



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

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## **AGENDA FOR THE PENSIONS BOARD**

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Members of the Pensions Board are summoned to attend a meeting which will be held in the Council Chamber, Islington Town Hall, Upper Street, N1 2UD on **14 March 2022 at 6.00pm.**

Enquiries to : Mary Green  
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Despatched : 3 March 2022

### 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

## **B. Non-exempt items**

1. Pension administration performance 5 - 28
2. Pension Policy Discretion Review 2022 29 - 62
3. Three year Pension administration cost and annual cashflow 63 - 68

**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 held in June 2022

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London Borough of Islington

## **Pensions Board - 23 November 2021**

Minutes of the meeting of the Pensions Board held in the Council Chamber, Islington Town Hall, Upper Street, N1 2UD on 23 November 2021 at 6.00 pm.

**Present:** Alan Begg, Mike Calvert, Valerie Easmon-George, Maggie Elliott, Councillor Dave Poyser and George Sharkey

**Observer:** Councillor Paul Convery

### **Councillor Dave Poyser in the Chair**

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

Received from Mike Calvert.

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

None.

26 **MINUTES OF THE PREVIOUS MEETING (Item A3)**

**RESOLVED:**

That the minutes of the meeting held on 14 September 2021 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

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

The Pensions Manager updated the Board on the concerns expressed at the last meeting about the continued delays in receiving AVC data from the Prudential. As requested by the Board, he had written to the Prudential who had confirmed that they would undertake the matter more speedily and attributed the delays to the affects of Covid. He intended to contact them again in March 2022 to ask about progress. Similar delays were being experienced with Phoenix Life. Members of the Board suggested that the Pensions Manager should not wait until March to contact Prudential and Phoenix Life.

On key performance indicators, the Pensions Manager concurred with a member of the Board that a 95% target achievement was unrealistic, given the current staff shortages in the Team. Recent attempts to recruit new staff had proved unsuccessful and experienced staff were needed.

**RESOLVED:**

(a) That the following information detailed in the report of the Corporate Director of Resources be noted:

- i) the number of members auto-enrolled into the LGPS during the relevant period
- ii) the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints
- iii) the Pensions increase figure for April 2022 of 3.1%
- iv) the ongoing work in relation to the McCloud Judgement
- v) the steps taken in relation to the recruitment of experienced Pensions Officers
- vi) the useful guidance published by the Pensions Ombudsman on complaint management
- vii) the current developments in relation to the Government's proposed Pensions Dashboard

(b) That it be noted that the Pensions Team will write to pensioners' next of kin with a request that the Pensions Team be notified upon the death of a pensioner, in order to avoid having to retrieve pension overpayments

**28 PENSION DISCRETION POLICIES REVIEW (Item B2)**

Withdrawn, to allow further consultation.

**29 DRAFT FUNDING STRATEGY STATEMENT (FSS) - OUTCOME OF CONSULTATION WITH EMPLOYERS (Item B3)**

The Head of Pension Fund and Treasury Management informed the Board that she had written to employers in October 2021, as part of the consultation on the revised draft Funding Strategy Statement. However, no responses had been received to date.

Board members expressed concern that there had been no responses to the consultation and did not think that this necessarily expressed assent. In order to ensure that employers had had an opportunity to consider the revisions to the Strategy, the Board requested the Head of Pension Fund and Treasury Management to reapproach the largest employers to draw their attention to the document to ensure that they were happy with its contents.

**RESOLVED:**

- a) That the summary of the main updates in the draft FSS, on which employers had been consulted in October 2021, and listed in paragraph 3.1.3 of the report of the Corporate Director of Resources, be noted.
- (b) That it be noted that no comments had been received from employers admitted into the Islington Fund during the consultation period.
- (c) That the Head of Pension Fund and Treasury Management reapproach the largest employers to draw their attention to the document to ensure that they agreed with its contents.

(d) That, subject to the outcome of resolution (c) above, the changes to the draft FSS attached as Appendix 1 to the report be approved and officers, with the Fund Actuary, be authorised to complete the updates and publish the FSS.

**30 PENSION BOARD FORWARD WORK PROGRAMME (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 it be noted that a report on "Pension discretion policies review" had been postponed from November to the Board's meeting on 8 March 2022 in order for consultation to take place

(c) That it be noted that the Pensions AGM would take place on 17 December 2021, at 1.00pm and would be held online.

The meeting ended at 6.45 pm

**CHAIR**

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**Report of: Corporate Director Resources**

Meeting of	Date	Agenda Item	Ward(s)
Pensions Board	14th March 2022		

<b>Delete as appropriate</b>		Non-exempt	
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## **SUBJECT: PENSION ADMINISTRATION PERFORMANCE**

### **1. Synopsis**

- 1.1 This report provides the Board with information on the administration activities and performance of the Pension Administration. The information is in respect of the period from 1<sup>st</sup> November 2021 to 31<sup>st</sup> January 2022 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 (IDRP), compliments and complaints.

### **2. Recommendations**

- 2.1 To note the number of members' auto-enrolled into the LGPS during the relevant period.
- 2.2 To note the information in respect of the IDRP, compliments and complaints.
- 2.3 To endorse the contractual engagement of a Pensions Tracing Agency.
- 2.4 To note the ongoing work in relation to the McCloud Judgement.
- 2.5 To note the steps taken in relation to the recruitment of Pensions Officers.
- 2.6 To note Islington Council's new staging date for auto re-enrolment.
- 2.7 To note the changes to the Council's Pension Fund Website to make the complaints process clearer to members and customers.
- 2.8 To note for information Appendix 2- Lgps Current Issues February 2022

### 3. Background – Statistics and key performance indicators

3.1 The membership profile at 31<sup>th</sup> October 2021 and 31<sup>st</sup> January 2022 is shown in the following table.

Category	Oct - 21	Jan - 22
Number of current active members	6,606	6685
Number of preserved benefits	8,465	8344
Number of Pensions in payment	6,329	6358
Number of Spouses/dependants pensions in payment	985	990
Total	22,385	22,377

There have been modest increases in the number of active members and pensioners. The increase in actives is largely due to auto-enrolment. The Pensions Office is still seeing a high uptake of deferred beneficiaries claiming their pensions early which has led to the small increase in total pensioner numbers.

3.2. Key performance indicators from 1<sup>st</sup> November 2021 to 31<sup>st</sup> January 2022:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	54	95%	96.00%	5.00
Retirement benefits	5	64	95%	94.00%	6.50
Pension estimates	10	135	95%	85.00%	12.00
Preserved benefit calculations	15	90	95%	81.00%	19.00
Pension Payroll Adj.	10	20	95%	98.00%	10.00
Transfer-in quotation	10	25	95%	95.00%	10.00
Transfer-in actual	10	17	95%	92.00%	12.00
Transfer out actual	12.5	15	95%	91.00%	14.00
Transfer out quotation	15	31	95%	100.00%	12.50
All processes	-	465		82.00%	

3.3 Overall performance has seen a marginal increase of 2% from the 80% achieved in the last quarter in completed processes within the target days.

3.4 Number of members auto-enrolled into the LGPS from November 2021 to January 2022:

Month	Starters No.	Opt Outs	Opt Outs %
November	46	2	4.35
December	61	1	0.02
January	53	1	1.89
Total	160	4	2.50

3.5 The Pensions Office have received -15- communications thanking Pension Administration staff for their service and -4- complaints.

#### **4. Pension Tracing Agency**

- 4.1 The Pensions Office is looking to engage a Pensions Tracing Agency to help find over 1000 deferred members for whom we do not have a current home address. This exercise is currently undertaken by the DWP Bulk Letter Forwarding Service, however they restrict clients to a maximum of 6 traces per application. Despite numerous attempts to negotiate with DWP for a higher ceiling, they will not move from that limit. As such we will be looking to engage an additional service provider.

#### **5. McCloud Update**

- 5.1 Work is continuing on identifying members who were found to have been discriminated against in transitional protection arrangements following the LGPS move from a final salary to a care scheme. We have received a report from our main payroll provider and have asked them to provide additional information to identify variances between their records and the data held on the pension's database. Scheme Employers will need to get the data to us no later than 18<sup>th</sup> March 2022.
- 5.2 The Pensions Office will seek legal advice in relation to non-compliance by any Scheme Employer in responding to our request to review scheme data and identify discrepancies.
- 5.3 The government's plans to introduce legislation this year to incorporate the McCloud judgment into public service pension schemes.

#### **6. Staffing Update**

- 6.1 We have successfully recruited via agency a Pensions Officer who will be starting sometime in March, subject to satisfactory references. Changes were made to the JD and person specification of the Pensions Officer position removing a requirement to have LGPS experience to attract a wider pool of candidates.
- 6.2 The candidate who accepted our job offer in November and was due to start work with the Pensions Office in January 2022, subsequently informed us via her employment agency that due to personal issues she no longer wished to take up this appointment. The vacant Pensions Officer post has been immediately re-advertised with the agency and we are also working with our own internal HR Recruitment Team to recruit to this position.
- 6.3 In co-ordination with the Director of Finance there has been a minor re-organisation of Pension Team roles and job evaluations are now in progress. The specific aim of the re-organisation is to retain and attract talent as well as providing additional resource to enable the Pensions Team to respond at pace to member and customer queries.

#### **7. Auto-enrolment**

- 7.1 Islington Council's auto-re-enrolment date is the 1<sup>st</sup> April 2022. HR will be writing to all qualifying staff in early March 2022 to tell them that they will be put back into the Local Government Pension Scheme with effect from 1<sup>st</sup> April. Communications in relation to this matter will be displayed on the Council's intranet in March 2022.

## **8. Complaints**

- 8.1 The Communications Team will be updating Islington Council's Pension Fund Website with an additional button entitled 'Customer Service'. When a member or client clicks this button, they will be taken to a page that informs them how to complain or give a compliment, amongst other useful content. A copy of the Pension Fund 'Internal Disputes Resolution Process' will also be available on this page.
- 8.2 To further improve engagement with our customers, an auto-response message will be assigned to the pension's mailbox to aid understanding of our processes. When members or clients email the pensions mailbox, they will receive an auto-response that will detail response times and the names, telephone and email address of the Pensions Officers dealing with the query.

## **9. Implications**

### **9.1 Financial Implications**

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

### **9.2 Legal Implications**

- 9.2.1 There are no specific legal implications in this report.

### **9.3 Resident impact assessment**

- 9.3.1 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.
- 9.3.2 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.

### **9.4 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>

## 10 Conclusion and reasons for recommendations

10.1 The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution. This report also updates members on progress on McCloud, communications and resources in the Pensions Team.

### Background papers:

None.

Final report clearance:

### Signed by:

David Hodgkinson

Corporate Director of Resources

Date 2 March 22

### Received by:

Head of Democratic Services

Date

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# LGPS CURRENT ISSUES

February 2022



welcome to brighter

# In this edition

In this edition of Mercer Current issues, we provide comment on investment strategy options, Funds may wish to consider which aim to manage inflation risk and we also discuss planning for the 31 March 2022 actuarial valuation for English and Welsh LGPS Funds, which is fast approaching. If you haven't already registered for our valuation webinar on 1 March then please do [register here](#) (a recording will also be available).

We also provide updates on other recent developments and what is to be expected over the next few months. [Click on the headings below to go straight to that section.](#)

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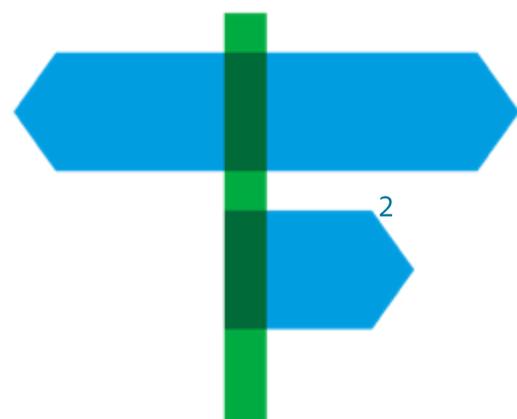
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# Investment Update

## Investing in an Era of Higher Inflation

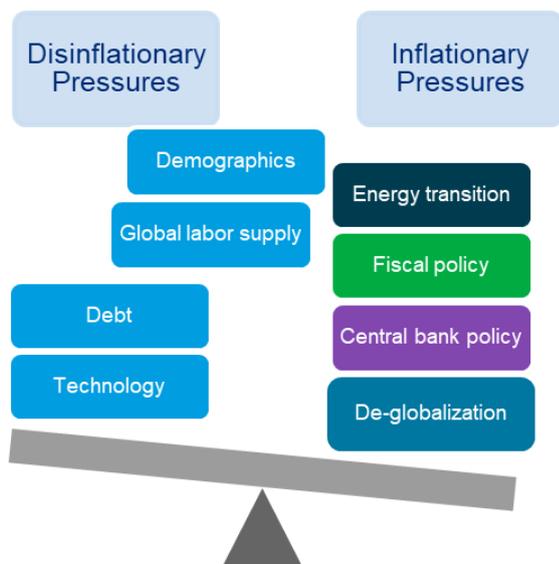
As 2022 progresses, we face the reality that the new normal may already be here. The era of strangely low inflation has ended and the traditional 60/40 portfolio now appears less convincing in providing the required diversification. An ever-growing number of investors are recognising the material nature of ESG factors which has been reinforced by the pandemic.

**2022 is an important year for the LGPS.** While Funds will seek to understand the post-pandemic impact on valuation assumptions from their actuaries, they will also seek to understand whether their investment portfolio is still fit for purpose.



## Positioning for Unexpected Inflation

The transitory story of high inflation is being extended or abandoned as several supply side bottlenecks spread longer than anticipated. **Once inflation exceeds a threshold rate, it creates significant economic costs.** It distorts the allocation of resources, restrains savings and investment, creates sustained wage growth driven by tight labour markets and makes it more difficult for companies and workers to plan for the future.



Unless Funds have existing inflation protection such as Index-Linked Gilts, Treasury Inflation Protected Securities (“TIPS”) or Inflation swaps, **the cost of explicit protection can be expensive.** Funds can however consider the following as part of their inflation sleeve:

- **Real assets have a clear role to play in managing longer term inflation risks.** Prime real estate, core infrastructure and natural resources assets typically offer the strongest inflation links.
- **Commodities** and particularly Gold is known to **preserve real value** when inflation is high and growth is weak.

## Looking beyond Traditional Diversifiers

The level of portfolio protection from high-quality debt instruments and the effectiveness of duration, which has been a dominant and powerful risk protection strategy for most investors over the past 40 years, cannot be relied upon going forward, as there is a secular trend of rising rates across global developed markets. In addition, **rising inflation erodes the value of the coupons and principal, fixed rate bondholders receive in the future.**

Investors need more tools in the toolkit and should question the role of fixed income in portfolio construction. Clients should explore alternatives within or outside fixed income to seek diversification.



- **Floating rate assets do not have interest rate risks.** Funds may consider leveraged loans and consider going down the rating spectrum for higher risk adjusted yield.
- While many Funds would already hold an exposure to Private Debt, **it is worth considering whether this allocation should be increased**, keeping in mind the overall liquidity requirement of the Fund.
- **Exposure to low duration assets can provide better protection.** Further higher yielding bonds such as Emerging Market Debt and Subordinate Bank Debt can provide cushion from the impact of rising rates. This can be achieved through an allocation in **Absolute return Bonds or Multi Asset Credit.**
- Mercer have long advocated holding the Equity allocation but building protection strategies around it to reduce the volatility of outcomes. We have discussed this recently in our **De-stress don't distress** article ([here](#)).

*How long this inflation surge will last is probably the most pressing investment question in today's market. **How it affects performance of assets depends on three key points. First, is it likely to be a Demand Pull or a Cost Push inflation or both? Second, how large and sustained is the level of inflation. Third, what is the likely response of policymakers?***

Whatever the outcome, we know that growth will be slower in 2022; central banks will continue to raise rates and traditional equity valuations are being tested by markets. **As such, it is time that Asset Owners review their asset allocation in the face of this heightened risk.**

We do not offer forecast but provide insights based on our research and analysis. Mercer has run a comprehensive set of scenarios and can use these to help Funds position their portfolio under various economic and inflation regimes.

**Please feel free to get in touch with your Mercer contact if you would like to find out more.**

## Levelling Up - Government sets 5% target for LGPS investment in local areas

On 2 February 2022, the UK Government published its white paper on Levelling Up, setting out the **Government's plans to spread economic opportunities more equally across the UK**. The plans are wide-ranging, with the intention to address **six drivers of spatial disparity across "missions"**. The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital.

Specifically for the LGPS, the paper notes the progress to date with increasing investment in infrastructure, from <£1bn in 2016 to £21bn in 2021, largely through the asset pools.

As part of the proposals, individual **LGPS funds will need to publish their plans to target up to 5% of their assets being invested in "local" projects**.

Full details can be found on page 162 of the white paper, available at the link [here](#). It is expected a consultation will follow later in the year.

Whilst there is not much to report at the moment, we will keep an eye on this and provide further information in the coming months.

### Sustainable Investment

The area of responsible investment remains a key focus for LGPS Funds and over recent months, there have been a number of developments in this area. For further information on any of these matters, please contact your usual Mercer consultant and they will put you in touch with **Mercer's Sustainable Investment team** as required.



## COP26's primary aim to 'keep 1.5 alive' ended in disappointment

Global leaders met in Glasgow at the end of 2021 for the annual Conference of the Parties ("COP"). One of the key aims was to secure global net zero by 2050 to keep the "Paris Agreement" 1.5-degree warming target within reach.

The **Glasgow Climate Pact**, which details the agreement reached across 197 nations, following the two weeks of negotiations, requests that countries revisit and strengthen commitments and Nationally Determined Contributions ("NDCs") ahead of next year's COP27, with policies consistent with keeping global warming to 1.5 degrees. The Pact includes:

- Reference to "**phasing down**" unabated coal power and "**phasing out**" inefficient fossil fuel subsidies.
- Formal agreement for implementing Article 6, which includes **carbon markets and emissions trading**.
- The disaster relief and adaptation and mitigation support from developed nations to poor countries is behind target, although **developed nations pledged to double the amount given by 2025**.

## TPR's Guidance on Climate-Related Risks

The Pensions Regulator's ("TPR") recently published draft guidance to help Funds **meet new standards of governance and reporting in relation to climate-related risks and opportunities**. Even though the guidance published is not LGPS specific, we believe it is useful to read in advance of the consultation for the LGPS, which is expected later this year, and you can find the latest guidance [here](#).

## Update on UN Letter about Investments in the Israeli Settlement Economy

In November 2021, the United Nations (UN) Special Rapporteur on the Palestinian Territories, Michael Lynk sent a [letter](#) to all LGPS pension committee chairs (alongside LAPFF and SAB) asking a number of questions of LGPS Funds about their investments.

On **25 January 2022**, a meeting took place between the Chair and representatives of the LAPFF and the SAB secretary with Michael Lynk to discuss his letter. It was made clear that the primary objective of LGPS Funds is to ensure benefits are paid to members but Funds do take human rights issues seriously. **Discussions are to remain ongoing between all parties**.

# Valuation Matters

## 2022 Valuation Planning

For English and Welsh LGPS Funds, the 31 March 2022 actuarial valuation is fast approaching and discussions are already underway in relation to planning for the work that lies ahead, in particular with regard to data quality, demographic studies, employer engagement and also consideration of the key issues that will impact the 2022 funding strategy.

The fourth in our successful series of **LGPS panel debates** will take place on **1 March 2022** and will focus on the hot topics underpinning funding strategy considerations in the current environment. Our panel will share their experiences and thoughts on the following key areas:

- 1. How can you deal with short-term budget pressures versus long-term contribution sustainability given the improvement in funding?*
- 2. How should we deal with increasing inflation pressures, climate risk and COVID impacts?*
- 3. How different will the outcomes be for different employers and how do we manage that?*

**If you haven't already registered for the webinar then please use the link [here](#). A recording of the webinar will also be available.**

## Mortality - CMI's 2021 version of its Mortality Projections Model

The Continuous Mortality Investigation ("CMI") has announced that it intends to place no weight on mortality data for 2021 as well as 2020 in the core version of its next Mortality Projections Model, CMI\_2021, **which is due to be published in March 2022**. The Model is widely used by pension schemes, sponsors and actuaries to determine life expectancy assumptions. The current version, CMI\_2020, placed no weight on data for 2020. Moving from CMI\_2020 to CMI\_2021 is likely to result in small reductions in life expectancy; moving from earlier versions will give larger reductions.

New evidence continues to emerge on the impact of the pandemic on the mortality experience of UK defined benefit schemes. We will be considering this when carrying out a study of demographic assumptions as part of the 2022 actuarial valuation process where we



are carrying out your valuation, as well as considering the impact of other risks such as climate change.

## Mortality – Levelling Up

The government [white paper](#) also includes details (page 420) of a mission to **narrow the gap in Healthy Life Expectancy (“HLE”) between local areas where it is highest and lowest by 2030, and by 2035 increase the HLE by 5 years.**

Any improvements in life expectancy will increase pension costs, including within the LGPS, to the extent that some benefit payments will be made for longer, notwithstanding any corresponding increases in state pension age, which may serve to mitigate impacts in respect of the 2014 Scheme benefits. We will monitor developments in this area as they arise and will provide further comment in due course.

## DLUHC publishes Section 13 Report on 2019 LGPS valuations

On 16th December, the Department for Levelling Up, Housing and Communities (“DLUHC”) published the Government Actuary Department’s [report](#) on the 2019 LGPS valuations for England and Wales. This is following on from discussions over summer 2021 with various interested parties including Mercer. **This is the second formal Section 13 report**, with Section 13 applied for the first time to the fund valuations as at 31 March 2016.



In summary, Section 13 requires the Government Actuary to report on whether the following aims are achieved:

- **Compliance**
- **Consistency**
- **Solvency**
- **Long term cost efficiency**

The 2019 report notes that the **compliance** objective has been met and that in general whilst there appears to have been an improvement in **consistency** in the key assumptions, there is still progress needed and there has been little progress in relation to academy conversions.

In relation to **solvency**, the report makes the comment that liabilities are growing much faster than the size of employers backing them, which therefore presents greater risk going forward,

despite an improvement in funding levels more generally. We agree with this view, which further highlights the importance of employer covenant monitoring and ongoing review.

In relation to **long-term cost efficiency**, GAD reiterates the message of the need to consider the balance of cost between current and future generations of taxpayers and that deficit recovery plans can be demonstrated to be a continuation of the existing plan with appropriate adjustment for experience since previous valuations.

In addition, there is further commentary in their report regarding the use of contingent assets/asset transfers and the additional cost and risk associated with such arrangements with a recommendation for the SAB to consider the governance of such arrangements further.

The report also notes a number of key areas for consideration for the 2022 valuations, including on **McCloud**, the impacts of **COVID-19** and on **climate change reporting**.

**Whilst Section 13 should not be the main driver of 2022 valuation funding strategies, we will be taking into account the comments from the 2019 report where appropriate.**



# Regulatory round up

## MCCLOUD REMEDY AND JUDICIAL REVIEWS

### The PSPJO Bill

On **21 January 2022**, in advance of moving to Committee Stage in the House of Commons, the Government tabled further [amendments](#) to the Public Sector Pensions and Judicial Offices Bill. As expected, the **key amendment in relation to the LGPS** was to extend the scope of the remedy (by redefining “*remediable service*”) to those members not in pensionable service on 31 March 2012 but in service before then.



Other amendments relevant to the LGPS extended the types of schemes where pensionable service would not count as a disqualifying break, and to allow the final regulations to make provisions in a number of areas, namely in relation to **transfers in, pension credits and debits**, Teachers qualifying for the LGPS and also compensation and interest payments.

Further amendments have been proposed in February 2022, which are to be debated.

The Bill is on track to complete and become an Act by **31 March 2022**.

### Judicial Reviews

On **15 December 2021**, six trade unions (the Public and Commercial Services Union, The Fire Brigades Union, the GMP Union, the Royal College of nursing, Unite and the POA Union) filed for a joint Judicial Review to prevent the Government imposing the cost of the McCloud remedy on their members. **The outcomes of this review may have implications for the LGPS if upheld.**

In addition, **on 7 January 2022** whilst not influencing the LGPS at present, a Judicial Review claim submitted by the Police Superintendents' Association ("PSA") in relation to the McCloud Judgment consultation process conducted by HM Treasury in 2020 was dismissed. Although some of the grounds of the claim were ruled arguable, the Judge ruled that there had been legal errors in the decision making process following the consultation. The full judgment can be found [here](#). The PSA has since announced it will seek leave to appeal to the Court of Appeal.

## CONSULTATION FOR SCOTTISH FUNDS ON EMPLOYER FLEXIBILITIES AND SURVIVOR BENEFITS

As reported in the previous edition of the LGPS Current Issues, on 1 November, SPPA issued a consultation to seek the views of stakeholders about draft changes to the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021.

The consultation closed on **21 January 2022** and the outcomes are now awaited.

Further details can be found [here](#).

## SECOND REVIEW OF STATE PENSION AGE

The Government has **launched the second review of State Pension Age, the results of which must be published by 7 May 2023**. The Government Actuary will provide a report assessing state pension age in the context of the latest life expectancy projections and Baroness Neville-Rolfe will lead the production of a second report considering recent trends in life expectancy and other relevant factors.

In particular, the review will consider whether the **increase to age 68** (currently legislated to happen between 2044 and 2046) should be brought **forward to 2037-39**, as recommended by the 2017 review.



# And in other news...

## Local Government Association Changes

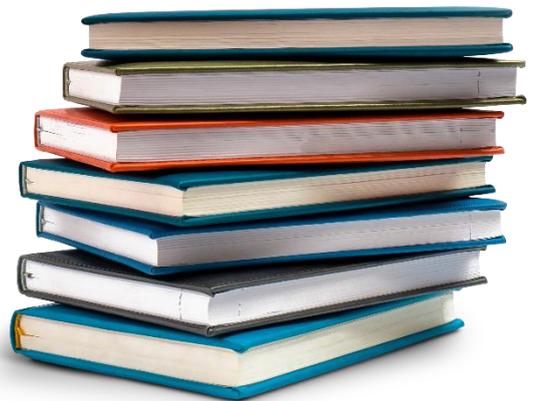
It has been recently announced that **Joanne Donnelly**, currently Senior Pensions Secretary and Deputy SAB secretary and formerly at HM Treasury, will be taking up the role of Head of Pensions at the LGA and Secretary to the Local Government Pension Scheme Advisory Board in England and Wales from 1<sup>st</sup> April 2022 following Jeff Houston's retirement.

**We would like to wish Jeff all the best in his retirement and thank him for the support given to the LGPS over the years.**

## Finance Act 2022: Increase in the Normal Minimum Pension Age and Retrospective Changes to Scheme Pays Deadlines

Final details of the **increase in Normal Minimum Pension Age (NMPA) from 55 to 57 in April 2028** have been published in the Bill that will become the Finance Act 2022 when it gains Royal Assent next year. The Bill also confirms details of the changes to retrospective mandatory Scheme Pays deadlines from tax year 2016/17 onwards.

**On 17 January 2022**, HMRC published its latest [newsletter](#), which sets out further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028.



LGPS administering authorities have already begun to amend their processes in relation to transfer value requests to reduce the likelihood that cases needed to be revisited in the future when changes to the LGPS regulations arising from the NMPA increase are confirmed.

## Pension Transfers and Scams

### Conditions for statutory transfers

As part of its attempts to combat pension scams, the Government has passed regulations **bringing in new conditions applying to statutory transfers, with effect from 30 November 2021**. The new rules apply to transfers to and from occupational schemes, and contract based schemes, and may require Funds to perform additional due diligence on transfers.

The new requirements are based on a system of “**red**” and “**amber**” flags. Where a red flag is present, the transfer cannot go ahead on a statutory basis.

TPR has published [guidance](#) on the new rules, and the Pension Scams Industry Group (“PSIG”) will be revising its code on combating pension scams later this year to reflect the new position.

The Local Government Association has also provided administering authorities with guidance and template documentation to

assist them with fulfilling their duties to ensure the requirements set out in the regulations are met.

## Pensions Dashboards

Work in relation to the implementation of Pensions Dashboards continues at pace and there have been a number of developments over recent months.

On **31 January 2022**, DWP launched a [consultation](#) on the draft Pensions Dashboards Regulations. The consultation closes on 13 March 2022.

The Pensions Dashboards Programme (“PDP”) also released a number of other publications:

- On **15 December 2021**, PDP confirmed [three potential dashboard providers](#) selected to take part in the initial development of the ecosystem. Further comments from PDP, published on 11 January 2022 on the dashboard providers market **can be found [here](#)**.
- On **25 January 2022** the PDP published a [report](#) from Ipsos Mori on their research undertaken on the attitudes of dashboard users, their circumstances, behaviours and views of the dashboard concept, together with PDPs own [summary](#) of the findings.
- The PDPs [November Newsletter / progress report](#) was also published.

On 16 December 2021, the PLSA published an [A to Z industry guide](#), which **identifies 26 key issues** that need to be resolved to make the initial pensions dashboards a success.

## Cyber Security

The threat of a cyber-attack remains high on the risk registers for many LGPS Funds.

Alongside specialists in our sister company Marsh, we are able to assist Funds to **understand, measure and manage** their cyber risks through a variety of measures tailored to suit client needs.

**If you would like to discuss how Mercer/Marsh can assist your Fund further in this area then please get in touch with your usual Mercer Contact.**



# What's coming up?

## **Pooling Guidance / TCFD / Levelling Up**

Guidance on pooling in the LGPS and a consultation on TCFD requirements are expected later this summer alongside further details in relation to Levelling Up.

## **Severance Payments / £95k Exit Cap**

Guidance on discretionary severance payments above and beyond statutory payments is expected soon.

No timescales yet on when the Exit Cap may return.

## **McCloud**

The Bill is expected to go through by the 31 March 2022 deadline with a formal government response and draft regulations expected in the summer, with regulations coming into force on 1 October 2023.

## **Good Governance**

Recommendations emerging from the Good Governance Review are expected later this year.

## **Survivor benefits**

A consultation on changes to historic survivor benefits e.g. Goodwin Judgment, is expected in the Spring/Summer.



# Dates to remember

Date	Issue	The latest
Expected first half of 2022 (initially expected 6 April 2020 but now delayed)	Governance and 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.
Expected 2022	Governance and draft regulations	As referenced above, there are a number of areas where consultations/regulations/publications are expected during 2022 – namely, <b>TCFD, Asset Pooling, Levelling Up, McCloud, Good Governance, Pensions Dashboard to name a few...</b>
31 March 2022	Actuarial Valuation	Effective date of next actuarial valuation in England and Wales.
31 March 2023	Actuarial Valuation	Effective date of next actuarial valuation in Scotland. Deadline for actuaries to sign off contribution outcomes for 2022 valuation in England and Wales.
1 October 2023	McCloud remedy regulations in force	It is now the Government’s intention that regulations providing for the “McCloud remedy” come into force from 1 October 2023.
6 April 2028	Normal minimum pension age to rise to 57	The Government has confirmed the normal minimum pension age (the earliest age from which in most circumstances, members can take a pension without incurring tax penalties) will rise from 55 to 57 from this date (with pension age protection in place for eligible members).
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: Graeme Pickard

Role: Consulting Actuarial Associate

Joined Mercer: 2022

Place of Birth: Glasgow

Favourite film: Tricky to choose just one but will have to go for Training Day

If you could have dinner with anyone famous from history who would it be: Paul Gascoigne – would be some laugh!

In the hope that we return a more normal existence this year what are you looking forward to doing, that you haven't done for 2 years:

Hopefully finally getting a honeymoon abroad in the sun!!

Name: Roshni Hainsworth

Role: Governance Leader, UK Wealth

Joined Mercer: June 2007 (and again in September 2011....and also left the UK in 2013 to work at Mercer in Vancouver, returning in July 2014)

Place of Birth: Romford (moved to West Yorkshire at the age of 3)

Favourite film: Inception for something beautifully made with an excellent Hans Zimmer soundtrack or Human Traffic for something more light hearted

If you could have dinner with anyone famous from history who would it be: I'm sure you mean further back in history than this but I would choose Freddie Mercury

In the hope that we return a more normal existence this year what are you looking forward to doing, that you haven't done for 2 years: Going to a music festival (Primavera Sound in Barcelona)



Name: Nick Page

Role: Investment Consultant and Risk Management Specialist

Joined Mercer: 2015

Place of Birth: Birkenhead, Merseyside

Favourite film: This was tough but Ghostbusters – great cast, catchy theme tune, and huge dose of nostalgia. Looking forward to seeing what my kids make of it (when they're a bit older).

If you could have dinner with anyone famous from history who would it be: Alexander Hamilton, to see if he's anything like how the musical portrays him.

In the hope that we return a more normal existence this year what are you looking forward to doing, that you haven't done for 2 years: Seeing clients face to face!

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## Report of: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	14 <sup>th</sup> March 2022		

Delete as appropriate		Non-exempt	
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## SUBJECT: LGPS – EMPLOYER DISCRETIONS 2022

### 1. Synopsis

- 1.1 The Local Government Pension Scheme Regulations requires the Pension Fund to formally publish its policy on “discretions”, review and make such revisions as are appropriate following a change in its policy.
- 1.2 This report summarises the relevant regulations and the pension policies that need to be reviewed and makes recommendations for the adoption of a new pension policy statement as required under Regulation 60. It also considers and makes recommendations concerning certain other discretions available under the LGPS.

### 2. Recommendations

- 2.1 To note the contents of the report.
- 2.2 To give consideration to requesting the Audit Committee accept the current recommendations in relation to the Council’s discretions and amend our policies accordingly summarised in Appendix 1, and detailed further in Appendices 2, 3 and 4, where the Council is the employer (including schools).
- 2.3 To agree to apply the same policy in respect of Regulation 30(8) discretions where the Council is the administering body and a former employer has ceased to be a scheme employer.

### 3. Background

- 3.1 The membership The Local Government Pension Scheme Regulations 2013 ('the Regulations') and the related Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014(the Transitional Regulations) introduced a number of discretionary powers that need to be considered by the Council. As an employer, the Council is required to formulate, publish and keep under review a policy statement on these discretions. In addition, there are a small number of other discretions which apply and are also addressed in the attached table.
- 3.2. The Council must consider the discretionary powers granted to employers in the context of both "active members" (generally current employees) who are in 2014 LGPS and also former employees ("members" of the LGPS) who left the Council prior to 31st March 2014 with preserved / deferred pension benefits
- 3.3 The Trade Unions are being consulted concerning the recommendations in this report and any comments will be reported back to the committee.

### 4. Employer Discretions

- 4.1 Regulation 60 of the Regulations requires the Council as an employer to prepare a written statement of its policy in relation to the exercise of its functions under regulations:
  - (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
  - (b) 30(6) (flexible retirement);
  - (c) 30(8) (waiving of actuarial reduction); and
  - (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a scheme employer.

For details of the Regulations see:

<http://www.legislation.gov.uk/uksi/2013/2356/regulation/60/made>

- 4.2 There is no longer an automatic entitlement to an unreduced pension for employees who voluntarily retire early aged between 55 and 60 whose length of service plus age is 85 or more. The Transitional Regulations provide a discretion to "switch back on" that entitlement on compassionate grounds.
- 4.3 In preparing, reviewing and making revisions to its statement under Regulation 60 the Council must have regard to the extent to which the exercise of these discretionary powers, could lead to a serious loss of confidence in the public service.
- 4.4 The discretions for consideration are detailed in **Appendix 1**, along with a summary of the Council's current policy, where applicable, and recommendations for future policy.
- 4.5 The Appendices 1 to 4 invites members to consider in respect of some of the available discretions adopting a policy to use them but only in exceptional circumstances. The advantage of this approach is that it retains flexibility to respond in cases, for example, of particular hardship. This does of course mean that there may be some cost to the Council.

## 5. Implications

### 5.1 Financial implications

There are financial implications arising directly from the report. The costs of exercising the discretions detailed in **Appendix 1** can give rise to pension strain costs when a member draws their pension benefits before their normal or state pension age (for whatever reason).

Factors that influence the strain costs include the members' age, length of service, gender and marital status. The impact on the fund is the loss of future contribution streams from the employee and the member, and paying out benefits earlier than otherwise anticipated. Generally where a strain costs arises due to an employer decision, such as waiving actuarial reductions, the strain costs will be met by the employer and not the Pension Fund.

### 5.2 Legal Implications:

Regulation 60 of the Local Government Pension Scheme Regulations 2013 requires the Council to prepare and publish a written statement of its policy in relation to various discretions available to it under the scheme and to publish that statement. The statement must thereafter be kept under review.

The Regulations require that in preparing or making revisions to its pension policy statements, the scheme employer must have regard to the extent to which the exercise of any of its policies could lead to a serious loss of confidence in the public service (Regulation 60(5)).

### 5.3 Environmental Implications:

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>

### 5.4 Equality Impact Assessment:

There 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.

Under the Local Government Pension Scheme Regulations 2013 the Council is required to have a policy statement in relation to the exercise of the discretionary provision contained in the Act. All eligible employees working for the Council are automatically admitted to the LGPS, unless they opt-out. However, care needs to be taken in the exercise of discretions that equality characteristics as outlined in the Equality Act 2010 are taken into account.

## 6. Conclusion and reasons for recommendations

6.1 There is a legal requirement for the Council to regularly review its discretionary pension policy. In formulating and reviewing the policy statement the Council must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

### Background papers:

None.

Final report clearance:

### Signed by:

Dave Hodgkinson  
Corporate Director of Resources

Date 2 March 2022

### Received by:

Head of Democratic Services

Date

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# Local Government Pension Scheme Discretions Policy



Islington Council Pension Fund

## **Policy Change Control**

Policy Owner	Corporate Director of Resources
Approved By	Audit Committee
Date	
Next Revision Due	September 2022
Version	1.2

## **OVERVIEW**

Under the LGPS Regulations, the Fund is required to formally publish its policy on “discretions”.

Unless stated otherwise the references to regulations are set out below:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme Regulations 1997 (as amended)
- The Local Government Pension Scheme Regulations 1995

This policy statement clarifies Islington Council’s position on the discretions.

The policy statement applies to all members of staff who are eligible to be members of the LGPS, as defined in the regulations.

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
1	<b>Funding of Additional Pension Contributions</b>	R13 16(2)e	The LGPS regulations allow members to make additional pension contributions (APCs) to the LGPS at their own cost of up to £7,316. In addition it allows for shared costs between the employer and employee. Voluntary funding of additional pension contributions via Shared Cost Additional Pension Contributions (APC) - (by regular ongoing contribution)	Not to fund additional pension via shared cost APC.	No change
2	<b>Funding of Additional Pension Contributions</b>	R13 16(4)(d)	Voluntary funding of additional pension contributions via Shared Cost Additional Pension Contributions (APC) - <b>(by one off lump sum)</b>	Not to fund additional pension via shared cost APC.	No change
3	<b>Funding of Shared Cost AVC</b>	R13 17(1)	The LGPS has a provision within its regulations to allow an employee to enter into an agreement in which the employer can decide to also contribute to their employee's AVC arrangement. This is known as a Shared Cost AVC (SCAVC).	Not to allow an employee to enter into an agreement in which the employer can decide to also contribute to their employee's AVC arrangement.	To consider adopting this measure under a Salary Sacrifice arrangement. If an employee enters into a SCAVC Salary Sacrifice arrangement with their employer, the employers NI contribution returns to HMRC are <b>reduced</b> and the employee makes a saving on both NI contributions and income tax.
4	<b>Flexible retirement</b>	R13 30(6) [Replacing Reg. 18 LGPS Benefit Reg. 2008]	Employees aged 55 or more who reduce their working hours or grade may elect, with the employer's consent, to receive immediate payment of all or part of the retirement pension to which they would be entitled in respect of that employment. (The pension amount will normally be actuarially adjusted although under regulation 30(8) the employer may waive any reduction in whole or part:	To continue with the council's existing provision for flexible retirement. (Policy attached as Appendix 2.)	No change. Current policy allows the flexible retirement of active members of the LGPS with decisions made in agreement with the relevant Service Director and Director of Finance based on the business benefits (with no waiver of actuarial reduction).

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
5	<b>Waiving of actuarial reduction – in cases of flexible retirement</b>	R13 30(8)	Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Councils, reduce their working hours or grade and, if so, as part of the agreement whether to: <ul style="list-style-type: none"> <li>• in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), permit the member to choose to draw o all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and/or o all, part or none of the pension benefits they accrued after 31 March 2014, and</li> <li>• waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA). [Regulation 30(6) of the LGPS Regulations 2013]</li> </ul>	The Council will permit flexible retirement where the Service Director in consultation with the Director of Finance agree that this is proven to be in the best financial and/or operational interests of the Council. The Councils' approval will normally be for the release of all accrued pension benefits but, if requested by the member, the Councils may decide on whether, in addition to any pre 1 April 2008 benefits, the member will be permitted to take all, some or none of their post 31 March 2008 benefits subject to any state scheme guarantees being invoked that could cost the pension funds extra pension. Any actuarial reduction applicable to benefits will normally be applied unless the financial interests and/or operational interests of the Councils indicate that waiving part or all of that reduction is justified.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
6	<b>Waiving of actuarial reduction – in cases of voluntary early retirement)</b>	R13 30(8)	An active member can voluntarily retire on or after age 55 and draw pension benefits, as can a deferred member on or after age 55 [Regulation 30(5)]. The pension amount in both cases will normally be actuarially adjusted. Employers may agree to waive all or part of the actuarial reduction in each case. Waiving the reduction would require the Council to make a payment to the pension fund for the shortfall (pension strain) created by paying the pension early without reduction.	Not to apply the discretion to waive all or part of any actuarial reduction in respect of Regulation 30(5)	To consider in the case of Regulation 30(5) waiving all or part of any actuarial reduction in very exceptional circumstances: i) where for an active member immediately prior to retirement, there is a clear financial or operational advantage with each case considered on its merits and subject to the approval of the relevant Service Director and Director of Finance). (e.g. in the case of an active member) in circumstances where redundancy is not an immediate option, but potentially possible in the medium term, there could be a cost saving) or ii) on compassionate grounds (See Appendix 4 for criteria to consider on compassionate grounds) Subject to in all cases to there being no detrimental impact on services.

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
7	<b>Waiving of actuarial reduction – in cases of flexible retirement</b>	R13 30(8)	<p>Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Councils, reduce their working hours or grade and, if so, as part of the agreement whether to:</p> <ul style="list-style-type: none"> <li>• in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), permit the member to choose to draw o all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and/or o all, part or none of the pension benefits they accrued after 31 March 2014, and</li> <li>• waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA).</li> </ul> <p>[Regulation 30(6) of the LGPS Regulations 2013]</p>	<p>The Council will permit flexible retirement where the Service Director in consultation with the Director of Finance agree that this is proven to be in the best financial and/or operational interests of the Council. The Councils' approval will normally be for the release of all accrued pension benefits but, if requested by the member, the Councils may decide on whether, in addition to any pre 1 April 2008 benefits, the member will be permitted to take all, some or none of their post 31 March 2008 benefits subject to any state scheme guarantees being invoked that could cost the pension funds extra pension. Any actuarial reduction applicable to benefits will normally be applied unless the financial interests and/or operational interests of the Councils indicate that waiving part or all of that reduction is justified.</p>	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
8	<b>Award of additional pension</b>	R13 31 [replacing Reg12 LGPS Benefits Reg. 2008 which allowed an additional £5,000 per annum]	An employer may award an active member, or a member who was an active member who was dismissed by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency, additional annual pension of up to £7,316 from 1st April 2021. (NB. This figure is increased each year, in line with the Regulations.	Not to fund additional pension via added contributions of up to £7,316 (as at 1st April 2021).	No change
9	<b>Waiving of actuarial reduction by switching on the 85 year rule for scheme members wishing to voluntarily draw benefits early</b>	The LGPS (Transitional Provisions and Savings) Regulations 2014	An active member is able to retire without the employer's permission between age 55 and before age 60 and their pension benefits will normally be subject to an actuarial reduction to meet the strain on the pension fund. In cases where the employee is protected under the 85 year rule (a scheme member on 30 September 2006), the employer has discretion to waive the actuarial reduction by switching on the 85 year rule if an employee voluntarily requests to draw their pension benefits and the pension strain cost is met by the employer. (i.e. age at retirement and length of service add up to 85)	Not to switch on the 85 year rule for those who retire before the age of 60. Currently the 85 year rule is switched off.	To consider switching on the 85 year rule in <b>very exceptional circumstances</b> where there is a clear financial or operational advantage' with each case considered on its merits and subject to the approval of the relevant Service Director and Director of Finance.
10	<b>Waiving of actuarial reduction by switching on the 85 year rule for deferred members wishing to voluntarily draw benefits early</b>	Section 1(1)(c) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014	A member with a deferred benefit who left the scheme voluntarily between 1 April 2008 – 31 March 2014 and who has subsequently become a deferred pensioner may now claim their benefits from age 55 without their employers consent. However, these benefits will be reduced for early payment. Where a member has reached the 85 year rule at the point of retirement, an employer can consent to switching on the 85 year rule. Any 'strain' to the Fund will be payable immediately by the Scheme employer.	Not to switch on the 85 year rule for those members with deferred benefits who voluntarily draw benefits on or after age 55 and before age 60 or upon the voluntary early payment of a suspended tier 3 ill health pension.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
11	<b>Waiving of actuarial reduction by switching on the 85 year rule for deferred members wishing to voluntarily draw benefits early</b>	R13 Section 1 (1) (f) & 1 (2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014	Deferred members who left the scheme after 1 April 1998 are now able to voluntarily retire between ages 55 and 60. If they were a member of the LGPS on 30 September 2006 then some of their benefits could be protected from reductions applied to early payment under the 85 year rule. This rule only applies automatically to members voluntarily retiring from age 60 but the ceding employer has the discretion to “switch it on” for voluntary retirements between age 55 and 60. Where the employer does not choose to “switch on” the rule, then benefits built up would be subject to reduction.	Not to switch on the 85 year rule for those members with deferred benefits who voluntarily draw benefits on or after age 55 and before age 60	No change
12	<b>Waiving of actuarial reductions on compassionate grounds</b>	R13 31(5) of the LGPS Regulations 1997 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].	Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to benefits which are paid before age 65? Employers can agree to waive any actuarial reductions on compassionate grounds due in the case of employees who ceased active membership between 1 April 1998 and 31 March 2008.	Not to apply the discretion to waive all or part of any actuarial reduction in respect of Regulation 30(5).	To consider in the case of Regulation 30(5) waiving all or part of any actuarial reduction in very exceptional circumstances subject to the approval of the relevant Service Director and Directors of Finance and HR.

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
13	<b>Right to terminate admission agreement</b>	R13 Sch2	The Council has the right to terminate an admission agreement in prescribed circumstances.	The Council shall retain the right to terminate an admission agreement in the event of: (a) The insolvency, winding up or liquidation of the admission body, (b) A material breach by the admission body of any of its obligations under the admission agreement or these Regulations which has not been remedied within a reasonable time, or (.c) A failure by the Employer to pay any sums due to the fund within a reasonable period after receipt of a notice from Islington Council.	No change
Page 42	<b>Medical examination required for purchase of APC</b>	R13 16(10)	The Council has the right to require a member to undergo a medical examination at their own expense to prove that the member is in reasonably good health.	No medical report required to take out APC.	Introduce a requirement for members to provide a satisfactory medical report to ensure they can be reasonably expected to complete the contract undertaken and will not retire due to a pre-existing medical condition on health grounds. No medical shall be required if the member is paying for the additional pension by means of a lump-sum payment.

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
15	<b>Pension Abatement</b>	[Regulation 3(13) LGPS (Transitional Provisions, Savings & Amendment) Regulations 2014 & regulations 70(1) 71(4)(c) of the LGPS (Administration) Regulations 2008]	Whether to abate pensions upon re-employment.	The Council will not abate pensions upon re-employment as agreed at September 2016 Audit Committee. Any pensions that have previously been abated following re-employment will cease to be abated with effect from the Audit Committee decision.	No change
16	<b>Child's Pension - break in full-time education</b>	[Reg. 17(9) of the LGPS (Transitional Provisions, Savings & Amendment) Reg. 2014 & definition in Sch 1 of the LGPS R13]	Whether to treat a child as being in continuous full-time education or vocational training despite a break.	Islington Council will not treat a break of a single period not exceeding one academic year in a child's education as a disqualifying condition for the restart of a suspended pension. The Council will restart a suspended child's pension at the end of such a break or gap, providing confirmation from the relevant educational body is received that education/training has resumed.	No change
17	<b>Joining LGPS membership</b>	R13 22(8)(b)	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with a new employment	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
18	<b>Joining LGPS membership</b>	R13 22(7)(b)	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with an going concurrent employment	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change
19	<b>Pensionable Pay</b>	R13 21(5A) (5b)	Whether to decide to substitute a higher level of assumed pensionable pay when the preceding 3 months/12 weeks is materially lower than the level of pensionable pay the member would have normally received.	Where pensionable pay in the 3 month period prior to commencement of APP is materially lower than the level of pay that would normally have been received, the Council will not normally substitute this with a higher level of pensionable pay, except when determining calculations for ill health retirement or death in service.	No change
20	<b>Injury allowances</b>	LG (Discretionary Payments) (Injury Allowance) R11 3(1)	Whether to grant an injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job.	The Council does not grant any injury allowance.	No change
21	<b>Transfers into the fund and extension of 12-month time limit</b>	R13 100	Whether to accept a transfer value of pension's rights into the Fund and extend the time limit of 12 months from the date the member first became an active member in their current employment.	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
22	Employer Payments - Interest on overdue payments	R13 71	Whether to charge interest on payments by employers which are overdue.	The Council reserves the regulatory prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three monthly rests.	No change
23	Notice to recover costs due to employer's performance	R13 70	Whether to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.	The Council reviews from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.	No change
24	Employer consent retirement	R95 D11(2) c	Whether to grant an application for early payment of deferred benefits on or after age 50 and before age 55 on compassionate grounds. Benefits paid before age 55 are subject to an unauthorised payment charge payable to HMRC. (Finance Act 2004 Chapter 5 (208))	The Council will only consider such applications in exceptional circumstances. Please refer to appendix 4.	No change
25	Employer consent retirement	R97 31(5)	Whether to grant an application for early payment of deferred benefits on or after age 50 and before age 55 on compassionate grounds. Benefits paid before age 55 are subject to an unauthorised payment charge payable to HMRC. (Finance Act 2004 Chapter 5 (208))	The Council will only consider such applications in exceptional circumstances. Please refer to appendix 4.	No change

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# Flexible retirement

## Policy

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# Flexible retirement policy

## 1 Introduction

- 1.1 Islington values the knowledge, experience and skills of all its employees. We are committed to having a flexible approach to retirement and recognise the benefits that it can have for both employees and the council as a whole.
- 1.2 This policy allows employees who are members of the Local Government Pension Scheme (LGPS) to apply to reduce their working hours or pay grade and to draw pension benefits accrued up until the transfer to flexible retirement.
- 1.3 Islington Council limits flexible retirement to a maximum of two years to ease you into full retirement. Employees taking flexible retirement may contribute to the LGPS in the new or part time job, building up further benefits in the scheme. The employee's contract of employment for the new or part time job, will terminate on the second anniversary of their flexible retirement. The employee will then be able to access any additional pension accrued from their second membership of the pension scheme.

## 2. Flexible retirement

- 2.1 Flexible retirement occurs where an employee draws their pension and carries on working, either at a lower grade or on reduced hours. It is available to Local Government Pension Scheme (LGPS) members who are aged 55 or over.
- 2.2 The reduction in salary, through either reduced hours or level of responsibility, must involve as a minimum either a 30% reduction in hours, or two grades difference in salary.
- 2.3 Alternatively, an employee may apply for a job at a lower grade and/or on reduced hours through open competition for a post through the council's normal open recruitment process and if successful make a request for pension benefits under the flexible retirement scheme. In such cases the employee's new directorate must agree to the application and the request form should be authorised by the new employing directorate.
- 2.4 Employees who have flexibly retired may not subsequently apply for positions that would result in either an increase in hours or being paid at a higher grade.
- 2.5 There is no automatic right to flexible retirement. Both the early release of retirement benefits and the reduction in contractual hours and/or grade are at Islington Council's discretion. Each case is treated on its merits, based on the needs of the service at the relevant time taking into account all relevant considerations including the grounds on which the application for flexible retirement is made, requirements of service provision, length of service, and capital cost of the strain on the Pension Fund. Further details are found in 3.2 below.

### 3. Eligibility

3.1 In order to apply for the flexible retirement scheme an employee must:

- Be aged 55 or over
- Have 2 years' membership or more of the LGPS, or have transferred pension rights to that amount in the Islington LGPS.
- Reduce their salary by at least 30% through a reduction in hours or a reduction of 2 grades.
- Be working in their substantive post e.g. not in a seconded post or acting up.
- Obtain the consent of the Service Manager (i.e. Budget Holder), Corporate Director and Director of Finance.

### 4. How to apply

4.1 Any employee wishing to work reduced hours and/or at a lower grade (stepping down), must inform their Service Manager of the intended application. The employee completes the flexible retirement request form (see Appendix A) and sends to the Service Manager at least 3 months before the intended start date for the proposed flexible retirement date. The Service Manager will acknowledge receipt of the application within 5 working days.

4.2 The Service Manager will consider the request and the business case for supporting/not supporting it. The business case should take into account the following:

- the needs of the service and whether service delivery will be affected either positively or negatively; and
- the cost implications i.e. will this result in cost savings or increased costs? and
- whether the service will be able to function properly if flexible retirement were to be granted; and
- whether it will help avoid redundancies and associated costs; and
- whether it will help to facilitate reorganisations; and
- whether it will enable the council to retain or attract a balanced age profile within the workforce; and
- whether it will enable the service to retain valuable experience/knowledge which might otherwise be lost e.g. from an individual leaving; and
- giving consideration to succession planning and talent management, including whether flexible retirement would be beneficial in enabling a successor to be trained; and
- any special personal circumstances of the applicant including caring responsibilities for a relative (child, parent etc.) partner etc.

4.3 The business case must also specify which of the following three options will be used to address a reduction in hours:

- delete the residual hours to achieve a saving;
- cover the hours, with a lower graded post, as part of a succession plan;
- make an appointment to the remaining hours.

- 4.4 The Service Manager should complete Section C of Appendix A – Flexible Retirement Request Form (acknowledging receipt of the employee’s application and confirmation that the form has been passed to Pensions to provide financial implications – to assist with the Business case).
- 4.5 Pension Section should complete their estimates within ten working days and forward this to the Service Manager copying in the HR Business Partner to ensure that a central record is kept of all applications and their outcomes for monitoring purposes.

## 5. Decision Process

- 5.1 The Service Manager should review the financial details received and confirm their recommendation against the criteria set out in Section 3.2 above on the form. If, having received the figures the employee wishes to proceed, the Service Manager should submit the application to the Corporate Director to consider.
- 5.2 The Director will make a decision on the request for flexible retirement in consultation with the Director of Finance by completing section F of the form. No application for flexible retirement will be agreed without the approval of both the Corporate Director and Director of Finance.
- 5.3 Following the decision the employee should be advised in writing by the Service Manager of the outcome. This should normally be within 28 days of the original request. If the request is agreed, HR will amend and reissue the employee’s contract of employment to reflect the new hours and/or grade as approved and pass the completed form to Pension Section for processing of pension benefits.

## 6. Appeal Process

- 6.1 If the Corporate Director/Director of Finance do not approve the request for flexible retirement the employee has a right of appeal to a Corporate Director not previously involved in the case. An appeal must be lodged in writing/email within 7 calendar days, after receipt of the decision.
- 6.2 If the employee lodges an appeal, they will be invited to attend an Appeal Meeting to discuss their flexible retirement request and the reason/s for their appeal.
- 6.3 The Appeal Meeting will be heard by a Corporate Director together with an HR representative. The Service Manager who processed the original application will be asked to attend to outline why the request was not approved.
- 6.4 The Corporate Director will consider all the information carefully and the employee will be informed in writing/email of the employer’s decision within 7 calendar days.
- 6.5 If the employee is still dissatisfied with the outcome of the ‘Section H – Appeal’, the employee can exercise their right to have their case considered under the ‘Internal

Dispute Resolution Procedure' of the Local Government Pension Scheme. Details are available upon request from the Pensions Section [pensions@islington.gov.uk](mailto:pensions@islington.gov.uk)

**Section A: Flexible retirement option – To be completed by the employee**

I wish to apply for Flexible Retirement and would like to work as follows:

Option(s)	Details of the request
On a lower grade, (step down) and/or	
Reduced hours	
Proposed date of change	

**Section B: Employee Details - To be completed by the employee**

Name		
Job Title		
Service Area		
Unit		
Current Grade		Employee No:
Current Hours of Work		
Name of Line Manager		
Date of Request		
Special personal circumstances for consideration (if applicable)		
What impact do you think this request will have on your work unit?*		
Have you discussed this application with your immediate work colleagues?*		

\*Please complete unless applying for a post via the council's open recruitment procedures

**Section C: Service Manager – Confirmation of receipt of application**

<b>Name of Manager</b>	
<b>Job Title</b>	
<b>Date application is received from employee and date acknowledged</b>	
<b>Date Passed to HR/ /Pensions</b>	
<b>Signature</b>	

Following the Service Manager's initial acknowledgement this form should be forwarded to the Pension Section for a pension estimate calculation. (See Section D).

**Section D: Pension Estimate - To be completed by the Pensions Section**

<b>Pension</b>	
<b>Lump Sum</b>	
<b>Pension Strain Costs</b>	
<b>Name of Pension's Officer</b>	
<b>Date</b>	

Following completion of section D, **Pensions will return** the form to the Service Manager (and a copy to the HR Business Partner).

The Service Manager will complete **section E** to confirm his/ her recommendations and will immediately forward it to the Corporate Director for approval a decision.

**Recommendation - To be completed by the Service Manager**

**Section E: Service Manager Recommendation**

<b>Name</b>	
<b>Job Title</b>	
<b>I do/do not support this application.</b>	
<b>Business Case Criteria:</b>	
<b>Signature</b>	
<b>Date</b>	

**Section F: Flexible Retirement – Corporate Director**

I acknowledge the above costs and confirm that I approve/do not approve the flexible retirement of the above named employee as detailed in the Service Manager’s application with effect from:

.....

**Name:**

**Designation:**

**Signature:**

**Date:**

**Director of Finance**

I endorse/do not support this application:

**Name:**

**Designation:**

**Signature:**

**Date:**

**Section G: Employee Acceptance**

I wish to proceed with my application for flexible retirement with effect from: .....

I confirm that I have obtained independent advice about the financial implications /do not need such advice \*\*

I acknowledge that this is not a temporary change to my working conditions and am aware of the financial implications of my decision.

**Name:**

**Designation:**

**Signature :**

**Date :**

\*\* Delete as appropriate

**When relevant sections of this form have been completed please return to the Pensions Section. A copy should also be sent to the HR Business Partner with a note from the service manager confirming the changes to be made to the employee's contract of employment.**

**Section H: Appeal – Corporate Director**

<b>Corporate Director Name and job title</b>	
<b>Date application received</b>	
<b>Outcome of Decision</b>	
<b>Signed</b>	
<b>Date</b>	
<b>Date passed to Service Manager &amp; HR</b>	

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## Existing Policy

### Termination by Reason of Redundancy or in the Interests of the Efficiency of the Service, including Early Retirement

#### 1 General Policy: Redundancy

Without prejudice to the Council's discretion to treat every case on its merits, the Council's general redundancy payments policy is based on the statutory redundancy payment as follows:

- for service up to the age of 21 – employees made redundant are entitled to 0.5 actual weeks pay (without any salary cap) for each completed year of service during that period;
- for service between 22 - 41 years of age – employees made redundant are entitled to 1 actual weeks pay (without any salary cap) for each completed year of service during that period;
- for service over 41 years of age – employees made redundant are entitled to 1.5 actual weeks pay (without any salary cap) for each completed year of service during that period.

The maximum number of years continuous service that can be counted for statutory redundancy payments purposes is 20. The redundancy payment is calculated according to statutory provisions but using actual contractual weekly pay rather than the statutory maximum.

The formula set out above includes both the redundancy payment (including the statutory element) and the discretionary lump sum.

The general policy applies only to redundancy, and not to efficiency, situations.

The general redundancy payments policy applies only to employees with two or more year's continuous service with a body listed in the Redundancy Payments (Continuity of Employment in Local Government, Etc) (Modification) Order.

#### 2 Exceptional Discretionary Policy: Redundancy or Efficiency

The Council may use its discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended), in exceptional circumstances, and only where the relevant employee has not received an additional period of membership or an additional pension (see section 3 below) to pay a lump sum of up to a total of 2 years (104 weeks) actual pay without any salary cap as a compensatory payment to any employee (eligible for the Local Government Pension Scheme), whose employment is terminated by reason of redundancy or in the interests of the efficiency of the service, including early retirement. This discretion can only be exercised within six months of termination and will be in exceptional circumstances and on a case-by-case basis, to be determined by the Corporate Director of each relevant department or, where appropriate, by the Chief Executive (in relation to a Corporate Director) or by Corporate Services Committee (in relation to the Chief Executive). Any redundancy (under Part XI Employment Rights Act 1996) and any enhanced compensation payments (under regulation 5 of these Regulations) on top of redundancy shall be deducted from any lump sum payable under this section.

The Council will have regard to the extent to which the exercise of discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service. The following factors will be taken into account when deciding whether to award a compensatory payment and, if a compensatory payment is made, the amount of that payment:

- Individual financial and other personal circumstances
- The Council's interests, including corporate and service imperatives
- The Council's fiduciary duty, including its duty to protect the interests of Council Tax payers and to exercise prudence and propriety
- Overall work record of the employee, including performance, attendance, length of service, level of responsibility and disciplinary record
- Any other factor relevant to the individual case

Redundancy and efficiency payments will be met from service department budgets.

### **3 Augmentation**

The Council has discretion to

- (i) Increase an active member of the LGPS's membership (i.e. add years) by a maximum of ten additional years; and
- (ii) Award an active member an additional pension of up to £5000 per annum under Regulations 12 and 13 respectively of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended).

Regulation 12 allows the Council to award an active member additional membership at any time up to the termination of employment (non-redundancy) or in the six months following termination (redundancy). In the latter case any increase shall be backdated to the date of termination. Regulation 13 additional pension is payable from the same date as the underlying pension becomes payable and can be paid in addition to any increased membership under Regulation 12.

The Council's general policy on such augmentation is that no extra membership or pension should be granted, subject to exceptional individual circumstances. However, as an exception to the general augmentation policy, the Council will use these augmentation provisions to give pension scheme members the option on a redundancy or efficiency dismissal of converting all of any discretionary compensation payment (less the statutory or contractual redundancy payment) into additional pensionable service under Regulation 12 up to a maximum of ten years.

### **4 Further information**

Additional information about this policy can be obtained from:

Patrick Fullerton, Pension Office  
 email: [patrick.fullerton@islington.gov.uk](mailto:patrick.fullerton@islington.gov.uk)  
 telephone 0207 527 2588

Linda Nicolas, Human Resources  
 email: [linda.nicolas@islington.gov.uk](mailto:linda.nicolas@islington.gov.uk)  
 telephone 0207 527 2420 or you can contact your HR Business Partner.

## Appendix 4

### Existing Policy

#### The Local Government Pension Scheme 2014

#### Guidance Criteria in the Exercise of Discretionary Powers

#### Consideration for the early release of pension benefits on compassionate grounds\*

Applies to existing and former members of the LGPS

In respect of both existing and former employees in relation to determining on compassionate grounds the early release of retirement pension and grant, the council will examine each case on its merits and may take into consideration:

- the nature of the compassionate grounds put forward in the application; and the supporting evidence supplied showing exceptionally difficult personal or domestic circumstances
- the likely period that the claimed compassionate grounds will last into the future;
- medical evidence, where relevant, which relates to the member or deferred pensioner and/or a dependent relative;
- the likelihood or otherwise of the member or deferred pensioner obtaining employment at some stage in the future;
- the nature and reason for the employee leaving;
- the member's or deferred pensioner's age and period of membership;
- income and/or capital having been received or in prospect of being received from the Council or other sources;
- the costs to the pension fund; and
- any other relevant factor(s).

In the case of existing employees the final decision rests with the relevant Corporate Director in consultation with the Director of Finance.

In the case of former employees in the first instance the Director of HR in consultation with the relevant Service Director and Director of Finance will make a decision based on the evidence supplied by the individual. In the case of an appeal the relevant Corporate Director/Chief Executive will make the final decision.

\*There is no definition in the Local Government Pension Scheme Regulations 2013 of 'compassionate grounds'

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Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pension Board	14th March 2022		n/a

Delete as appropriate		Non-exempt
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## **SUBJECT: PENSION FUND ADMINISTRATION COST 3-YEAR FORECAST AND CASHFLOW**

### **1. Synopsis**

- 1.1 This report is for the local pension board to review the Funds administration's 3-year income and expenditure forecast and annual cash flow, 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 cash flow and forecast of administration cost attached as Appendix 1 and Appendix 1A.

### **3. Background**

- 3.1 The Public Services Pensions Act 2013 requires the establishment of local pension boards for each Local Government Pension Fund. Each administering authority must establish a pensions board no later than 1 April 2015.

- 3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Sub Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

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

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

The Pension Board should therefore be mindful;

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

### **The 3 year Forecast of Pension Fund Admin Income and Expenditure and Annual Cashflow**

3.4 A 3-year forecast for pension administration cost including investment management has been prepared based on actuals to month ten in 2021/22. The fund is forecasted to remain in net negative cashflow position and will have to call on investment income to meet expenditure in the region of £19m a year.

3.5 The 2022/23 cashflow plots the monthly income and expenditure expected and best use of surplus cash to minimize cost and investment capital. This is a monitoring tool to avoid disinvestment and for future investment strategies to generate enough investment income to meet future cashflow requirements. The need to draw down investment income is delayed because the council pays its normal monthly employer contribution upfront in April.

3.6 Members are asked to review the cashflow and budget forecast.

## **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->

#### 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 note and review 2022/23 cashflow forecast and 3-year budget of administration cost for the period covering 2021/22 to 2024/25 as per their agreed work plan.

#### **Background papers:**

Islington pension board's terms of reference

Final report clearance:

#### **Signed by:**

Dave Hodgkinson  
Corporate Director of Resources

2 March :

#### **Received by:**

Head of Democratic Services

Date

Report Author: Joana Marfoh  
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	Forecast	Budget	Forecast	Forecast
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
<b>Contributions receivable</b>				
Contributions	43,900	44,000	45,000	46,000
Deficit recovery contributions	1,100	1,200	29,000	1,200
Transfers in from other pension funds	2,680	3,000	3,000	3,000
Other Income *	3,500	3,800	3,800	3,800
<b>Total Income</b>	<b>51,180</b>	<b>52,000</b>	<b>80,800</b>	<b>54,000</b>
<b>Benefits payable</b>				
Pensions (Monthly Payroll)**	(55,000)	(58,000)	(59,000)	(60,000)
Lump sum benefits	(3,000)	(3,500)	(3,500)	(3,500)
Payment to and on account of leavers	(4,500)	(5,000)	(5,000)	(5,000)
Fees (Admin/Oversight /Investment)	(3,500)	(4,000)	(4,000)	(4,000)
<b>Total Expenditure</b>	<b>(66,000)</b>	<b>(70,500)</b>	<b>(71,500)</b>	<b>(72,500)</b>
<b>Net additions/ (withdrawals)</b>	<b>(14,820)</b>	<b>(18,500)</b>	<b>9,300</b>	<b>(18,500)</b>
<b>Investment income</b>	<b>18,000</b>	<b>19,000</b>	<b>19,000</b>	<b>19,000</b>
In-year (deficit)/ surplus	3,180	500	28,300	500

Notes

\* Other income is comprised of LBI & HMRC recharges

\*\* Gross payroll

Pension Fund Cashflow														
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Inflow	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23		
Contributions	28,000,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	1,460,000	44,060,000
Transfer in	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
Lumpsum		0	0	0	0	0	0	0	0	0	0	1,200,000	1,200,000	
Other income/Recharges	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	3,720,000
Investment income/self fund							5,000,000		5,000,000	4,000,000	3,000,000	2,000,000		19,000,000
<b>Total inflow</b>	<b>28,560,000</b>	<b>2,020,000</b>	<b>2,020,000</b>	<b>2,020,000</b>	<b>2,020,000</b>	<b>2,020,000</b>	<b>7,020,000</b>	<b>2,020,000</b>	<b>7,020,000</b>	<b>6,020,000</b>	<b>5,020,000</b>	<b>5,220,000</b>		<b>70,980,000</b>
Outflow	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total	
Image Cheques	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	72,000
Monthly payroll	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	51,600,000
Benefits paid	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	4,800,000
Transfer out	350,000	350,000	350,000	350,000	300,000	350,000	350,000	300,000	350,000	350,000	400,000	400,000		4,200,000
Islington Council(recharge)						1,400,000	99,533	154,772						1,654,305
HMRC	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	7,200,000
Bank charges/fees	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	2,040,000
Refunds/Returns			0	0	0	0	0	0	0	0	0	5,000		5,000
<b>Total outflow</b>	<b>5,826,000</b>	<b>5,826,000</b>	<b>5,826,000</b>	<b>5,826,000</b>	<b>5,776,000</b>	<b>7,226,000</b>	<b>5,925,533</b>	<b>5,930,772</b>	<b>5,826,000</b>	<b>5,826,000</b>	<b>5,876,000</b>	<b>5,881,000</b>		<b>71,571,305</b>
Movement Summary	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total	
Net in/outflow	22,734,000	-3,806,000	-3,806,000	-3,806,000	-3,756,000	-5,206,000	1,094,467	-3,910,772	1,194,000	194,000	-856,000	-661,000		
Opening balance	2,000,000	24,734,000	20,928,000	17,122,000	13,316,000	9,560,000	4,354,000	5,448,467	1,537,695	2,731,695	2,925,695	2,069,695	1,408,695	
<b>Closing balance</b>	<b>24,734,000</b>	<b>20,928,000</b>	<b>17,122,000</b>	<b>13,316,000</b>	<b>9,560,000</b>	<b>4,354,000</b>	<b>5,448,467</b>	<b>1,537,695</b>	<b>2,731,695</b>	<b>2,925,695</b>	<b>2,069,695</b>	<b>1,408,695</b>	<b>1,408,695</b>	



**Finance Department  
7 Newington Barrow Way  
London N7 7EP**

**Report of: Corporate Director of Resources**

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Ward(s)</b>
Pensions Board	14 <sup>th</sup> March 2022		n/a

<b>Delete as appropriate</b>	Exempt	Non-Exempt
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## **SUBJECT: PENSIONS BOARD 2022/23– FORWARD WORK PROGRAMME**

### **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.
- 1.2 Appendix B to this report is a proposed timetable for the forthcoming 2022 Actuarial Valuation process.
- 1.3 Appendix C to this report is the fund’s risk register

### **2. Recommendation**

- 2.1 To consider and note Appendix A attached and amend the forward programme where there is change in priorities.
- 2.2 To note for information the 2022 actuarial valuation process timetable 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 programme and timetable attached as Appendix A and B 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 regularly by the Board. 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 that incorporates a traffic light model risk assessment. The risks that are considered of most urgent concern are red and amber. The Members are asked to consider the updates and agree to review the register at least every six months.

## 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/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.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 risk register.

### **Background papers:**

None:

Final report clearance:

### **Signed by:**

Dave Hodgkinson  
Corporate Director of Resources

Date 2 March 22

### **Received by:**

Head of Democratic Services

Date

Report Author: Joana Marfoh  
Tel: (020) 7527 2382  
Email: Joana.marfoh@islington.gov.uk

**APPENDIX A****Pensions Board Forward Plan for March 2022 to March 2023**

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"> <li>• Admin Performance report</li> <li>• Forward work programme</li> </ul>
8 March 2022		Cashflow monitoring and Budget 22/23 Risk Register Actuarial valuation timeline Pension discretion policy review
June 2022		Draft year end accounts
Sept 2022		Draft Annual Report
November 2022		Draft FSS for consultation
March 2023		Final FSS with consultation results Risk register review

## 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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# Islington – 2022 Valuation Outline Plan

## January- March 2022



- Initial budgeting discussed
- Data request provided
- Demographic analysis undertaken
- Data cleansing actions discussed

## April /May 2022



- Initial summary data provided to the Actuary
- Preliminary valuation results for Whole Fund and Council

## June – July 2022



- Funding Strategy principles discussed with Officers / Committee

## September - October 2022



- Discussion with Officers on outcomes for Council / Budgetary requirements
- Draft Funding Strategy Statement agreed

## July – August 2022



- Provision of membership data alongside initial processing / data query resolution

## October - December 2022



- Results assessed and issued to all employers as part of Funding Strategy Consultation
- Feedback from employers collated

## January - March 2023



- Employer contribution rates finalised
- Funding Strategy Statement signed off by Committee
- Formal actuarial report finalised and signed by Actuary

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# Islington Council Pension Fund Risk Register\_v5

## Evaluation Process

### Risk Evaluation Table - Likelihood

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

### Risk Evaluation Table - Impact

Category	Description	Monetary Impact
2	Low	<£1K
4	Medium	<£10K
6	Material	<£500K
8	Significant	<£15M
10	Critical	>£15M

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	Rare	Unlikely	Conceivable	Likely	Expected
10	10	20	30	40	50
8	8	16	24	32	40
6	6	12	18	24	30
4	4	8	12	16	20
2	2	4	6	8	10
	1	2	3	4	5
	LIKELIHOOD				

Risk No.	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	Overall risk rating following mitigation	Owner	Test	Next review	Comment
1	Operational disaster (fire/flood etc) or disruption due to pandemic	2	6	12	Business continuity plan. Daily & Weekly backups kept offsite.	6	Pensions Manager/Deputy Manager	Annual	Sep-22	
					Contracts with all suppliers are recorded on central database. Daily & Weekly backups kept off site.		Procurement & Legal Services		Oct-22	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-22	Council has reinforced cyber security with increase in home working
2	Member data incomplete or inaccurate	3	8	24	Data Quality Audit. Engagement with internal and external employers and payroll providers. Engagement with School Business Managers.	18	Pensions Manager/Deputy Manager	Annually	Nov-22	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	Apr-22	
3	COVID-19 impact on services	3	6	18	Member communications to allay any fears and support engagement in service delivery.	16	Pensions Manager/Deputy Manager	ongoing	Jun-22	Pension service has continued seamlessly since Covid due to IT and working from home. Priorities have focused on processing deaths and retirements.
4	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.	24	Pensions Manager	ongoing	Apr-22	
5	The provision of accurate reports from payroll.	4	10	40	Service Improvement actions are being lead by the HR Director but progress as been slow.	30	Pensions Manager	ongoing	Mar-22	Obtaining timely reports from Payroll still remains a challenge.

Risk No.	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	Overall risk rating following mitigation	Owner	Test	Next review	Comment
6	Fraud/Fraudulent behaviour	3	6	18	Segregation of duties and authorisation of benefits following calculation by Pensions Officer and checked by Senior Pensions Officer	12	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-22	
					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.
7	AVC Providers failure to produce year-end SOA	4	10	40	Early engagement with AVC Providers. Reporting any breach to the Pensions Regulator	30	Pensions Manager	Ongoing		
8	Pension Database may not be secure and appropriately maintained	3	6	18	Electronic access control systems are deployed on Islington's network that rely on user credentials and authentication. Passwords are regularly changed and there are robust user administration procedures to access the pension's database. The system is regularly updated to ensure regulatory compliance with the LGPS and is protected against viruses and other types of malware.	12	Pensions Manager /Digital Services	Ongoing		

Risk No	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	Overall risk rating following mitigation	Owner	Test	Next review	Comment
9	Employer failure to pay monthly contributions into scheme	3	6	18	Monthly monitoring of contribution payments by Treasury & Pension Admin Staff	12	Pension Manager	Monthly	Apr-22	
					Annual audit by external and internal auditors		Pensions Manager/Deputy Manager	Annual		
10	Loss of Investment returns	4	10	40	Clear investment strategy, quarterly monitoring of managers' performance and a diversified portfolio	24	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.
11	Failure of non-public sector employers	4	6	24	Use of bonds and guarantees	18	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
12	Covid 19 impact on Funding	5	6	30	Open dialogue with Employers. Accessing covenace periodically. Review funding level	24	Head of Treasury & Pension Fund/pension-sub committee	Ongoing	Jun-22	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 No	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	Overall risk rating following mitigation	Owner	Test	Next review	Comment
13	Failure to interpret rules or legislation correctly	2	8	16	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.	12	Head of Treasury & Pension Fund / Pensions Manager	n/a	May-22	All staff go on relevant training courses at the LGA as appropriate to remain up-to date on Pension issues.
					Pensions Manager		Ongoing			
					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		
					Pensions Manager		Ongoing			
					Pensions Manager/Deputy Manager		Ongoing	Updates received from responsible authority, scheme advisory board and professional advisers; acted on.		
14	McCloud Judgment - LGPS Regulatory Changes	4	8	32	Project Management Meetings & networking with key partners, Employers, Software Suppliers, LGA & SAB	24	Pensions Manager	Ongoing	Mar-22	
15	Conflicts of interest	3	6	18	Pension Board awareness of legal responsibilities.	12	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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