

Judicial Pension Scheme 2004

Public Sector Pensions Authority
Annual Report and Accounts
for year ending 31 March 2016

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1. Introduction

- 1.1. The Public Sector Pensions Authority (PSPA) was established in 2012, as the Statutory Board responsible for the administration and management of the majority of public sector pension schemes (the 'schemes') as defined in the Public Sector Pensions Act 2011 (the 'Act').
- 1.2. Board Members are appointed by the Council of Ministers and comprise of a legally qualified Chair, who is independent of employer and employee interests, two Members representing the interests of employers, one being the Chair of the Public Services Commission (previously the Civil Service Commission), who is also the Vice-Chair of the PSPA. Two further Members represent the interests of employees, one being nominated by the Isle of Man Trades Council and the other by any other Isle of Man trade union body representing the interests of public sector employees.
- 1.3. The PSPA operates in a similar way to a corporate trustee for a private sector pension scheme, with the PSPA Members representing the interests of all the schemes' beneficiaries and not solely the interests of the body or union that nominated them. However, the Board is not constituted as a Trustee Board and does not therefore have the same fiduciary responsibilities.
- 1.4. Under the Act, the PSPA is responsible for ensuring that the schemes are properly maintained and administered. The PSPA Members meet on a regular basis to consider management and administrative matters, delegating the day to day management and administration to the officers of the PSPA.
- 1.5. Under the Act the functions of the PSPA include:
 - Administering and managing the majority of the public sector pension schemes established in the Island;
 - Acting as a policy adviser to the Council of Ministers on the superannuation of public sector employees;
 - Making and amending public sector superannuation schemes, subject to Tynwald approval; and
 - Preparing annual accounts hereafter referred to as financial statements, relating to those schemes it administers and manages.
- 1.6. The Isle of Man Treasury provides the PSPA with finance and payroll services. In practice, the PSPA coordinates and administers the calculation and set up of expenditure and monitors income, whilst the Treasury makes payments and receives funds from contributions and transfers to the schemes.

PSPA's Mission Statement

- 1.7. To deliver high quality pension and other superannuation benefit services, which are customer focused and cost effective for all stakeholders.

PSPA's Management and Administration Costs

- 1.8. In accordance with section 9(3)(c) of the Act, the cost for the management and administration of the schemes must be paid by the PSPA out of monies provided by Tynwald or from such other sources of funding as is approved by Tynwald. These costs are not reflected in the annual report and financial statements of the individual schemes.

2. Public Sector Pensions Authority Board

Mr J Carter, LLB Chair (Independent)

PSPA Members representing the interests of Employers

Hon C C Thomas, MHK	Vice Chair	Appointed 3 November 2016
Mr D J Ashford, MHK		Appointed 3 November 2016
Mr J P Shimmin, MHK		Resigned 3 November 2016
Mr T Wild, MLC		Resigned 3 November 2016

PSPA Members representing the interests of Employees

Mr K Flint	Deceased 25 August 2015
Mr E Holmes	
Ms A Moffatt	Appointed 24 November 2015

3. Public Sector Pensions Authority Advisers

Scheme Management and Administration

Public Sector Pensions Authority
3rd Floor Prospect House
27-29 Prospect Hill
Douglas
Isle of Man IM1 1ET

Financial and Payroll Services

Office of Human Resources
Payroll Team
Cabinet Office
St Andrew's House
Finch Road
Douglas
Isle of Man IM1 3PX

Scheme Actuary

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Independent Auditor

PricewaterhouseCoopers LLC
Third Floor
Sixty Circular Road
Douglas
Isle of Man IM1 1SA

Bankers (via Treasury)

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

4. Public Sector Pensions Authority's Report

- 4.1. The Judicial Pension Scheme 2004 (the 'Scheme') is a public sector pension scheme which commenced on 1 November 2004.
- 4.2. The Scheme is an unfunded, contributory, voluntary membership, defined benefit scheme which provides retirement, death and dependants' benefits for qualifying members.

The Rules Affecting the Scheme

- 4.3. The Rules governing the management and administration of the Scheme were implemented under Section 12(1) of the Superannuation Act 1984.
- 4.4. The Scheme now operates under the Public Sector Pensions Act 2011, which has superseded the Superannuation Act 1984.
- 4.5. The Scheme replaced the Judicial Pension Scheme 1992, which is now closed to new members.

Analogous to the UK Judicial Pension Scheme

- 4.6. The Scheme is consistent with the UK Judicial Pension Scheme, subject to modifications. However, changes to the UK Scheme only apply in the Isle of Man if the PSPA agrees with the proposed change and a consultation has taken place with affected members, their representatives, Treasury, relevant Departments and Boards prior to approval being sought in Tynwald for the Scheme amendment.

Sponsoring Employer

- 4.7. Scheme members are Crown Appointments.

Information about the Scheme

- 4.8. Information about the Scheme is provided in the "member guide", available from the PSPA.

Benefits of the Scheme

- 4.9. Benefits under the Scheme, including pensions and lump sums are calculated using final pensionable pay and length of pensionable service.
- 4.10. Further information about the Scheme's benefits is contained in the "member guide".

Changes and forthcoming changes affecting the Scheme

- 4.11. The UK Government has introduced a new "stand alone" judicial pension scheme based upon the new (UK) Civil Service pension scheme. The new scheme came into effect on 1 April 2015. The new scheme applies to all new members appointed from that date and also to those members who are currently in service who do not have protection to allow them to continue as a member in their current scheme. It is likely that the PSPA will continue to mirror the UK Judicial Pension Scheme by applying these reforms to the Isle of Man Scheme.

Employer Contributions

- 4.12. There were no employer contributions paid by the employer, until 1 April 2016, where employers now pay a minimum of 15% of superannuable pay (unless they are already contributing in excess of 15%, in which case the higher contribution will continue) and this is expected to increase each subsequent year by 1% until the employers' contributions reach 20%.

Member Contributions

- 4.13. The member contribution rate is currently 3%.

Member Contributions - Additional Voluntary Contributions

- 4.14. Scheme members may increase their retirement benefits by the payment of Additional Voluntary Contributions (AVC) in the following ways.
- Paying AVCs into a Group Personal Pension arrangement with Aviva Life UK Services Limited and Prudential Pensions Limited;
 - Paying AVCs into with-profits contracts with Aviva Life UK; and
 - Paying AVCs into the Scheme by purchasing added years.

Annual Pension Increase

- 4.15. Pension increases are made in accordance with the UK Pensions (Increase) Act 1974, by way of the Isle of Man Treasury's Pensions Increase (Annual Review) Order. The Order flows from Section 59 of The Social Security Pensions Act 1975, as it has effect in the Isle of Man, which requires the Isle of Man Treasury to increase the annual rate of an "official pension" by the same percentage as it is raised by the Secretary of State for Work and Pensions in the United Kingdom.
- 4.16. Pension increases are linked to those for additional state pension, such as the State Second Pension, and any uprating takes into account the rate of UK inflation over the previous year to September.
- 4.17. The pension increase on 6 April 2015 was in line with the UK's Consumer Prices Index for the 12 months to September 2014 at 1.2%. The Scheme's pensioner members have received this increase.

Membership Information

4.18. Details of the membership of the Scheme are as follows:-

	31 March 2016	31 March 2015
Active members	9	8
Deferred members with preserved benefits	0	0
Pensioners	4	4
Total membership	13	12

Movements within the Scheme's Active Membership during the Year

Active membership	2015/16	2014/15
Active membership on 1 April	8	8
Additions		
New members joining	1	0
Reductions		
Retirements	0	0
Active membership on 31 March	9	8

Movements within the Scheme's Deferred Membership during the Year

Deferred membership	2015/16	2014/15
Deferred membership on 1 April	0	0
Additions		
Leavers with deferred benefits	0	0
Reductions		
Retirements	0	0
Deferred membership on 31 March	0	0

Movements within the Scheme's Pensioner Membership during the Year

Pensioner membership	2015/16	2014/15
Pensioner members on 1 April	4	4
Additions		
Retirements	0	0
Reductions		
Deaths in retirement	0	0
Pensioner membership on 31 March	4	4

Note: The figures include Pensioners, Child Pensions and Widow/Widower Pensions.

Tax and National Insurance Status

- 4.19. 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' contributions paid to the Scheme.
- 4.20. The Income Tax (Approved Pensions Schemes)(Trivial Commutation Lump Sums)(Amendment) Regulations 2015 approved by Tynwald in February 2015, increased the overall trivial commutation limit from £18,000 to £30,000.
- 4.21. The Income Tax (Approved Pensions Schemes)(Trivial Commutation Lump Sums)(Amendment) Regulations 2016 approved by Tynwald in February 2016, further increased the trivial commutation limit from £30,000 to £50,000 and reduced the age at which trivial commutation could be paid from 60 years of age to 55 with effect from 6th April 2016.

Funding Status

- 4.22. The PSPA has undertaken an assessment of the future funding of all the schemes it manages and administers on a collective basis. The PSPA expects the schemes, including this Scheme to continue operating on an unfunded basis for the foreseeable future, with any shortfall between income and expenditure being funded by the Treasury.

Accounting Records

- 4.23. Prior to 1 April 2012, the Scheme's accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements.
- 4.24. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pensions Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Statement of PSPA Responsibilities

- 4.25. The financial statements, which are prepared in accordance with United Kingdom Accounting Standards, are the responsibility of the PSPA. The Act requires the PSPA to make available to the Council of Ministers audited financial statements for each scheme year which implies that they should:
- Show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the liabilities to pay relevant benefits after the end of the Scheme year; and
 - Contain the information specified by United Kingdom Accounting Standards, including a statement whether the financial statements have been prepared in accordance with the guidance set out in Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014)("the SORP").

- 4.26. The PSPA has supervised the preparation of the financial statements and has agreed suitable accounting policies to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.
- 4.27. The PSPA is also responsible for making available certain other information about the Scheme in the form of an Annual Report.
- 4.28. The PSPA is also responsible for keeping records in respect of contributions received by Treasury in relation to any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employers in accordance with the Scheme Rules and the recommendation of the Scheme actuary.
- 4.29. The PSPA also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme (if any) and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.
- 4.30. The PSPA is also responsible for the maintenance and integrity of the PSPA website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Further Information

- 4.31. The Public Sector Pensions Working Group reported to December 2014 Tynwald on the fairness and sustainability of public sector pensions. Tynwald noted the report and the resolution arising from the debate requested the PSPA to consult on the proposed reforms, to have the actuarial figures independently verified and to negotiate with staff sides if reforms were required.
- 4.32. In the July 2015 sitting of Tynwald, it was resolved that the PSPA should conclude the consultation and negotiation process by 31 December 2015 and submit final proposals to Tynwald for approval in February 2016.
- 4.33. The PSPA report entitled 'Fairness and Sustainability of Public Sector Pension Schemes – Revised Proposals' was submitted to the Council of Ministers in February 2016, additional time was provided to members to consider the proposals and the report with an amending motion was approved by Tynwald at its June 2016 sitting. The following points related to this Scheme:-
 - Receives the report of the PSPA entitled "Fairness and Sustainability of Public Sector Pension Schemes – Revised Proposals;"
 - Requests the PSPA to commence reform negotiations with members of the Judicial Pension Scheme once the outcome of the UK judicial review is known;
 - Requests the Public Sector Pensions Authority to consult on detailed scheme changes with a view to formal amendments to all schemes being laid before Tynwald for approval no later than February 2017; and
 - Agrees that the options for managing the legacy position in the longer term will be subject to further investigation by the PSPA and the Treasury in conjunction with

Tynwald Members and a further report will be submitted to Tynwald for consideration after the General Election.

- 4.34. The PSPA will now consult on detailed scheme changes with a view to formal amendments to all schemes being presented for Tynwald approval by February 2017.
- 4.35. Enquiries about the Scheme generally, or about an individual member's entitlements to benefit, should be addressed to:-

Scheme Administrator
Public Sector Pensions Authority
3rd Floor Prospect House
27-29 Prospect Hill
Douglas
Isle of Man
IM1 1ET



Mr J Carter, LLB
Chair, PSPA
3 December 2016


Mr E Holmes
PSPA
7 December 2016

5. Actuarial Statement

Addressee and Purpose

- 5.1. This statement has been prepared for the Public Sector Pensions Authority ("PSPA"). The purpose of this statement is to set out the disclosures required for the 2015/16 Annual Report and Accounts of the Judicial Pension Scheme 2004 ("the Scheme").

Description of the Scheme

- 5.2. The Scheme is one of a number of unfunded defined benefit schemes with relatively small numbers of members in the Isle of Man that are governed by the PSPA.
- 5.3. The Scheme replaced the Judicial Pension Scheme 1992 on 1 November 2004. Over the 2015/16 year there were only active and pensioner members in the scheme.

Principal Actuarial Assumptions and Method used to Value the Liabilities

- 5.4. The financial and demographic assumptions adopted are consistent with those used for the actuarial valuation of the PSPA pension schemes as at 31 March 2013. Details are set out below.
- 5.5. Data provided by the PSPA for the purpose of the 2013 actuarial valuation was used in the preparation of this statement.

Method

- 5.6. 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.
- 5.7. The calculation of the estimated cost of benefits earned (or 'accrued') by existing members over the year from 1 April 2013 allows for all expected future pay and pension increases, and is based on the Projected Unit Method of calculation. This amount is expressed as a percentage of the members' pensionable pay over the year.

Assumptions

- 5.8. The same financial and demographic assumptions were adopted for all PSPA pension schemes at the 2013 valuation.
- 5.9. The key financial assumptions adopted are set out below.

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	5.0%	3.0%
Pay increases	4.5%	2.5%
Price inflation/pension increases	2.0%	-

The key demographic assumption is the allowance made for longevity. The life expectancy assumptions are based on the Club Vita tables used for the 2013 PSPA valuations, with improvements in line with the CMI 2013 projections model, assuming that the recent rate of improvements will continue to rise in the short term before falling to a long term rate of improvement of 1.25% p.a.

- 5.10. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	24.1 years	26.0 years
Future pensioners*	26.7 years	28.8 years

**Future pensioners are assumed to be 45 at the 2013 valuation.*

- 5.11. Please note, the life expectancy assumption adopted for the 2013 valuation of the PSPA pension schemes is different to that adopted for the 2012/13 actuarial statement.

Other Demographic Assumptions

- 5.12. The tables below show details of the demographic assumptions adopted for the 2013 valuation at specimen ages.
- 5.13. Age retirements – Members are assumed to retire on reaching the Normal Retirement Age applicable to their membership of the Scheme. No allowance is made for early retirements (other than on grounds of ill health).
- 5.14. Retirements in ill health – Allowance has been made for ill health retirements before Normal Pension Age (see table below).
- 5.15. Tier 1

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Ill Health	Ill Health
20	0.00	0.00
25	0.00	0.36
30	0.45	0.60
35	0.60	1.20
40	1.05	1.56
45	2.40	2.52
50	6.60	4.92
55	13.50	12.96
60	27.00	0.00

5.16. Tier 2

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Ill Health	Ill Health
20	0.00	0.00
25	0.00	0.19
30	0.24	0.32
35	0.32	0.64
40	0.56	0.83
45	1.28	1.34
50	3.52	2.62
55	7.20	6.91
60	14.40	0.00

5.17. Withdrawals - Allowance has been made for withdrawals from service (see table below).

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Withdrawals	Withdrawals
20	122.40	116.10
25	80.85	78.10
30	57.35	65.45
35	44.80	56.45
40	36.05	46.95
45	29.50	38.65
50	22.85	29.45
55	19.80	22.70
60	12.00	10.55

- 5.18. Death in Service – Allowance has been made for members dying in active service (see table below).

Age	Incidence for 1,000 active members p.a.	
	Male	Female
	Death in Services	Death in Services
20	0.30	0.16
25	0.30	0.16
30	0.36	0.24
35	0.42	0.40
40	0.72	0.64
45	1.20	1.04
50	1.92	1.52
55	3.00	2.00
60	5.40	2.56

- 5.19. Promotional salary scale – The promotional pay scale is in addition to the allowance for general pay inflation described above.

Age	Promotional Salary Scales	
	Male	Female
	Salary Scale	Salary Scale
20	100	100
25	100	100
30	123	123
35	138	138
40	148	148
45	158	158
50	168	168
55	168	168
60	168	168

- 5.20. Family details – A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. Husbands are assumed to be 3 years older than wives.
- 5.21. Cash commutation – Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 50% of the amount.

Value of Past Service Liabilities as at 31 March 2013

- 5.22. The PSPA commissioned an actuarial valuation of the Scheme as at 31 March 2013. This analysis revealed the past service liabilities of the Scheme as at 1 April 2013 to be £6.04 million. A breakdown of this is provided in the table below.

	Past Service Liabilities £000
Active members	2,390
Pensioner members	3,646
Total	6,036

Cost of Accruing Benefits as at 1 April 2013

- 5.23. The scheme is an unfunded arrangement. Active members pay contributions based on their pensionable pay, with the balance of the cost being met by the sponsoring employer, the Isle of Man Government.
- 5.24. The employer's share of the cost of accruing benefit as at 31 March 2013 on the assumptions set out above is 39.5% and the employees' cost is 3.0%. These rates do not reflect the actual contribution rates payable by the employer.
- 5.25. The following Technical Actuarial Standards¹ are applicable in relation to this report:
- Pensions TAS;
 - TAS R – Reporting;
 - TAS M – Modelling; and
 - TAS D – Data.



Peter Summers FFA
For and on behalf of Hymans Robertson LLP
Scheme Actuary

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.

6. Independent Auditor's Report to the PSPA in respect of the Judicial Pensions Scheme 2004

Report on the financial statements

Our opinion

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 2016, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and
- Have been properly prepared in accordance with United Kingdom Accounting Standards.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements, which are prepared by the PSPA, comprise:

- The statement of net assets available for benefits as at 31 March 2016;
- The fund account for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable Isle of Man law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". In applying the financial framework, the PSPA has made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Isle of Man law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report including the opinion has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purposes or any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

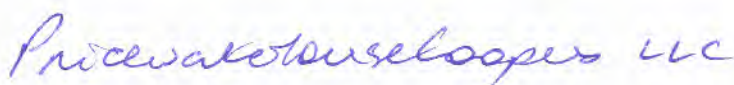
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 PSPA; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the PSPA's judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
8 December 2016

7. Independent Auditor's Statement about Contributions to the PSPA in respect of the Judicial Pension Scheme 2004

Statement about contributions

Our qualified opinion

In our opinion, except for the matter described in the basis for our qualified opinion paragraph, the contributions payable to the Scheme for the year ended 31 March 2016 have in all material respects been paid in accordance with the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary.

Basis for our qualified opinion

The contributions paid to the Scheme for the year ended 31 March 2016 were at a lower percentage of pensionable pay than the cost of accruing benefits as advised by the Scheme Actuary in the latest actuarial valuation as at 31 March 2013, as explained in note 10.16 to the financial statements.

This opinion is to be read in the context of what we say in the remainder of this statement.

What we have examined

We have examined the contributions paid to the Scheme for the year ended 31 March 2016.

Responsibilities for the statement about contributions

Our responsibilities and those of the PSPA

As explained more fully in the statement of PSPA responsibilities, the PSPA is responsible for monitoring whether contributions are made to the Scheme by the employers in accordance with relevant requirements.

It is our responsibility to provide a statement about contributions and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the PSPA as a body in accordance with the Public Sector Pensions Act 2011 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an examination of the contributions payable involves

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions have been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the Scheme Rules and the cost of accruing benefits as advised by the Scheme Actuary and, the timing of those payments.

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLC

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
8 December 2016

8. Fund Account for the Year Ended 31 March 2015

	Notes	2016 £000	2015 £000
Contributions and other income			
Contributions	10.16	528	483
Transfers In	10.14	646	-
Benefits and other outgoings			
Benefits	10.13, 10.18	(212)	(209)
Net additions from dealings with members		962	274
Net assets of the Scheme at 1 April		0	0
Cancellation of current assets and current liabilities	10.5 to 10.8, 10.19	(962)	(274)
Net assets of the Scheme on 31 March		0	0

8.1. The notes on pages 24 to 28 form part of these financial statements.

9. Statement of Net Assets Available for Benefits as at 31 March 2016

	Notes	2016 £000	2015 £000
Current assets	10.5 to 10.8	0	0
Current liabilities	10.5 to 10.8	0	0
Net assets available for benefits		0	0

- 9.1. The notes on pages 24 to 28 form part of these financial statements.
- 9.2. The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the PSPA. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the actuarial statements on pages 13 to 17, and these financial statements should be read in conjunction with them.
- 9.3. These financial statements were approved by the PSPA on 7 December 2016.



Mr J Carter, LLB
Chair, PSPA
3 December 2016



Mr E Holmes
PSPA
7 December 2016

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10. Notes to the Financial Statements for the Year Ended 31 March 2016

Statement of Compliance and Transition to FRS102

- 10.1. The financial statements have been prepared in accordance with applicable Isle of Man law, United Kingdom Accounting Standards ('UKAS'), including the Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised November 2014)(the "SORP"), and comply with UKAS to the extent that it is considered to be appropriate for an unfunded pension scheme.
- 10.2. This is the first year that the Scheme has presented financial statements under FRS 102 and the SORP. The last financial statements presented under the previous version of UKAS were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. As a result of the transition to FRS 102, there are no reportable changes to the Scheme's accounting under the previous and current versions of UKAS and hence, a reconciliation showing the effects of transition is not required. The financial statements and notes to the financial statements reflect minor presentational and disclosure amendments arising from the adoption of FRS 102.

Basis of Accounting

- 10.3. Prior to 1 April 2012, the legacy schemes' accounting records were maintained on a cash receipts and payments basis and there was no requirement to prepare financial statements. The PSPA and Treasury agreed that historic debtor and creditor balances between the legacy schemes, the sponsoring employers and the Treasury would be cancelled as the legacy schemes' accounting records contain insufficient information on these balances at the date these schemes closed, being 31 March 2012.
- 10.4. Since 1 April 2012, the PSPA has been responsible for the preparation of the Scheme's financial statements in accordance with the Public Sector Pension Act 2011 (the 'Act'). The PSPA has concluded that this Scheme's accounting records should be prepared on an accruals basis.

Accounting Treatment – Cancellation of Current Assets and Current Liabilities

- 10.5. The Scheme operates on an unfunded basis and as such a separate fund has not been established from which the Scheme can pay the members' benefits and other out-goings.
- 10.6. As a consequence, the PSPA and Treasury have agreed that with effect from 1 April 2011 that neither party will seek the payment of the amounts due from the other party being:
- Amounts due from the sponsoring employers to the PSPA, mostly contributions which have been collected by the Treasury and paid into the Isle of Man Government's General Reserves; and
 - Amounts due from the PSPA to the Treasury, mostly members' benefits and other out-goings paid by the Treasury.

- 10.7. This agreement is subject to the Treasury continuing to provide sufficient additional funding, to meet the Scheme's financial obligations to pay pensions and benefits as they fall due after the end of the Scheme year.
- 10.8. The financial statements and the notes to the financial statements have been prepared on this basis. The cancellation of these balances occurs annually, as reflected in the fund account. The PSPA has concluded that this accounting treatment presents fairly the Scheme's position and financial performance.

Accounting Policies

- 10.9. The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

Currency

- 10.10. The Scheme's functional currency and presentational currency is pound sterling (GBP).

Contributions

- 10.11. Normal contributions, from the sponsoring employer and members are accounted for on an accruals basis.
- 10.12. Additional Voluntary Contributions ('AVCs'), including augmentations are accounted for on an accruals basis. Amounts paid in respect of money purchase AVCs to secure additional defined contribution benefits under arrangements made by the PSPA are not reflected in these financial statements.

Benefits

- 10.13. Where members take their benefits as a full pension or as a lump sum, with reduced pension, retirement benefits are recognised in the fund account on the later date of retirement and the date the option is exercised. Pensions in payment are accounted for in the period to which they relate. Other benefits are recognised on a similar basis being on the date of retirement, death or leaving the Scheme as appropriate.

Transfers To and From Other Schemes

- 10.14. Transfer values represent the capital sums either receivable in respect of members from other schemes of previous employers or payable to the Scheme of new employers for members who have left the scheme. They are accounted for on an accruals basis on the date that the PSPA or the receiving scheme accepts the liability. The liability normally transfers when a payment is made.

Other Payments

- 10.15. Administrative expenses are borne by the PSPA and have not been reflected in these financial statements.

Contributions

- 10.16. Using the actuarial valuation at 31 March 2013, the Employer's normal contributions receivable have been calculated as 39.5% of pensionable pay. No contributions were paid into the Scheme by the Employer.

	2016 £000	2015 £000
Employer's Contributions		
Normal	491	450
Members' Contributions		
Normal	37	33
Contributions Total	528	483

Funding of Current Year Benefits and Other Outgoings

- 10.17. Benefits and other out-goings are funded on a 'pay as you go' basis, primarily through a combination of:

- Contributions paid by members to the Treasury;
- Transfers from other schemes in respect of new members, paid to the Treasury; and
- Additional funding provided by the Treasury, including transfers from the Public Sector Employees Pension Reserve ('PSEPR'), a non-ring fenced reserve of the Isle of Man Government.

- 10.18. Benefits

	2016 £000	2015 £000
Pensions	(212)	(209)
Benefits Total	(212)	(209)

- 10.19. Cancellation of current assets and current liabilities

	2016 £000	2015 £000
Amounts due from the sponsoring employer to the Scheme	1,174	483
Amounts due from the Scheme to the Treasury in respect of benefits and other payments	(212)	(209)
Cancellation of current assets and current liabilities Total	962	274

Related Party Transactions

10.20. Related party transactions and balances comprise:

- During the financial year there were no serving PSPA members, or their close family, members who were active, deferred or pensioner members (2014/15: no active, deferred or pensioner members);
- The provision of administrative services by the PSPA and Treasury was without recharge to the Scheme (see note 10.15); and
- Fees and expenses of £4,000 (2015: £4,000) paid by the PSPA, on behalf of all the Schemes that it administers to certain PSPA members that were not in the current employment of any of the sponsoring employers.

Contingent Liabilities and Commitments

10.21. In the opinion of the PSPA the Scheme has no contingent liabilities and commitments other than those items disclosed elsewhere in the financial statements.

Investment Risk

10.22. The Scheme holds no financial assets in its own right and, as stated in the 'Accounting treatment – Cancellation of current assets and current liabilities' section amounts due to and from the Treasury are cancelled on an annual basis, as reflected in the fund account. As a consequence, no disclosure of information is required by FRS 102.

Future funding

10.23. The PSPA has performed an assessment of when the contractual obligations to pay pensions and benefits will fall due after the balance sheet date and, how these contractual obligations will be funded. This assessment has been performed on a combined basis for all public sector pension schemes (the 'schemes') as defined under the Public Sector Pensions Act 2011 (the 'Act').

10.24. There continues to be a legacy funding gap between the schemes' cash payments and cash receipts (hereafter the 'funding gap') as described in the Cabinet Office paper called 'Public Sector Pensions – Addressing the Legacy Funding Gap', which was informally discussed with Tynwald Members and alluded to in the pensions debate and Motion in June 2016 Tynwald. The work undertaken by the Cabinet Office indicated that:

- Government funding will need to increase annually, reaching a forecast £155.6m by 2034/35; and that
- Government funding will continue to be met through a combination of transfers from General Reserves and the non-ring fenced Public Sector Employees Pension Reserve ('PSEPR') until the PSEPR exhausted around 2022/23 (based on current projections). The PSEPR's value at 31 March 2016 was £191.6 million (2015: £226.4 million).

10.25. Taking into account the Isle of Man Government's Medium Term Financial Strategy and assuming that income growth assumptions are met, funding from General Reserves is

expected to increase from the equivalent 4.65% of 2016/17 income to 8.26% of 2021/22 income.

- 10.26. Options for managing this legacy funding gap in the medium to longer term are under review by the PSPA and the Treasury, with the intention of a further report being laid before in the next Parliamentary session. Tynwald will be asked to consider and approve an option or range of options to ensure that it continues to provide sufficient monies to meet the payment of pension benefits in accordance with Section 9(3)(b) of the Act.
- 10.27. Irrespective of the uncertainties over the future funding arrangements for the schemes based on the Isle of Man Government's future financial projections, the PSPA has concluded that the schemes can continue to meet their contractual obligations as they fall due.