



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

AGENDA FOR THE PENSIONS BOARD

Members of the Pensions Board are summoned to attend a meeting which will be held in Council Chamber, Town Hall, Upper Street, N1 2UD on **28 June 2022 at 5.00pm.**

Linzi Roberts-Egan
Chief Executive

Enquiries to : Mary Green
Telephone : (020) 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 20 June 2022

Membership

Employer representatives:

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

Scheme member representatives:

Valerie Easmon-George
Marion Oliver (+ vacancy for substitute)
George Sharkey

Independent member

Alan Begg

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



A. Formal matters

1. Apologies for absence
2. Declaration of interests

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

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

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

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

- *(a)** Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.
- (b)** Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
- (c)** Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
- (d)** Land - Any beneficial interest in land which is within the council's area.
- (e)** Licences- Any licence to occupy land in the council's area for a month or longer.
- (f)** Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
- (g)** Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

- | | | |
|----|---|--------|
| 3. | Minutes of the previous meeting | 1 - 4 |
| 4. | Membership, Terms of Reference and dates of meetings of Islington Pension Board 2022/23 | 5 - 12 |

B. Non-exempt items

- | | | |
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| 1. | Pension administration performance - To follow | |
| 2. | Pension Board Forward Work Programme | 13 - 34 |

3. Pension Fund - 2021/22 Draft Income and Expenditure statement account. 35 - 40

C. Urgent non-exempt items

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

D. Exclusion of press and public

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

E. Confidential/exempt items

F. Urgent exempt items

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

The next meeting of the Pensions Board will be on 19 September 2022

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London Borough of Islington

Pensions Board - 14 March 2022

Minutes of the meeting of the Pensions Board held in the Council Chamber, Town Hall, Upper Street, N1 2UD on 14 March 2022 at 6.00 pm.

Present: Alan Begg, Mike Calvert, Valerie Easmon-George, Councillor Dave Poyser

Observers: Councillors Paul Convery and Satnam Gill

Councillor Dave Poyser in the Chair

31 APOLOGIES FOR ABSENCE (Item A1)

Received from Maggie Elliott and George Sharkey.

32 DECLARATION OF INTERESTS (Item A2)

None.

33 MINUTES OF THE PREVIOUS MEETING (Item A3)

RESOLVED:

That the minutes of the meeting held on 23 November 2021 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them

34 PENSION ADMINISTRATION PERFORMANCE (Item B1)

The following points were made during discussion:

- A Pensions Tracing Agency was being sought to help trace over 1000 deferred members for whom the Pensions Team did not have a current home address. This was also an issue for other Pension Funds.
- That the date of auto-enrolment had moved to 1 May 2022, as opposed to the date of 1 April 2022 quoted in the report
- That, in response to the points raised by Maggie Elliott, Vice-Chair of the Board, relating to access to the complaints procedure for pensioners, the Council's Communications Team had included a facility on the Council's website for quick access to a web page which contained general information on pensions and advice on making a complaint.
- The Pensions Manager undertook to supply figures on unclaimed pensions to Valerie Easmon-George
- The Pensions Team was aiming for an automated pensions system, recognising that some staff would still require paper versions of their documents

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 ongoing work in relation to the McCloud Judgement
 - iv) the steps taken in relation to the recruitment of experienced Pensions Officers
 - v) Islington Council's new staging date of 1 May 2022 for auto re-enrolment
 - vi) the changes to the Council's Pension Fund website to make the complaints process clearer to members and customers.
 - vii) the information detailed in Appendix 2- LGPS Current Issues February 2022
- (b) That the contractual engagement of a Pensions Tracing Agency be endorsed.

35 PENSION POLICY DISCRETION REVIEW 2022 (Item B2)

Members of the Board suggested that the Appendix to the report be revised to indicate clearly where changes in Policy were being recommended by officers. The revised report should be submitted to the next meeting for consideration.

RESOLVED:

That consideration of the report be deferred to the next meeting.

36 THREE YEAR PENSION ADMINISTRATION COST AND ANNUAL CASHFLOW (Item B3)

RESOLVED:

That the Fund's cash flow and forecast of administration cost, attached as Appendix 1 and Appendix 1A to the report of the Corporate Director of Resources, be noted.

37 FORWARD PLAN OF BUSINESS (Item B4)

Members suggested that they should receive at least one training session per annum. It was noted that members were due to receive a training session on the triennial valuation in the near future.

Alan Begg offered to meet directly with Pensions officers to review and revise the Risk Register, with a view to improving the style and content of the document.

RESOLVED:

- (a) That Appendix A attached to the report of the Corporate Director of Resources, comprising the forward plan of business for the Board, be noted.
- (b) That the information on the 2022 actuarial valuation process timetable, attached as Appendix B to the report, be noted.
- (c) That it be noted that Board members were due to receive a training session on the triennial valuation.
- (d) That the Risk Register attached as Appendix C to the report be not approved at this stage and that Alan Begg meet with Pensions Managers to review and revise the Risk Register, with a view to improving the style and content of the document.

START TIME OF NEXT MEETING

It was agreed that the next meeting should commence at 5.00pm in order to facilitate discussion on the Pension Discretion Policy Review and the Risk Register, both deferred from this meeting.

The meeting ended at 7.00 pm

CHAIR

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Resources
Town Hall, Upper Street
London N1 2UD

Report of: Director of Law and Governance and Monitoring Officer

Meeting of: Pensions Board and Pensions Sub-Committee

Date: 28 June 2022

Ward(s): None

Subject: Membership, Terms of Reference and dates of meetings of the Pensions Board and Pensions Sub-Committee in 2022/23

1. Synopsis

- 1.1 To inform members of the membership and remit of the Pensions Board and the Pensions Sub-Committee in the municipal year 2022/23.

2. Recommendations

- 2.1 To note the membership of the Pensions Sub-Committee, appointed by the Audit Committee on 13 June 2022, its terms of reference and dates of meetings for the municipal year 2022/23, as set out at Appendix A.
- 2.2 To note the membership of the Pensions Board, appointed by the Audit Committee on 13 June 2022, its terms of reference and dates of meetings for the municipal year 2022/23, as set out at Appendix A.

3. Background

- 3.1 The terms of reference of the Pensions Sub-Committee (as contained in Part 5 of the Council's Constitution) are set out at Appendix A. The quorum of the Sub-Committee is two Councillors.

- 3.2 The terms of reference of the Pensions Board are also detailed in Appendix A. The quorum for meetings of the Board is three, including at least one employer representative and one member representative.
- 3.3 The membership and dates of meetings in 2022/23 are also set out at Appendix A for information.

4. Implications

4.1. **Financial Implications**

None.

4.2. **Legal Implications**

None.

4.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

There are no environmental implications arising directly from this report.

4.4. **Equalities Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.1. An Equalities Impact Assessment is not required in relation to this report, since the contents of this report relate to a purely administrative function and will not impact on residents.

5. Conclusion and reasons for recommendation

The report is submitted to ensure members are fully informed of the remit of the Pensions Board and Pensions Sub-Committee and their administrative arrangements.

Background papers: None

Final report clearance:

Signed by:

A handwritten signature in black ink, appearing to read 'P. Felber', is shown within a light gray rectangular box.

Director of Law and Governance and Monitoring Officer

Date: 14 June 2022

Report author: Mary Green, Democratic Services Officer

Tel: 0207 527 3005

Email: mary.green@islington.gov.uk

PENSIONS SUB-COMMITTEE

Committee Membership 2022/23

<i>Councillors</i>	<i>Substitute Members</i>
Paul Convery (Chair)	Jenny Kay
Diarmaid Ward (Vice-Chair)	Mick Gilgunn
Satnam Gill OBE	
Michael O'Sullivan	

Terms of Reference

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

1.2 Quorum

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

1.3 Future Meeting Dates

Listed below are the dates of the meetings for 2022/23, all at 7.00pm:

28 June 2022

19 September 2022

21 November 2022

6 March 2023

26 June 2023

The date for the Pensions AGM 2022 is to be confirmed.

PENSIONS BOARD MEMBERSHIP 2022-2023

Employer representatives:

Maggie Elliott (Vice-Chair) (for a three year term from 3 June 2019)*

Councillor Dave Poyser (Chair)

(vacancy)

Scheme member representatives:

Mike Calvert (for a three year term from 3 June 2019)*

Valerie Easmon-George (for a four year term, from 3 June 2019) (+ vacancy for substitute)

George Sharkey (for a three year term, with effect from 25 May 2021)

*Renominations/new nominations are being sought

Independent member

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

3.1 Terms of Reference

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

Composition

The membership of the Board shall consist of:

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

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

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

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

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

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

Meeting Dates 2022/23, all at 6.00pm, apart from 28 June 2022 which shall commence at 5.00pm:

28 June 2022 at 5.00pm

19 September 2022

21 November 2022

6 March 2023

26 June 2023

The date for the Pensions AGM 2022 is to be confirmed.

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

Report of: Corporate Director of Resources

Meeting of: Pension Board Committee

Date: 28th June 2022

Ward(s): n/a

Pension 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.
- 1.3 Appendix B to this report is the LGPS Issues May 2022

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 the May 2022 edition of LGPS Issues for information - Appendix B

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 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.

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 Equalities 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 to note LGPS latest issues.

Appendices: Appendix A- Work programme for 2022/23
Appendix B- LGPS Issues- May 2022

Background papers:

None:

Final report clearance:

Signed by:

Date

Corporate Director of Resources

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

Finance implication author: Joana Marfoh

Legal implications author: n/a

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

Date of meeting	Work programme objective	Reports
	To ensure the effective and efficient governance and administration of the Scheme	<u>Please note:</u> there will be a standing item to each meeting on: <ul style="list-style-type: none">• Admin Performance report• Forward work programme
28 June 2022		Draft 21/22 Income and Expenditure Statements Risk Register Pension discretion policy review
19 Sept 2022		Draft Annual Report
21 November 2022		Draft FSS for consultation
December	Annual pension meeting	
6 March 2023		Final FSS with consultation results Risk register review

Planned and Previous Training on committee meeting dates

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

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LGPS CURRENT ISSUES

May 2022

welcome to brighter

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In this edition

For the first time in a long time, it has been a relatively quiet period for the LGPS recently in terms of Regulatory developments. However, it has by no means been quiet overall with year-end tasks, valuation discussions underway in England and Wales, and of course, consideration of the impact on funding and investment of the ongoing crisis in Ukraine all set against a backdrop of rising inflation and a cost of living crisis.

In this edition, we provide brief updates on recent developments and commentary on what to expect over the next months. [Click on the headings below to go straight to that section.](#)



JUBILEE FACTS – To celebrate the Queen's Platinum Jubilee, in this edition we have also added a few facts along the way...

... For example, back in 1952, the Basic State Pension, in its infancy, equated to c£1.63 a week in new money - equivalent to c£55 a week in current prices. This compares with the current Basic State Pension of £141.85 a week. However, as a % of average earnings, the State Pension has actually **fallen** during the Queen's reign from 31% to 23%.

Investment Update

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- [The Conflict in Ukraine](#)
- [Investment Decisions in line with Foreign Policy](#)
- [Impact of Rising Inflation](#)

Funding Matters

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Regulatory round up – where are we now?

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- [McCloud Remedy and Judicial Review](#)
- [Regulatory Changes in Scotland](#)
- [Stronger Nudge Requirements](#)
- [Special Severance](#)
- [LGPS and the New Single Code of Practice](#)

And in other news...

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- [CMI_2021 Mortality Projections Model published](#)
- [Pension Taxation update](#)
- [Pension Dashboard Consultation](#)
- [TPR Spotlight on Diversity and Inclusion](#)

Dates to remember

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Meet the team & contact details

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Investment Update

THE CONFLICT IN UKRAINE

We are deeply saddened by the continuing conflict and our hearts go out to the people of Ukraine as the humanitarian crisis continues to unfold.

The consequences are far reaching and the situation remains fluid. Recent developments impacting LGPS Funds include a request by both the Scheme Advisory Board for England and Wales (**28 February**) and by the [Secretary of State for Levelling Up, Housing and Communities](#) (**9 March**) to review and consider Russian asset holdings.

The LGPS Scheme Advisory Board for England and Wales made the following statement on **28 February 2022**, in respect of LGPS Investments in Russia:

“In the light of events in Ukraine and resultant extant and potential sanctions by the UK government any LGPS funds who are not already doing so are advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken”.

A follow-up [note](#) from the Scheme Advisory board was issued on **4 March**. The letter from DLUHC was also sent to all Committee Chairs on **9 March 2022** and recommended all Funds to consider the actions that should be taken in light of the situation taking into account their fiduciary duties and ethical considerations.

There have also been a number of significant investment industry developments including the removal of Russia from global and emerging market indices. LGPS Asset Pools have already begun to take collective decisions to divest from all Russian holdings as soon as practically possible. The situation has also led to The Pensions Regulator highlighting the potential heightened risk of cyber-attacks. Funds should therefore be mindful of this and looking to review/implement their cyber-security policies where appropriate.

Mercer will continue to work with Funds to monitor the situation closely given the market volatility and other investment, funding and governance implications. Alongside our sister company Marsh; we are also able to assist Funds with their cyber-security. **Please contact your usual Mercer Consultant if you would like more information on any of these matters.**



INVESTMENT DECISIONS IN LINE WITH FOREIGN POLICY



On **10 March 2022**, the Public Service Pensions and Judicial Offices Bill received Royal Assent (see further comment below in relation to McCloud). The Act allows the Secretary of State in England and Wales to issue guidance to LGPS administering authorities to instruct them not to make investment decisions that conflict with the UK's foreign and defence policy.

There is no immediate action for administering authorities, as guidance/direction from DLUHC will need to be issued first (which will be subject to a 12-week consultation process).

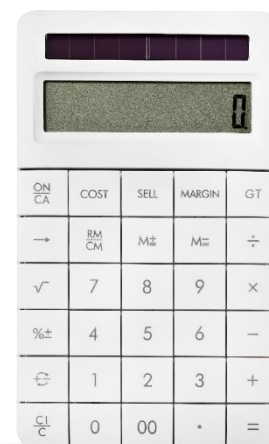
Further details can be found on the [BDS page](#) on the SAB website.

Jubilee Fact – in 1952 most of Britain's top companies underlying the F30 (predecessor of the FTSE100) were in textiles, manufacturing and shipbuilding, compared to global mining, oil companies and financial stocks today.

IMPACT OF RISING INFLATION

Previously in Current Issues we discussed LGPS investment in an era of high inflation. As you will be well aware, the rate of inflation has recently reached its highest level in over 40 years, **with the annual increase in CPI to April 2022 hitting 9%**. This has been driven by various factors initially, but also exacerbated by the impact of the crisis in Ukraine on energy and food prices with other factors such as low unemployment adding to concerns of sustained high inflation.

The Bank of England has already taken some steps to control UK inflation, increasing base rates a number of times in recent months, aiming to encourage saving instead of spending, and hence more price competition. It predicts that this will bring CPI inflation to below its 2% target within a few years. However, there are global influences on UK inflation, which are not within the Bank of England's gift to control. As a result, there is considerable uncertainty in how prolonged the situation may last.



Jubilee Fact – back in 1952 inflation was also around 9%

Funding Matters

2022 Valuation

Whilst it does not seem that long ago the 2019 actuarial valuations in England and Wales were being signed off in the first weeks of lockdown, the effective date for the **31 March 2022** valuations has now passed.

Work is now well underway as Funds, and their advisors and other stakeholders, begin to consider:



- **Membership data** – based on 31 March 2022 renewal and pension increase exercises. It is imperative that data provided to the actuary is as clean and complete as possible.
- **Expected return outlook** – a key feature for the 2022 valuations is how Funds will deal with uncertainty, which will be crucial where we are entering into a period where the risk of a low growth/high inflation (“stagflation”) scenario has increased.
- **Rising Inflation** – which will impact on both pension costs (LGPS benefits are inflation-linked in nature) and contribution affordability for employers who may already be facing increased budgetary pressures.
- **Demographic analyses** – the most prominent of these is mortality. Whilst many Funds may potentially see funding gains emerging where life expectancy improvements have been slower than built into the assumptions, a key challenge remains in terms of how experience will unfold after the valuation date. In particular, to what extent, if any, will Covid-19, and now the cost of living crisis, have on future life expectancy of Fund members.
- **Climate change** – it is expected that Funds will be required to carry out climate change scenario analysis as part of their 2022 valuations with further guidance to be provided by the Government Actuary’s Department on minimum expectations in this area. This analysis will form a helpful addition to the risk management toolkit, in testing of the resiliency of the funding strategy under more challenging circumstances.
- **Snapshot funding positions** – where we are your Fund Actuary, we are preparing snapshot funding positions at 31 March 2022, along with scenario analysis to support the strategy discussions, ahead of the detailed calculations later this year.
- **Communication strategy** – this will be particularly important to get right for the 2022 valuations given the more challenging outlook and diverse funding outcomes across different types of employers.

You can find out more about our thoughts on the key issues for the 2022 valuation from our recent article with Room 151 [here](#), following on from the webinar we held back in March.

For Scottish LGPS Funds who are not in a valuation year, it will still be important to consider the above factors in order that the impact on funding and investment strategies can be considered further as part of any preparatory work being undertaken in readiness for the 2023 valuations next year.

Regulatory round up

MCLOUD REMEDY

On **10 March 2022**, the Public Sector Pensions and Judicial Offices Bill received Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer.

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

From a funding perspective, on **22 March 2022**, a [letter](#) from Teresa Clay, Head of Local Government Pensions at DLUHC was forwarded to administering authorities setting out DLUHC's recommendations on how the impact of the McCloud Judgment should be taken into account as part of the 31 March 2022 actuarial valuation.

For a number of Mercer LGPS Funds, the recommendations were in line with the treatment already incorporated into the 2019 valuation outcomes and hence no significant changes in approach/outcome are expected as part of the 2022 valuation exercise.

REGULATORY CHANGES IN SCOTLAND

The long awaited update to the [Scottish regulations](#) primarily around employer flexibilities was laid on **3 May 2022** and comes in to force from **1 June 2022**.

The regulations amend The LGPS (Scotland) Regulations 2018, to provide further flexibilities for fund authorities in dealing with employers and allow for amendments to an employer's contribution rate in between valuations. The changes mirror those provided by DLUHC for England and Wales in 2020.

The cost cap figure is also amended from **15.5% to 15.2%** in the Scottish LGPS regulations; an error was identified in their original calculation.

Importantly, Scottish Ministers have decided to address retrospective changes to the underpin in respect of the 'McCloud Judgement' separately in the forthcoming The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2022.



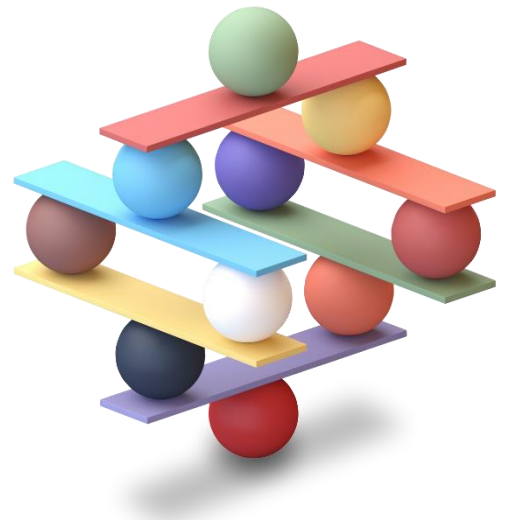
STRONGER NUDGE REQUIREMENTS

With effect from 1 June 2022, the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022 (SI 2022/30) will be introduced – known as the “Nudge Regulations”.

The Nudge Regulations are being introduced by the Government to ensure that individuals are made aware of Pension Wise guidance as part of making decisions about their Defined Contribution (DC) pension savings e.g. retirement / transfer etc. The Regulations therefore apply to LGPS Funds in respect of members with AVC funds.

Administering Authorities will therefore need to offer to book an appointment with Pension Wise for members as part of the application process for taking in-house AVCs (and when a member over age 50 enquires about transferring their AVCs to another defined contribution arrangement).

The LGA guide to the stronger nudge requirements can be found [here](#).



SPECIAL SEVERANCE PAYMENTS – GUIDE FOR LOCAL AUTHORITIES



Although further announcements are still awaited in relation to the exit payments cap, which will impact LGPS Funds (following revocation of the original cap in early 2021), DLUHC commenced a consultation on statutory guidance in respect of “special severance” payments that apply to local authorities in England (i.e. over and above statutory entitlements) back in July 2021, and on **12 May 2022** the Statutory Guidance was published. It can be found [here](#).

LGPS AND THE NEW SINGLE CODE OF PRACTICE – WHAT TO EXPECT

As part of its ongoing drive to improve governance in all types of scheme, including the LGPS, TPR consulted on a single code of practice between March and June 2021 in order to consolidate 10 of the existing codes of practice into one web-based code, but also introducing some significant new requirements.

The [draft new code](#) is expected to be in place “in the summer”, but the exact timing is not known.



Key areas

The introduction of the new code is expected to coincide with when the outcomes from the LGPS Good Governance review are likely to take effect and there will of course be synergies between the two e.g. the requirement for “own risk assessments” / “biennial independent governance reviews” to be undertaken. Some of the key areas within the new code that apply to all Schemes (including the LGPS) that will need to be considered include:-

- **Cyber-security** – properly documented controls / systems / requirements of service providers
- **Pension scams** – what are the warning signs and how can risks be mitigated
- **Role of and appointment to the governing body** - take into account different responsibilities of each party and appoint based on proportionality / fairness and transparency
- **Knowledge and understanding** – continues to be a key area of focus

While some of the guidance set out in the new code does not directly apply to LGPS, TPR advises that it can still be considered good practice to follow the new code in these areas:

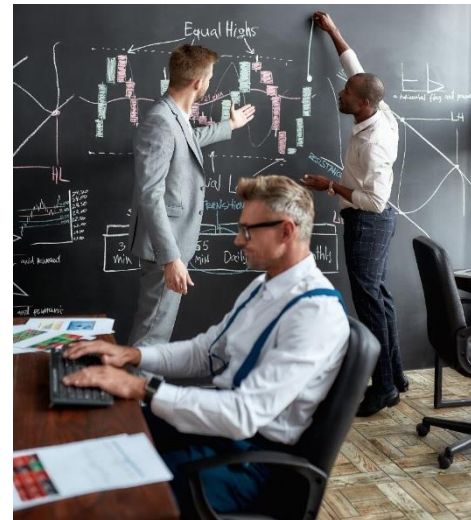
- **Business continuity** – ensuring robust plans are in place
- **ESG/Climate Change** – ensure such matters are taken into account in decision making
- **Appointing managing advisors and service providers** – well documented policies to include delegations / scope of responsibilities etc.
- **Remuneration policy** – a new module requiring a policy covering key personnel to be developed

What could be done now?

This is an opportunity for governing bodies to refresh their scheme governance frameworks to ensure they observe the terms of the new code where appropriate, or considering best practice where relevant. Many of the provisions will already be in place under existing guidance, but there is a significant amount of work to do to assess how a scheme's governance structure compares with the new Code, and to fill any gaps that exist. Governing bodies could be considering the following steps:-

1. Review the new code and identify areas where practice is not consistent with the guidance, or where best practice is not currently followed
2. Put in place a framework to fill in any gaps that exist
3. Put in place arrangements to monitor the governance framework on a regular basis in future.
4. Arrange training for the governing bodies.

If you would like further details of how Mercer can help Funds prepare for the new code (and the outcomes of the LGPS Good Governance review) then please contact your usual Mercer Consultant.



And in other news...

“...in this world nothing can be said to be certain, except death and taxes” – Benjamin Franklin

The same can be said of the world of pensions.

CMI_2021 Mortality Projections Model published

March 2022 saw the Continuous Mortality Investigation (CMI) publish the CMI_2021 version of its Mortality Projections Model.

The new Model incorporates mortality data produced by the Office for National Statistics (ONS) up to 31 December 2021 and again allows the user to alter the weight placed on data for individual years (i.e. due to the impact of the pandemic).

As with other recent updates to the Model, we continue to see reductions in projected life expectancy from successive CMI models. **The impact on liabilities will ultimately depend on a Fund's liability profile and other assumptions.**

As part of the 2022 actuarial valuation exercise, we are also assessing the potential longer-term impact of the pandemic on future mortality rates in addition to the impact of other likely drivers of improvements, such as lifestyle changes or developments in medical research.

Jubilee Fact – back in 1952, the average pensioner never made it to State Pension Age and the average life expectancy for a new-born was more than 10 years lower than it is today.

Pension Tax Update

The Annual Allowance and inflation!

Although inflation is close to double digits currently, it was not so long ago, back in September 2020, that the Consumer Prices Index (CPI) measure of inflation was just 0.5% and this will be the inflation figure applied by administering authorities when calculating members' pension input amounts for 2021/22.

Therefore, anyone who has had a promotion or significant pay rise above 0.5% from April 2021, especially for those with significant years' service before 2014 (2015 for Scottish members) is now more likely than ever to breach or get close to the **£40,000** standard Annual Allowance.

Given the Unions fought hard last year to achieve, a 1.50% backdated pay rise for LGPS members in councils **this could mean we see a record year for members who receive pension saving statement by October 2022.**



Whilst rising inflation may mean fewer members are subject to annual allowance tax charges in the future (relative to previous years), recent figures set out in a report from the [House of Commons](#) published on 25 April 2022 showed that those members impacted by the Lifetime

Allowance, is expected to grow from 8,510 people in 2019/20 to nearly 30,000 by 2025. Pension tax clearly will not be going away therefore.

Pension Input Amount Recalculations

The Government has also changed the Annual Allowance rules for certain situations where Annual Allowance calculations for previous years are retrospectively amended. The new rules require:

- administering authorities to issue revised pension saving statements (within 3 months of receiving updated information)
- members to make Scheme Pays elections to meet any new charges to emerge within 3 months of receiving the updated information.

With the expected increase in members affected and also the possibility of sending revised pension savings statements, administering authority's need to ensure their processes are updated and need to be prepared for an increased number of questions from members.

It is important for members to be supported in this area and to understand what their (and the administering authority's) responsibilities are, given it is a "personal" tax ultimately.

Our three stage process of **Education / Guidance / Advice** can help administering authorities provide members with additional information and guidance and also the opportunity to access bespoke financial advice should they require it at a later stage. **Please contact your usual Mercer consultant if you require further details**

of how we can help administering authorities in this area.

Consultation on the draft Pensions Dashboards Regulations 2022

On **8 March 2022**, the LGA published its response to the DWP consultation and a copy can be found [here](#). This response has raised concerns about the implications for Funds having to implement the McCloud Judgment alongside ensuring they meet any requirements of the Pension Dashboard Programme (PDP) given the staging date proposed for the LGPS of **30 April 2024**.

TPR spotlight on diversity and inclusion

Recent comments from the Pensions Regulator (TPR) have confirmed that diversity across the pension's landscape continues to be an area of focus. Last year, TPR published its [Equality, Diversity and Inclusion \(ED&I\) strategy](#) and pledged to work with others in the industry to embed diversity and inclusion across pensions, so that all savers are protected and outcomes improved.

If you would like further details on how Mercer can help Funds/Employers consider their ED&I strategies then please contact your usual Mercer consultant.



Dates to remember

Date	Issue	The latest
31 March 2022	Actuarial Valuation	Effective date of next actuarial valuation in England and Wales.
1 June 2022	Stronger Nudge	Stronger Nudge requirements come into effect
Summer 2022	Draft Regulations (Governance and Administration)	Draft regulations and a response to the consultation on how Funds should implement the McCloud remedy are expected along with further updates in relation to the Single Code of Practice, Good Governance, Pensions Dashboard and Survivor Benefits
Autumn 2022	Draft Regulation (Investment)	An all-encompassing consultation covering TCFD, Asset Pooling, Levelling Up and the Competition and Markets Authority ("CMA") Order is expected
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: Sandy Dickson

Role: Investment Consultant

Joined Mercer: June 2013

Place of Birth: Wandsworth

Favourite film: Tough one, Sing is an excellent film but having watched it on repeat for a month I'd be happy to not see it again for a while. I've watched the Marvel films in order with my daughter recently (she slept through a lot of them) and we're just starting on Tolkien now, so I'll go with the one I'm looking forward to watching the most, Lord of the Rings: The Fellowship of the Rings.

If you could choose one thing to not go up in price in line with inflation, what would it be?: Coffee! The elixir of life at the minute. Having a toddler and a 3 month old, coffee is crucial to my daily functioning.

What is your preference this summer, staycation or vacation? Staycation all the way. The UK has so much to offer, I'm looking forward to travelling the country seeing friends and family, hopefully sampling a few locally brewed beers wherever we go.

Name: Michelle Doman

Role: Senior Actuarial Consultant

Joined Mercer: 2001

Place of Birth: Liverpool

Favourite film: I watched Parasite and the Painted Veil during lockdown which I thought were excellent

If you could choose one thing to not go up in price in line with inflation, what would it be?: Only one? Probably fuel given that it impacts so broadly

What is your preference this summer, staycation or vacation? Now that all depends on the great British weather! I love the sunshine



Name: Paul Bottone

Role: LGPS Accounting Consultant

Joined Mercer: 2005

Place of Birth: London I think

Favourite film: L.A. Confidential

If you could choose one thing to not go up in price in line with inflation, what would it be?: Coffee. Or train fares.

What is your preference this summer, staycation or vacation? Probably vacation

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Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 28th June 2022

Ward(s): n/a

Pension Fund- Draft 2021/22 Income and Expenditure Accounts

1. Synopsis

- 1.1 This report is for the local pension board to review the Funds 21/22 draft income and expenditure accounts, as part of its work programme objective to make recommendations on statutory and non-statutory policies and strategies.

2. Recommendation

- 2.1 To review the initial income and expenditure of 21/22 draft pension fund accounts attached as Appendix 1, as the tables and notes the account is yet to be completed.
- 2.2 To agree to receive the draft statement of accounts in July before external audit commences via email for any comments.

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

21/22 Draft Income and Expenditure Account Statement

3.4 The draft pension fund accounts are being finalised and working papers compiled to be handed to the auditors later in July for the auditing to be completed and Audit Committee approval by November. The main highlights include:

- An increase in net assets of £121million (7.3%) to £1,784million due to an increase in market value of assets after recovery from COVID-19 but a dip in market outlook from conflict in Ukraine, inflation and other issues.
- Employees' contributions totalled £14.4million compared to £13.5million in 20/21
- Employers' contributions amounted to £32.7million compared to the £57.1 million in the previous year this was mainly because the Council paid its 3-year past year's deficit contribution upfront in April 2020 instead of spreading it over 3 years to 22/23.
- Pensions paid totalled £51.7 million compared to £50.4million in 20/21. The increase was mainly due to the annual pension increase of 2.5%.

As at 31 March 2022, £52.4million income (excluding investment income) was received against an expenditure of £70.1 million. The other drivers apart from pension payments were retirement lump sums and transfer in. This means that the fund met all its commitments from contributions and a dip of around £10m into investment income during the year.

3.5.1 The draft 21/22 income and expenditure statement of accounts without notes is attached as Appendix 1. Members are asked to review the draft income and expenditure statement and agree to officers circulating the full draft accounts in July for comments before external audit commences.

4. Implications

4.1 Financial implications

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

4.2 Legal Implications

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

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

Environmental implications will be included in each report to the Pensions-sub committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4 **Equalities 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. An Equalities Impact Assessment is not required in relation to this report, because this is an information report on accounts.

5. **Conclusion and reasons for recommendation**

5.1 Members are asked to review and note as per their agreed work plan, the draft 21/22 income and expenditure statement–Appendix 1 and receive the full draft accounts via email circulation in July that will be audited over the summer and signed off by Audit Committee.

Appendix- Draft pension income and expenditure statement 21/22

Background papers:

Islington pension board's terms of reference

Final report clearance:

Signed by:

Corporate Director of Resources

Date

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

Financial implications author: Joana Marfoh

Legal implications author: n/a

Appendix 1 - DRAFT INCOME AND EXPENDITURE 21/22

2020/21 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	
	Contributions receivable	
29,104	Employer contributions	
28,037	Deficit recovery contributions	
13,533	Members contributions	
5,021	Transfers in from other pension funds	
2,399	Other Income	
78,094	Total Income	
	Benefits payable	
(50,422)	Pensions	
(8,827)	Lump sum benefits	
(8,404)	Payment to and on account of leavers	
(67,653)	Total Expenditure	
10,441	Net additions/ (withdrawals) from dealing with members	
(2,837)	Management Expenses	
7,604	Net additions/ (withdrawals) including fund management expenses	

	Returns on investments	
16,340	Investment income	
281,099	Change in market value (realised & unrealised)	
297,439	Total Returns on investments	

	Net return on investments	
305,043	Net increase/decrease in fund in year	
1,358,812	Opening net assets of the scheme	
1,663,855	Closing net assets of the scheme	

2020/21 £'000	Net Assets Statement for the year ended 31 March 2022	
	Investments	
1,638,824	Investment assets	
23,294	Other Investment and Cash	
1,662,118	Total Investments	
	Current Assets and Liabilities	
4,195	Current assets	
(2,458)	Current liabilities	
1,663,855	Net assets of the scheme at 31 March	

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such, is stated in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

2021/22	
£'000	Note
31,449	7a
1,252	7a
14,457	7b
2,667	8
2,321	9
52,146	
(51,746)	10
(10,707)	10
(4,518)	11
(66,971)	
(14,825)	
(3,114)	12
(17,939)	

13,081	13
128,410	
141,491	

123,552	
1,663,855	
1,787,407	

2021/22	
£'000	Note
1,767,578	14
16,845	14
1,784,423	
5,727	16
(2,743)	17
1,787,407	

count of obligations to pay obligations, is dealt with in