



**Resources Department
Town Hall, Upper Street, London, N1 2UD**

AGENDA FOR THE PENSIONS BOARD

Members of the Pensions Board are summoned to attend a meeting which will be held in the Council Chamber, Town Hall, Upper Street, N1 2UD on **21 June 2021 at 6.00pm.**

Enquiries to : Mary Green
Telephone : (020) 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 11 June 2021

Membership

Employer representatives:

Maggie Elliott (Vice-Chair)
Councillor Dave Poyser (Chair)
(vacancy)

Scheme member representatives:

Mike Calvert
Valerie Easmon-George (+ vacancy for
substitute)
George Sharkey

Independent member

Alan Begg

Quorum is 3, including at least one employer representative and one member representative



A. Formal matters

1. Apologies for absence
2. Declaration of interests

If you have a Disclosable Pecuniary Interest* in an item of business:

- if it is not yet on the council's register, you must declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may choose to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you must leave the room without participating in discussion of the item.

If you have a personal interest in an item of business and you intend to speak or vote on the item you must declare both the existence and details of it at the start of the meeting or when it becomes apparent but you may participate in the discussion and vote on the item.

***(a)** Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.

(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

(d) Land - Any beneficial interest in land which is within the council's area.

(e) Licences- Any licence to occupy land in the council's area for a month or longer.

(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

3. Minutes of the previous meeting 1 - 4
4. Membership, terms of reference and dates of meetings of the Pensions Board and Pensions Sub-Committee in 2021/22 5 - 10

B. Non-exempt items

1. Pension administration performance 11 - 16
2. Pension Fund- Draft 2020/21 Statement of accounts 17 - 50

3. Forward Plan of business

51 - 78

C. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. Exclusion of press and public

To consider whether, in view of the nature of the remaining items on the agenda, any of them are likely to involve the disclosure of exempt or confidential information within the terms of Schedule 12A of the Local Government Act 1972 and, if so, whether to exclude the press and public during discussion thereof.

E. Confidential/exempt items

F. Urgent exempt items

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Pensions Board will be on 14 September 2021

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London Borough of Islington

Pensions Board - 23 March 2021

Minutes of the meeting of the Pensions Board held virtually via Zoom on 23 March 2021 at 6.00 pm.

Present: Alan Begg, Valerie Easmon-George, Maggie Elliott (Vice-Chair) and Councillor Richard Watts (Chair)

Observers: Councillor Paul Convery

Councillor Richard Watts in the Chair

1 **APOLOGIES FOR ABSENCE (Item A1)**

Received from George Sharkey and Councillor Satnam Gill.

2 **DECLARATION OF INTERESTS (Item A2)**

Councillors Watts and Convery declared an interest in items on the agenda as members of the Pension Fund.

3 **NOTES OF THE PREVIOUS MEETING (Item A3)**

RESOLVED:

That the recommendations made at the informal meeting of the Board held on 8 December 2020 be confirmed.

4 **PENSION ADMINISTRATION PERFORMANCE (Item B1)**

As part of his introduction to the report, the Deputy Pensions Manager outlined the possible consequences of the impact of the McCloud/Sargeant Judgment resulting in significant additional work and staff resource pressures on the Council's Pensions Team. He hoped to report to the Board in June on the scope of the work involved to comply with requirements.

The Deputy Pensions Manager noted that, due to software issues, it would not be possible to introduce pension increases in April 2021 and that they would be delayed until May 2021. Members were hopeful that there would be no recurrence of a delay such as this in the future.

RESOLVED:

That the contents of the report of the Corporate Director of Resources detailing: the number of members auto-enrolled into the Local Government Pension Scheme during the relevant period: the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints: the impact of the McCloud/Sargeant judgement on Local Government Pension Administration: the revocation of the public-sector exit payment cap by HM Treasury; the High Court

ruling on equalising past GMP transfers: and Government plans to increase the minimum pension age from 55 to 57, be noted.

5 PENSION FUND ADMINISTRATION COST 3-YEAR FORECAST AND CASHFLOW (Item B2)

The Board noted that there could be substantial costs associated with the McCloud/Sargeant issue which had not been reflected in the Pension Fund budget.

RESOLVED:

That the Fund's 2021/22 cashflow forecast and 3 year budget of administration cost for the period covering 2021/22 to 2023/24, as detailed in the report of the Corporate Director of Resources, be noted.

6 SCHEME ADVISORY BOARD -LGPS GOOD GOVERNANCE REVIEW RECOMMENDATIONS (Item B3)

The Chair suggested that it would be helpful for members of the Pensions Board and Sub-Committee hold an informal meeting before September to consider all of the recommendations proposed by the Scheme Advisory Board and whether any should be adopted into Islington's Fund. It would also provide an opportunity for the Board to reflect more generally on its operations, vacancies etc.

RESOLVED:

(a) That the Good Governance Review published by the Scheme Advisory Board (SAB) be noted.

(b) That the action plan also prepared by SAB and sent to MHCLG to support best practice governance building on the recommendations of the review, attached as Appendix 1 to the report of the Corporate Director of Resources, be noted.

(c) That a further report be submitted to the Board in September to consider some of the recommendations in the SAB report and its implementation for Islington's Fund.

(d) That members of the Pensions Board and Sub-Committee meet in advance of September to consider which of the SAB recommendations should be adopted by Islington's Fund.

7 PENSIONS BOARD - FORWARD PLAN 2020/21 (Item B4)

RESOLVED:

(a) That the contents of the report of the Corporate Director of Resources, comprising information on forthcoming business for the Board, be noted.

(b) That an item on "Implications for the Pensions Board of the McCloud/Sargeant judgement" be added to the list for consideration at the June 2021 Board meeting.

(c) That the LGPS "Current Issues – January 2021", attached as Appendix B to the report, be noted.

The meeting ended at 6.40 pm

CHAIR

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Report of: Acting Director of Law and Governance and Monitoring Officer
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Meeting of	Date	Agenda Item	Ward(s)
Pensions Board/ Pensions Sub-Committee	21 June 2021		n/a

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Subject: MEMBERSHIP, TERMS OF REFERENCE AND DATES OF MEETINGS OF PENSIONS SUB-COMMITTEE AND THE PENSIONS BOARD in 2021/22

1. Synopsis

To inform members of the remit and administrative arrangements for the Pensions Sub-Committee and the Pensions Board for the municipal year 2021 - 2022.

2. Recommendations

- 2.1 To note the membership of the Pensions Sub-Committee, appointed by the Audit Committee on 25 May 2021, its terms of reference and dates of meetings for the municipal year 2021/22, as set out at Appendix A.
- 2.2 To note the membership of the Pensions Board, appointed by the Audit Committee on 25 May 2021, its terms of reference and dates of meetings for the municipal year 2021/22, as set out at Appendix A.

3. Background

- 3.1 The terms of reference of the Pensions Sub-Committee (as contained in Part 5 of the Council's Constitution) are set out at Appendix A. The quorum of the Sub-Committee is two Councillors.
- 3.2 The terms of reference of the Pensions Board are also detailed in Appendix A. The quorum for meetings of the Board is three, including at least one employer representative and one member representative.
- 3.2 The membership and dates of meetings in 2021/22 are also set out at Appendix A for information.

4. Implications

4.1 Financial Implications

None.

4.2 Legal Implications

None.

4.3 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 to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

A resident impact assessment has not been carried out since this report relates solely to the administrative arrangements for the Committee and will not impact upon residents.

4.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

There are no environmental implications arising directly from this report.

5. Conclusion and reasons for recommendation

The report is submitted to inform members of the remit of the Committee.

Background papers:

None.

Final Report Clearance

Signed by

Acting Director of Law and Governance and
Monitoring Officer

Date

Report author Mary Green
Tel 020 7527 3005
E-mail mary.green@islington.gov.uk

PENSIONS SUB-COMMITTEE

Committee Membership 2021/22

Councillors	Substitute Members
Paul Convery (Chair)	Jenny Kay
Satnam Gill OBE (Vice-Chair)	
Michael O’Sullivan	
(vacancy)	

1.1 Terms of Reference

1. To consider policy matters in relation to the pension scheme, including the policy in relation to early retirements.
2. To administer all matters concerning the Council's pension investments in accordance with the law and Council policy.
3. To establish a strategy for disposition of the pension investment portfolio.
4. To determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
5. 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).
6. To consider the overall solvency of the Pension Fund, including assets and liabilities and to make appropriate recommendations to the Executive regarding the allocation of resources to the Pension Fund.
7. The Chair of the Pensions Sub-Committee will represent Islington Council at shareholder meetings of the London Collective Investment Vehicle (London LGPS CIV Limited). In the absence of the Chair, a deputy may attend.
8. Members of the Pensions Board shall be invited to attend meetings of the Sub-Committee as observers.

1.2 Quorum

The quorum for the Pensions Sub-Committee is 2 elected members.

1.3 Future Meeting Dates

Listed below are the dates of the meetings for 2021/22, all at 7.00pm:

21 June 2021
14 September 2021
23 November 2021
8 March 2022

The date for the Pensions AGM 2021 is to be confirmed.

PENSIONS BOARD MEMBERSHIP 2021-2022

Employer representatives:

Maggie Elliott (Vice-Chair) (for a three year term from 3 June 2019)
Councillor Dave Poyser (Chair)
(vacancy)

Scheme member representatives:

Mike Calvert (for a three year term from 3 June 2019)
Valerie Easmon-George (for a four year term, from 3 June 2019) (+ vacancy for substitute)
George Sharkey (for a three year term, with effect from 25 May 2021)

Independent member

Alan Begg (for a four year term, from 3 June 2019)

3.1 Terms of Reference

1. To assist the London Borough of Islington as scheme manager in securing compliance with:
 - a. the Local Government Pension Scheme Regulations 2013;
 - b. any other legislation relating to the governance and administration of the Local Government Pension Fund Scheme (LGPS);
 - c. requirements imposed by the Pensions Regulator in respect of the LGPS;
 - d. such other matters as the LGPS regulations may specify
2. To assist the London Borough of Islington in securing the effective and efficient governance and administration of the scheme;
3. To consider cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
4. To produce an annual report outlining the work of the Board throughout the financial year.
5. To make recommendations to the Pension Sub-Committee.

Composition

The membership of the Board shall consist of

- 3 Islington Council Pension Fund employer representatives
- 3 Islington Council Pension Fund member representatives
- 1 independent member (non-voting)

No substitutes are permitted, with the exception of the member of the Board who is appointed to represent pensioner members of the LGPS

All members of the Board shall be appointed by full Council or its Audit Committee which shall also appoint a chair from among the members of the Board.

Any person who is applying for or appointed as a member of the Pension Board must provide the Scheme Manager with such information as and when the Scheme Manager requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

No officer or elected member of the Council who is responsible for the discharge of any function in relation to the LGPS.

Members of the Pensions Board shall be invited to attend meetings of the Sub-Committee as observers.

Meeting Dates 2021/22, all at 6.00pm:

21 June 2021
14 September 2021
23 November 2021
8 March 2022

The date for the Pensions AGM 2021 is to be confirmed.

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Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	21 st June 2021		

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SUBJECT: PENSION ADMINISTRATION PERFORMANCE

1. Synopsis

- 1.1 This report provides the Board with information on the administration activities of the Pension Administration. The information is in respect of the period from 1st February 2021 to 30th April 2021 and includes the number of LGPS members auto-enrolled into the scheme for this period.
- 1.2 The report also provides information regarding the Internal Dispute Resolution Procedure, compliments and complaints.

2. Recommendations

- 2.1 To note the number of members' auto-enrolled into the Local Government Pension Scheme during the relevant period.
- 2.2 To note the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints.
- 2.3 To note the impact of the McCloud/Sargeant judgement on Local Government Pension Administration.
- 2.4 To note that our Pensioners received the 2021 Pensions Increase in May due to resourcing challenges within a key team.
- 2.5 To note the passage through Parliament of the Pension Schemes Act 2021 and its implication for the governance of Occupational Pensions.

3. Background – Statistics and key performance indicators

3.1 The membership profile at 31st January 2021 and 30th April 2021 is shown in the following table.

Category	Jan - 21	Apr - 21
Number of current active members	6,451	6,563
Number of preserved benefits	8,324	8,255
Number of Pensions in payment	6,131	6,206
Number of Spouses/dependants pensions in payment	987	978
Total	21,893	22,002

There have been modest increases in actives, the level of deferred benefits have fallen slightly as a consequence of former members claiming their deferred pension early.

3.2. Key performance indicators from 1 February 2021 to 30 April 2021:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	23	95%	100.00%	5.00
Retirement benefits	5	72	95%	85.00%	8.00
Pension estimates	10	133	95%	87.00%	11.00
Preserved benefit calculations	15	45	95%	71.00%	19.00
Transfer-in quotation	10	38	95%	92.00%	12.00
Transfer-in actual	10	24	95%	97.00%	9.00
Transfer out actual	12.5	21	95%	100.00%	11.00
Transfer out quotation	15	33	95%	100.00%	14.00
Legacy Cases - Valuation	-		-	-	-
All processes	-	448		82.00%	

3.3 There has been a marginal increase of approximately 1% in overall performance from the 81.00% achieved in the last quarter in completed processes within the target days. The total processes completed is also up by 9 from the last quarter.

3.4 Number of members auto-enrolled into the LGPS from February 2021 to April 2021:

Month	Starters No.	Opt Outs	Opt Outs %
February	50	3	6
March	49	0	0
April	47	0	0
Total	146	3	2

3.5 The Pensions Office have received 4 communications thanking Pension Administration staff for their service and 1 complaint in relation to a member not receiving a returned telephone call after leaving a message.

3.6 There is 1 case that is now part of our Internal Disputes Resolution process.

4. Impact of McCloud/Sargeant Judgment

- 4.1 The Pension Board report in March 2021 gave a summary of McCloud/Sargeant Judgment and the proposed remedies considered by MHCLG.
- 4.2 The Pensions Office has undertaken some initial scoping of work that will be involved in this process and estimate that 4410 records will need to be reviewed (inclusive of actives, deferreds, pensioners, deaths and transfers). The Council have approached our software suppliers to assist in this project and approval is also being sought to recruit agency staff as and when appropriate in terms of the management of this project.
- 4.3 The role of our employers and payroll providers are an important part of this project and their engagement essential in our ability to successfully manage this project. Formal communications and a timeline will be sent by the end June to all the relevant parties. We anticipate that the external payroll providers will charge a fee to provide the additional data that we will be requesting as a bespoke piece of work.
- 4.4 Once the Pensions Office have received the relevant data from our employers and payroll providers, this will be updated to our database and we will use analytical tools to identify members where a calculation needs to be done in order to assess whether the member was worse off by the introduction of the care scheme and should be given underpin protection from 1st April 2014 to 31st March 2022 (or to the members' underpin date, where this is earlier).
- 4.5 At this stage in the process it is difficult to be precise on the final project costs, as there are a number variables, such as the quality of data, the engagement of our employers and the work we ask of our software suppliers and actuaries. All costs will be closely monitored and a summarised progress report provided to the Pension Board each quarter until completion.

5. 2021 Pensions Increase Payment Delay

- 5.1 Payment of the 2021 Pensions Increase should have been made to our Pensioners in April 2021 but was implemented and backdated in May 2021 as a result of challenges in our Corporate HR Payroll Section. It is not anticipated that this will be a problem in the future due to changes already planned for the service.

6. Pension Scheme Act 2021

- 6.1 The Pension Scheme Act 2021 became law on the 11th February 2021. The Act introduces important changes to the governance of Occupational Pensions:
 - The Pensions Regulator receives enhanced enforcement power and can issue civil penalties of up to £1 million.
 - A range of new criminal offences are introduced which include conduct risking accrued scheme benefits and failure to comply with contribution notice.
 - The creation of Pensions Dashboards
 - New climate risk-related governance and reporting requirements
 - Extra conditions members must satisfy before they are able to transfer out their LGPS benefits

The changes introduced by the Pensions Scheme Act 2021 will not immediately apply to the LGPS, however it is expected that MHCLG will bring forward changes in the LGPS regulations to bring them into force in due course.

7. Implications

7.1 Financial Implications

7.1.1 The cost of administering the LGPS is chargeable to the Pension Fund.

7.2 Legal Implications

7.2.1 There are no specific legal implications in this report.

7.3 Resident impact assessment

7.3.1 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 to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

7.3.2 In respect of this report, a Resident Impact Assessment is not being made because the contents of the report relate to processes that are strictly in accordance with the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972, and the Council has a statutory duty to comply with the LGPS Regulations.

7.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

8 Conclusion and reasons for recommendations

8.1 The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution.

Background papers:

None.

Final report clearance:

Signed by:



11 June 2021

Corporate Director of Resources

Date

Received by:

Head of Democratic Services

Date

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Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pension Board	21 st June 2021		n/a

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SUBJECT: PENSION FUND- DRAFT 2020/21 STATEMENT OF ACCOUNTS

1. Synopsis

- 1.1 This report is for the local pension board to review the Funds 2020/21 draft statement of accounts, as part of its work programme objective to make recommendations on statutory and non-statutory policies and strategies.

2. Recommendation

- 2.1 To review the 2020/21 draft pension fund accounts attached as Appendix 1 before it is audited by Grant Thornton our external auditors.

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

20/21 Draft Statement of Accounts

- 3.4 The draft pension fund accounts are being finalised and working papers compiled to be handed to the auditors later in June for the auditing to be completed and Audit Committee approval by 30th September because of COVID-19 disruption. The main highlights include:

- An increase in net assets of £304million (22.3%) to £1,663million due to an increase in market value of assets especially equities after initial COVID-19 market falls.
- Employees' contributions totalled £13.5million compared to 12.9million in 2019/20
- Employers' contributions amounted to £57.1million compared to the £38.7 million in the previous year this was mainly due to the Council paying its 3-year past year's deficit contribution upfront in April 2020 instead of spreading it over 3years to 22/23.
- Pensions paid totalled £50.4 million compared to £50.2million in 2019/20. The increase was low because the annual pension increase was 0.5% .

As at 31 March 2021, £78.1million income (excluding investment income) was received against an expenditure of £70.5 million. The other drivers apart from pension payments were retirement lump sums and transfer in. This means that the fund was able to meet all its commitments from contributions only and did not dip into investment income during the year.

- 3.5.1 The draft 20/21 statement of accounts and notes (some still outstanding) is attached as Appendix 1. Members are asked to review the draft accounts and for officers to make amendments if required before submission for the auditing process and sign off at Audit Committee by September.

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 and contribution to achieving a net zero carbon Islington by 2030:

Environmental implications will be included in each report to the Pensions-sub committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by

50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofngtonpensionfundinvestmentstrategystatement.pdf>

4.4 Resident Impact Assessment

None applicable to this report. 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 to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

5. Conclusion and reasons for recommendation

5.1 Members are asked to review and note as per their agreed work plan, the draft 20/21 statement of accounts –Appendix 1 that will be audited over the summer for approval by Audit Committee by September.

Background papers:

Islington pension board's terms of reference

Final report clearance:

Signed by:



11 June 2021

Corporate Director of Resources

Date

Received by:

Head of Democratic Services

Date

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Email: Joana.marfoh@islington.gov.uk

Islington Pension Fund

Fund Account

2019/20 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2020/21 £'000	Note
Contributions receivable			
27,697	Employer contributions	29,104	7a
10,058	Deficit recovery contributions	28,037	7a
12,970	Members contributions	13,533	7b
5,452	Transfers in from other pension funds	5,021	8
2,647	Other Income	2,399	9
58,824	Total Income	78,094	
Benefits payable			
(50,220)	Pensions	(50,422)	10
(10,217)	Lump sum benefits	(8,827)	10
(6,450)	Payment to and on account of leavers	(8,404)	11
(66,887)	Total Expenditure	(67,653)	
(8,063)	Net additions/ (withdrawals) from dealing with members	10,441	
(3,275)	Management Expenses	(2,837)	12
(11,338)	Net additions/ (withdrawals) including fund management expenses	7,604	
Returns on investments			
17,948	Investment income	16,340	13
(24,534)	Change in market value (realised & unrealised)	281,099	
(6,586)	Total Returns on investments	297,439	
Net return on investments			
(17,924)	Net increase/decrease in fund in year	305,043	
1,376,736	Opening net assets of the scheme	1,358,812	
1,358,812	Closing net assets of the scheme	1,663,855	

Net Assets Statement

2019/20 £'000	Net Assets Statement for the year ended 31 March 2021	2020/21 £'000	Note
Investments			
1,342,734	Investment assets	1,638,824	14
13,457	Other Investment and Cash	23,294	14
1,356,191	Total Investments	1,662,118	
Current Assets and Liabilities			
6,009	Current assets	4,195	16
(3,388)	Current liabilities	(2,458)	17
1,358,812	Net assets of the scheme at 31 March	1,663,855	

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.

Notes to the Pensions Account

1. Description of 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 administered by Islington Council, 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. Government Regulations fix employees' contributions to the Fund and the extent of benefits paid out. An independent actuary assesses the council's contribution rate every three years.

a) General

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.

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures Standard Life (total commitments tbc). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment tbc). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment tbc) and Pantheon Access. 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 28). 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. A Joint Committee of London Councils who representing the shareholders will recommend the appointment directors to the company and receive reports from the company oversees it.

"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.

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

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Islington Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

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

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

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,956	5,961	136	134	460	429	6,552	6,524
Pensioners	5,409	5,643	458	480	39	45	5,906	6,168
Widows/ Children's Pensions	913	918	49	53	5	5	968	976
Deferred Benefits	7,299	7,320	692	676	250	293	8,241	8,289
Totals	19,578	19,842	1,335	1,343	754	772	21,667	21,957

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

- i. Employees' contributions ranging between 5.5% and 12.5% according to the annual earnings band an employee falls in.
- ii. Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 19/20). 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 nineteen years. A lump sum contribution of £28.04m was made in 2020/21 (£10.05m in 2019/20). A 3-year discounted amount of £26.9m was paid in advance by the administering body included in deficit recovery contributions, see note 7a.
- iii. 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.
- iv. 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.
- v. 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.

e) Benefits

- i. 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

ii. 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.

- iii. 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 leaves after then and 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
- iv. 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.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its positions as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 18 of these accounts.

The Pension Fund Accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contributions

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Any amount not due until future years are classed as long-term financial assets

b) Transfers

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8).. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment Income

- **Interest 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.
- **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 2021.

Fund Account – expense items

d) 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.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments incurs withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Input VAT is generally recoverable on all Fund activities.

f) 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 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.

Net assets statement

Financial assets

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.

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. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

Stock Lending

The fund does not participate in stock lending.

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 2020/21 and the value of the fund as at 31 March 2021 is to be confirmed.

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.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and is in accordance with IAS 26.

COVID-19 Impact

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations; however, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions		
		Change in assumptions – year ended 31 st March 2021	Approx % change in liabilities	Approx monetary value £m
Actuarial present value of promised retirement benefits.	Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are	0.5% p.a. decrease in discount rate	8% increase	£217m increase
		0.5% p.a. increase in salary increase rate	<1% increase	£13m increase

	in regard to the discount rate used, salary increase projections, and retirement age.	0.5% p.a. increase in inflation / pension increase rate	8% increase	£217m increase
		1 year increase in member life expectancy	3% increase	£78m increase
Private equity and Infrastructure investments	The Partnership's investments in Portfolio Partnerships are carried at fair value as determined in good faith by the General Partner in accordance with US GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	TBC		
Property and Pooled Property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	TBC		
Diversified Growth Fund	Investments are valued as frequently as possible based on the price frequency of the underlying assets. For listed or exchange-traded instruments including derivatives, this is normally daily. For Fixed Income securities and OTC derivatives, this is also normally daily. For 3rd party funds (including Hedge funds; Private Equity funds; and Real Estate funds), monthly or quarterly valuations are more common. Care is taken to ensure the most up to date price at the valuation date is used at the time each valuation report is created.	TBC		

6. EVENTS AFTER THE REPORTING DATE

There have been no events after the reporting date that would have a material impact on these financial statements.

Non-adjusting event – COVID-19

TBC

7. 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council *	34,347	53,702	-	-	768	634
Scheduled Bodies						
St Mary Magdalene Academy	218	258	-	-	-	-
City of London Academy	150	152	-	-	-	-
The New North Academy	95	107	-	-	-	-
William Tyndale School	111	127	-	-	-	-
The Courtyard School	18	29	-	-	-	-
Tech City (Stem 6th form Academy)	7	-	-	-	-	-
Elliot Foundation	147	218	-	-	-	-
The Bridge School	447	542	-	-	11	-
The Bridge Integrated Learning Space	53	74	-	-	-	-
Pears Family School Academy	14	24	-	-	-	-
City of London Academy Highbury Grove	285	327	-	-	-	-
City of London Academy, Highgate Hill	101	72	-	-	-	-
The Bridge Satellite Provision	24	60	-	-	-	-
City of London Primary Academy, Islington	15	20	-	-	-	-
Clerkenwell Parochial Academy	96	64	-	-	-	59
Hungerford School	76	61	-	-	15	-
London Screen Academy	16	108	-	-	-	-
Sub-Total Scheduled Bodies	1,873	2,243	-	-	26	59
Admitted bodies						
Volunteering Matters(CSV)	160	-	-	-	-	-
Camden & Islington NHS Foundation Trust	70	51	-	-	-	-
Braithwaite	5	7	-	-	-	-
Pleydell	16	24	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	13	-	-	-	-	-
Brunswick	28	31	-	-	-	-
Southern Housing Group	5	-	-	-	-	-
Caterlink	184	178	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	110	79	-	-	-	-
Breyer Group	4	-	-	-	-	-
Mears Ltd	32	12	-	-	-	-
Greenwich Leisure Ltd	69	47	-	-	-	19
WJ Catering	3	-	-	-	-	-
Isledon Arts CIC	8	7	-	-	-	-
Pabulum	3	-	-	-	-	-
Alliance In Partnership	22	33	-	-	-	10
Bouyges ES FM UK Ltd.	9	5	-	-	-	-
Sub-total Admitted Bodies	741	474	-	-	-	29
Totals	36,961	56,419	0	0	794	722

* 3-year advance deficit lumpsum contribution of £26.9m is included in Islington Council's normal contributions. The entire amount was accounted for, in previous years it was treated as a prepayment.

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)	
	2019/20 £'000	2020/21 £'000
Administering Authority		
Islington Council	12,048	12,569
Scheduled Bodies		
St Mary Magdalene	105	112
City of London Academy	67	73
The New North Academy	31	29
William Tyndale School	31	33
The Courtyard School	12	15
Tech City (Stem 6th form Academy)	4	-
Elliot Foundation	135	141
The Bridge School	140	141
The Bridge Integrated Learning Space	31	34
Pears Family School Academy	7	9
City of London Academy Highbury Grove	76	76
City of London Academy, Highgate Hill	38	41
The Bridge Satellite Provision	11	18
City of London Primary Academy, Islington	8	7
Clerkenwell Parochial academy	13	11
Hungerford School	25	21
London Screen Academy	5	40
Sub-Total Scheduled Bodies	739	801
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	7
Braithwaite	2	2
Pleydell	6	7
NCP Services (Islington South)	6	6
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	8	8
Southern Housing Group	1	-
Caterlink	54	51
Engie Ltd (Cofely Workplace Ltd)	36	34
Breyer Group	4	-
Mears Ltd	9	9
Greenwich Leisure Ltd	28	22
WJ Catering	1	-
Isledon ArtsCIC	3	3
Pabulum	1	-
Alliance In Partnership	9	8
Bouyges ES FM UK Ltd.	3	1
Sub-total Admitted Bodies	183	163
Totals	12,970	13,533

8. Transfers in

2019/20 £'000	Transfers in	2020/21 £'000
-	Group transfers in from other schemes	-
5,452	Individual transfers in from other schemes	5,021
5,452	Total transfers in	5,021

9. Other Income

2019/20 £'000	Other Income	2020/21 £'000
-	Income from Other Investments	-
-	Interest	-
2,647	Other	2,399
2,572	Total other income	2,399

Other income are pension recharges and miscellaneous fees.

10. 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	46,653	46,713	8,550	6,501	958	1,745
Scheduled Bodies						
St Mary Magdalene Academy	25	26	-	-	-	-
City of London Academy	61	58	107	137	-	-
The New North Academy	12	26	66	-	-	-
William Tyndale School	24	26	25	6	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	2	7	-	-	-
Elliot Foundation	-	-	-	-	-	-
The Bridge Integrated Learning Space	-	6	-	16	-	-
Pears Family School Academy	2	1	12	5	-	-
City of London Academy Highbury Grove	4	8	-	-	-	-
City of London Primary Academy, Islington	-	2	-	20	-	-
Hungerford School	8	8	54	-	-	-
Sub-Total Scheduled Bodies	143	168	271	184	-	-
Admitted Bodies						
Volunteering Matters (CSV)	1,287	1,292	153	105	13	-
Aquaterra	227	229	-	-	-	-
CEA	851	864	-	2	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	588	603	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	72	73	-	-	-	-
ALA	21	21	-	-	-	-
Notting Hill Trust	22	15	19	-	-	-
Camden & Islington NHS Foundation Trust	89	87	78	-	-	-
Pleydell	6	13	89	-	-	-
SSE Contracting Ltd (Islington Lighting)	55	56	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	3	9	8	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	33	33	-	-	-	-
London Property Maintenance	-	-	-	-	-	-
Caterlink	20	57	14	95	-	-
Engie Ltd (Balfour Beatty)	28	29	17	-	-	-
Kier Support Services	20	21	-	-	-	-
Breyers	12	8	47	-	-	-
Mears	16	16	-	-	-	-
Greenwich Leisure Ltd	22	63	-	195	-	-
WJ Catering	23	23	-	-	-	-
Isledon Arts CIC	-	-	-	-	-	-
Alliance In Partnership	3	3	-	-	-	-
Sub-total Admitted Bodies	3,424	3,541	425	397	13	-
Totals	50,220	50,422	9,246	7,082	971	1,745

11. Payments to and on Account of Leavers

2019/20 £'000	Payment to and on Account of Leavers	2020/21 £'000
171	Refunds of Contributions	79
6,279	Individual Transfer	8,325
6,450	Total payments to and on account of leavers	8,404

12. Management Expenses

2019/20 £'000	Management Expenses	2020/21 £'000
1,286	Administrative Cost (12a)	1,442
1317	Investment Management Expenses (12b)	983
672	Oversight and Governance Cost (12c)	412
3,275	Total Management Expenses	2,837

12(a) Administrative Expenses

2019/20 £'000	Administrative expenses	2020/21 £'000
967	Employee Cost	1,322
319	Support services	120
1,286	Total administrative expenses	1,442

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2019/20 £'000	Investment Expenses	2020/21 £'000
1,278	Management Fees	941
39	Custody Fees	42
1,317	Total investment management expenses	983

12(c) Oversight and Governance Cost

2019/20 £'000	Oversight & Governance Cost	2020/21 £'000
35	Performance Management Services	35
384	Advisory Services Fees	242
133	Operation and Support	91
90	Actuarial Fees	19
25	Audit Fees	25
5	Legal Fees	-
672	Total Oversight & Governance Cost	412

13. Income from Investments

2019/20 £'000	Investment Income	2020/21 £'000
7,073	Dividends from equities	5,862
6,349	Income from other investments vehicles	5,967
4,488	Net rents from pooled investment properties	4,435
38	Interest on cash deposits	76
17,948	Total Investment income	16,340
-	Irrecoverable withholding tax	
17,948	Total Investment income	16,340

14. Investments

Investments	Market value 01 Apr 20 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 21 £'000
Fixed interest securities	75			(2)	73
Indexed linked securities	115			(2)	113
Equities	122,986		(497)	30,442	152,931
Pooled investment vehicles (P.I.V)	876,038	81,079	(82,353)	242,633	1,117,397
Properties - P.I.V	256,643	32,338	(33,896)	3,409	258,494
Private Equity - P.I.V	23,342	140	(5,105)	(1,687)	16,690
Infrastructure - PIV	63,535	23,286		6,306	93,127
Total	1,342,734	136,843	(121,851)	281,099	1,638,825
Other Investment & Cash	13,457				23,293
Total Investments	1,356,191				1,662,118

Investments	Market value 01 Apr 19 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 20 £'000
Fixed interest securities	78	-	-	(3)	75
Indexed linked securities	125	-	-	(10)	115
Equities	162,915	-	(4,412)	(35,517)	122,986
Pooled investment vehicles (P.I.V)	874,177	136,341	(137,425)	2,945	876,038
Properties - P.I.V	260,677	4,560	(10,190)	1,596	256,643
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total	1,364,616	161,924	(159,272)	(24,534)	1,342,734
Other Investment & Cash	22,263				13,457
Total Investments	1,386,879				1,356,191

14(a)

Investment Assets by Type		2019/20	2020/21
		<i>£'000</i>	<i>£'000</i>
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		75	73
Total Fixed interest securities		75	73
Index -linked			
UK public sector quoted		115	113
Total Index -linked		115	113
Equities (valued at Bid Price)			
UK quoted		97,759	120,171
Overseas quoted		25,227	32,760
Total Equities		122,986	152,931
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	111,742	112,421
	Other : Bond	155,012	166,461
Overseas Managed Funds	Other : Equity	150,026	207,277
	Property	20,119	14,896
UK Unit trusts (valued at Bid Price)	Other : Private Equity	23,342	16,690
	Property	124,782	131,173
	Other	571,000	743,663
Infrastructure Investment		63,535	93,127
Total Pooled investment vehicles		1,219,558	1,485,708
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,292	1,334
Cash deposits : Sterling		11,557	21,703
Cash deposits : Other		608	256
Total Other investment balances		13,457	23,293
Total Investment Assets		1,356,191	1,662,118

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.

15. 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	% of total	Market value	% of total
	31 March 2021	fund	31 March 2020	fund
	<i>£'000</i>		<i>£'000</i>	
LBI Self-Managed UK quoted	120,171	7.2%	97,760	7.2%
London CIV Pooled - Newton MSCI All Country World	291,204	17.5%	211,891	15.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	166,462	10.0%	155,012	11.4%
Aviva Lime Property UK Unit Trust	131,173	7.9%	124,782	9.2%
Threadneedle Pooled Investment Property AREF IPD All Balanced	84,104	5.1%	82,680	6.1%
Legal & General Pooled Investment Vehicle	207,277	12.5%	150,026	11.0%
Schroders Pooled Investment Multi Asset	132,289	8.0%	106,480	7.8%
LGIM Pooled Investment Managed Funds	0	0.0%	75,839	5.6%
London CIV RBC EQ RBC Bmk	165,290	9.9%	112,364	8.3%

16. Current Assets

2019/20 £'000	Current Assets	2020/21 £'000
1,884	Contributions due from Employers & Employee	1,919
87	Sundry Debtors	60
4038	Cash Balances	2,216
6,009	Total	4,195

17. Current Liabilities

2019/20 £'000	Current Liabilities	2020/21 £'000
(1,049)	Accrued Benefits	(226)
(638)	**Sundry Creditors	(548)
-	*Receipt in Advance	-
(1,701)	Accrued Expenses	(1,684)
(3,388)	Total Current liabilities	(2,458)

18. Actuarial Position

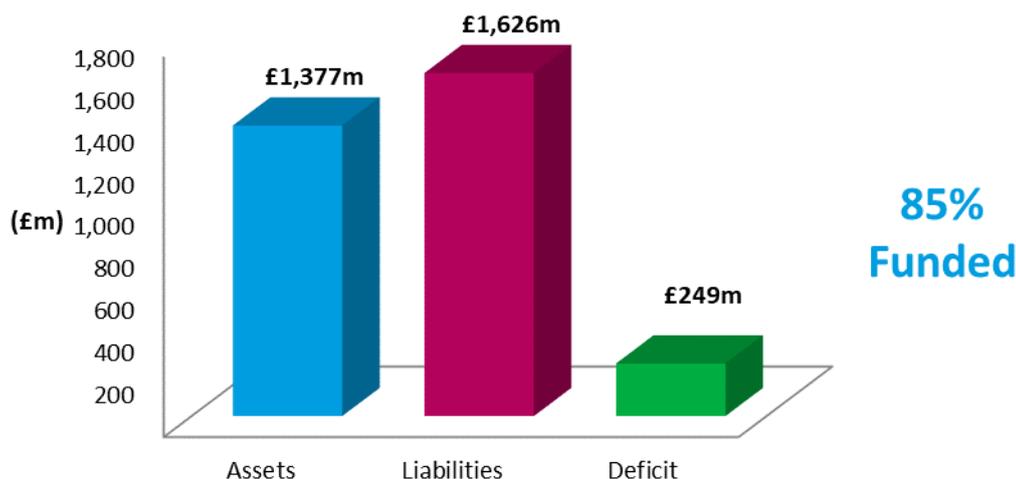
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,377 million represented 85% of the Fund's past service liabilities of £1,626 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £249 million.



The valuation also showed that a Primary contribution rate of 16.9% 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 FSS is to achieve and 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.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £5.5m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this is predominantly paid in year one with surplus off-sets applying in the subsequent two years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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 (including 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 Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.2% per annum	4.65% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

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

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £6 million and an increase in the Primary Contribution rate of 0.6% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate of £5.5 million per annum shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. Since then, we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority is considering updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities

introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

DRAFT

19. 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

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 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a. at the prior year end). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. at the prior year end to 2.7% p.a. 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 2020 was estimated as £2,241 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£53 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£13 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £308 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £2,615 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman

**Fellow of the Institute and
Faculty of Actuaries**

Michelle Doman

**Fellow of the Institute and
Faculty of Actuaries**

Mercer Limited

June 2021

20. 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.

2019/20 Market Value £'000	Additional Voluntary Contribution	2020/21 Market Value £'000
1,164	Prudential	TBC
222	Utmost (formerly Equitable life)	
81	Phoenix Life (formerly NPI)	
1,467	Total Additional Voluntary Contributions	0

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2020/21.

22. Contractual Commitments

TBC

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2021, the Pension Fund is due from the Islington Council £0.119m (£0.320m~31 March 2020). Full contributions from the council for the year are disclosed in Note 2.

One member of the pension board is in receipt of pensions benefits from Islington Council (Valerie Easmon George) and two who are active members of the fund Mike Calvert and George Shakey. 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.

24. Key Management Personnel

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

2019/20 £'000		2020/21 £'000
(50)	Short-term benefits	(64)
(10)	*Post-employment benefits	(7)
-	Termination benefits	-
(60)		(71)

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

25. 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.

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.

26a. 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 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	174,748	16.40%	203,319	146,176
Overseas Equities	723,237	14.30%	826,371	620,104
Total Bonds	241,826	5.80%	255,949	227,703
Pooled Multi Asset	132,289	7.90%	142,793	121,786
Cash	21,707	0.70%	21,861	21,553
Property	258,493	2.00%	263,740	253,245
Infrastructure	93,128	7.20%	99,786	86,469
Private Equity	16,690	11.30%	18,576	14,804
Total Assets	1,662,118	8.20%	1,437,628	1,274,755

The % change for Total Assets includes the impact of correlation across asset classes

Price Risk	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	141,568	14.20%	161,609	121,528
Overseas Equities	521,700	11.70%	582,732	460,667
Total Bonds	155,012	5.70%	163,876	146,148
Pooled Multi Asset	106,480	6.70%	113,616	99,343
Cash	87,912	1.00%	88,756	87,068
Property	256,643	1.90%	261,621	251,665
Infrastructure	63,535	6.00%	67,333	59,736
Private Equity	23,341	11.70%	26,066	20,617
Total Assets	1,356,191	6.00%	1,437,628	1,274,755

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 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	723,237	6.50%	770,079	676,396
Overseas Private Equity	16,690	6.50%	17,771	15,609
Overseas Infrastructure	93,128	6.50%	99,159	87,096
Overseas property	14,899	6.50%	15,864	13,934
Total Assets	847,954	6.50%	902,873	793,035

Currency Risk(by asset class)	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	521,700	7.40%	560,057	483,342
Overseas Private Equity	23,342	7.40%	25,058	21,625
Overseas Infrastructure	63,535	7.40%	68,206	58,864
Overseas property	20,119	7.40%	21,598	18,640
Total Assets	628,695	5.60%	674,920	582,471

26b. 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 2021 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,509	25,254	25,764
Fixed interest securities	73	72	74
Total	25,582	25,326	25,838

Assets Exposed to interest rate risk	Value at 31 March 2020 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	17,540	17,365	17,715
Fixed interest securities	75	74	76
Total	17,615	17,439	17,791

26c. 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.

26d. 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 2020, liquid assets were £1,269m representing 94% of total fund assets (£1,320m at 31 March 2019 representing 95% 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, which gives access to cash dividend income on a regular basis.

27. 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.

Values at 31 March 2021	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	787,294	75,364	776,166	1,638,824
Loans and Receivables	23,966	-	-	23,966
Total Financial Assets	811,260	75,364	776,166	1,662,790
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(672)	-	(672)
Total Financial Liabilities	-	(672)	-	(672)
Net Financial Assets	811,260	74,692	776,166	1,662,118

Values at 31 March 2020 (Restated)	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	628,689	190	713,855	1,342,734
Loans and Receivables	13,457	-	-	13,457
Total Financial Assets	642,146	190	713,855	1,356,191
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	-	-	-	-
Net Financial Assets	642,146	190	713,855	1,356,191

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. Pooled funds are pooled fund with other institutions and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level 1.

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.

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.

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2021 £'000
Private Equity - o/seas	43,461	141	(8,999)	(3,014)	31,589
Infrastructure - PIV	63,535	23,286	-	6,306	93,127
Fixed interest	155,012	191	-	11,259	166,462
Pooled Funds	374,132	30,666	(30,057)	110,247	484,988
Total Level 3 Assets	636,140	54,284	(39,056)	124,798	776,166

Reconciliation of assets within level 3 (RESTATED)	Value at 31 March 2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2020 £'000
Private Equity - o/seas	54,434	-	(16,975)	7,182	44,641
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Fixed interest	157,775	185	(7,100)	4,152	155,012
Pooled Funds	302,402	131,655	(232)	16,842	450,667
Total Level 3 Assets	553,822	152,863	(24,768)	31,938	713,855

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.

28. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2019/20 £'000	2020/21 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	97,760	120,171
Overseas quoted - LBI self-managed	25,227	32,760
CASH DEPOSITS		
Sterling	4,182	6,187
Other	600	6,834
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,021	1,280
FIXED INTEREST		
UK	75	73
INDEX-LINKED		
UK	115	113
POOLED FUNDS		
UK	4,524	5,437
Total LBI In House Fund	133,504	172,855
Newton - London CIV		
POOLED FUNDS		
UK quoted	211,891	291,204
CASH DEPOSITS		
Sterling	92	11
Other	0	242
OTHER INVESTMENT BALANCES		
Outstanding Dividends	271	54
Total Newton	212,254	291,511
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	0	0
CASH DEPOSITS		
Sterling	376	377
Other	9	7
OTHER INVESTMENT BALANCES		
Outstanding Dividends		
Total RCM	385	384

Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	155,012	166,462
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	7,001	3,474
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	16,340	13,216
Aviva Lime Property		
UK UNIT TRUSTS		
Property	124,782	131,173
Threadneedle Pensions		
POOLED INVESTMENT: Property	82,680	84,104
Thesis		
POOLED INVESTMENT: Property	29,062	28,317
BNY Mellon		
CASH DEPOSITS : Sterling	6,906	8,303
outstanding fx trades		
Total BNY Mellon	6,906	8,303
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	150,026	207,277
Franklin Templeton		
Pooled Investment Global Property	20,119	14,899
Schroders		
Pooled Investment Multi Asset	106,480	132,289
BMO		
Pooled Investment Managed Funds	59,902	74,259
LGIM		
Pooled Investment Managed Funds	75,839	0
Pantheon Infrastructure		
Infrastructure	21,741	32,640
Quinbrook Infrastructure		
Infrastructure	41,794	60,487
RBC/ LONDON CIV		
POOLED FUNDS	112,364	165,290
M&G AOF		
Pooled Investment Managed Funds	0	75,178
Total Investment Assets	1,356,191	1,662,118

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Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Board	21 st June 2021		n/a

Delete as appropriate	Exempt	Non-Exempt
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SUBJECT: PENSIONS BOARD 2021/22– FORWARD WORK PLAN

1. Synopsis

- 1.1** The Appendix A to this report provides information for Members of the Board on agenda items for forthcoming meetings and training topics where required as per its work programme objectives.

2. Recommendation

- 2.1** To consider and note Appendix A attached and amend the forward plan where there is change in priorities
- 2.2** To note for information LGPS Current Issues- May attached as Appendix B
- 2.3** To consider and agree the updated risk register attached as Appendix C

3. Background

- 3.1** The Public Services Pensions Act 2013 required the establishment of local pension boards for each Local Government Pension Fund.
- 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.

3.4 Based on the LGPS and The Pension Regulator's guidance on the role of the pension boards, the focus should include the following:

- a) Its own training, knowledge and understanding
- b) Avoiding any conflicts of interest
- c) Ensuring its own statutory compliance
- d) Checking fund governance
- e) Reviewing fund risks and internal systems and controls
- f) Checking fund external advisors/service providers and their internal controls
- g) Reviewing fund member record keeping
- h) Checking fund contributions
- i) Reviewing fund administration
- j) Benchmarking fund performance and Value for Money (VFM)
- k) Fraud prevention
- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

3.5 The Pension Board must also consider its Annual Report and the review of Pension Fund's draft Annual Report and audited accounts and triennial actuarial review.

3.6 Members agreed a work programme at the March 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 (GDPR) 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

3.7 Members need to consider their priorities for the next 12 months and use that to formulate their agenda for forthcoming meetings. The draft plan attached as Appendix A is a guide for members to discuss and amend. It will be updated as necessary at each meeting, to reflect any changes in administration policy, new regulation and pension fund priorities after discussions with Members.

3.8 **Risk Register**

Our current register is a live document reviewed by the Board semi-annually. The issues covered are from operational to market risks and the level of risk to the fund and mitigation actions taken to lower risk levels. A copy of the current risk register Appendix C is attached for review now updated for existing actions to mitigate risk and scoring review. The Members are asked to consider the updates and agree to review the register six monthly.

4. **Implications**

Financial implications

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

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 and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroug_hofislingtonpensionfundinvestmentstrategystatement.pdf.

4.4 Resident Impact Assessment

None applicable to this report. 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 to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on a policy document and therefore no specific equality implications arising from this report.

5 Conclusion and reasons for recommendation

- 5.1 To advise Members of forthcoming items of business to the Pension Board and training topics and review the updated risk register and note the May- LGPS Current Issues.

Background papers:

None:

Final report clearance:

Signed by:



11 June 2021

Corporate Director of Resources

Date

Received by:

Head of Democratic Services

Date

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APPENDIX A**Pensions Board Forward Plan for June 2021 to March 2022**

Date of meeting	Work programme objective	Reports
	To ensure the effective and efficient governance and administration of the Scheme	<p><u>Please note:</u> there will be a standing item to each meeting on:</p> <ul style="list-style-type: none"> • Admin Performance report • Forward work plan
21 June 2021		Risk Register Draft year end accounts
14 September 2021		Draft Annual Report Pension discretion policies review Governance Review Implementation
October 2021	Annual pension meeting	
15 November 2021		Risk Register McCloud implementation plan
8 March 2022		Cashflow monitoring and Budget 22/23

Planned and Proposed Training on committee meeting dates

November 2018- pension sub cttee meeting	Training Actuarial Review update
September 2019 joint pension sub and board training	Funding strategy and actuarial valuation
February 2021- joint pension sub and board training	Net zero carbon transition training

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LGPS CURRENT ISSUES

27 May 2021



welcome to brighter

In this edition

We hope you have been keeping well and staying safe over the past few months. With the unlocking of the UK now in full swing, we trust you have been able to enjoy more time with family and venture out for a meal or drink, or have this to look forward to in the near future.

As we progress further into 2021, this edition of Mercer Current issues updates you on the recent developments on ongoing national issues and legislation that impact the LGPS and also what is to be expected over the next few months.

Regulatory round up – where are we now? 3 - 5

- [McCloud Update](#)
- [Employer contribution flexibilities](#)
- [The return of the exit cap](#)
- [Cost Management](#)

Governance under the spotlight 6

Climate change – what’s on the horizon 7 - 9

And in other news... 10 - 12

- [GMP Indexation](#)
- [Pension Schemes Bill](#)
- [Face-to-Face meetings](#)
- [Section 13](#)
- [2020 Scheme Annual Report](#)
- [Challenge to RPI formula](#)
- [Updated GAD guidance on actuarial factors](#)
- [New fair deal & 4 year valuation cycle proposals](#)

Dates to remember 13

Meet the team & contact details 14 - 15



Regulatory round up

THE MCCLOUD REMEDY

On 13 May 2021, a [Written Ministerial Statement](#) was published which outlines the Government's intentions in applying the remedy that is required to the Local Government Pension Scheme in England and Wales following the McCloud judgment. This confirmed that it is the Government's intention that Regulations providing for the "McCloud remedy" are expected to come into force from 1 April 2023.

To recap, the Court of Appeal's ruling in December 2018 confirmed that the transitional protections provided for members of the Judges' and Firefighters' pension schemes when the public sector pension reforms were implemented in 2014 and 2015, were age discriminatory. This was because eligibility for these protections was based on an age criterion. Similarly, age-restricted transitional protections were also provided across the other public service pension schemes and last year the government announced that it would seek to remedy the position, including for the LGPS. In the LGPS the protections took the form of a final salary underpin to the new CARE benefit structure implemented in 2014. On 16 July 2020, MHCLG released the much anticipated consultation on the McCloud remedy for the LGPS in England and Wales ([here](#)). The consultation closed on 8 October 2020 and a response to the consultation is expected later this year.



The key points from the Statement, which were in line with expectations, were:

Scheme regulations giving effect to the above changes will be retrospective to 1st April 2014.

Underpin protection will apply to LGPS members who were active in the scheme on 31st March 2012 and had membership of the career average scheme without a continuous break in service of more than five years.

The period of protection will apply from 1st April 2014 to 31st March 2022 but will cease the earlier of where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31st March 2022.

Where a member stays in active membership beyond 31st March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.

EMPLOYER CONTRIBUTION FLEXIBILITIES

Following the new regulations introduced in September 2020, at the beginning of March, the MHCLG published its [statutory guidance](#) on the content of the Funding Strategy Statement where administering authorities decide to adopt the “employer contribution flexibilities”. To re-cap, these are the new powers available to administering authorities to review employer contributions between valuations and provide more flexible termination strategies. Alongside the statutory guidance, the Scheme Advisory Board published its [Guide to Employers and Administering Authorities](#) on how to operate the employer contribution flexibilities in practice.

The new Regulations allow Funds to review contributions between valuations under prescribed circumstances. In addition, for employers who wish to curtail the build-up of future benefit accrual but cannot afford the termination payment, a new option of “deferred employer status” can be made available. Although a discretion, Funds are actively encouraged by SAB to adopt the employer contribution flexibilities. SAB also encourages employers to ask Funds to clearly state their reasons for not adopting the flexibilities, if this is the case.

The contribution flexibilities are more than “just” a lifeline to struggling employers, albeit that could be an important consequence in some cases. In our view, the flexibilities provide additional armoury to Funds in their risk management toolkit. Allowing contributions to flex to meet changing covenant or liabilities provides an opportunity to collect more upfront cash (where covenant has improved or liabilities have increased) or alternatively improve security/the likelihood of future recovery, where covenant has deteriorated. Alongside implementation of the new flexibilities, it will be key to ensure that your covenant monitoring framework remains fit for purpose in this new world. Please speak to your usual Mercer consultant if you would like further support in this area.



THE RETURN OF THE EXIT CAP

We understand that Councils have recently been asked to provide information on historic redundancy costs over the past 5 years. This information will then be considered as part of the Government's review of the cap on exit payments and it is our understanding that it remains a key policy objective to reintroduce a limit on exit payments as soon as possible. Although it may prove to be too ambitious to implement a new cap this year, we expect to see more details in the months ahead on the form this will take and the timeline.

Where we provide actuarial advice to Funds, Early Retirement Strain cost factors were considered last autumn as part of the introduction of the (now revoked) £95k Exit Cap. At that time, an interim measure was put in place pending the expected introduction of standardised GAD factors across all Funds. Given the uncertainty on the timing for the introduction of the new exit cap (and whether or not this will incorporate standardised GAD Early Retirement Strain cost factors), we have reviewed the Strain Cost Factors and will be writing out to Funds shortly to confirm next steps.

COST MANAGEMENT

The 2016 cost management process is now in full swing, following the pause in 2019 due to the uncertainties associated with the McCloud judgment and impact for LGPS. The key question now under consideration relates to whether (and if so, how) the cost of the McCloud remedy will be taken into account. HMT has already confirmed that the McCloud remedy will be taken into account in its process (further details [here](#)), although "how" is yet to be confirmed. The first question of "whether to allow for McCloud" remains under discussion with the SAB and further news is expected during the summer.

If the McCloud remedy is included in the SAB cost management mechanism, it then depends crucially on how the costs will be spread within the process as to whether or not benefit improvements are triggered. The practicalities of retrospective benefit improvements (at a time when there are already significant administration resourcing challenges due to the implementation of the McCloud remedy) will be an important consideration if any changes are put forwards.

In relation to the unfunded schemes, HMT has confirmed that where the inclusion of McCloud remedy costs leads to a breach of a cost cap, thereby potentially triggering a benefit reduction, a reduction to benefits will not be applied. Once HMT has completed its 2016 cost control process, the mechanism will be reviewed ahead of the 2020 exercise being commenced.



Governance under the Spotlight

The governance requirements for pension schemes, both in the Public and Private Sectors are changing with the Pensions Regulator (tPR) currently consulting on its plans to move to a Single Modular Code and with recommendations from the Good Governance Project in the LGPS having been released in the first quarter of 2021. Since 2019, there is a regulatory requirement for ‘trustees to have an effective system of governance proportionate to the size, nature and complexity of the scheme and to carry out and document an own risk assessment’. One of the recommendations from **the Good Governance Project** for the LGPS was to require a biennial independent governance review, and this approach is completely consistent with the private sector.

In anticipation of the increasingly onerous requirements on the horizon and recognising the added value a strong system of governance can bring, Mercer has launched a solution to support Funds in adapting to the changing landscape.

Forsensic integrated risk management (“firm”)



FIRM is an independent, peer-reviewed assessment of the top 10 high-level aspects influencing a LGPS Fund’s operation and compliance, including; Risk, Governance, Investments and Operations,

Studying up to 200 data points, FIRM drills down into the underlying factors that contribute to each of the aspects administering authorities need to manage.

FIRM draws on 200 years’ experience of Mercer’s Subject Matter Experts who have developed the solution. These include its investment and covenant consultants, LGPS Actuaries, administrators, and technical experts in each of the key areas administering authorities rely on.

We believe this offering will be a valuable benefit for all defined benefit (DB) schemes, including the LGPS. We have built on the work undertaken to date to adapt the FIRM assessment for a low cost high value assessment for the LGPS. If you would like to hear more about this, please contact your Mercer consultant.

Climate Change



ESG in the spotlight

In November, the Chancellor [announced](#) that the UK would issue its first Sovereign Green Bond in 2021. Over time, a “green gilt curve” will be built out, with the money raised from new issues helping to fund projects that provide positive environmental benefits. So far, sixteen governments have issued sovereign green bonds, with total issuance of \$80 billion and, with over \$52 trillion of outstanding debt globally, over the coming years there is considerable scope for growth in this market.

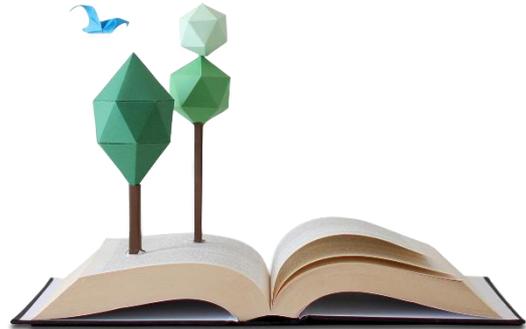
What is a Green Gilt?

A green corporate bond is defined in the EU as one where the proceeds raised are directed to sustainable development projects. However, green gilts may not follow the exact same premise. Evidence from other countries and a statement from Debt Management Office’s Chief Executive Sir Robert Stheeman, suggests that strict ring fencing of monies raised from green gilts is unlikely. Instead, it is likely that issuance will be linked to budget expenditure that contributes towards achieving environmental and climate objectives. The Swedish Government raised \$3.2 billion using this approach in its inaugural 10-year bond in September 2020.

Green gilts may thus be viewed as a first step in raising finance towards UK sustainable initiatives, helping the UK to meet its goal of achieving net zero carbon emissions by 2050. They should also be a catalyst for directing a greater proportion of expenditure towards such initiatives and to the adoption of broader measures of the benefits from these initiatives.

Why would pension funds be interested?

Issuance of green gilts follows a long campaign by investors and UK fund managers, to meet investors' appetite for investments that will help them reduce their carbon footprint and meet the requirements of the Taskforce on Climate related Financial Disclosures (TCFD).



In general, green (corporate) bonds have traded at yields below those of their standard counterparts at issuance, perhaps partly due to demand, but also because their nature – deriving their yields from sustainable investment – might make them less likely to default. It is too early to say whether green gilts may come at a premium (lower yield) or a discount (higher yield) and the already strong demand for longer dated gilts is likely to cloud the picture, but it is possible that green gilts may be issued at a premium. However, that does not necessarily mean that green gilts are not worthy of consideration for those investors with wider commitment to building an ESG focused fixed income portfolio. Further, the Chancellor's announcement is an important first step in developing a green gilt market for the UK; a market that will certainly evolve once it has found its feet.

Pensions Scheme Act

The Government responded to the August 2020 consultation on its climate change policy proposals on 27 January 2021. With the response, it opened a further consultation on draft statutory guidance and draft regulations under the Pension Schemes Act 2021, as well as issuing final non-statutory guidance from the Pensions Climate Risk Industry Group (PCRIG). TPR has also launched its own climate strategy.

The draft regulations being consulted on propose that the first schemes to be impacted by the climate change sections of the Act will be schemes with more than £5bn of assets on the first scheme year-end on or after 1 March. These schemes will need to comply with new climate governance requirements from 1 October 2021 and issue a Taskforce on Climate related Financial Disclosures (TCFD) compliant report on how they have addressed climate risks within 7 months of the end of the scheme year in progress at 1 October 2021.



TCFD and the LGPS: are you ready?

“The UK is set to be the first major economy to require climate risk to be specifically considered and then reported on by pension schemes”, says Guy Opperman, Minister for Pensions and Financial Inclusion 2021.

The measures announced by the Minister will require schemes to assess and report on the financial risks of climate change within their portfolios, in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

It is widely believed that in the near future similar regulatory requirements will be implemented within the Local Government Pension Scheme (LGPS). Mercer is fully supportive of early adoption of the framework and believe that now is the time for LGPS Funds to start planning for TCFD reporting. We have therefore prepared a [checklist](#) against each of the TCFD requirements to provide a high level understanding of what Funds will need to do to meet TCFD requirements.

And in other news...

GMP Indexation

Following HM Treasury's 2020 consultation on future GMP indexation, it has been confirmed that HMT will not be adopting a "GMP conversion" approach for the LGPS. Instead the current indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021. Further details are available [here](#).

Pension Scheme's Bill

On 11th February 2021, the Pension Scheme's Bill received [royal assent](#) and became the [Pension Schemes Act 2021](#).

In addition to tough new powers for TPR, it also paves the way for pension dashboards, Collective Defined Contribution schemes and climate risk reporting (as covered above).

Face-to-face meetings

As you may already be aware, the [appeal](#) against Councils to meet face-to-face after 7 May 2021 was denied. The published judgment confirms that Councils are required to hold meetings in person.



On 25 March, Luke Hall MP (Minister for Regional Growth and Local Government) [set out](#) rules and guidance and stated examples of actions and next steps to alleviate the potential risks of meeting in person. He has also launched a call for evidence on the use of the virtual meeting arrangements and to gather views on the question of whether there should be permanent arrangements and if so, for which meetings.

Section 13

Every three years, the Government Actuary is required to undertake report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the LGPS. The purpose of the report is to consider whether the following aims are achieved:

- Compliance;
- Consistency;
- Solvency; and
- Long term cost efficiency.

Over the last few months, GAD has been reviewing the data provided following the 2019 valuations and carried out analysis to determine the extent to which the above aims are considered to have been met. GAD has also had calls with any Funds that have triggered under their assessment criterion to further understand the position. Where we are your actuary we have carried out a preliminary review of the information as set out in GAD's draft summaries and used in their analysis. These have been shared with you for further comment.

Based on our discussions with GAD it appears as though very few Funds have triggered under GAD's criterion and funding levels have generally improved. Key areas that have generated a request for further discussion have been in relation to alternative financing methods to support the deficit recovery plan, the use of minimum spread periods where

these would otherwise be very short (and in our view lead to increased cost volatility) and phasing of contributions beyond the period of the rates and adjustments certificate.

The final report is expected to be published within the next couple of months.

2020 Scheme Annual Report

The eighth [Annual Report](#) for the Local Government Pension Scheme (LGPS) in England and Wales was published and outlines the key highlights in the LGPS over 2020.

BT, M&S and Ford challenge the RPI formula

As you will already be aware, in November 2020 the government announced that it would not prevent the UKSA from implementing its proposal to calculate the Retail Prices Index (RPI) using the data and methodology underlying the Consumer Prices Index with Housing (CPIH). Parties affected by the decision were given three months to object, by way of a judicial review, to its decision. Three schemes (the BT, Ford and M&S pension schemes) filed their objection with the Courts on 9 April, having been given an extension to the original 24 February 2021 deadline. The Government and UKSA have 21 days from receipt of the submission to reply to the challenge and then the Court will decide if there is a case to consider.

The reasons for the review are the potential effects on pension benefits and on the value of index-linked assets.

New GAD guidance published

On 11 May MHCLG issued new actuarial guidance covering:

- Annual allowance charges
- Conversion of AVCs to transfer credits

- Purchase of additional pension
- Application of a pension credit
- Purchase of additional survivor benefits
- Conversion of lump sum into pension
- Early payment of pension; and
- Late retirement

The guidance has been updated to reflect changes in LGPS and wider pensions legislation, but it does not include new factors. The guidance, covering letter and the spreadsheet of current factors are available [here](#).



And last but not least...remember the New Fair Deal and 4 year valuation cycle proposals?

“New fair deal” - the provision of guaranteed LGPS access for employees whose employment is outsourced from a “Fair Deal” employer. The option of the new employer establishing a “broadly comparable” scheme as an alternative will in effect become redundant.

“4 year valuation cycle” – the new employer contribution flexibilities implements the proposals partially (see article on page 4 for further details). The other aspects of the

proposals relate to the extension of the valuation cycle from 3 years to 4 years and removing the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff for new entrants.

Through our national discussions we understand that these proposals remain on the agenda but the need to prioritise the swathe of urgent issues arising due to COVID-19, they have necessarily been pushed back. We may expect to hear further on these next year.



Dates to remember

Date	Issue	The latest
11 February 2021	Consultation on normal minimum pension age (NMPA)	The government has reconfirmed the normal minimum pension age is to rise from 55 to 57 from 6 April 2028. It is consulting on the details of implementing the increase, including rules around protecting those individuals with an existing (unconditional) right to retire before age 57. The consultation closed on 22 April 2021.
3 March 2021	Budget Day announcement on freezing of lifetime allowance	The Lifetime Allowance will be frozen at its current rate of £1,073,100 until the 2025/26 tax year, rather than rising in line with CPI increases as scheduled.
17 March 2021	Consultation on single code of practice	This first phase initially consolidates 10 of the existing codes of practice into one web-based code consisting of 51 topic-focused modules. The new code also addresses the new governance requirements arising from IORP II.
Expected Q2/Q3	Consultation on scams	Consultation is expected on draft regulations (under the Pension Schemes Act 2021) covering scams. Commencement of the scams measures (relating to transfer restrictions) is expected in early Autumn.
Expected Q3/Q4	Consultation on pensions dashboard	The government aims to consult on proposed regulations for the dashboard later this year and lay draft regulations before Parliament for debate in 2022. Delivery of the dashboard is still projected to be in 2023.
30 September 2021	Extended Coronavirus Job Retention Scheme due to end	The Coronavirus Job Retention Scheme (CJRS), which was due to end on 30 April, has been extended across the UK until the end of September 2021. From July, employers will have to pay 10% toward hours not worked, increasing to 20% for August and September.
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and Registration draft regulations	Regulations that will replace some of the measures in the Competition and Markets Authority (CMA) Order have been delayed. Until they are implemented, the CMA Order will continue to be legally binding.
1 April 2023	McCloud remedy regulations	It is the Government's intention that regulations providing for the "McCloud remedy" come into force from 1 April 2023.
2030	RPI to increase in line with CPIH	The Government's consultation response in November 2020 confirmed that RPI will increase in line with CPIH from 2030.

Meet the team



Name: Ciaran Shanahan
Role: Wealth Analyst
Joined Mercer: September 2015 (time flies when you are having fun...)
Place of Birth: Northampton
Favourite film: Home Alone
What will be the first restaurant you visit now restrictions have eased?:
Gusto on the Albert Docks in Liverpool
Do you have any holidays booked for the summer?: Conwy, Wales

Name: Laura Evans
Role: LGPS Actuary
Joined Mercer: Depends on whether you count from the first time I joined (September 2001) or the second (January 2006) 😊
Place of Birth: Oxford Street Maternity Hospital, Liverpool (now student flats – I actually lived there for my second year of Uni)
Favourite film: Star Wars: The Empire Strikes Back (Episode IV)
What will be the first restaurant you visit now restrictions have eased?: Booked in for dinner, bed and breakfast at The Punch Bowl Inn, Crosthwaite (I am very excited!)
Do you have any holidays booked for the summer?: So far only booked a few nights away in the UK in August. Keeping fingers crossed for a nice warm summer.



Name: Paul Clare
Role: Actuary
Joined Mercer: 2010
Place of Birth: Ormskirk, Lancashire (apparently this means I am not a true Scouser...)
Favourite film: Forrest Gump
What will be the first restaurant you visit now restrictions have eased?: You can't beat a good Greek...
Do you have any holidays booked for the summer?: Not yet!

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Islington Council Pension Fund Risk Register_v3

Evaluation Process

Likelihood

Score	Description	Probability/Risk Matrix
1	Rare	5%
2	Unlikely	20%
3	Conceivable	40%
4	Likely	60%
5	Expected	100%

Impact

Score	Description	Monetary Impact
2	Negligible	<£1K
4	Minor	<£10K
6	Moderate	<£500K
8	Significant	<£15M
10	Critical	>£15M

LIKELIHOOD

		1	2	3	4	5
		Rare	Unlikely	Conceivable	Likely	Expected
IMPACT	2 Negligible	2	4	6	8	10
	4 Minor	4	8	12	16	20
	6 Moderate	6	12	18	24	30
	8 Significant	8	16	24	32	40
	10 Critical	10	20	30	40	50

Risk area I – Operations	Likelihood (1: least likely, 5: most likely)	Impact (2: negligible impact, 10: critical impact)	Maximum Score is 50 Score (likelihood x impact)	Controls to mitigate Risk	Owner	Test	Next review	Comment
Operational disaster (fire/flood etc) or disruption due to pandemic	2	6	12	Business continuity plan. Daily & Weekly backups kept offsite.	Pensions Manager/Deputy Manager	Annual	Oct-21	
				Contracts with all suppliers are recorded on central database. Daily & Weekly backups kept off site.	Procurement & Legal Services		Sep-21	Main third party is software provider and service has continued undisturbed with assurance of contingency plans in place
				Review Agile working and critical roles	Pensions Manager/Deputy Manager	ongoing	Sep-21	Council has reinforced cyber security with increase in home working
Member data incomplete or inaccurate	3	4	12	Data Quality Audit.	Pensions Manager/Deputy Manager	Annually	Oct-21	Resources continued to be added where possible as soon as practicable
				Procure Services of Tracing Bureau/DWP Letter Forward Service to valid address	Pensions Manager	Annual	Aug-21	
COVID-19 impact on services	3	6	18	Member communications to allay any fears and support engagement in service delivery.	Pensions Manager/Deputy Manager	ongoing	Sep-21	Pension service has continued seamlessly since Covid due to IT and working from home. Priorities have focused on processing deaths and retirements.
Recruitment & retention of experience staff	3	10	30	Invest in staff, their development, workloads and review compensation. Honorarium? Recruit agency staff to plug vacancy gaps.	Pensions Manager	ongoing	Oct-21	
The provision of accurate reports from payroll.	4	10	40	Service Improvement actions are being lead by the HR Director.	Pensions Manager	ongoing	Aug-21	

Risk area 2 – Financial	Likelihood (1: least likely, 5: most likely)	Impact (2: negligible impact, 10: critical impact)	Maximum Score 50 Score (likelihood x impact)	Controls to mitigate Risk	Owner	Test	Next review	Comment
Fraud/Fraudulent behaviour	3	6	18	Segregation of duties and authorisation of benefits following calculation by Pensions Officer and checked by Senior Pensions Officer	Pension Manager	Monthly	n/a	All contributions have been accounted for and have been paid in accordance with the schedule of contributions
				Participate in the National Fraud Initiative (NFI) via Cabinet Office	Pensions Manager	Annually		
				Life certificate exercised carried out on all pensioners abroad and all pensioners aged 85 and above living in the UK	Pensions Manager	Annually	Sep-21	
				Check incoming and outgoing scheme funds against schemes forecast – reconciling all funds / Annual Audits by internal and external auditors	Financial Acct & Pensions Admin.	Monthly	n/a	Accounts forecast against actual checked and reconciled. Accounts for year end signed off by auditors without qualification.

Risk area 3 – Funding	Likelihood (1: least likely, 5: most likely)	Impact (2: negligible impact, 10: critical impact)	Maximum score is 50 Score (likelihood x impact)	Controls to mitigate Risk	Owner	Test	Next review	Comment
Employer failure to pay monthly contributions into scheme	3	6	18	Monthly monitoring of contribution payments by Treasury & Pension Admin Staff	Pension Manager	Monthly		
				Annual audit by external and internal auditors	Pensions Manager/Deputy Manager	Annual		
Loss of Investment returns	4	10	40	Clear investment strategy, quarterly monitoring of managers' performance and a diversified portfolio	Pensions Sub-committee/Officers	Ongoing		Managers are set 3 year + targets as long term investors. On appointment a terms of reference is agreed as a tool to monitor and identify scrutiny level.
Failure of non-public sector employers	4	6	24	Use of bonds and guarantees	Head of Legal/ Head of Treasury & Pension Fund	Ongoing		Triennial valuation process of determining contributions consults with employers to agree affordability and sustainability of the Fund
Covid 19 impact on Funding	5	6	30	Open dialogue with Employers. Accessing covenance periodically. Review funding level	Head of Treasury & Pension Fund/pension-sub committee	Ongoing	Sep-21	Discussed list of questions to ask employers of the Fund where contribution holidays are sought and next steps. (none so far) Scenario testing has been undertaken on current asset allocation to possible outcomes of Covid on the market in the medium term to identify risk tolerances of assets and where changes may be required.

Risk area 4 – Regulatory and compliance	Likelihood (1: least likely, 5: most likely)	Impact (2: negligible impact, 10: critical impact)	Maximum score 50. Score (likelihood x impact)	Controls to mitigate Risk	Owner	Test	Next review	Comment
Failure to interpret rules or legislation correctly	2	6	12	Treasury and Pensions Admin review LGA and TPR website, other literature and have networking arrangements to ensure they remain up-to date. Membership of relevant professional groups ensures any potential changes in statutory requirements are properly implemented.	Head of Treasury & Pension Fund / Pensions Manager	n/a		All staff go on relevant training courses at the LGA as appropriate to remain up-to date on Pension issues.
				Altair system calculation checks to ensure compliance with LGPS regulations.	Pensions Manager	Ongoing		
				Networking with key partners, Actuaries, Govt. LGA and TPR.	Head of Treasury & Pension Fund / Pensions Manager	Ongoing		The Fund's Investment Advisors and Actuary provide briefings on new legislation and guidance on implementation. Auditors also test our process to ensure best practise
				Training Officer responsible for the maintenance of online procedure manuals.	Pensions Manager	Ongoing		
				LGA Technical advice and updates.	Pensions Manager/Deputy Manager	Ongoing		Updates received from responsible authority, scheme advisory board and professional advisers; acted on.
McCloud Judgment - LGPS Regulatory Changes	3	6	18	Project Management Meetings & networking with key partners, Employers, Software Suppliers, LGA & SAB	Pensions Manager	Ongoing	Aug-21	
Conflicts of interest	3	6	18	Pension Board awareness of legal responsibilities.	Pension Board Chair	As required		All pension board members have completed educational material and training is ongoing
				All pension board members to declare any conflicts and potential conflicts.	Head of Treasury & Pension Fund/Democratic Services	Ongoing		Conflicts document signed by all pension board members, recorded in conflicts register. Reminder, and any changes or additional conflicts, will be minuted at each pension board meeting.

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