
Pooled investment vehicles		
Unit trusts - UK equities	14,657,387	11,946,773
- Overseas equities	419,610	361,142
- Property	9,866,231	8,818,867
- UK fixed interest	10,205,097	9,939,218
- Overseas fixed interest	2,056,889	-
- UK index-linked securities	5,963,433	4,758,293
- Absolute return	211,072	5,409,718
- International equity	20,012,961	17,104,089
	<u>63,392,680</u>	<u>58,338,100</u>
Cash deposits		
Sterling	2,139,171	284,995
US Dollar	132,986	-
	<u>2,272,157</u>	<u>284,995</u>
Other		
Accrued investment income	<u>20,986</u>	<u>14,308</u>
Total Investments	<u>72,663,688</u>	<u>61,675,783</u>

Notes to the Financial Statements for the year ended 31 March 2017 – continued

9b. Investments (continued)

The aggregate holdings of the investment managers were as follows:

Managers	As at 31 March 2017	As at 31 March 2016
	£	£
Capital International	14,285,628	6,573,274
Blackrock	-	18,095,228
Canaccord	39,857,522	20,941,598
Investasure (St James's Place Wealth)	18,520,538	16,065,683
Total Investments	<u>72,663,688</u>	<u>61,675,783</u>

An absolute return strategy seeks to make positive returns by employing investment management techniques that differ from traditional investors. The investment manager may do this by either investing (a) in a dedicated absolute return fund or (b) by investing directly in equities, securities, etc. in order to achieve the positive return targeted. At 31 March 2017 the strategic allocation to absolute return was managed by Capital International. They mainly adopt approach (b) with a small investment at the end of the year in a dedicated absolute return fund. At 31 March 2016 the strategic allocation to absolute return was split between Capital International and BlackRock. Approach (a) was favoured by BlackRock hence the much higher balance at 31 March 2016 in absolute return pooled investment vehicles.

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

	As at 31 March 2017	As at 31 March 2016
Royal London UK All Tracker Fund	20.1%	19.2%
Blackrock UK Property Fund	11.0%	12.7%
Vanguard UK Inf Linked Gilt Idx Fund	8.2%	7.7%
St James's Global Equity Income UT	7.7%	7.7%
St James's Global Equity UT	7.5%	7.8%
St James's Global UT	7.5%	7.7%
SSGA Barclays 15+ Year Gilt Fund	6.9%	6.8%
Blackrock Diversified Growth Fund	-%	8.7%
Blackrock All Stk Corp Bond Fund	-%	7.6%

Notes to the Financial Statements for the year ended 31 March 2017 – 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

	2016/17	2015/16
	£	£
Canaccord	19,760	5,147
Blackrock	-	91,902
Capital International	44,846	32,891
	<u>64,606</u>	<u>129,940</u>

Notes to the Financial Statements for the year ended 31 March 2017 – continued

12. Fair value determination

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

Category (a) The quoted price for an identical asset in an active market.

Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.

Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined using a valuation technique which uses:

- c (i) observable market data; or
- c (ii) non-observable data.

The Scheme's investment assets (excluding accrued income) have been fair valued using the above hierarchy categories as follows:

	Fixed Interest Securities	Equities	Pooled Investment Vehicles	Cash Deposits	Total
	£	£	£	£	£
As at 31 March 2017					
Category (a)	1,758,242	5,219,623	6,446,435	2,272,157	15,696,457
Category (b)	-	-	46,423,464	-	46,423,464
Category (c)(i)	-	-	656,550	-	656,550
Category (c)(ii)	-	-	9,866,231	-	9,866,231
Total	1,758,242	5,219,623	63,392,680	2,272,157	72,642,702
As at 31 March 2016					
Category (a)	791,421	2,246,959	4,236,533	284,995	7,559,908
Category (b)	-	-	40,527,672	-	40,527,672
Category (c)(i)	-	-	4,755,026	-	4,755,026
Category (c)(ii)	-	-	8,818,869	-	8,818,869
Total	791,421	2,246,959	58,338,100	284,995	61,661,475

Notes to the Financial Statements for the year ended 31 March 2017 – 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 2017 the Scheme holds the following asset classes that contain direct credit risk:

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

The total credit risk is as follows:

	Fixed Interest Securities	Pooled Investment Vehicles	Cash Deposits	Total
	£	£	£	£
As at 31 March 2017	1,758,242	63,392,680	2,272,157	67,423,079
As at 31 March 2016	791,421	58,338,100	609,005	59,738,526

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 2017 – 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 Deposits	Total
	£	£	£	£	£
As at 31 March 2017					
USD	203,366	403,884	214,323	132,986	954,559
2017 Total	203,366	403,884	214,323	132,986	954,559
As at 31 March 2016					
USD	178,137	154,007	181,523	9,698	523,365
2016 Total	178,137	154,007	181,523	9,698	523,365

Notes to the Financial Statements for the year ended 31 March 2017 – 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 2017 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 2017	1,758,242	18,225,419	19,983,661
As at 31 March 2016	791,421	14,697,511	15,488,932

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 invested in absolute return pooled investment vehicles managed by Blackrock until October 2016, then by Capital International to 31 March 2017. 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 2017 – 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 2017	5,219,623	45,167,259	50,386,882
As at 31 March 2016	2,246,959	43,640,587	45,887,546

Notes to the Financial Statements for the year ended 31 March 2017 – continued

14. Current Assets

	As at 31 March 2017 £	As at 31 March 2016 £
Debtors		
Contributions due from employers	194,697	197,862
from employees	48,872	54,651
Accrued Equity Income	16,630	15,494
Accrued Property Income	17,745	-
Cash at bank	190,486	324,010
Amounts due from related parties (note 16)	26,718	-
Sundry Debtors	14,766	9,271
	<u>509,914</u>	<u>601,288</u>

Amounts due from employers' and employees' contributions are outstanding in the normal course of collection at the year end.

15. Current Liabilities

	As at 31 March 2017 £	As at 31 March 2016 £
Amounts due to related parties (note 16)	-	66,996
Creditors and accruals	38,881	22,722
	<u>38,881</u>	<u>89,718</u>

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 from/(to) the Council as at 31 March 2017.

	Year to 31 March 2017 £	Year to 31 March 2016 £
Scheme administration expenses	69,689	64,471
Scheme professional fees	336,067	302,525
	<u>405,756</u>	<u>366,996</u>

Notes to the Financial Statements for the year ended 31 March 2017 – continued

16. Related party transactions and balances (continued)

	As at 31 March 2017 £	As at 31 March 2016 £
Due from/(to) the Council	26,718	(66,996)

Summary of Scheme Rules and Benefits

THESE PAGES DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

On 1 April 2012 the scheme rules and benefits became subject to 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 the aggregate of several continuous contracts is for at least 3 months). In addition, employees of a Local Authority for a Parish District, Joint Board and 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 (back-dated to the start of 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.

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.

Subject to limits set by the Treasury, members can:

- Pay additional voluntary contributions (AVCs) with AVIVA to buy a larger retirement pension, to improve other specific benefits or to provide additional pension.
 - Purchase additional pension.
- (b) Transfer payments for pension rights in almost any other scheme can be accepted by 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 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' pensionable pay by the Consulting Actuary following each triennial actuarial valuation of the Scheme.

Summary of Scheme Rules and Benefits - continued

SCHEME MEMBERSHIP AND INCOME (continued)

- (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.

BENEFITS AVAILABLE

Three months' membership or more (or a transfer value has been received or the member holds a deferred benefit in 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 (with the employer's consent if under age 60); or
 - Through permanent incapacity at any age with employer's consent; or
 - As a result of dismissal on the grounds of redundancy or efficiency after age 55.
 - 2. Deferred and payable from:
 - Normal retirement age; or
 - Voluntarily from age 55 onwards (with the former employer's consent if under 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.

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

BENEFITS AVAILABLE (continued)

Under three months' membership (and no transfer value has been received or member does not hold deferred benefit in the Scheme):

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

PENSIONS INCREASE AWARDS

All pensions in payment and deferred pensions are reviewed 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.douglas.gov.im).