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1. Introduction

- 1.1. In accordance with the Public Sector Pensions Act 2011 (the 'Act'), the Public Sector Pensions Authority ('PSPA') was established as the Statutory Body responsible for the administration and management of the majority of public sector pension schemes (the 'schemes') as defined in the Act. The PSPA is a Statutory Board and thereby functions under the Statutory Boards Act 1987.
- 1.2. Prior to the establishment of the PSPA on the 17 January 2012, the Pensions Division of the Office of Human Resources was responsible for the administration of these schemes. The Civil Service Commission was responsible for the management of the majority of these schemes.
- 1.3. In accordance with Section 5 (3) of the Act the PSPA's Members were appointed by the Council of Ministers. The Members comprise of a legally qualified Chairman, who is independent of employer and employee interests, two Members representing the interests of employers, one being the Chairman of the Civil Service Commission who is also the Vice-Chairman 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.
- 1.4. 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 PSPA is not constituted as a trustee body.
- 1.5. 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.
- 1.6. 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.
- 1.7. 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

1.8. 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

1.9. 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 moneys 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 and Advisers

Mr J Carter, LLB

Chairman (Independent)

17 January 2012 to present

PSPA Members representing the interests of Employers

Mr A Cannan, MHK Vice Chairman

17 January 2012 to present

Mr J Turner, MLC

7 May 2013 to present

Members who served on the PSPA prior to Mr Turner

Mr D Butt, MLC

17 January 2012 to 16 July 2012

Mr L Singer, MHK

16 July 2012 to 7 May 2013

PSPA Members representing the interests of Employees

Mr A Shipley

17 January 2012 to present

Mr E Holmes

17 January 2012 to present

Scheme Management and Administration

Public Sector Pensions Authority

Goldie House

Goldie Terrace

Douglas

Isle of Man

IM1 1EB

Financial and Payroll Services

Treasury

Buck's Road

Douglas

Isle of Man

IM1 3PZ

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

3. Public Sector Pensions Authority's Report

- 3.1. The Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976 (the 'Scheme') is a public sector pension scheme which commenced on 1 April 1976.
- 3.2. 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

3.3. The Rules governing the management and administration of the Scheme came into operation on the 1 April 1976.

Sponsoring Employer

3.4. During the period 1 April 2011 to 31 March 2013, there were no active scheme members, only pensioners and as such, no sponsoring employers.

Information about the Scheme

3.5. Information about the Scheme is provided in a "member guide", available from the PSPA office.

Benefits of the Scheme

- 3.6. Benefits under the Scheme are calculated using final pensionable pay and length of pensionable service.
- 3.7. Further information about the Scheme's benefits are contained in the member guide.

Annual Pension Increase

- 3.8. Pension increases are made in accordance with the Pensions (Increase) Act 1974, by way of the Isle of Man Treasury's Pensions Increase (Annual Review) Order. The Order is made under 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.
- 3.9. Pension increases are linked to those for additional state pension, such as the State Second Pension, and any up rating takes into account the rate of UK inflation over the previous year to September.
- 3.10. The pension increase at 9 April 2012 was in line with the UK's Consumer Prices Index for the 12 months to September 2011 at 5.2% (September 2010 3.1%). The Scheme's pensioner members have received this increase.

Membership Information

- 3.11. The Scheme is closed to new members.
- 3.12. Details of the membership of the Scheme are as follows:-

	31 March 2013	31 March 2012
Pensioners	13	14
Total membership		

Movements within the Scheme's Pensioner Membership during the Year

Pensioner membership	2012/13	2011/12
Pensioner members at 1 April	14	13
Additions		
Retirements	0	2
Reductions		
Deaths in retirement	(1)	(1)
Pensioner membership at 31 March	13	14

Note: The figures include Pensioners, Child Pensions, and Additional Pension beneficiaries.

Funding Status

3.13. 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

3.14. Prior to 1 April 2012, there was no requirement to prepare an annual report and audited financial statements for this Scheme. As a consequence, the Scheme's accounting records prior to this date were maintained on a cash receipts and payments basis rather than an accruals basis. For further information on this matter, please refer to the basis of preparation in the notes to the financial statements.

Statement of PSPA Responsibilities

- 3.15. 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 means that it 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 Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007).
- 3.16. 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.
- 3.17. The PSPA is also responsible for making available certain other information about the Scheme in the form of an Annual Report.
- 3.18. The PSPA is also responsible for keeping records in respect of contributions received by Treasury in respect of any 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.
- 3.19. 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 and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.
- 3.20. 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

3.21. Enquiries about the Scheme generally, or about an individual member's entitlements to benefit, should be addressed to:-

Scheme Administrator Public Sector Pensions Authority Goldie House Goldie Terrace Douglas Isle of Man IM1 1EB

Mr J Carter, LLB Chairman, PSPA 13 December 2013

Mr A Cannan, MHK Vice Chairman, PSPA 13 December 2013

4. Actuarial Statement

Addressee and Purpose

4.1. 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 2012/13 Annual Report and Accounts of The Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976 (the 'Scheme').

Description of the Scheme

4.2. There are a number of unfunded defined benefit schemes with relatively small numbers of members in the Isle of Man that are governed by the PSPA. These are primarily closed schemes, including this Scheme.

Principal Actuarial Assumptions and Method used to Value the Liabilities

- 4.3. The financial and demographic assumptions adopted in this analysis are consistent with those used in the previous analysis carried out by Hymans Robertson LLP to assist the Isle of Man in the reform of their Public Service Pension Schemes.
- 4.4. Separate assumptions have been adopted in the preparation of the Actuarial Statements as at 1 April 2012. Each set of assumptions have been documented below.
- 4.5. Data provided by the PSPA for the purpose of the cash flow analysis was used in the preparation of this statement.

Method

- 4.6. The Projected Unit funding method has been adopted in the calculations.
- 4.7. The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and expected earlier date of leaving pensionable membership.

Assumptions

4.8. A market-related approach was taken to valuing the liabilities. The key assumptions adopted are set out below. The assumptions reflect a typical accounting basis as at 1 April 2012, i.e. the discount rate is based on the Gross Redemption Yield on high quality corporate bonds.

ancial Assumptions	Normal % p.a.	Real % p.a.
ce Inflation/Pension Increases	2.5%	-
e milation/Pension increases	2.5%	/0

- 4.9. The key demographic assumption is the allowance made for longevity. The baseline longevity assumption is based on the standard "SAPS" tables, published by the Continuous Mortality Investigation (CMI). Allowance for future improvements are in line with the CMI projections model, and assume that the recent rate of improvements have reached a peak with a long term rate of improvement of 1% p.a.
- 4.10. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.0 years	24.4 years

Value of Past Service Liabilities as at 1 April 2012

- 4.11. The PSPA commissioned a cash flow analysis with an effective date of 1 April 2012. This analysis revealed the past service liabilities of the Scheme as at 1 April 2012 to be £316,000.
- 4.12. The following Technical Actuarial Standards 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

29 November 2013

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5. Independent Auditor's Report to the PSPA in respect of The Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976

We have audited the financial statements of The Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976 ('Scheme') for the year ended 31 March 2013 which comprise the fund account, the net assets statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable Isle of Man law and United Kingdom Accounting Standards.

Respective Responsibilities of the PSPA and the Auditor

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 and 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 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.

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 PSPA; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2013, 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.

Other Matter

The comparative information, which includes the corresponding figures and comparative financial statements of The Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976 for the year ended 31 March 2012 are unaudited.

Procuaterbouce Coopers LLC

PricewaterhouseCoopers LLC

Chartered Accountants Douglas, Isle of Man

13 December 2013

6. Fund Account for the Year Ended 31 March 2013

	Notes	2013 £000	2012 Unaudited £000
Contributions and other income			
Contributions		0	0
Benefits and other outgoings			
Benefits	8.12	(26)	(31)
Other payments		Ó	Ó
Net withdrawals from dealings with members		(26)	(31)
Net assets of the Scheme at 1 April		0	0
Cancellation of current assets and current liabilities	8.5 to 8.8	26	31
Net assets of the Scheme at 31 March		0	0

6.1. The notes on pages 17 to 19 form part of these financial statements.

7. Net Assets Statement as at 31 March 2013

	Notes	2013 £000	2012 Unaudited £000
Current assets	8.5 to 8.8	0	0
Current liabilities	8.5 to 8.8	0	0
Net assets of the Scheme at 31 March		0	0

- 7.1. The notes on pages 17 to 19 form part of these financial statements.
- 7.2. 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 10 to 11, and these financial statements should be read in conjunction with them.

7.3. These financial statements were approved by the PSPA on 13 December 2013.

Mr J Carter, LLB Chairman, PSPA

13 December 2013

Mr A Cannan, MHK Vice Chairman, PSPA

13 December 2013

8. Notes to the Financial Statements for the Year Ended 31 March 2013

Basis of Preparation

8.1. The financial statements have been prepared in accordance with applicable Isle of Man law, United Kingdom Accounting Standards ('UKAS') and, with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007), to the extent that it is considered to be appropriate for an unfunded pension scheme.

Basis of Accounting

- 8.2. 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.
- 8.3. 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 - Opening Balances

8.4. With respect to opening balances at 1st April 2011, the PSPA has concluded that the Scheme's accounting records contain insufficient information regarding the historic debtor and creditor balances between the Scheme, the sponsoring employers and the Treasury. The PSPA and the Treasury have agreed that these historic balances will be cancelled subject to the Isle of Man Government continuing to provide sufficient additional funding to meet the Scheme's obligations to pay pensions and benefits which fall due after the end of the Scheme year. The financial statements reflect this accounting treatment of opening balances.

Accounting Treatment – Cancellation of Current Assets and Current Liabilities

8.5. 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 outgoings.

- 8.6. 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.
- 8.7. This agreement is subject to the Treasury continuing to provide sufficient additional funding to meet the Scheme's financial obligations to pay pensions as they fall due after the end of the Scheme year.
- 8.8. 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.

Accounting Policies

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

Other Payments

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

Funding of Current Year Benefits and Other Outgoings

8.11. Benefits and other out-goings are funded on a 'pay as you go' basis, using 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.

8.12. Benefits

	2013	2012
		Unaudited
	£000	£000
Pensions	26	27
Commutations and lump sums	0	4
Benefits Total	26	31

Related Party Transactions

8.13. Other than those items disclosed elsewhere in the financial statements, there were no other related party transactions.

Contingent Liabilities and Commitments

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

Future funding

- 8.15. 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').
- 8.16. There is a funding gap between the schemes' cash payments and cash receipts (hereafter the 'funding gap'), which is met by the Treasury through a combination of transfers from the Isle of Man Government's General Reserves and the non-ring fenced Public Sector Employees Pension Reserve ('PSEPR').
- 8.17. This year's funding gap was £35 million (2012 unaudited: £24 million), with £22 million (2012 unaudited: £20 million) being funded from General Reserves and £13 million (2012 unaudited: £4 million), being funded from the PSEPR.
- 8.18. The PSEPR represented 10.9% of the Isle of Man Government's pension scheme liabilities at 31 March 2013 (2012: 12.5%). The deterioration in its value relative to the Government's pension scheme liabilities can be attributed primarily to a change in actuarial assumptions used to calculate those liabilities, which increased by £344 million for all schemes to £2,296 million at 31 March 2013 (2012: £1,952 million).
- 8.19. It is anticipated that the annual funding gap will continue to increase as a larger proportion of the schemes' membership reaches retirement and that additional funding will be required from the Treasury.
- 8.20. The PSPA has concluded that the schemes can continue to meet their contractual obligations, subject to the Treasury being able to fund the schemes' annual funding gap and the High Court of Tynwald continuing to provide monies to meet the payment of pension benefits in accordance with Section 9(3)(b) of the Act.
- 8.21. To ensure that the schemes can continue to meet their contractual obligations in the future, the funding gap will remain under review on an ongoing basis by the PSPA and Treasury.

