



ISLINGTON

PENSIONS BOARD

10 September 2019

SECOND DESPATCH

Please find enclosed the following item:

Item 2 Draft Pension Annual Report 2018/19

1 - 74

Enquiries to : Mary Green
Tel : Telephone: 020 7527 3005
Email : democracy@islington.gov.uk
Date: 6 September 2019



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Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pension Board	10 September 2019		n/a

Delete as appropriate		Non-exempt
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SUBJECT: Draft 2018/19 Annual Pension Fund Report

1. Synopsis

- 1.1 This report is for the local pension board to review the Fund's annual report and accounts as part of its work plan.

2. Recommendation

- 2.1 To review the draft pension fund annual report attached as Appendix 1 before it is signed off by our external auditors
- 2.2 To note 2018/19 pension fund statement of account, activities and performance.

3. Background

- 3.1 The Public Services Pensions Act 2013 requires the establishment of local pension boards for each Local Government Pension Fund. Each administering authority must establish a pensions board no later than 1 April 2015.
- 3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Sub Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),
- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 The Pensions Sub -committee is the decision making body of the Fund and the Pension board can only advise or make recommendations to the Pensions -Sub Committee

The Pension Board should therefore be mindful;

- Its work plan should take account of the Fund's own work programme and seek to add value
- Servicing the Pension board will consume Fund management resources and time
- Senior Fund officers servicing the pension Board may on some fund performance issues be personally compromised and conflicted
- Some work items required may need the use of specialist external consultancy resources rather than using the officers servicing the Fund.

The Draft 2018/19 Annual Pension Fund Report

3.4 The draft annual report is legislated to be signed off by our external auditors Grant Thornton and includes the pension fund statement of account to March 2019. A final copy of this annual report will be presented to members at the Annual Pension meeting on 7th October.

3.5 The pension fund statement of accounts were produced and handed to the auditors in May. The draft accounts were reviewed by the board at their last meeting in June and the auditing was completed and presented at Audit Committee before the statutory deadline of 31st July.

3.6 The draft annual report covers the fund activities, performance, statement of accounts and statutory documents. Members are asked to comment on any matters in the draft Annual Report and amendments made by officers before presented to external auditors for sign off.

4. Implications

4.1 Financial implications

Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 Legal Implications

The Public Services Pensions Act 2013 requires the council to establish a local pension boards by 1 April 2015. The board must comply with the requirements of the relevant Legislation.

4.3 Environmental Implications

None applicable to this report. Environmental implications will be included in each report to the board as necessary.

4.4 Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard

Draft London Borough of Islington Pension Fund Annual Report 2018/19

DRAFT

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Foreword

Dear Pension Scheme Member

Welcome to the Islington Council pension fund annual report for the 2018/19 financial year.

In this report we set out the Fund's recent performance and the activities undertaken to maximise the growth of the pension fund's investments and stabilise contributions to the fund.

The Fund returned 7.1% against a customised benchmark of 6.5% and increased its market value to £1.38billion mainly driven by our equities allocation. Despite a year of global political uncertainty, an escalating trade war between China and the US and no resolution on Brexit, the average Local Authority fund delivered an investment return of around 6.6%. Most asset classes in the LGPS sectors delivered positive returns with private equity and infrastructure delivering the best returns. The equity protection hedge strategy continues to be in place and should protect some of the gains from growth in equity investments since actuarial valuation in March 2017 and hence reduce the funding deficit and contributions for the next valuation in March 2020.

The London CIV, our asset pooling organisation continues to grow its assets under management on Authorised Contractual Scheme (ACS). At the end of March 2019 London CIV reached the milestone of c.50% of potential assets, 18bn (active and passive) across the 32 London Local Authorities (LLAs). An increase from 40% last year.

The Pensions-Sub Committee and the Pension Board continue to monitor and review Environment, Social and Governance (ESG) factors as a fundamental part of the Fund's strategy and its approach to being a long-term investor. Members have now completed a revision of their Investment Strategy Statement further integrating a comprehensive decarbonisation policy with targets and monitoring plan.

The targets and metrics include:

- Reducing the equity allocation's current exposure to carbon (so reducing its carbon intensity) by more than 50%, by the end of April 2022, compared to when it was measured in June 2016.
- Reducing the equity allocation's future exposure to carbon (so reducing its investment in fossil fuel reserves) by more than 75%, by the end of April 2022, compared to when it was measured in June 2016.
- Investing at least 15% of the fund in sustainability-themed investments (such as low carbon technology or green infrastructure) by the end of April 2022.
- Aiming to decarbonise other asset classes, besides equities, where possible.

- Engaging with companies in which the fund invests (including collectively through the London CIV), to urge them to reduce their carbon footprint and their reliance on fossil fuels.
- The fund measures its carbon footprint and carbon emissions on an annual basis.

The Committee expects its investment managers to include information on how carbon risk is being managed within their respective portfolios as part of regular reporting for the Fund. The Committee believes in engagement with carbon intensive companies and that this will enhance returns in the long term but will divest if they believe there is a long- term risk to returns because of stranded assets.

Action taken this year in green opportunities include appointing two infrastructure managers Pantheon and Quinbrook –a renewable manager. We have also transferred our listed equities in LCIV Allianz portfolio to LCIV RBC Sustainable Growth Fund (effective August 2019).

We are actively involved in the Local Authorities Pension Fund Forum (LAPFF) which engages with individual companies and the Institutional Investors Group on Climate Change (IIGCC).

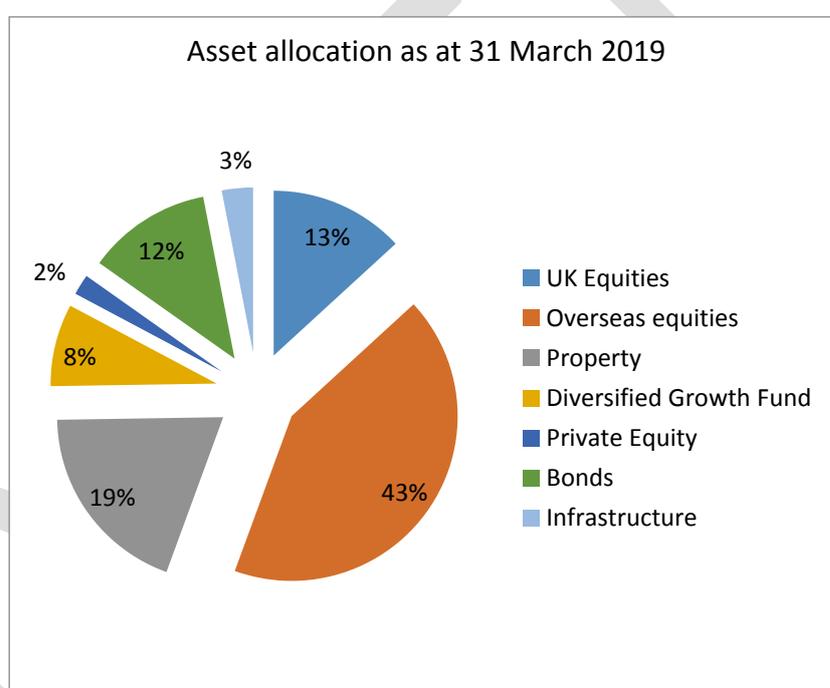
We would like to thank our in-house pension administration staff, advisors and service providers for their support during the year.

Cllr Paul Smith
Chair of Pension Board

1: Investment report

The 2018/19 year saw our fund return 7.0% compared to the average local authority fund return of 6.6%. Asset returns were tightly grouped with bonds, equities and alternatives returning 4%, 6%, and 7% respectively for the year. Alternatives returned 10.3% driven by excellent returns from private equity. Though strategic asset allocation changes were modest, there were moves to green investments, domestic to global equity and gilts to alternative credit. The fund's asset allocation had a small drag on relative performance.

During the year to 31 March 2019 the fund's asset allocation was as follows



The agreed strategic asset allocation is as follows;

Equities	Property	Diversified growth fund	Corporate bond	Infrastructure
50%	20%	10%	10%	10%

1.1. Fund manager performance (BNY Mellon Performance Services)

The table below shows our portfolio fund managers' value of assets under management and their 12- month performance to 31 March 2019

Manager	Mandate	Market value £'000	12-month return %
Islington Council Treasury team	UK equities	182,300	6.8
London LGPS CIV Allianz sub fund	Global equities	119,000	11.0
London LGPS CIV Newton sub fund	Global equities	219,000	14.2
Legal and General	Emerging equities	162,300	10.3
BMO(1)	Emerging/ Frontier equities	76,200	1.9
Standard Life	Corporate bonds	157,800	3.5
Aviva	Property	117,700	2.8
Columbia Threadneedle	Property	88,700	4.6
Franklin Templeton	Property	25,800	42.5
Standard Life	Private equity	18,300	17.7
Pantheon	Private equity	9,200	73.4
Hearthstone	Property	28,500	2.8
Schroders	Multi Asset	113,600	0.0
Pantheon (1)	Infrastructure	16,500	n/a
Quinbrook(1)	Infrastructure	22,700	n/a
BNY Mellon(2)	Cash deposits	6,900	n/a
LGIM	Investment Fund	22,500	n/a
Total Market Value		1,387,000	

(1) Pantheon and Quinbrook mandate commenced in January 2019.

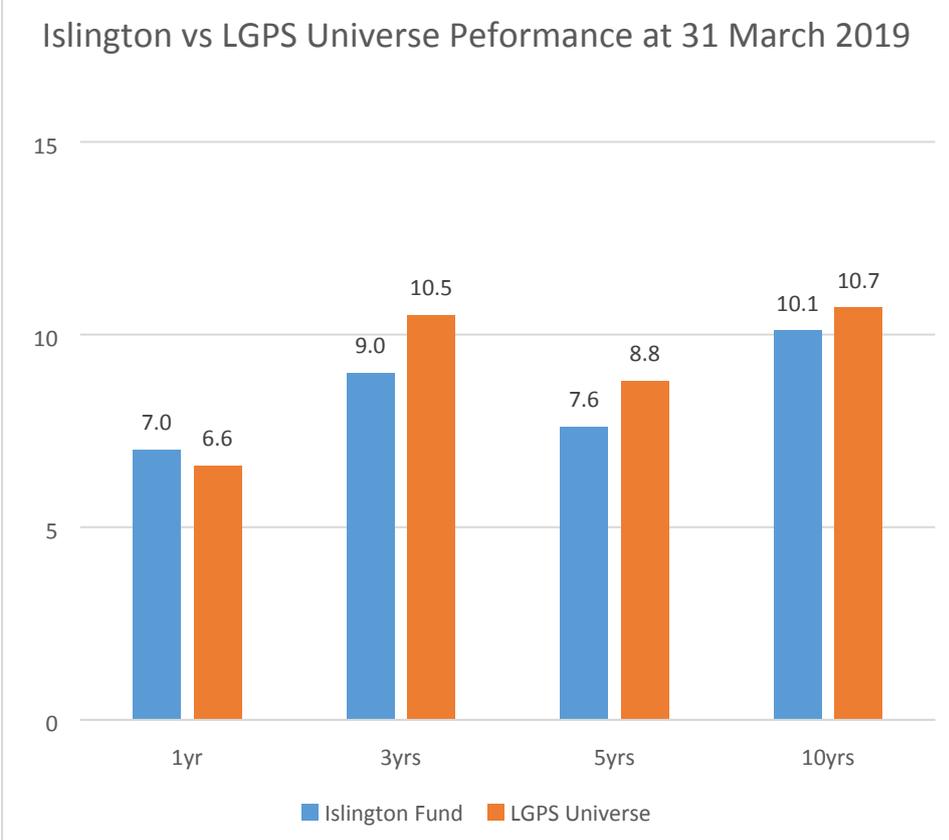
(2) BNY Mellon hedge overseas equities holdings/LGIM equity investment fund

1.2 It is important to look at average performance over the longer term. The following table shows the average annual return achieved by the fund over one, three, and five, years compared to its customised benchmark.

Period	1 year	3 year	5 year
Fund return per annum %	7.1	9.0	7.6
Benchmark%	6.5	8.3	7.3

Over the 10- year period the fund has returned 10.1% per annum in absolute terms.

The Islington Council pension fund also compares itself against its peers through the league table compiled by the Local Authority Pension Performance Analytics. The graph below shows the pension fund compared to the average performance of the universe over the 1, 3, 5 and 10 year periods.



The long term performance of the Fund has been less volatile and more importantly outperformed inflation and the actuarial assumption on asset growth by a substantial margin. The performance for this year was ahead of benchmark even though it has been behind its peers over the medium term mainly because of poor performance of our equity managers in 2017.

The 10 Top Holdings in our segregated equity account are listed in the table below as at 31 March 2019.

INSTITUTION	MARKET VALUE (£'000s)
ROYAL DUTCH SHELL PLC	13,303
HSBC HOLDINGS PLC	8,538
BP	7,374
DIAGEO PLC	5,440
ASTRAZENECA PLC	5,325
GLAXOSMITH PLC	5,319
BRITISH AMERICA PLC	4,098

RIO TINTO PLC	4,062
UNILEVER PLC	3,686
GLENCORE PLC	3,126

It is worth noting that due to the Fund's low carbon strategy and restructuring our total fund carbon footprint and emissions continues to decrease.

2: Pooling

Islington is one of 33 London local authorities who have become active participants in the CIV programme. The CIV has been constructed as a FCA regulated UK Authorised Contractual Scheme (ACS). The ACS is composed of two parts: the Operator and the Fund. A limited liability company (London LGPS CIV Ltd) has been established, with each participating borough holding a nominal £1 share. The London CIV received its ACS authorisation in November 2015.

Since then it has secured regulatory approval, established a team of 25 staff and by the end of March 2019, £18bn of LLAs assets were under LCIVs oversight.

Islington has three funds managed on the LCIV platform; two global active equities valued at £338m and global passive equities of £162.3m. The estimated fees saving for the year for pooling these three funds is £183,000. As more funds and asset classes become available and meet our needs, we will look to transfer more assets.

2.1 Key highlights for the Pool in 2018/19 year included the following:

- London CIV implemented the new governance framework agreed at the AGM in July 2018. A review in Autumn 2019 will consider the effectiveness of the arrangements, with a particular emphasis on how they build collaboration between London CIV and its shareholder clients.
- The LCIV MAC Fund was launched in May 2018 and LCIV Global Fund in November 2018 raising £829m, having launched the LCIV Sustainable Equity Fund in April 2018. This is less than their MTFs target of 9 funds and there have been significant delays in some fund launches including private debt and infrastructure.
- At the end of March 2019 London CIV reached the milestone of c.50% of potential assets, 18bn (active and passive) across the 32 London Local Authorities (LLAs). An increase from 40% last year. £8.2bn on active funds on the ACS is less than the target of ££8.6bn.
- The LCIV developed the Service Level Agreement and are consulting clients in early 2019/20 to make sure it is "fit for purpose" before signature.
- They implemented the client portal and made other communication improvements that will be developed in 2019/20.

- They procured the investment oversight system which we are now implementing.
- They moved to 22 Lavington Street addressing the need to improve IT infrastructure and provided the necessary space for the increased staff team, boosting staff morale at a time of high change.
- The appointment of CIO – Mark Thompson due to start in early September.

3. Exercise of shareholder rights -voting

3.1 The Pensions Sub-Committee takes its responsibilities as a company shareholder seriously and exercises its votes at company AGMs/EGMs wherever practically possible on its segregated portfolio. The Sub-Committee uses the Corporate Governance Service provided by Pension Investments Research Consultants (PIRC), and casts votes at all UK, European and North American company AGMs in line with PIRC recommendations unless the Council decides otherwise.

3.2 The table below lists the voting record by region at company annual meetings for the quarter ending 31 March 2019.

	UK & British Overseas	Europe & Global EU	USA and Canada	Total
For	334	62	2	398
Abstain	37	2	0	39
Oppose	97	9	1	107
Non-Voting	0	1	0	1
Total	468	74	3	545

4: Business plan

The Myners principles and compliance forms part of Islington Pension Fund’s published Statement of Investment Principles. The Pensions Sub Committee agreed a four-year business plan to March 2019 in compliance with Myners Principle 1, ‘Effective decision-making through a forward looking business plan’.

4.1 The key objectives of the four- year business plan, last reviewed in September 2018 are listed below along with actions taken to June 2019

- ◆ To achieve best practice in managing our investments in order to ensure good long-term performance, sustainability of the Fund value for money and a reduction in managers' fees wherever possible and pursue new investment opportunities
Actions:
 - Actuary presented an update on 2019 actuarial valuation since the last valuation in 2016
 - Members agreed to review its listed equity on the LCIV platform
 - Members appointed 2 infrastructure managers to be funded from existing bond portfolio
 - Members reviewed all the bodies it is affiliated with, and agreed to continue its association.
 - Members have responded to MHCLG consultations on the LGPS pooling, 4 year cycle valuation and fair deal

- ◆ To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members
Actions :
 - Pension board review admin performance quarterly
 - Pension board discussed bulk transfer commutation further and agreed to defer action.
 - Pension board reviewed the draft annual report 2017/18

- ◆ To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability, whilst achieving a financial return for the fund and addressing societal impact
Actions:
 - Work with LAPFF and IIGCC, and the LCIV continues
 - Members have restated their ESG beliefs and revised their Investment Strategy Statement restating their policy on decarbonisation and detailing their targets and monitoring plan.
 - Voting records are published
 - Members appointed an Infrastructure renewable manager
 - Members agreed and signed up to join Pension for Purpose a free affiliation to promote impact investing

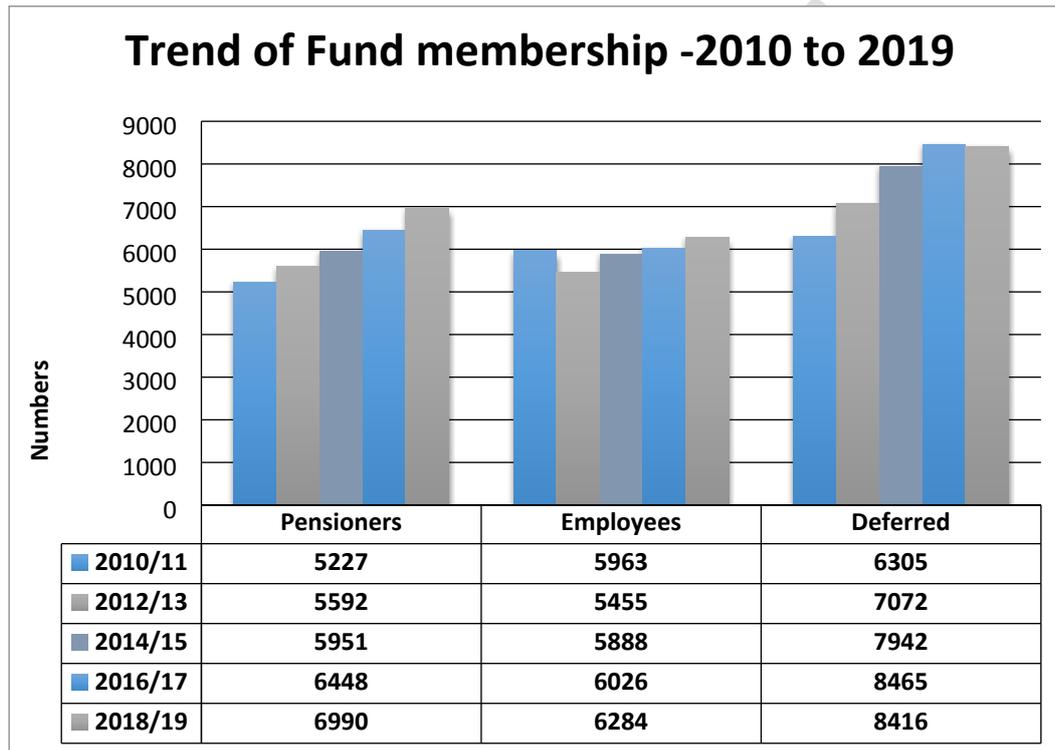
- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities
Actions:
 - Reviewed Schroder (DGF) manager performance against its peer groups.
 - Regular monitoring of Hearthstone property manager due to AUM.
 - Members have requested training briefs on private debt and multi asset credit
 - Training sessions before and during and committee meetings continue.

- ◆ To develop collaboration opportunities with other funds for sharing of services and pooling
 - Officers collaborated for joint legal advice with 2 other LA authorities in the review of legal documents for new infrastructure managers.
 - Members attend seminars and LCIV AGMs as shareholder

5: The local government pension scheme

5.1. Membership

The scheme membership continues to grow year on year. Deferred members and pensioners are increasing at the expense of active employees. The profile from 2010 to 2019 is shown below.



The total membership over the same period is as follows:

March 2010	16,796
March 2011	17,495
March 2012	17,690
March 2013	18,119
March 2014	19,005
March 2015	19,781
March 2016	20,387
March 2017	20,939
March 2018	21,566
March 2019	21,690

5.2 Benefits

The LGPS is referred to as a 'defined benefit' scheme.

The Pension earned for any period before 1 April 2014 is calculated on the pensionable pay over the final 12 months (termed 'final pay') to the leaving/retiring date. For membership to 31 March 2008 the Pension calculation is final pay x years and days of service x 1/80, and for membership from 1 April 2008 to 31 March 2014 the Pension is final pay x years and days of service x 1/60.

For membership in respect of service from 1 April 2014 the Pension calculation is the pensionable pay for each year thereafter x 1/49, with the Pension earned revalued annually to account for inflation. In respect of membership from April 2014, the LGPS is now termed a Career Average Revalued Earnings ('CARE') pension scheme.

The Pension calculation for a scheme member who joined the LGPS before 1 April 2008 will be the total for the three periods mentioned in the preceding paragraphs.

Since April 2014 there has been an option, for a limited period, of a half rate contribution and pension arrangement, but after the limited period, re-enrolment in the full scheme applies.

The LGPS is a 'funded' scheme, which means that the Council is required to maintain a separate pension fund comprising of investments and contributions from employees and employer, from which benefits are paid. These investments provide the growth and income with which to pay the benefits.

These "defined benefits" are guaranteed and do not vary depending on investment performance, which means they are stable and more predictable for scheme members, who can plan their retirement around this security.

The core benefits of the scheme are:

- a guaranteed pension as explained above
- a tax free lump sum of three times the annual pension earned in respect of scheme membership to 31 March 2008
- life assurance cover of three times a member's' yearly pay from the first day of joining the scheme
- a pension for spouses, Civil Partners, co-habiting partners and children
- Pension entitlement paid early if a member has to stop work due to permanent ill health
- Pensions increases in line with inflation (measured by the Consumer Prices Index).

5.2.1 Pension contributions

The employee pension contribution percentage is according to the pay band applicable. For example a pension contribution of 6.5% of pay applies where annual salary is in the range £22,501.00 to £36,500.00 a year. A person on £30,000.00 a year (£2,500.00 a month) pays £162.50 a month in pension contributions, but income tax relief is given by deducting the contribution from taxable pay so £162.50 a month costs £130.00 net if the tax rate is 20%.

A part-time worker falls into the band relating to annual part-time pay.

The contribution rates that currently apply (2019/20), depending on the annual salary band, is shown below.

Annual pay range	Employee contribution rate (%)
Up to £14,400	5.5
£14,401 to £22,500	5.8
£22,501 to £36,500	6.5
£36,501 to £46,200	6.8
£46,201 to £64,600	8.5
£64,601 to £91,500	9.9
£91,501 to £107,700	10.5
£107,701 to £161,500	11.4
More than £161,501	12.5

5.2.2 Retirement age

Since April 2014 there has no longer been a standard scheme retirement age in the LGPS; instead each person has an individual normal pension age which is the date of entitlement to State Pension. The State Pension age is being changed for women so that before the end of the decade there will be a common age of 65 for both men and women, and rising thereafter to age 66 and beyond. To find out your own state pension age please see the following link: www.gov.uk/calculate-state-pension

5.3 Keeping up to date

Information regarding the LGPS provisions is provided on the Council's internal 'Izzi' site, and on the external website for those who do not have access to the intranet site.

There are full details on the website regarding the LGPS.

Employees who are not members of the LGPS

There are many advantages in being a member of the LGPS. 'Auto-enrolment' rules mean that employees who opt-out of the scheme are 're-enrolled' every three years. The next re-enrolment date for those who have opted-out is 1st April 2022.

5.4 Pension administration performance

The table below gives the data for the average performance for the year to 31 March 2019, in respect of the main procedures/processes.

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	74	95%	97.03%	4.69
Retirement benefits	5	227	95%	89.95%	5.22
Pension estimates	10	446	95%	92.38%	6.84
Preserved benefit calculations	15	559	95%	82.85%	22.74
Transfer-in quotation	10	26	95%	91.54%	12.15
Transfer-in actual	10	21	95%	95.24%	9.92
Transfer out quotation	15	56	95%	94.64%	13.77
Transfer out actual	12.5	52	95%	96.33%	10.97

Over the period, 87.06% of the 1,696 processes undertaken by the Pensions Administration team were completed within the target days.

Contacts - Pension benefits office

If you have any enquiries or wish to know more about your own pension benefits position, please contact the Pensions benefits staff at:

Pensions section, Third floor, 7 Newington Barrow Way, London N7 7EP

Queries can be made to the Pensions Officer who deals with the alphabetical range that includes your surname:

Surname range Telephone enquiries

A – C	020 7527 2993
D – J	020 7527 6733
K – Q	020 7527 2170
R – Z	020 7527 2320

Email enquiries

sarah.watts@islington.gov.uk
romel.senior-walcott@islington.gov.uk
hannah.obasaju@islington.gov.uk
yonatan.worku@islington.gov.uk

6: Democratic arrangements

6.1 Pensions Sub-Committee

In 2018/19 the Pensions Sub-Committee were responsible for all decision making on pensions matters and stewardship of the pension fund. The Chair and Members of the sub-committee are:

Membership

Cllr Dave Poyser (Chair)
Cllr Andy Hull (Vice Chair)
Cllr Sue Lukes
Cllr Paul Convery

Substitutes

Cllr Mouna Hamitouche MBE
Cllr Michael O'Sullivan
Cllr Roulin Khondoker

Ps: Audit Committee made some new appointments to Pension Sub- Committee in July 2019. Cllr Poyser is now a substitute, Cllr Convery is Chair and Cllr O'Sullivan is Member

Other Representatives:

Four trade union observers
Pensioner representative Valarie Easmon-George
Observer from Volunteering Matters (An 'admitted body')

Fund Investment Advisors:

Mercer
MJ Hudson Allenbridge

Fund Actuary:

Mercer

Fund Custodian:

BNY Mellon

Performance Monitoring:

BNY Mellon

Corporate Governance Research and Voting Advice Service:

Pension Investments Research Consultants

6.2. Islington Council Local Pension Board

In accordance with the Public Service Pensions Act 2013, the Islington Council Local Board (ICLPB) was established on 1 April 2015 for the purposes of assisting the Pensions Sub-Committee:

- to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The membership of the board is as follows:

Councillor Paul Smith	Employer representative- Chair
Maggie Elliot - Chair of Governors at Montem Primary School	Employer representative-Vice Chair
George Sharkey, GMB	Member representative
Mike Calvert, Unison	Member representative
Valarie Easmon George	Retired members representative
-	Employer representative
Alan Begg	Independent member

The Board's terms of reference specify that the Board shall meet bi-annually and normally on the same date as the Pensions Sub-Committee, in order that its deliberations may be taken into account in relation to relevant items on the agenda of the Pensions Sub-Committee.

For the municipal year 2018/19, the Board met on 12 September 2018, 26th November 2018, and 25 March 2019. Members receive copies of agenda and reports of the pension sub-committee and vice versa.

6.3 Activities of the Board

(i) Members agreed a work programme at the March 2018 meeting and this will be reviewed annually for progress and amendment if required. The objectives are as follows:

- To ensure accurate record keeping, data quality and improvements
- To ensure Governance Compliance Statement sets out delegation, function and structure
- To ensure Fund has the appropriate policies in place to safeguard the Fund's assets through appropriate methods of risk management
- To ensure members have the necessary skills knowledge and understanding
- The General Data Protection Regulation (GDRP is upheld
- To ensure the effective and efficient governance and administration of the Scheme
- That the Pension board are able to make recommendations on Statutory and non-statutory policies and strategies
- Self-Assessment review of the effectiveness of the Board

(ii) Pension Board agreed to meet 4 times a year instead 2.

- (iii) Pension board have an agreed work plan and forward plan to decide committee agenda
- (iv) They reviewed pensions risk register
- (iv) They also considered consultation on fair deal and 4-year cycle valuation
- (v) Attended joint training with Pension Subs-Committee members on Actuarial valuation update
- (vi) They also reviewed the draft pension statement of accounts for 2018/19

Copies of minutes and agenda items can be found on the council external website

<http://democracy.islington.gov.uk>

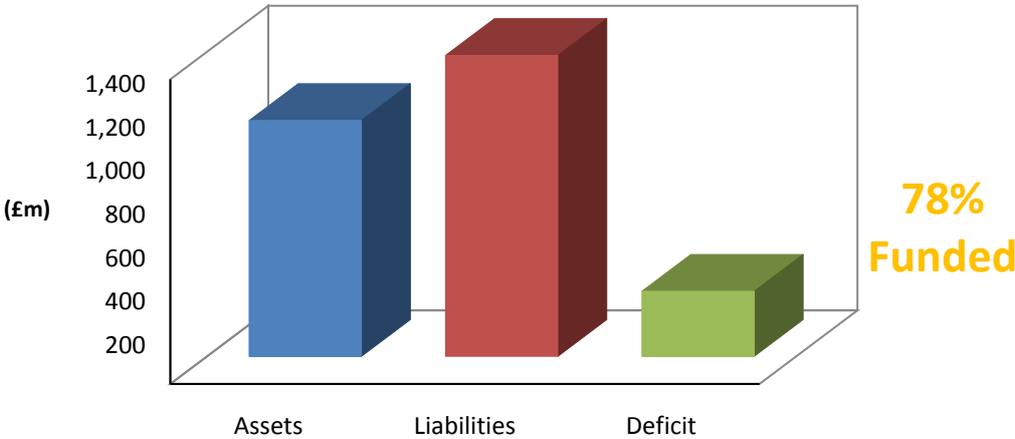
7. Funding of the pension scheme

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Islington Council Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund’s assets of £1,084 million represented 78% of the Fund’s past service liabilities of £1,383 million (the “Funding Target”) at the valuation date. The deficit at the valuation was therefore £299 million.



The valuation also showed that a Primary contribution rate of 14.7% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient,

together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer’s contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 22 years, and the total initial recovery payment (the “Secondary rate”) for 2019/20 is approximately £10.1 million.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements for certain employers) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4%/4.5% per annum**	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4-year period.

**depending on covenant strength, as agreed with the Administering Authority

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

10.4.15. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund’s promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / Care Revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP) / deferment	2.2% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected rate of long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £2,091 million. Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£7 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £24 million by way of an estimate of the effect of the McCloud judgment (see note below for further details). There was then an increase in liabilities of £119 million due to “actuarial gains” (i.e. the effects of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2019 is therefore £2,295 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened

to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is unclear what the extent of any potential remedial action might be.

Following a request from the LGPS Scheme Advisory Board, the Government Actuary’s Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole, which are set out in their paper dated 10 June 2019. For the LGPS as a whole, GAD’s calculations indicate a potential balance sheet effect of additional liabilities of about 3.2% of active member liabilities, when measured on IAS26 actuarial assumptions as at 31 March 2019 assuming real pay growth of 1.5% p.a. above CPI. Applying the same 3.2% of active member liabilities to the Islington Council Pension Fund, the increase in the estimated total value of the Fund’s promised retirement benefits at 31 March 2019 would be approximately £24 million.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgment has now provided further clarity in this area. However, in response to this judgment HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment”, clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgment itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes (including the Local Government Pension Scheme) is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and as such we have not made any allowance for any additional liabilities within the above figures at this stage. It is however possible that, in due course there may be additional cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2019

James Hunter
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2019

8: Summary of financial report

8.1 Income and expenditure for 2018/19

- An increase in net assets of 5.3% to £1,377million
- Employees' contributions totalled £12.1million compared to 11.9million in 2017/18
- Employers' contributions amounted to £34.8 million compared to the £33.3 million in the previous year.
- Pensions paid totalled £47.3 million compared to £44.6million in 2017/18, a rise of 6.1%. The increase was driven by annual pension increase of 3%

As at 31 March 2019, the total income into the fund was £69.6million against an expenditure of £66.6 million. The other drivers apart from pension payments were retirement lump sums and transfer outs. This means that the fund was able to meet all its commitments from contributions and investment income.

The detailed reporting of the pension fund accounts for 2018/19 forms part of the council's annual statement of accounts which include the statement of responsibilities and covers all the council services. This can be found at www.islington.gov.uk/accounts.

9: Statement of responsibilities

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10: Statement of Accounts 2018/19

Pension Fund

The principal purpose of the Islington Council Pension Fund is to provide pensions for its employees (other than teachers who have their own national fund) under the Local Government Pension Scheme.

The Pension Fund is a defined benefit scheme built up from contributions paid by both employees and the council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Employees' contributions to the Fund and the extent of benefits paid out are fixed by Government Regulations. An independent actuary assesses the council's contribution rate every three years.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Council has delegated the investment arrangements of the scheme to the Pensions Sub-Committee who decide on the investment policy most suitable to meet the liabilities of the Scheme and the ultimate responsibility for the investment policy lies with it. The Committee is made up of four elected members of the council who each have voting rights, and four observers, representing members of the fund, who do not have voting rights. The Committee reports to the Audit Committee and has fully delegated authority to make investment decisions. The Committee obtains and considers advice from the Corporate Director of Resources, as necessary from the Pension Fund's appointed actuary (including specific investment advice), investment managers and investment advisers.

The investment portfolio is managed by investment managers. The fund has two private equity fund managers Pantheon Ventures (total commitment £37.3million) and Standard Life (total commitment £49.7 million). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £61.4 million). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £51million) and Pantheon Access - £77million. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 10.4.24). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments which includes the Islington Pension Fund. It is overseen by a Joint Committee of London Councils who representing the shareholders will recommend the appointment directors to the company and receive reports from the company.

"The Investment Strategy Statement, Funding Strategy Statement and Governance Policy Statement, for the Fund are available on the council's website:

<https://www.islington.gov.uk/jobs-and-careers/council-pension-scheme>

Power is given in The Local Government Pension Scheme Regulations 2016 (as amended) (“the 2016 Regulations” and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 to admit employees of other organisations to the London Borough of Islington Pension Fund.

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Lists of the scheduled and admitted bodies to the fund are detailed below:

Organisation	Employer
Islington Council	Administering Authority
St Mary Magdalene Academy	Scheduled Body
City of London Academy, Islington	Scheduled Body
The New North Academy	Scheduled Body
William Tyndale Primary School	Scheduled Body
St Mary Magdalene Academy: the Courtyard	Scheduled Body
Tech City College (formerly Stem 6th)	Scheduled Body
Elliot Foundation	Scheduled Body
The Family School	Scheduled Body
The Bridge School	Scheduled Body
City of London Academy, Highbury Grove	Scheduled Body
City of London Academy, Highgate Hill	Scheduled Body
The Bridge Satellite Provision	Scheduled Body
The Bridge Integrated Learning Space	Scheduled Body
City of London Primary Academy, Islington	Scheduled Body
Clerkenwell Parochial CofE Primary School	Scheduled Body
Hungerford Primary School	Scheduled Body
Volunteering Matters (formerly CSV)	Admitted Body
Camden & Islington NHS Foundation Trust	Admitted Body
Braithwaite	Admitted Body
Pleydell	Admitted Body
NCP Services (Islington South)	Admitted Body
SSE Contracting Ltd (Islington Lighting)	Admitted Body
Brunswick	Admitted Body
Southern Housing Group	Admitted Body
Caterlink	Admitted Body
Engie Services Ltd(Cofely Workplace Ltd)	Admitted Body
RM Education	Admitted Body
Breyer Group	Admitted Body
Mears Ltd	Admitted Body
Greenwich Leisure Ltd	Admitted Body
W J Catering	Admitted Body
Isledon Arts CIC	Admitted Body
Pabulum	Admitted Body
Alliance in Partnership	Admitted Body
Bouyges ES FM UK Ltd.	Admitted Body

There are also fourteen other admitted bodies that do not currently have any active members. These are:

London Property Maintenance
 FSST
 St Lukes
 Association of London Authorities (ALA)

Family Services Unit (FSU)
Redbrick
Cushman & Wakefield
Kier Islington
Mouchel Parkman
Cambridge Education Associates (CEA)
Notting Hill Housing Trust
Aquaterra
Kier Support Services
Circle Anglia

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10.1 Accounting Policies

The principal accounting policies of the scheme are as follows:

10.1.1 Investments

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13.

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

Listed investments are shown in the Pension Fund accounts at market value, determined by Stock Exchange prices at the net asset statement date.

Fixed interest securities are stated at their bid price. The value of fixed interest investments in the Fund's investment portfolio excludes interest earned but not paid over at the Fund year-end, which is included separately within accrued investment income.

Current market value of equities is based on bid price as provided by fund managers.

Index linked securities are valued at bid price.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads or single price where there are no bid/offer spreads as provided by the investment manager.

Managed funds and Unit trusts are valued at the price quoted by their respective managers on the last trading day of the year, which is determined by the market value of the underlying investments.

Private Equity is valued using the latest audited valuation and is carried at fair value. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

Derivatives are stated at market value.

Corporate bonds are managed in a pooled fund valued at a single swinging price.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. In addition, indirect costs are incurred thorough bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

10.1.2 Investment Income

- **Investment income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the

rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.
- **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

10.1.3 Foreign Currencies

Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2019.

10.1.4 Contributions

Normal contributions, both from employees and employers, are accounted for in the payroll month to which they relate at values specified in the rates and adjustments certificate. Additional contributions from employers are accounted for when received.

10.1.5. Benefits Payable

Benefits payable and refund of contributions are brought into the accounts on the basis of valid claims approved during the year. Under the rules of the Fund, retirees receive a lump sum retirement grant in respect of any membership up to 31 March 2009, in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose regarding the type or amount of benefit, then these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

10.1.6. Transfers

Transfer values are those sums paid by, or received from, other pension schemes and included in the accounts on the basis of the date paid for transfers to or from other Local Government schemes.

10.1.7. Expenses

Regulations permit the council to charge administration costs and the investment managers' fees to the Fund.

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance accounting for Local Government Pension Scheme Management Costs.

- Administrative expenses

All administrative expenses are accounted for on an accrual basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, central

establishment, computer recharges, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

- Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs associated with governance and oversight is charged direct to the fund. Associated management advisory services, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

- Investment management expenses

All investment management expenses are accounted for on an accrual basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

All expenses are recognised on an accrual basis net of any recoverable VAT.

10.1.8. Stock Lending

The fund does not participate in stock lending.

10.1.9. Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016. Total contribution paid by members during 2018/19 amounted to £207k and the value of the fund as at 31 March 2019 was £1.5m.

10.1.10. Actuarial Position

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits that 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 statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

10.2 Fund Account

2017/18 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2018/19 £'000	Note
Contributions receivable			
23,174	Employer contributions	24,721	2a
10,153	Deficit recovery contributions	10,128	2a
11,883	Members contributions	12,127	2
4,156	Transfers in from other pension funds	3,631	3
2,662	Other Income	2,572	4
52,028	Total Income	53,180	
Benefits payable			
(44,632)	Pensions	(47,273)	5
(6,551)	Lump sum benefits	(8,967)	
(5,714)	Payment to and on account of leavers	(7,466)	6
(56,897)	Total Expenditure	(63,707)	
(4,869)	Net additions/ (withdrawals) from dealing with members	(10,527)	
(2,698)	Management Expenses	(2,937)	7
(7,567)	Net additions/ (withdrawals) including fund management expenses	(13,464)	
Returns on investments			
14,347	Investment income	16,393	8
45,755	Change in market value (realised & unrealised)	66,385	
60,102	Total Returns on investments	82,779	
Net return on investments			
52,535	Net increase/decrease in fund in year	69,315	
1,254,886	Opening net assets of the scheme	1,307,421	
1,307,421	Closing net assets of the scheme	1,376,736	

10.3 Net Assets Statement

2017/18 £'000	Net Assets Statement for the year ended 31 March 2018	2018/19 £'000	Note
Investments			
1,319,901	Investment assets	1,364,616	9
14,084	Other Investment and Cash	22,263	9
1,333,985	Total Investments	1,386,879	
Current Assets and Liabilities			

5,176	Current assets	3,545	10
(31,740)	Current liabilities	(13,688)	11
1,307,421	Net assets of the scheme at 31 March	1,376,736	

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. 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 statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

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10.4 Notes to the Pensions Account

10.4.1. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2018/19 financial year and its positions as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of future liabilities to pay pensions and other benefits which fall due after the end of financial year.

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in Note 10.4.5 of these accounts.

10.4.2 Contributions Receivable

a) Employers' Contributions

The following table sets out an analysis of the contributions made by the council and its admitted bodies.

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery*	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	30,011	31,877	-	-	1,385	702
Scheduled Bodies						
St Mary Magdalene Academy	203	199	-	-	-	-
City of London Academy	134	154	-	-	-	-
New North Community School	85	97	-	-	-	-
William Tyndale School	91	104	-	-	-	-
The Courtyard School	15	19	-	-	-	-
Tech City (Stem 6th form Academy)	11	14	-	-	-	-
Elliot Foundation	85	105	-	-	-	-
The Bridge Integrated Learning Space	21	39	-	-	-	-
Family School Academy	14	16	-	-	-	-
The Bridge School	428	454	-	-	-	-
City of London Academy Highbury Grove	49	283	-	-	-	-
City of London Academy, Highgate Hill	45	61	-	-	-	-
The Bridge Satellite Provision	5	15	-	-	-	-
City of London Primary Academy, Islington	14	9	-	-	-	-
Clerkenwell Parochial Academy	22	77	-	-	-	-

Hungerford School	-	108				
Admitted bodies						
Volunteering Matters(CSV)	149	154	-	-	-	-
Camden & Islington NHS Foundation Trust	77	81	-	-	-	-
Braithwaite	5	5	-	-	-	-
Pleydell	16	15	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	12	12	-	-	-	-
Brunswick	18	17	-	-	-	-
Southern Housing Group	4	8	-	-	-	-
Caterlink	154	157	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	133	108	-	-	-	-
R M Education	6	(205)	-	-	-	-
Breyer Group	5	5	-	-	-	-
Mears Ltd	29	31	-	-	-	-
Greenwich Leisure Ltd	82	77	-	-	-	-
WJ Catering	2	2	-	-	-	-
Isledon Arts CIC	8	8	-	-	-	6
Pabulum	9	3	-	-	-	-
Alliance In Partnership	-	21	-	-	-	-
Bouyges ES FM UK Ltd.	-	14	-	-	-	-
Totals	31,942	34,142	0	0	1,385	707

b) Members' Contributions

The following table sets out an analysis of the contributions made by employees of the council and its admitted bodies.

Contributions receivable - Members contributions	Normal Contributions (inc. Added Years Contributions)	
	2017/18 £'000	2018/19 £'000
Administering Authority		
Islington Council	11,157	11,253
Scheduled Bodies		
St Mary Magdalene	104	99
City of London Academy	65	71
New North Community School	33	35
William Tyndale School	26	30
The Courtyard School	10	13
Tech City (Stem 6th form Academy)	10	10
Elliot Foundation	97	106
The Bridge Integrated Learning Space	12	146
Family School Academy	6	23
The Bridge School	127	7
City of London Academy Highbury Grove	16	70
City of London Academy, Highgate Hill	16	30
The Bridge Satellite Provision	3	7
City of London Primary Academy, Islington	5	9
Clerkenwell Parochial academy	7	15
Hungerford School	-	27
Admitted bodies		
Volunteering Matters (CSV)	-	0
Camden & Islington NHS Foundation Trust	12	11
Braithwaite	2	2
Pleydell	6	6
SSE Contracting Ltd (Islington Lighting)	3	4
Brunswick	6	5
Southern Housing Group	5	2
Caterlink	52	50
Engie Ltd (Cofely Workplace Ltd)	48	36
R M Education	3	1
Breyer Group	3	2
Mears Ltd	9	9
Greenwich Leisure Ltd	34	30
WJ Catering	1	1
Isledon Arts CIC	3	3
Pabulum	2	1
Alliance In Partnership	-	9
Bouyges ES FM UK Ltd.	-	4
Totals	11,883	12,127

10.4.3 Transfers in

2017/18 £'000	Transfers in	2018/19 £'000
-	Group transfers in from other schemes	-
4,156	Individual transfers in from other schemes	3,631
4,156	Total transfers in	3,631

10.4.4. Other Income

2017/18 £'000	Other Income	2018/19 £'000
-	Income from Other Investments	-
-	Interest	-
2,662	Other	2,572
2,662	Total other income	2,572

Other income are amounts other than contributions and investment income.

10.4.5 Benefits

The following table sets out an analysis of the benefits paid to former employees of this council and the admitted bodies.

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Administering Authority						
Islington Council	41,503	43,903	5,114	6,879	1,337	1,487
Scheduled Bodies						
St Mary Magdalene Academy	23	25	14	-	-	-
City of London Academy	29	40	-	27	-	93
The New North Academy	9	9	-	-	-	-
William Tyndale School	19	20	-	-	-	-
The Courtyard	3	5	7	-	-	-
Tech City (Stem 6th form Academy)	-	1	-	8	-	-
Elliot Foundation	-	1	-	-	-	-
Admitted bodies						
Volunteering Matters (CSV)	1,099	1,238	54	251	-	24
Aquaterra	220	240	-	65	-	-

CEA	809	831	-	-	-	-
FSST	3	3	-	-	-	-
Kier Islington Ltd (Caxton)	570	578	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	68	70	-	-	-	-
ALA	22	20	3	-	-	-
Notting Hill Trust	8	8	-	-	-	-
Camden & Islington NHS Foundation Trust	52	59	-	36	-	-
SSE Contracting Ltd (Islington Lighting)	53	54	-	-	-	-
Brunswick	9	9	-	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	31	32	-	-	-	-
London Property Maintenance	-	0	-	-	-	-
Caterlink	15	18	-	5	-	-
Engie Ltd (Balfour Beatty)	19	24	-	32	-	-
Kier Support Services	20	20	-	-	-	-
Breyers	-	-	-	-	-	-
Mears	15	16	-	-	-	-
Greenwich Leisure Ltd	21	22	22	-	-	-
WJ Catering	-	12	-	57	-	-
Isledon Arts CIC	-	1	-	2	-	-
Alliance In Partnership	-	2	-	-	-	-
Totals	44,632	47,273	5,214	7,364	1,337	1,603

10.4.6 Payments to and on Account of Leavers

2017/18 £'000	Payment to and on Account of Leavers	2018/19 £'000
154	Refunds of Contributions	193
5,560	Individual Transfer	7,273
5,714	Total payments to and on account of leavers	7,466

10.4.7 Management Expenses

2017/18 £'000	Management Expenses	2018/19 £'000
1,242	Administrative Cost (7a)	1,324
1010	Investment Management Expenses (7b)	1,214
446	Oversight and Governance Cost (7c)	399

2,698	Total Management Expenses	2,937
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10.4.7(a) Administrative Expenses

2017/18 £'000	Administrative expenses	2018/19 £'000
898	Employee Cost	898
344	Support services	426
-	Other expenses	-
1,242	Total administrative expenses	1,324

All other costs of administration are borne by Islington Council.

10.4.7(b) Investment Expenses

2017/18 £'000	Investment Expenses	2018/19 £'000
961	Management Fees	1,181
49	Custody Fees	33
1,010	Total investment management expenses	1,214

10.4.7(c) Oversight and Governance Cost

2017/18 £'000	Oversight & Governance Cost	2018/19 £'000
21	Performance Management Services	25
386	Advisory Services Fees	312
9	Operation and Support	21
9	Actuarial Fees	25
21	Audit Fees	16
-	Legal Fees	-
446	Total Oversight & Governance Cost	399

10.4.8. Income from Investments

2017/18 £'000	Investment Income	2018/19 £'000
12,056	Dividends from equities	7,229
(233)	Income from other investments vehicles	5,791

2,524	Net rents from pooled investment properties	3,356
-	Interest on cash deposits	17
14,347	Total Investment income	16,393
-	Irrecoverable withholding tax	
14,347	Total Investment income	16,393

10.4.9 Investments

Investments	Market value 01 Apr 18	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value as at 31 Mar 19
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	80			2	78
Indexed linked securities	125			-	125
Equities	169,334		4,879	(3,637)	168,092
Pooled investment vehicles (P.I.V)	928,474	5,798	111,190	(45,918)	869,000
Other Investment - P.I.V	-			-	
Properties - P.I.V	195,601	65,433	11,590	(11,233)	260,677
Private Equity - P.I.V	26,287	619	7,360	(7,887)	27,433
Infrastructure – PIV	-	61,397	19,899	2,287	39,211
Total	1,319,901	133,247	154,918	(66,386)	1,364,616
Other Investment & Cash	14,084				22,263
Total Investments	1,333,985				1,386,879

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year including profits and losses realised on sales of investments during the year. Investments are now valued at bid price.

Investments	Market value 01 Apr 17	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value as at 31 Mar 18
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	84	-	-	(4)	80
Indexed linked securities	131	-	-	(6)	125
Equities	452,558	23,607	(309,326)	(3,110)	163,729
Pooled investment vehicles (P.I.V)	553,993	681,802	(334,050)	32,334	934,079
Other Investment - P.I.V	-	-	-		
Properties - P.I.V	183,544	8,476	(7,785)	11,366	195,601
Private Equity - P.I.V	32,304	487	(11,677)	5,173	26,287
Venture Capital	-	-	-	-	-
Total	1,222,614	714,372	(662,838)	45,753	1,319,901
Other Investment & Cash	30,995				14,084
Total Investments	1,253,609				1,333,985

Investment Assets by Type		2017/18	2018/19
		<i>£'000</i>	<i>£'000</i>
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		80	78
Total Fixed interest securities		80	78
Index -linked			
UK public sector quoted		125	125
Total Index -linked		125	125
Equities (valued at Bid Price)			
UK quoted		126,485	125,805
Overseas quoted		37,244	37,111
Total Equities		163,729	162,916
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	112,452	117,187
	Other : Bond	248,487	157,775
Overseas Managed Funds	Other : Equity	147,199	162,254
	Property	18,833	25,781
	Other : Private Equity	26,287	27,433
UK Unit trusts (valued at Bid Price)	Property	64,316	117,709
	Other	538,393	554,147
Infrastructure Investment			39,211
Total Pooled investment vehicles		1,155,967	1,201,497
Insurance policies			
Insurance policies		-	-
Other investment balances (valued at Amortised cost)			
Outstanding trades		(2)	-
Outstanding dividends & RWT		1,686	2,058
Cash deposits : Sterling		9,100	9,913
Cash deposits : Other		3,301	10,292
Total Other investment balances		14,084	22,263
Total Investment Assets		1,333,985	1,386,879

Type of future	Expiration	Market Value	Market Value
UK FTSE exchange traded	Less than 1 year	-	-
UK gilt exchange traded	Less than 1 year	-	-
Total		0	0

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

10.4.9a. Investments exceeding 5% of net assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent less than 5%.

Security	Market value 31 March 2019 £'000	% of total fund	Market value 31 March 2018 £'000	% of total fund
LBI Self-Managed UK quoted	125,805	9.1%	126,485	9.7%
London CIV Pooled - Newton MSCI All Country World	218,049	15.8%	190,907	14.6%
London CIV Pooled Allianz MSCI World	118,596	8.6%	106,770	8.2%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	157,775	11.5%	248,487	19.0%
Aviva Lime Property UK Unit Trust	117,709	8.5%	64,316	4.9%
Threadneedle Pooled Investment Property AREF IPD All Balanced	88,673	6.4%	84,778	6.5%
Legal & General Pooled Investment Vehicle	162,254	11.8%	147,199	11.3%
Schroders Pooled Investment Multi Asset	113,648	8.3%	128,530	9.8%
BMO Pooled Investment MSCI Emerging Market	76,207	5.5%	74,776	5.7%

10.4.10 Current Assets

2017/18 £'000	Current Assets	2018/19 £'000
1,525	Contributions due from Employers & Employee	706
19	Sundry Debtors	46
3633	Cash Balances	2,793
5,177	Total	3,545

10.4.11 Total Liabilities

2017/18 £'000	Current Liabilities	2018/19 £'000
(601)	Accrued Benefits	(930)
(11,249)	**Sundry Creditors	(480)
(8,920)	*Receipt in Advance	(8,863)
(2,107)	Accrued Expenses	(3,415)

(22,877)	Total Current liabilities	(13,688)
2017/18 £'000	Non-Current Liabilities	2018/19 £'000
(8,863)	*Receipt in Advance	-
(8,863)	Total Non-Current Liabilities	0
(31,740)	Total Liabilities	(13,688)

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10.4.12 Benefits

a) Benefits provided by the scheme include:

Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

Redundancy and or Efficiency subject to minimum age condition of 55

Flexible Retirement subject to minimum age condition of 55

III- Health Retirement subject to approval by Council's medical adviser

b) Lump sum payments on retirement or death in service.

	Service Pre 1 April 2008	Services Post 31 March 2008	Service Post 31 March 2014
Pension	Each year worked is worth 1/80 x pensionable salary	Each year worked is worth 1/60 x pensionable salary	Each year worked is worth 1/49 x pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

c) A contributor who voluntarily leaves with less than two year's membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme.

However, if the contributor was in the scheme before 1 April 2014, and leave after then and has have been in the scheme for three or more months but less than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme

d) Payment of a Contribution Equivalent Premium (CEP) restores the Employee's rights in the state pension scheme as if he/she had not been contracted out, and extinguishes his/her accrued rights to a guaranteed minimum pension (GMP) in the local government pension scheme.

e) Regulations permit the council to charge administration costs and the investment managers' fees to the Fund. Administration costs represent officers' salaries and other expenses for work on scheme administration and investment-related matters and central establishment and computer recharges. The fees paid to the investment managers are their charges for managing the investments of the Fund.

10.4.13. Contributions

Contributions are credited to the Pension Fund consisting mainly of:

a) Employees' contributions ranging between 5.5% and 12.5% according to the annual earnings band an employee falls in.

b) Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2016, effective from 1 April 2017 fixed at 14.6% of pensionable payroll costs phased over 3 years (13.9% in 18/19). In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over twenty-two years. A lump sum contribution of £8.92m was made in 2018/19 (£8.97m in 2017/18) (a discounted amount due to payment in advance in April 2017)

c) Upgraded Pensions relate to compensation payments (added years) made on redundancy or efficiency grounds, the index-linked increases thereon, and certain non-contributing service which the council has treated as counting at full length in the payment of benefits. Income is transferred to the Pension Fund from the General Fund to offset these payments.

d) Contributions are invested and used for the benefit of the Pension Fund. The investment income in the form of dividends, interest and capital realisation is paid into the Fund.

e) Transfers to and from the Fund and other organisations are permitted. Transfers within the local government scheme are on a year for year, day for day basis but in all other transfers the money received from the organisation is used to purchase an amount of reckonable service in the local government scheme.

f) The Pension Fund is Tax Exempt

10.4.14 Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,690	5,684	124	128	477	472	6,291	6,284
Pensioners	5,193	5,455	403	428	17	25	5,613	5,908
Widows/ Children's Pensions	1,001	1,026	50	51	5	5	1,056	1,082
Deferred Benefits	7,682	7,465	755	722	169	229	8,606	8,416
Totals	19,566	19,630	1,332	1,329	668	731	21,566	21,690

10.4.16 Additional Voluntary Contributions

These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2017/18 Market Value	Additional Voluntary Contribution	2018/19 Market Value
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£'000		£'000
1,099	Prudential	1,237
224	Equitable life	215
83	Phoenix Life (formerly NPI)	87
1,406	Total Additional Voluntary Contributions	1,539

10.4.17 Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2018/19.

10.4.18 Contractual Commitments

The fund has outstanding commitments totalling £91m as at 31 March 2019. Two private equity fund managers Pantheon Ventures £4.32m and Standard Life £5.93m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £9.9m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £10.6m and £60.2m respectively.

10.4.19 Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2019, the Pension Fund held in receipt for the Islington Council £11.7m (£28.3m~31 March 2018). Full contributions from the council for the year are disclosed in Note 2.

Two members of the pension board are in receipt of pensions benefits from the Islington Council Pension Fund (Marion Oliver and Valerie George). Members of the Pensions Subcommittee are related parties of the fund. Each member of the pension board and the pension fund committee is required to declare their interest at each meeting. No other declarations were made during the year.

10.4.19a. Key Management Personnel

The key management personnel of the fund are the members of the Pension Fund Committee, the Director of Finance, the Head of Pensions and Treasury Management and the Director of Human Resources.

2017/18		2018/19
£'000		£'000
(50)	Short-term benefits	(51)
(10)	*Post-employment benefits	(9)
-	Termination benefits	-
(60)		(60)

*Post-employment benefits are at the state retirement age.

10.4.20 Post Balance Sheet Events

None.

10.4.21 Risk and Risk Management

The Fund's primary risk is that assets fall short of liabilities in the long term and as a result not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as it biggest risk. Investment Strategy adopted by the pension sub-committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors managers regularly by performance benchmark and reviews strategies as markets evolve.

10.4.21a Market Risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

10.4.21b Price and Currency Risk

Price and currency risk can be quantified by observing the potential market movement on the riskier assets and possible change in valuation.

Price risk

Price Risk	Final Market Value as at 31/03/19	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	162,708	8.50%	176,615	148,801
Overseas Equities	583,630	10.00%	642,213	525,046
Total Bonds	157,775	5.40%	166,273	149,276
Pooled Multi Asset	113,648	4.60%	118,861	108,436
Cash	19,327	0.50%	19,424	19,231
Property	260,677	3.20%	269,041	252,313
Infrastructure	39,211	5.50%	41,356	37,066
Private Equity	27,433	13.20%	31,060	23,805

Total Assets	1,364,409	5.30%	1,436,358	1,292,458
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The % change for Total Assets includes the impact of correlation across asset classes

Price Risk	Final Market Value as at 31/03/18 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	171,055	10.20%	188,502	153,607
Overseas Equities	520,657	9.50%	570,120	471,195
Total Bonds	248,487	5.90%	263,148	233,826
Pooled Multi Asset	128,529	5.40%	135,470	121,589
Cash	11,564	0.50%	11,622	11,506
Property	195,601	3.30%	202,056	189,147
Private Equity	26,287	10.50%	29,047	23,526
Total Assets	1,302,180	6.00%	1,380,311	1,224,049

Currency risk

The overseas equities are currently 50- 75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge and as such the table below shows the aggregate currency exposure to overseas equities. A single outcome exchange rate volatility impact reflects the changes in value.

Currency Risk(by asset class)	Final Market Value as at 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	583,630	5.60%	616,542	550,717
Overseas Private Equity	27,433	5.60%	28,980	25,886
Overseas Infrastructure	39,211	5.60%	41,422	37,000
Overseas property	25,780	5.60%	27,234	24,327
Total Assets	676,054	5.60%	714,178	637,930

Currency Risk(by asset class)	Final Market Value as at 31/03/18 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	520,657	6.00%	552,066	489,248
Overseas Private Equity	26,287	6.00%	27,872	24,701

Overseas property	18,833	6.00%	19,969	17,697
Total Assets	565,777	6.00%	599,907	531,646

10.4.21c Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. The fund's corporate bond securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year via its fund managers and asset allocation.

Interest rate – risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets Exposed to interest rate risk	Value at 31 March 2019 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,056	24,805	25,307
Fixed interest securities	78	77	79
Total	25,134	24,883	25,385

Assets Exposed to interest rate risk	Value at 31 March 2018 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	17,717	17,540	17,894
Fixed interest securities	80	79	81
Total	17,797	17,619	17,975

10.4.21d Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors receipt of contributions and the state of its admitted bodies.

10.4.21e Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2019, liquid assets were £1,320m representing 95% of total fund assets (£1,307m at 31 March 2018 representing 98% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, that gives access to cash dividend income on a regular basis.

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10.4.22. Financial Instruments

The following table provides an analysis of the financial assets and liabilities of Pension Fund grouped into Level 1 to 3, based on the level at which the fair value is observable.

The Fair Value levels of certain investment funds were re-classified following an exercise to review the inputs into assets valuations. This resulted in the 2018 figures being restated for the movement of private equities amounting to £26,286,630 into level 3 and cash deposits amounting to £14,084,470 into level 1.

Values at 31 March 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	1,320,236		66,644	1,386,879
Assets at amortised cost	2,793	752		3,545
Total Financial Assets	1,323,029	752	66,644	1,390,424
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
Total Financial Liabilities	-	(13,688)	-	(13,688)
Net Financial Assets	1,323,029	(12,936)	66,644	1,376,736

Values at 31 March 2018	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	1,307,698		26,287	1,333,985
Loans and Receivables	3,633	1,543	-	5,176
Total Financial Assets	1,311,331	1,543	26,287	1,339,161
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(31,740)	-	(31,740)
Total Financial Liabilities	-	(31,740)	-	(31,740)
Net Financial Assets	1,311,331	(30,197)	26,287	1,307,421

Valuation of financial instruments carried a fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. These instruments include our private equity managers and cash held in the fund.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which The Islington Council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December Cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.

10.4.22a Reconciliation of Fair Value Measurements within Level

Reconciliation of assets within level 3	Value at 31 March 2018	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Private Equity - P.I.V	26,287	619	(7,360)	7,887	27,433
Infrastructure - PIV	-	61,397	(19,899)	(2,287)	39,211
Total Level 3 Assets	26,287	62,016	(27,259)	5,600	66,644

In measuring the level 3 investments it is possible that one or more of the inputs could change, by the valuing manager, to acceptable alternative assumptions. Different earnings multiple could be used for a comparable company or industry sector for example. Whilst these changes could have a significant change in valuation, that individual change will not necessarily apply to other investments. A sensitivity analysis on the whole portfolio or class will be inappropriate.

Islington does not have a large portfolio of alternatives classed under level 3 and a change in valuation of one underlying investment will not have a significant impact on the whole portfolio.

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10.4.23 Investment Assets by Fund Manager

Investment Assets by Fund Manager	2017/18 £'000	2018/19 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	126,485	125,805
Overseas quoted - LBI self-managed	37,244	37,111
CASH DEPOSITS		
Sterling	1,853	2,625
Other	2,817	9,808
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,174	1,571
FIXED INTEREST		
UK	80	78
INDEX-LINKED		
UK	125	125
POOLED FUNDS		
UK	5,605	5,177
Total LBI In House Fund	175,383	182,300
Newton - London CIV		
POOLED FUNDS		
UK quoted	190,907	218,049
CASH DEPOSITS		
Sterling	109	109
Other	439	477
OTHER INVESTMENT BALANCES		
Outstanding Dividends	411	390
Total Newton	191,866	219,025
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	106,770	118,596
CASH DEPOSITS		
Sterling	279	284
Other	7	8
OTHER INVESTMENT BALANCES		
Outstanding Dividends	101	97
Total RCM	107,157	118,985
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	248,487	157,775
Pantheon		

POOLED INVESTMENT VEHICLES		
Private equity - overseas	6,488	9,174
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	19,799	18,258
Aviva Lime Property		
UK UNIT TRUSTS		
Property	64,316	117,709
Threadneedle Pensions		
POOLED INVESTMENT: Property	84,778	88,673
Thesis		
POOLED INVESTMENT: Property	27,674	28,514
BNY Mellon		
CASH DEPOSITS : Sterling	6,896	6,894
outstanding fx trades	-2	
Total BNY Mellon	6,894	6,894
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	147,199	162,254
Franklin Templeton		
Pooled Investment Global Property	18,833	25,781
Schroders		
Pooled Investment Multi Asset	128,530	113,648
BMO		
Pooled Investment Managed Funds	74,776	76,207
LGIM		
Pooled Investment Managed Funds	31,805	22,471
Pantheon Infrastructure		
Infrastructure	0	16,500
Quinbrook Infrastructure		
Infrastructure	0	22,711
Total Investment Assets	1,333,985	1,386,879

11: Auditors opinion

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12: Glossary of terms

Actuary

An independent consultant who advises the fund and reviews the financial position of the fund every three years. The actuary then produces a report, known as the actuarial valuation report, which compares the fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added years

Additional service that a member of the fund can buy by paying extra contributions to the fund providing that Inland Revenue limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVCs)

An option available to individual members to secure additional pension benefits by making regular payments to the pension fund's AVC provider up to a maximum of 15% of total earnings.

Asset allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Basis point

One hundredth of 1% (i.e. 0.01%).

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as

measured by one of the performance surveys) to customized benchmarks tailored to a particular fund's requirements.

Cash transfer values

The capital value of a benefit entitlement paid into or withdrawn from the fund when an employee joins or leaves the scheme with a pension transfer.

Corporate bond

Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by governments in their own currencies. Therefore, the 'credit' sector, as it is often known, includes issues by companies, supranational organizations and government agencies.

Custody

Administering of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax reclaims and provide other services, according to client instructions. The custodian physically holds the securities for safe-keeping

Deferred pension

The pension benefit payable from Normal Retirement Age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Emerging markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Final pensionable pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final salary scheme

A pension scheme that provides a pension and a lump sum benefit calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Fixed interest securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. Investments in government stocks represent 'loans' to Government which are repayable on a stated future date.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Mandate

The agreement between a client and investment manager laying down how the fund is to be managed. May include performance targets by reference to a benchmark.

Market value

The price at which an investment can be bought or sold at a given date.

Normal retirement age

Age 65 for both men and women but members whose age and membership, when combined, total 85 or more can retire at any time from age 60 without actuarial reduction.

Pensionable pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled funds

Pooled funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Return

The value received (income plus capital) annually from an investment, usually expressed as a percentage.

Unconstrained equity investing

Mandates where the investment manager is expected to construct and manage their portfolio of stocks in a way that reflects their judgment, without being hindered by limits sets relative to a benchmark index. The manager may also be free to invest a high proportion in cash if they have a negative view on equity markets. Generally, there would be few investment restrictions, although a mandate would rarely be totally unconstrained.

Unlisted securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

13: The fund's statutory statements

13.1 Investment strategy statement

Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This investment strategy statement (ISS) has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Pensions Sub-Committee ('the Committee') at least triennially or more frequently should any significant change occur.

The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/information/adviceandinformation/20172018/20170621lbiinvestmentstrategystatement.pdf>

13.2 The Funding strategy statement

This Funding Strategy Statement has been prepared by London Borough of Islington (the Administering Authority) to set out the funding strategy for the Islington Council Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/information/adviceandinformation/20172018/20170509fundingstrategystatement2017.pdf>

13.3 Governance policy statement

This statement is prepared for the purposes of The Local Government Pension Scheme Regulations 2013. It sets out the policy of Islington Council as the administering authority in relation to its governance responsibilities for the local government pension scheme.

This governance policy statement ultimately sets out to be a comprehensive summary of all aspects of pension scheme governance, communication and risk management.

13.3.1. Overall governance framework

The council as administering authority, with its advisers has identified the following key areas (the “five principles”) to support its overall governance framework.

- Effective board delegation
- Written plan policies
- Appropriate accountability
- Effective information flow
- Rigorous supervision and monitoring

The governance framework focuses on:

- The effectiveness of the pensions sub-committee and officers to which delegated function has been passed. This will include areas such as decision making processes, knowledge and competencies.
- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and pensions sub-committee members.
- The ability of the pensions sub-committee and officers to communicate clearly and regularly with all stakeholders.
- The ability of the pensions sub-committee or officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

Overall responsibility for the governance of the Local government pension scheme and for this document resides with the corporate services committee.

13.3.2. Delegation of functions

Governance principles: Effective board delegation; appropriate accountability

The following functions are delegated by the pensions sub-committee:

13.3.2.1 Scheme administration

Including, but not exclusively, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, provision of membership data for actuarial valuation purposes.

Delegated to the Corporate Director of Resources.

13.3.2.2 Funding

Including, but not exclusively, setting of the appropriate funding target for the local government pension scheme. The council’s constitution records that the allocation of resources to the pension fund is a function of the executive.

The Corporate Director of Resources shall be responsible for maintaining the Funding Strategy Statement (please see 9.3.4.5. Relevant documents).

13.3.2.3 Investment

The council constitution records that the following issues are delegated to the pensions sub-committee in relation to investment:

- To administer all matters concerning the council's pension investments in accordance with the law and council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.
- To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the Investment Managers.

The Corporate Director of Resources shall work with the fund's advisors and service providers to bring to the attention of the pensions sub-committee any issues of concern which may require decision by the sub-committee in these areas of policy. This will include but not be limited to, setting of an appropriate investment strategy, selection of investment managers, setting of performance benchmarks and monitoring of performance.

The pensions sub-committee will make the final decision on appointment of new managers, and termination of contracts for existing managers.

The Corporate Director of Resources shall be responsible for maintaining the Investment Strategy Statement of (please see 9.3.4.5. Relevant documents).

13.3.2.4 Communications

Governance principle: Effective information flow

Including setting of communication strategy, issuing, or arranging to be issued, benefit statements, annual newsletters, shortened annual report.

The Corporate Director of Resources shall be responsible for making all arrangements for the Annual General Meeting.

The Corporate Director of Resources shall be responsible for making all arrangements for an Annual Employers' Consultation meeting where admitted/scheduled employers may be informed of current developments and be offered the opportunity to feedback views. The outcome of this meeting shall be reported to the next available pensions sub-committee meeting.

The Corporate Director of Resources shall be responsible for maintaining the Communications Policy Statement (This is published as part of this statement and is attached as Appendix 2).

13.3.2.5. Risk management

Including the identification, evaluation and monitoring of risks inherent within the local government pension scheme. The Corporate Director of Resources shall be responsible for compiling and maintaining a risk register.

Delegated to the Corporate Director of Resources

13.3.3. Terms of reference and decision making

Governance principle: Effective board / delegation; written plan policies

The council constitution records the responsibilities within the committee structure as follows:

Corporate services committee: matters delegated to the pensions sub-committee:

- To consider policy matters in relation to the pension scheme, including the policy in relation to early retirements
- To administer all matters concerning the council's pension investments in accordance with the law and council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.
- To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the Investment Managers. (Note: The allocation of resources to the pension fund is a function of the Executive)."

The rules for conduct of pensions sub-committee are those laid out in the procedure rules stated in the council's constitution and published on the council's website under www.islington.gov.uk/council.

The constitution also defines that day to day management of the pension fund is delegated to the Corporate Director of Resources

13.3.3.1. Structure of pensions sub-committee and representation

Governance principle: Effective boards / delegation

The pensions sub-committee shall be made up of the following:

- Four councillors with nominated substitutes, with voting rights
- Observers as follows:
 - Elected pensioner representative
 - Representative from Volunteer Matters (formerly CSV)
 - Two trade union observers

Observers are encouraged to take a full part in the meeting, but do not have voting rights.

The pensioner representative shall be elected by ballot of all pensioner members

The pensions sub-committee also receives advice from Mercer and from Allenbridge Investment Advisers.

13.3.4 Operational procedures

13.3.4.1 Frequency of meetings

Governance principle: Effective board / delegation

The pensions sub-committee shall convene no less frequently than 4 times per year.

An Annual General Meeting will also be held where all scheme members will be entitled to attend, including admitted bodies and scheduled bodies.

13.3.4.2 Competencies, knowledge and understanding

Governance principle: Effective board / delegation

Members of pensions sub-committee shall undertake to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge etc is evaluated on an annual basis to identify any training or educational needs of the sub-committee.

13.3.4.3 Reporting and monitoring

Governance principle: Rigorous supervision and monitoring

The pension's sub-committee shall receive detailed performance reports relating to the investment of the fund assets, on a quarterly basis. An annual review of performance of the whole fund to 31 March of each year will also be considered by the pension's sub-committee as soon as possible after the end of the financial year.

Fund managers will be called to make presentations on their performance to the pensions sub-committee, as a minimum, annually if required. Managers will be seen regularly by the Corporate Director of Resources between these presentations in line with requirements of the regulations.

Pension's sub-committee shall also receive reports prepared by the fund actuary after the triennial revaluation has been carried out, and shall seek further advice on the investment policy and goals of the fund and whether policy changes are required to ensure the funding strategy is fulfilled.

13.3.4.4 Review of this policy statement

Responsibility for this document resides with the pensions sub-committee. It will be reviewed no less frequently than annually and where changes are necessary they will be agreed at a meeting of pensions sub-committee. This document will be reviewed if there are any material changes in the administering authority's governance policy.

13.3.4.5. Relevant documents

Funding Strategy Statement

The current published Funding Strategy Statement is online at www.islington.gov.uk/advice/council_pension_scheme.

Investment Strategy Statement

The current published Investment Strategy Statement is online at www.islington.gov.uk/advice/council_pension_scheme.

13.4 Communication policy

The Local Government Pension Scheme Regulations 2013 require each administering authority to prepare, maintain and publish a policy statement setting out its policy on communicating with members, their representatives, prospective members and their employing authorities.

Any change in policy would require the policy statement to be revised and re-published.

The methods of communication will be as follows:

- Access to the Pension pages on IZZI and the external website, with updates as required and links to the LGE Pension website.

- An Annual General Meeting.
- Briefing notes to employers participating in the Pension Fund, on an as and when required basis.
- Annual Benefits Statements to current scheme members and those with deferred pensions.
- Annual Monitoring of HM Revenues & Customs maxima in respect of the annual growth of individuals LGPS benefits; and notification to those individuals where the limit may be breached.
- Every three years from April 2013 the current employees who have opted out of the LGPS are re-enrolled into the scheme, and prior notification is provided to each individual affected.
- Notification to be provided to employees who opted out of the LGPS before April 2013 that they will become members of the scheme from October 2017.
- Departmental 'roadshows' will be provided on the LGPS, as required.
- Pre-Retirement Courses – a session on the LGPS is delivered at these regular events.
- Individual counselling: Scheme members, persons in receipt of a Local Government Pension, and former employees with deferred pensions will, on request, be given a private appointment to discuss their pension rights.
- Persons in receipt of an LGPS Pension will be notified each April of any inflation proofed increase being applied, together with the payment dates for the next 12 months.
- Payment advices will be sent to each pension recipient every March and April, plus in May if an index linked increase occurs. In other months a payment advice will be sent if the net pay differs by more than £2.00 compared to the previous period.
- Pension recipients will be sent a P60 statement of earnings by the end of May each year, relating to payments made for the year to 5th April.

13.5 Governance compliance statement

13.5.1. Structure

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council ‘;
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee’;

- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels ‘:’
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Compliance

- a) The council constitution clearly sets out that responsibility for the management of the pension fund resides with pension sub-committee.
- b) The pensions-sub committee comprises of three trade union observer, an admitted body observer and a pensioner representative.
- c) There is no secondary committee.
- d) There is no secondary committee and therefore no allocation for a member.

13.5.2. Representation

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
 - employing authorities (including non-scheme employers, e.g, admitted bodies’:’
 - scheme members (including deferred and pensioner scheme members’:’
 - independent professional observer and
 - expert advisors (on an ad-hoc basis).
- b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Compliance

- a) The pensions-sub committee comprises of three trade union observers, an admitted body observer and a pensioner representative. The sub-committee has also appointed in independent adviser who attends all the quarterly meetings.
- b) All the members of the pension sub-committee are distributed papers and reports seven working days before the meetings are held.

13.5.3. Selection and role of lay members

That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Compliance

Members of the pensions sub-committee are aware of their roles and responsibilities

13.5.4. Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committee.

Compliance

No clear justification for not extending voting rights but all members are allowed to express their opinion during meetings.

13.5.5. Training, facility time and expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

Compliance

- a) Training is made available to members of the pension sub-committee to assist them in the decision making process. Expenses are reimbursed for activities undertaken to perform their role.
- b) Whenever possible training is arranged to accommodate all members.

13.5.6. Meetings frequency and quorum

- a) That an administering authority's main committee or committees meet at least quarterly.
- b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliance

- a) The pensions sub-committee meets at least 4 times a year.
- b) No secondary committee.
- c) Not required since there is representation of stakeholders.

13.5.7. Access

That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Compliance

The pensions sub-committee papers are sent to members at least 5 working days prior to the meeting.

13.5.8. Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Compliance

The pensions sub-committee already considers a wider range of pension fund issues outside of investment.

13.5.9. Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliance

The council's governance policy statement was consulted upon prior to publication. The council also holds pension AGMs for all its members to highlight performance and activities undertaken during the year and publishes a separate pension fund annual report. All quarterly meetings are open to the public.

This governance policy statement ultimately sets out to be a comprehensive summary of all aspects of pension scheme governance, communication and risk management.

14: More information and comments

More information about the pension fund is on izzzi at My Employment> Pay and conditions> Pensions

If you have any questions or comments, please contact the pensions fund team

Email: pensions@islington.gov.uk

Telephone: 020 7527 2382

By post: Head of treasury and pension fund management
Finance Department
Islington Council
7 Newington Barrow Way
London
N7 7EP