



**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 Committee Room 2, Islington Town Hall, Upper Street, London N1 2UD on **28 September 2022 at 6.00pm.**

Enquiries to : Mary Green
Telephone : (020) 7527 3005
E-mail : democracy@islington.gov.uk
Despatched : 20 September 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 - 10
2. Draft 2021/22 Annual Pension Fund report 11 - 84
3. Pension Board Forward Work Programme 85 - 90

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

- | | | |
|----|--|---------|
| 1. | Pension administration performance - exempt appendix | 91 - 92 |
|----|--|---------|

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 21 November 2022

This page is intentionally left blank

London Borough of Islington

Pensions Board - 28 June 2022

Minutes of the meeting of the Pensions Board held at Council Chamber, Town Hall, Upper Street, N1 2UD on 28 June 2022 at 5.35 pm.

Present: Alan Begg Maggie Elliott (Vice-Chair), Councillor
Dave Poyser (Chair) and George Sharkey

Councillor Dave Poyser in the Chair

39 APOLOGIES FOR ABSENCE (Item A1)

Apologies were received from Valerie Easmon-George.

40 DECLARATION OF INTERESTS (Item A2)

There were no declarations of interest.

41 MINUTES OF THE PREVIOUS MEETING (Item A3)

RESOLVED:

That the minutes of the meeting held on 14 March 2022 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

42 MEMBERSHIP, TERMS OF REFERENCE AND DATES OF MEETINGS OF ISLINGTON PENSION BOARD 2022/23 (Item A4)

It was noted that the terms of reference of the sub committee should not be included in the terms of reference of the Board and it was noted that the Board's term of reference makes no reference to the quorum

RESOLVED:

(a) That the membership of the Pensions Sub-Committee, appointed by the Audit Committee on 26 May 2022, its terms of reference and dates of meetings for the municipal year 2022/23, as set out at Appendix A to the report of the Director of Law and Governance, be noted.

(b) That 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 to the report of the Director of Law and Governance, be noted.

(c) that the Terms of Reference of both the Board and Sub Committee be reviewed

43 PENSION ADMINISTRATION PERFORMANCE (Item B1)

Meeting received an update on the Pension Administration Performance , with the following points highlighted :

A modest decline of 1.29% and 0.24% in the number of active and members and pensioners respectively. In addition, spouses and dependants pension have also declined marginally by 1.3% and the number of deferred increased by just under 1%.

It was noted that despite the Pension Office receiving 12 communications thanking Pension Administration staff for their service, there were 40 complaints, and they were in relation to auto-enrolment. Officers are working through the opt out options and refunding contributions.

Board was advised to note the letter from Prudential (Appendix 1) in relation to its administration performance for Local Government AVC schemes which identified issues that need to be resolved.

With regard the risk register, Board was reminded that following the March meeting, officers have now revised the format to align it with the Council's corporate risk register which now outlines the pension's fund objectives and risk. This will be reviewed at least every 6 months.

The new format of the Risk Register is welcomed but a suggestion that the residual risk scores be made more clearer.

Also it was suggested that the risk element be included as a standard item on the agenda for each Board meeting rather than waiting for its consideration after 6 months.

RESOLVED:

That the report be noted.

44 PENSION BOARD FORWARD WORK PROGRAMME (Item B2)

A suggestion that Board would welcome a written statement about fraud prevention to be provided at the next meeting so as to give Members confidence that no material fraud in pensions has arisen or if so, dealt with adequately.

It was also noted that Training should be added to support the knowledge base of the Members.

Board was invited to note the May 2022 edition of LGPS issues for information.

RESOLVED:

That the forward work programme be noted and to include training for members of the Committee.

45 **PENSION FUND - 2021/22 DRAFT INCOME AND EXPENDITURE STATEMENT ACCOUNT (Item B3)**

Board was advised that the final income and expenditure accounts is not ready so a summary has been brought to the committee for consideration.

Meeting was advised that the pension fund accounts account are being finalised and handed to the auditors later in July for auditing to be completed and Audit Committee approval by November.

A suggestion for the final Report to include the sum that the Council paid out in 2021/22 to minimise the pension deficit was noted.

RESOLVED

That the 21/22 Draft Income and Expenditure pension fund accounts is noted.
That the draft statement of accounts to be distributed in July before external audit commences be noted and any comments sent by email.

The meeting ended at 6.35 pm

CHAIR

This page is intentionally left blank

Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 19th September 2022

Appendix 1, attached is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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 May 2022 to 31 July 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 review the performance data for the administration activities of the Council's Pensions Office.

- 2.4. To note the current Audit Investigations in Pensions Administration (private and confidential) -Exempt Appdx1
- 2.5. To note the changes in the Annual Allowance rules introduced by Government.
- 2.6. To note the updated target date in respect of members data quality audit.

3. **Background**

- 3.1. The membership profile at 30 April 2022 and 31 July 2022 is shown in the following table.

Category	Apr-22	Jul-22
Number of current active members	6,599	6,567
Number of preserved benefits	8,424	8534
Number of Pensions in payment	6,343	6380
Number of Spouses/dependants pensions in payment	977	976
Total	22,343	22,457

Active membership continues to show a marginal decline, this trend in all probability will continue in the short-term as members are impacted by the cost of living and energy fuel prices. The Fund’s preserved beneficiaries and pensioners continue to grow.

- 3.2. The table below shows the key performance indicators from 1 May to 31 July 2022:

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	33	95%	90.0%	7.0
Retirement benefits	5	52	95%	85.0%	7.5
Pension estimates	10	119	95%	88.0%	12.0
Preserved benefit calculations	15	106	95%	79.0%	16.5
Pension Payroll Adj.	10	30	95%	98.0%	10.5
Transfer-in quotation	10	28	95%	81.0%	14.0
Transfer-in actual	10	19	95%	94.0%	11.0
Transfer out actual	12.5	6	95%	82.0%	16.0
Transfer out quotation	15	6	95%	85.0%	18.0
All processes	-	399		87.0%	

3.3. Overall performance has seen a marginal increase of 1% from the 86% achieved in the last quarter in completed processes within the target days.

3.4. Number of members auto-enrolled into the LGPS from May 2022 to July 2022:

Month	Starters No.	Opt Outs	Opt Outs %
May	86	36	41.9
June	51	7	13.7
July	66	2	3.03
Total	203	45	22.2

3.5. The Pension Office received 9 communications thanking Pension Administration staff for their service and 4 complaints. Two of the complaints were in relation to transfers out processing times, one tax code query and the other in relation to an AVC. All these complaints have been resolved without escalating to the Pension Fund's Internal Dispute Resolution Procedure (IDRP).

Annual Allowance Rule Change

3.6. The Annual Allowance rules set out by HMRC have changed with the introduction of the Finance Act 2022 and the Registered Pension Schemes (Miscellaneous Amendment) Regulations 2022. The new regulations require employers to provide further information when they become aware that information they provided previously, for a Pension Input Period (PIP) falling within the 'relevant time', was insufficient to enable the scheme administrator to calculate the pension input amount correctly. Where there has been retrospective changes of facts for a previous tax year, the 'relevant time' begins with the start of the tax year six years before the 'current tax year' and ends with the end of the 'current tax year'. This new measure extends the deadline for when the scheme administrator must report and pay the annual allowance charge.

Pension Risk Register

3.7. The Data Quality Audit scheduled for June in the Risk Register was performed in July. The audit revealed a number of issues with the external payroll agents not providing new starter and leaver details for all the Islington LGPS employees on their payroll. This issue has been escalated with the external payroll agent's management to ensure an effective process is put in place. A further Quality Audit review will be carried out in November to assess the effectiveness of the changes.

Objective	RISK Identified	Current controls in place to manage risk	Risk Evaluation (drop-down list)	Further actions to mitigate risks	Target Date
To grow membership and confidence in pension scheme administration.	Member data incomplete or inaccurate	Pro-active engagement with internal and external employers, school Business Managers and payroll providers.	Treat	Data Quality Audit	Nov-22

The Members are asked to note the updated target date in respect of member data quality audit.

4. Implications

4.1. Financial Implications

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

4.2. Legal Implications

4.2.1. There are no specific legal implications in this report.

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

4.3.1. 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/20192020/20190910/ondonboroughofislingtonpensionfundinvestmentstrategystatement.pdf

4.4. Equalities Impact Assessment

4.4.1. 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.

- 4.4.2. An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

5. **Conclusion and reasons for recommendations**

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

Appendices: Exempt Appendix 1- Audit Investigations

Background papers: none

Final report clearance:

Signed by:

Corporate Director of Resources

Date: Date the report received final approval

Report Author: Patrick Fullerton, Pensions Manager
Tel: 020 7527 2588
Email: patrick.fullerton@islington.gov.uk

Financial Implications Author: Joana Marfoh
Tel:02075272382
Email: joana.marfoh@islington.gov.uk

Legal Implications Author: n/a
Tel:
Email:

This page is intentionally left blank

Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 19th September 2022

Ward(s): n/a

SUBJECT: Draft 2021/22 Annual Pension Fund Report

1. Synopsis

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

2. Recommendation

- 2.1 To note the draft 2021/22 pension annual report attached as Appendix 1
- 2.2 To note 2021/22 pension fund statement of account, activities, governance and performance.

3. Background

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

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),

- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

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

The Pension Board should therefore be mindful;

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

The Draft 2021/22 Annual Pension Fund Report

3.4 The draft annual report is legislated to be signed off by our external auditors Grant Thornton and published by 1 December 2022 and includes the pension fund statement of account to March 2022 the fund activities, governance and performance. A summarized copy of this report will be made available to members electronically during the pension AGM to be held later in the year.

3.5 The draft pension fund statement of accounts income and expenditure were produced and reviewed by the board at their last meeting in June. The auditing of the full accounts is scheduled to commence in October.

3.6 Members are asked to comment on any matters in the draft Annual Report and amendments made by officers before it is presented to the external auditors and published by 1st December 2022.

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:

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

4.4 **Equality 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**

Members are asked to review the draft annual report 2021/22 attached as Appendix 1 as per their agreed work plan

Appendix : Appendix 1 Draft 2021/22 Annual Pension Report

Background papers:

Islington pension board's terms of reference

Final report clearance:

Signed by:

Corporate Director of Resources

Received and final clearance date

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

Financial Implications: Joana Marfoh

Legal implications: n/a



ISLINGTON

For a more equal future

Appendix 1-

London Borough of Islington Pension Fund Draft Annual Report 2021/22

DRAFT

Contents

Foreword: Message from the Chair	4
1: Investment report	6
1.1. Fund manager performance	
1.2. Long-term average returns	
2: Pooling	9
3. Exercising Shareholder Voting Rights	9
4. Business plan	10
5: The local government pension scheme	11
5.1. Membership	
5.2. Pension contributions	
6: Democratic arrangements	15
6.1 Pensions Sub-Committee	
6.2 Islington Council Local Pension Board	
6.3 Activities of the Board	
7: Funding of the pension scheme	19
7.1. Actuarial report	
8: Summary of financial report	22
9. Statement of responsibilities	23
10. Statement of accounts	24
10.1. Accounting policies	

10.2. Income and expenditure	
10.3. Net assets statement	
10.4. Notes to the pension accounts	
11. Glossary of terms	58
12. Auditors opinion	61
13. The funds statutory statements	62
13.1: Investment Strategy Statement	
13.2. Funding strategy statement	
13.3. Governance policy statement	
13.4. Communication policy statement	
13.5. Governance compliance statement	
14. More information	70

Foreword

Dear Pension Scheme Member

Welcome to the Islington Council pension fund annual report for the 2021/22 financial year.

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

Developed markets performed well in 2021 until the first quarter of 2022 when the Ukraine war and fear of resulting inflation weighed heavily, and markets fell.

The Fund's performance is measured against a customised benchmark and returned 8.6% compared to the benchmark of 8.3% for the 12 months to March. Its market value increased from £1.66 billion to £1.78 billion as at March 2022. The average Local Authority fund delivered an investment return of around 8.6%, driven by alternatives especially private equity. Emerging market was the most disappointing with an average -9.6% return.

The London CIV, our asset pooling organisation continues to grow its assets under management on Authorised Contractual Scheme (ACS). At the end of March, the London CIV had c.59% of potential assets, £26.6bn (active and passive) across the 32 London Local Authorities (LLAs). As at the end of March 2022, 20 funds had been launched and LCIV are now also signatories to UNPRI, SAB Transparency Code and Pension for Purpose.

The Pensions Board and Pensions-Sub Committee continue to monitor and review Environment, Social and Governance (ESG) factors as a fundamental part of the Fund's strategy and its approach to being a long-term investor. Members completed a revision of their Investment Strategy Statement further integrating a comprehensive decarbonisation policy with targets and monitoring plan in June 2019 and set targets to 2022 and a monitoring plan.

The Pensions sub-Committee in June 2021 revisited its decarbonisation targets to set short to medium targets from 2022 onwards and these are the highlights:

- Net zero emission target at 2050 including aligning with 1.5 degree Celsius scenario
- Investing at least 20% of the fund in sustainability-themed investments (such as low carbon technology or green infrastructure) by the end of April 2026
- Reduce carbon emissions of all listed portfolios that is equities and credit by 49% at 2026, and 60% by 2030 with a 2016 baseline (Reduce carbon emissions of all listed portfolio i.e. equities and credit by 60% by 2030)

The targets and metrics and progress made as at 31 March 2022 against the 2022 targets include:

- Reducing the equity allocation's current exposure to carbon (so reducing its carbon intensity) by more than 50%, by the end of April 2022, compared to when it was measured in June 2016.

Progress: 42.5% reduction of carbon intensity achieved

The transition of the In-House UK equity fund to Legal and General ESG Paris Aligned Index fund will further reduce the carbon intensity to achieve the 2030 target (this will be completed by 1 September).

- Reducing the equity allocation's future exposure to carbon (so reducing its investment in fossil fuel reserves) by more than 75%, by the end of April 2022, compared to when it was measured in June 2016.

Progress: 78.9% reduction of its exposure to fossil fuel reserves

- Investing at least 15% of the fund in sustainability-themed investments (such as low carbon technology or green infrastructure) by the end of April 2022.

Progress: 14% investment in sustainable –themed investments

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

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

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

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

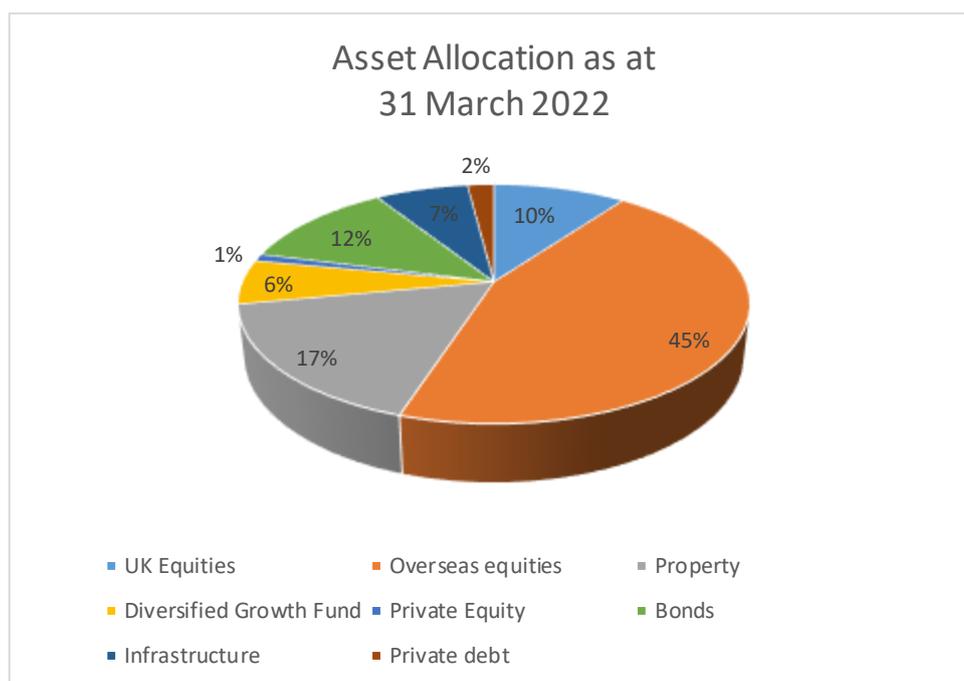
Cllr David Poyser

Chair of Pension Board

1: Investment report

The 21/22 year saw our fund return 8.6% compared to the customised benchmark (aggregated benchmark of all our investment portfolios) of 8.3%. The average LA universe returned 8.6%. Our fund is structured differently from the average fund due to the higher commitment to property and low exposure to alternatives.

During the year to 31 March 2022 the fund's asset allocation was as follows



The agreed strategic asset allocation is as follows;

Equites	Property including social housing	Private debt	Multi asset credit	Infrastructure
50%	25%	10%	5%	10%

1.1. Fund manager performance (BNY Mellon Performance Services)

The table below shows our portfolio fund managers' value of assets under management and their 12-month performance to 31 March 2022

Manager	Mandate	Market value £'000	12-month return %
Islington Council Treasury team	UK equities	187,862	12.6

Manager	Mandate	Market value £'000	12-month return %
London LGPS CIV RBC sub fund	Global equities	180,227	9.0
London LGPS CIV Newton sub fund	Global equities	322,094	10.5
Legal and General	Global/Emerging equities	236,108	13.9
BMO	Emerging/ Frontier equities	70,307	-4.0
Standard Life	Corporate bonds	133,687	-5.7
M&G	Multi asset credit	75,804	0.8
Aviva	Property	149,466	13.9
Columbia Threadneedle	Property	104,274	23.9
Franklin Templeton	Property	18,037	3.0
Hearthstone	Property	28,719	3.8
Standard Life	Private equity	9,184	17.3
Pantheon	Private equity	2,503	21.5
Schroders	Diversified growth fund	114,440	3.5
Pantheon	Infrastructure	53,779	20.4
Quinbrook	Infrastructure	70,805	17.1
Churchill (1)	Private Debt	27,803	n/a
BNY Mellon(2)	Cash deposits	(676)	n/a
Total Market Value		1,784,423	8.6

(1) Churchill commenced in December 2021

(2) BNY Mellon hedge overseas equities holdings

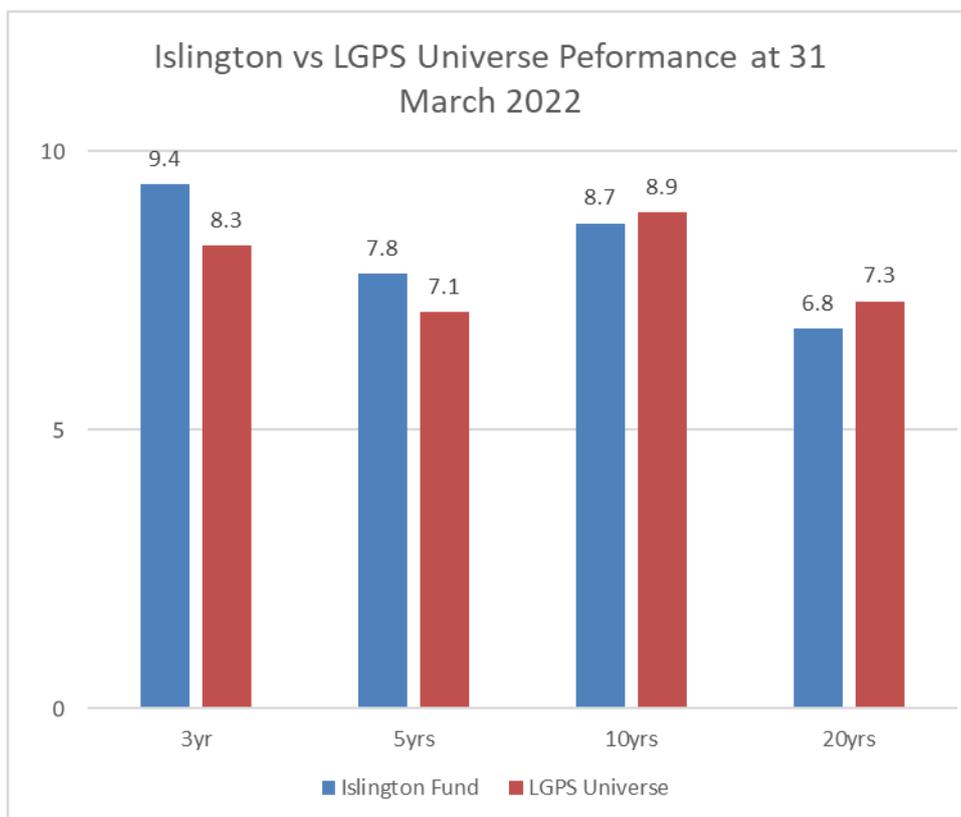
All the Councils' funds are in pooled vehicles apart from the UK equities tracker mandate that is managed internally.

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

Period	1 years	3 years	5 years
Fund return per annum %	8.6	9.4	7.8
Benchmark%	8.3	8.3	6.8

Over the 20- year period the fund has returned 6.8% per annum in absolute terms.

The Islington Council pension fund also compares itself against its peers through the league table compiled by the Local Authority Pension Performance Analytics. The graph below shows the pension fund compared to the average performance of the universe over the 3, 5, 10 and 20 year periods.



The Fund is top quartile over the latest three and five year period. In the last five years the Fund has delivered a well above average return at a much lower than average level of volatility –a very efficient result. The last ten years’ return though below average was at a much lower level of volatility. The 20-year ranking is below average largely as a result of poor equity selection over the latter ten year period.

The 10 Top Holdings in our segregated equity account are listed in the table below as at 31 March 2022. A schedule of the fund’s mandates is listed on page 6-7(paragraph 1.1).

INSTITUTION	MARKET VALUE (£'000s)
ROYAL DUTCH SHELL PLC	11,612
ASTRAZENECA PLC	8,794
HSBC HOLDINGS PLC	7,196
DIAGEO PLC	6,697
RIO TINTO PLC	5,538
GLAXOSMITHKLINE PLC	5,487
BP	4,956
GLENORE PLC	4,917
BHP GROUP	4,204
BRITISH AMERICA PLC	4,099

It is worth noting that due to the Fund's low carbon strategy and restructuring, our total fund carbon footprint and emissions continues to decrease, and holdings in carbon intensive companies across the fund have fallen by 42%. This UK equity mandate is now being transitioned to a Global Paris Aligned Index .

2: Pooling

Islington is one of 32 London local authorities who have become active participants in the London CIV programme. The LCIV has been constructed as a FCA regulated UK Authorised Contractual Scheme (ACS). The ACS is composed of two parts: the Operator and the Fund a limited liability company (London LGPS CIV Ltd) has been established, with each participating borough holding a nominal £1 share. The London CIV received its ACS authorisation in November 2015.

Since then it has secured regulatory approval, established a team of 38 staff and by the end of March 2022, £26.6bn of LLAs assets were under LCIVs oversight.

Islington has three funds (i.e 41% of the whole fund) managed on the LCIV platform; two global active equities valued at £502m and global passive equities of £236m. The estimated fees saving for the year for pooling these three funds is £0.325m. As more funds and asset classes become available and meet our needs, we will look to transfer more assets.

2.1 Key highlights for the Pool in 2021/22 year included the following:

- The launch of the following LCIV funds
 - (i) Global Alpha Growth Paris Aligned
 - (ii) Passive Equity Progressive Paris Aligned
 - (iii) Alternative Credit
 - Completed a Stewardship Outcome report
 - A signatory to Stewardship code 2021
 - Agreed UK Stewardship policies
 - Built on its voting and engagement policies by appointing Hermes EON
 - Committed to 2040 Net Zero Carbon Target
- A link to London CIV annual review <https://londonciv.org.uk/reports-and-regulatory-information>.

3. Exercise of shareholder rights -voting

3.1 The Pensions Sub-Committee takes its responsibilities as a company shareholder seriously and exercises its votes at company AGMs/EGMs wherever practically possible on its segregated portfolio. The Sub-Committee uses the Corporate Governance Service provided by Pension Investments Research

Consultants (PIRC), and casts votes at all UK, European and North American company AGMs in line with PIRC recommendations unless the Council decides otherwise.

3.2 The table below lists the voting record by region at company annual meetings for the quarter ending 31 December 2022

	UK & British Overseas	Europe & Global EU	Total
For	256	3	259
Abstain	24	0	24
Oppose	82	1	83
Non-Voting	0	0	0
Total	362	4	366

4: Business plan

The Myners principles and compliance forms part of Islington Pension Fund’s published Investment Strategy Statement. The Pensions Sub Committee agreed a four-year business plan to June 2021 in compliance with Myners Principle 1, ‘Effective decision-making through a forward looking business plan’.

4.1 The key objectives of the four- year business plan, last reviewed in September 2021 are listed below along with actions taken to June 2022.

- ◆ To achieve best practice in managing our investments in order to ensure good long-term performance, sustainability of the Fund value for money and a reduction in managers’ fees wherever possible and pursue new investment opportunities plus an expectation of strong business ethics from fund managers also”

Actions:

- Whole fund valuation assessment was undertaken in September to review funding level .
- Two managers were appointed to run a US and Europe Private debt mandate equating to 5% of the Fund in December 2021
- Reduction in fees was agreed with our global manager after mandate restructuring
- Members complied with TPR directives of reviewing agreed objectives and performance of investment consultancy service providers by December 2021

- ◆ To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members

Actions:

- Pension board review draft statement of accounts before auditing and monitor pension’s administration cashflow
- Risk register is reviewed 6monthly and improvements have been requested in the layout leading to alignment with the Council objectives and framework
- A new improved website is now complete, with documents accessible online for some self- service options.
- Automated response to emails received in generic pension mailbox implemented with a clear tracking of progress

- ◆ To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability, whilst achieving a financial return for the fund, addressing societal impact and a focus on strong business ethics and reputation to ensure the safeguarding of the Fund and its members

Actions:

- Work with LAPFF and IIGCC, and the LCIV continues
- Carbon footprinting for equity and credit portfolios and ESG measurement of our fund managers was undertaken as at 31 March 2022
- Voting records are published
- Recent appointment of private debt managers had a criterion on ESG integration in the investment process.
- The internal UK passive fund transition to a global Paris Aligned Index was agreed in June for implementation by 1 September.

- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities

Actions:

- Regular monitoring meeting have continued with emerging/frontier market manager for reassurances on strategy post discontinuing the frontier element of the mandate.
- 1>1 meetings with managers have been held with officers and advisors to report to members
- Members received briefing training on private debt and social housing to improve understanding of these investment products
- Members attend seminars, LAPFF and LCIV AGMs as a shareholder

- ◆ To develop collaboration opportunities with other funds for sharing of services and pooling

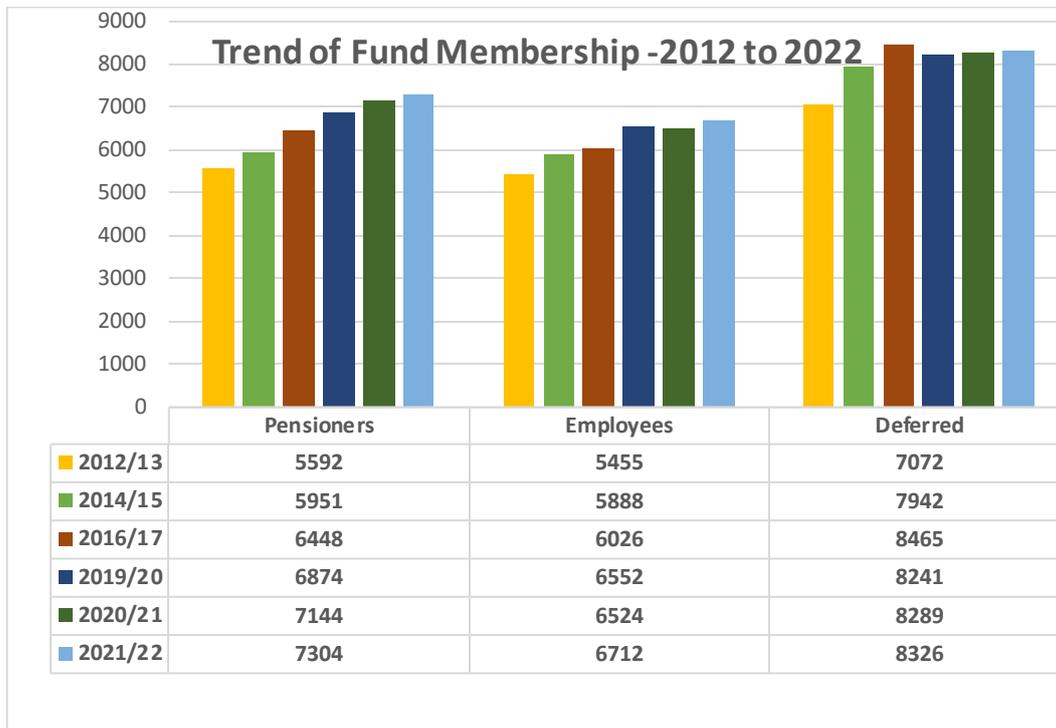
Actions:

- Officers source collaboration with other LA procurement to share legal cost and aggregate fees.
- Pension Chair Members' collaboration of a North London LA group meet regularly to share ideas
- Fund participates in the London CIV seed investor groups on aligned interest products

5: The local government pension scheme

5.1. Membership

The scheme membership continues to grow year on year. Deferred members and pensioners are increasing at the expense of active employees. The profile from 2012 to 2022 is shown below.



The total membership over the same period is as follows:

March 2010	March 2012	March 2014	March 2016	March 2018	March 2020	March 2022
16,796	17,690	19,005	20,387	21,566	21,667	22,342
March 2011	March 2013	March 2015	March 2017	March 2019	March 2021	
17,495	18,119	19,781	20,939	21,690	21,957	

5.2 Benefits

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

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

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

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

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

The LGPS is a 'funded' scheme, which means that the Council is required to maintain a separate pension fund comprising of investments and contributions from employees and employer, from

which benefits are paid. These investments provide the growth and income with which to pay the benefits.

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

The core benefits of the scheme are:

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

3.2.1 Pension contributions

The employee pension contribution percentage is according to the pay band applicable. For example a pension contribution of 6.5% of pay applies where annual salary is in the range £23,601.00 to £38,300.00 a year. A person earning £30,000.00 a year (£2,500.00 a month) pays £162.50 a month in pension contributions, but income tax relief is given by deducting the contribution from taxable pay so £162.50 a month costs £130.00 net if the tax rate is 20%.

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

The contribution rates that currently apply (2022/23), depending on the annual salary band, is shown below.

Contribution Rate and banding 2022/2023

Actual pensionable pay for an employment (2022/2023)	Main scheme contribution rate	50/50 section contribution rate
Up to £15,000	5.50%	2.75%
£15,001 to £23,600	5.80%	2.90%
£23,601 to £38,300	6.50%	3.25%
£38,301 to £48,500	6.80%	3.40%
£48,501 to £67,900	8.50%	4.25%
£67,901 to £96,200	9.90%	4.95%

£96,201 to £113,400	10.50%	5.25%
£113,401 to £170,100	11.40%	5.70%
£170,101 or more	12.50%	6.25%

3.2.2 Retirement age

Since April 2014 there has no longer been a standard scheme retirement age in the LGPS; instead each person has an individual Normal Pension Age (NPA) which is the date of entitlement to State Pension (with a minimum of age 65). Members can choose to retire and claim their pension from Islington Pension Fund at any time from age 55 to 75, providing that they have met the 2 year vesting period in the LGPS. If a member claims their pension before their NPA, it will normally be reduced. Members must take their pension benefits in the LGPS before their 75th birthday.

3.3 Keeping up to date

Information regarding the LGPS can be accessed by visiting the following websites:

<https://islington.gov.uk/IslingtonCouncilLGPS>
<https://www.lgpsmember.org/>

Employees who are not members of the LGPS

There are many advantages in being a member of the LGPS. 'Auto-enrolment' rules mean that employees who opt-out of the scheme are 're-enrolled' every three years. The next re-enrolment date for those who have opted-out is 1st April 2025

3.4 Pension administration performance

The table below gives the data for the average performance for the year to 31 March 2022, in respect of the **key** procedures/processes.

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	177	95%	94.0%	6
Retirement benefits	5	282	95%	89.0%	7.0
Pension estimates	10	384	95%	77.0%	15.0
Preserved benefit calculations	15	505	95%	62.0%	22.0
Transfer-in quotation	10	54	95%	93.0%	12.0
Transfer-in actual	10	90	95%	90.0%	11.5

Transfer out quotation	15	139	95%	82.0%	19.0
Transfer out actual	12.5	128	95%	88.0%	14.0
Payroll Adj.	10	112	95%	99.0%	10.5
Refunds	10	93	95%	97.0%	11.0

Over the period, the Pensions Administration Staff completed 1,964 key processes of which 84% were concluded within the target days.

Contacts

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

The Pension's Office, 7 Newington Barrow Way, London N7 7EP

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

<u>Surname range</u>	<u>Telephone enquiries</u>	<u>Email enquiries</u>
A – DA	020 7527 2028	shahid.daudi@islington.gov.uk
DB – J	020 7527 4492	ali.sari@islington.gov.uk
K – Q	020 7527 6733	romel.senior-walcott@islington.gov.uk
R – Z	020 7527 2320	yonatan.worku@islington.gov.uk

6: Democratic arrangements

6.1 Pensions Sub-Committee

In 2021/22 the Pensions Sub-Committee were responsible for all decision making on pensions matters and stewardship of the pension fund. The Chair and Members of the sub-committee are:

Membership

Cllr Paul Convery (Chair)
 Cllr Satnam Gill OBE (Vice Chair)
 Cllr Mick Gigunn
 Cllr Mick O'Sullivan

Substitutes

Cllr Jenny Kay

Ps: Audit Committee made some new appointments to Pension Sub-Committee in June 2022
 There are two substitutes: Councillor Jenny Kay and Councillor Mick Gigunn
 Councillor Diarmaid Ward is the new Vice Chair

Other Representatives:

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

Fund Investment Advisors:

Mercer
 MJ Hudson Allenbridge

Fund Actuary:

Mercer

Fund Legal Advisor

Internal Legal Department

Fund Custodian:

BNY Mellon

Performance Monitoring:

BNY Mellon

Corporate Governance Research and Voting Advice Service:

Pension Investments Research Consultants

Fund AVC Providers

Equitable Life, Prudential, Phoenix Life

Fund Auditors

Grant Thornton UK LLP

Bankers

Barclays Bank

6.2. Islington Council Local Pension Board

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

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

The membership of the board is as follows:

Councillor David Poyser	Employer representative- Chair
Maggie Elliott - Chair of Governors of the Edventure Collaborative (which is the federation of Montem and Drayton Park Primary Schools)	Employer representative-Vice Chair

George Sharkey, GMB	Member representative
Mike Calvert, Unison	Member representative
Valarie Easmon George	Retired members representative
vacant	Employer representative
Alan Begg	Independent member

The Board's terms of reference specify that the Board shall meet bi-annually (as a minimum) and normally on the same date as the Pensions Sub-Committee, in order that its deliberations may be taken into account in relation to relevant items on the agenda of the Pensions Sub-Committee. Board members agreed to meet quarterly in 2019.

For the municipal year 21/22, the Board met on 21st June 2021, 14th September 2021, 23rd November 2021 and 14th March 2022. Members receive copies of agenda and reports of the pension sub-committee and vice versa.

6.3 Activities of the Board

(i) Members reviewed their agreed a work programme at the March 2020 meeting for progress and amendments where required. The objectives are as follows:

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

(ii) Auto enrolment data is reviewed quarterly and have worked with officers to encourage opt ins and highlight scheme benefits

(iii) Risk register is reviewed 6monthly and board oversaw improvements and re-design for alignment with the Council's corporate risk register.

(iv) Pension board have an agreed work plan and forward plan to decide committee agenda

(v) The board reviewed consultation with employers on the draft Funding Strategy Statement on changes on employer termination debt/credit and interim valuations between triennial valuations.

(vi) data breach was reported to the board where process was reviewed to mitigate repeat occurrence.

(vii) They reviewed the draft pension statement of accounts income and expenditure for 2021/22

(viii) They also reviewed pension administration annual cashflow forecast and 3-year budget forecast

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

[Islington Council - Democracy](#)

DRAFT

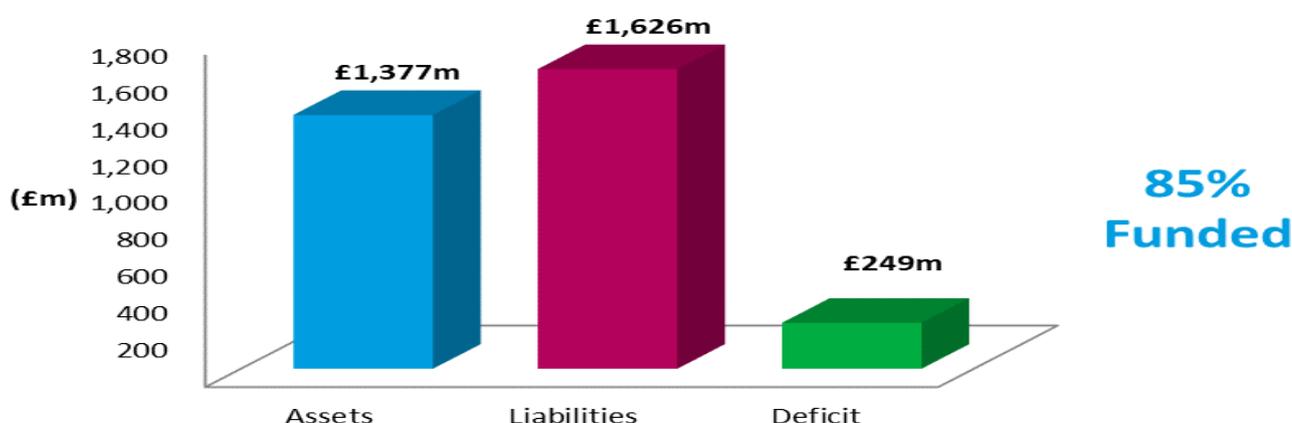
7. Funding of the pension scheme

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - STATEMENT BY THE CONSULTING ACTUARY

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

An actuarial valuation of the Islington Council Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

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



The valuation also showed that a Primary contribution rate of 16.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

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

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

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

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

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

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

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

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation.

In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2020 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation increased during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £2,615 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£35 million (this includes any increase in liabilities arising as a result of early retirements). There was also a decrease in liabilities of £12 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £2,692 million.

GMP Indexation

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

Paul Middleman

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

June 2022

Michelle Doman

Fellow of the Institute and

Faculty of Actuaries

8: Summary of financial report

8.1 Income and expenditure for 2021/22

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.
- Other Income comprised of transfers from other pension fund and recharges amounted to £4.9 million compared to £8.3 million in 2020/21
- 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%.
- The total fund management cost was £3.1m and the breakdown is detailed in the full accounts.

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.

There were in total 315 retirements, 13 of which were due to ill-health.

The detailed reporting of the pension fund accounts for 2020/21 forms part of the council's annual statement of accounts which include the statement of responsibilities and covers all the council services. This can be found at www.islington.gov.uk

9: Statement of Responsibilities

(To follow after audit)

DRAFT

10: Statement of Accounts 2021/2022

Islington Pension Fund

Fund Account

2020/21 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2021/22 £'000	Note
Contributions receivable			
29,104	Employer contributions	31,449	7a
28,037	Deficit recovery contributions	1,252	7a
13,533	Members contributions	14,457	7b
5,021	Transfers in from other pension funds	2,667	8
2,399	Other Income	2,321	9
78,094	Total Income	52,146	
Benefits payable			
(50,422)	Pensions	(51,746)	10
(8,827)	Lump sum benefits	(10,707)	10
(8,404)	Payment to and on account of leavers	(4,518)	11
(67,653)	Total Expenditure	(66,971)	
10,441	Net additions/ (withdrawals) from dealing with members	(14,825)	
(2,837)	Management Expenses	(3,114)	12
7,604	Net additions/ (withdrawals) including fund management expenses	(17,939)	
Returns on investments			
16,340	Investment income	13,081	13
281,099	Change in market value (realised & unrealised)	128,410	
297,439	Total Returns on investments	141,491	
Net return on investments			
305,043	Net increase/decrease in fund in year	123,552	
1,358,812	Opening net assets of the scheme	1,663,855	
1,663,855	Closing net assets of the scheme	1,787,407	

Net Assets Statement

2020/21 £'000	Net Assets Statement for the year ended 31 March 2022	2021/22 £'000	Note
Investments			
1,638,824	Investment assets	1,767,578	14
23,294	Other Investment and Cash	16,845	14
1,662,118	Total Investments	1,784,423	
Current Assets and Liabilities			
4,195	Current assets	5,727	16
(2,458)	Current liabilities	(2,743)	17
1,663,855	Net assets of the scheme at 31 March	1,787,407	

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

Notes to the Pensions Account

1. Description of Fund

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

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

a) General

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

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

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

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures (total commitments £36.99m) and Standard Life (total commitments £49.93m). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1, II and III (total commitment £99.0m). The fund has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £51.0m) and Pantheon Access £76.1m. The fund also has two Private Debt managers Churchill Middle Market (total commitment £72.3m) and Permira Credit Solutions (total commitment £50m).

The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 28). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who representing the shareholders will recommend the appointment directors to the company and receive reports from the company oversees it.

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

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

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

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

b) Membership

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

Organisations participating in the Islington Pension Fund include the following:

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

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

Administering Authority	Islington Council
Schedule Body	Admitted Body
St Mary Magdalene Academy	Volunteering Matters (formerly CSV)
City of London Academy Islington	Camden & Islington NHS Foundation Trust
The New North Academy	Braithwaite

William Tyndale Primary School	Pleydell
St Mary Magdalene Academy: The Courtyard	NCP Services (Islington South)
Elliot Foundation	SSE Contraction Ltd (Islington Lighting)
Pears Family School Academy	Brunswick
The Bridge School	Caterlink
City of London Academy, Highbury Grove	Engie Services Ltd(Cofely Workplace Ltd)
City of London Academy, Highgate Hill	Greenwich Leisure Ltd
The Bridge Satellite Provision	Isledon Arts CIC
The Bridge Integrated Learning Space	Alliance in Partnership
City of London Primary Academy, Islington	Bouyges ES FM UK Ltd.
Clerkenwell Parochial CofE Primary School	
Hungerford School	
London Screen Academy	

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,961	6,087	134	136	429	489	6,524	6,712
Pensioners	5,643	5,778	480	500	45	51	6,168	6,329
Widows/ Children's Pensions	918	914	53	55	5	6	976	975
Deferred Benefits	7,320	7,333	676	664	293	329	8,289	8,326
Totals	19,842	20,112	1,343	1,355	772	875	21,957	22,342

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

- i. Employees' contributions ranging between 5.5% and 12.5% according to the annual earnings band an employee falls in.
- i. Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 19/20). In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over nineteen years.

The Council made a lump sum payment of £26.96m in 2020-21 to the Pension fund in advance instead of paying the amount over a three-year period (2020-2022) to fund the deficit following the triennial valuation.

- ii. Upgraded Pensions relate to compensation payments (added years) made on redundancy or efficiency grounds, the index-linked increases thereon, and certain non-contributing service, which the council has treated as counting at full length in the payment of benefits. Income is transferred to the Pension Fund from the General Fund to offset these payments.
- iii. Contributions are invested and used for the benefit of the Pension Fund. The investment income in the form of dividends, interest and capital realisation is paid into the Fund.
- iv. Transfers to and from the Fund and other organisations are permitted. Transfers within the local government scheme are on a year for year, day for day basis but in all other transfers the money received from the organisation is used to purchase an amount of reckonable service in the local government scheme.

e) Benefits

- i. Benefits provided by the scheme include:
Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

- Redundancy and or Efficiency subject to minimum age condition of 55
- Flexible Retirement subject to minimum age condition of 55
- Ill- Health Retirement subject to approval by council's medical adviser

- ii. Lump sum payments on retirement or death in service.

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

- iii. A contributor who voluntarily leaves with less than two year's membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme. However, if the contributor was in the scheme before 1 April 2014, and leaves after then and have been in the scheme for three or more months but less

than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme

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

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2021/22 financial year and its positions as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Updated in 2020/21), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. There are no Code changes affecting pension funds for 2021/22, nor new CIPFA Guidance in 2021/22

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

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in Note 18 of these accounts.

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

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contributions

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

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

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

b) Transfers

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

c) Investment Income

- **Interest income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.
- **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.
- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2022.

Fund Account – expense items

d) Benefits Payable

Benefits payable and refund of contributions are brought into the accounts on the basis of valid claims approved during the year. Under the rules of the Fund, retirees receive a lump sum retirement grant in respect of any membership up to 31 March 2009, in addition to their annual pension.

Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose regarding the type or amount of benefit, then these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

e) Taxation

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

Input VAT is generally recoverable on all Fund activities.

f) Expenses

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

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

Administrative expenses

All administrative expenses are accounted for on an accrual basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, central establishment, computer recharges, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

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

Investment management expenses

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

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

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

Net assets statement

Financial assets

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

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

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

Foreign currency transactions

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

Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value. The fund holds forward exchange contract consists of an asset and liability.

Cash and cash equivalents

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

Loans and receivables

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

Financial liabilities

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

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

Stock Lending

The fund does not participate in stock lending.

Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

Total contribution paid by members during 2021/22 is £147,129.40 and the value of the fund as at 31 March 2022 is £2m.

Actuarial Position

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions		
Actuarial present value of promised retirement benefits.	Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are in regard to the discount rate used, salary increase projections, and retirement age.	Change in assumptions – year ended 31st March 2022	Approx % change in liabilities	Approx monetary value £m
		0.5% p.a. decrease in discount rate	8% increase	£223m increase
		0.5% p.a. increase in salary increase rate	<1% increase	£13m increase
		0.5% p.a. increase in inflation / pension increase rate	8% increase	£223m increase
		1 year increase in member life expectancy	3% increase	£80m increase
Private equity and Infrastructure investments	The Partnership's investments in Portfolio Partnerships are carried at fair value as determined in good faith by the General Partner in accordance with US GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Private equity and infrastructure investments are valued at £136.2 in the financial statements. These investments were valued as at the 31st March 2022. These assets have been predicted a sensitivity range of 6.6% –9.6% by the performance analytics. (See note 26a).		

<p>Property and Pooled Property funds</p>	<p>Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.</p>	<p>The total Property Funds are £300.497m (including pooled property). These assets were valued as at 31st March 2022. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by 6.60% (See note 26a).</p>
--	--	--

6. EVENTS AFTER THE REPORTING DATE

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

DRAFT

7. Contributions Receivable

a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Administering Authority						
Islington Council *	53,702	28,189	-	-	634	1,543
Scheduled Bodies						
St Mary Magdalene Academy	258	246	-	-	-	24
City of London Academy	152	163	-	-	-	-
The New North Academy	107	104	-	-	-	-
William Tyndale School	127	141	-	-	-	-
The Courtyard School	29	44	-	-	-	-
Elliot Foundation	218	187	-	-	-	-
The Bridge School	542	586	-	-	-	-
The Bridge School Academy	74	78	-	-	-	-
Pears Family School Academy	24	28	-	-	-	-
City of London Academy Highbury Grove	327	341	-	-	-	-
City of London Academy, Highgate Hill	72	90	-	-	-	-
The Bridge Satellite Provision	60	46	-	-	-	-
City of London Primary Academy, Islington	20	26	-	-	-	-
Clerkenwell Parochial Academy	64	35	-	-	59	10
Hungerford School	61	166	-	-	-	-
London Screen Academy	108	109	-	-	-	-
Sub-Total Scheduled Bodies	2,243	2,390	-	-	59	34
Admitted bodies						
Volunteering Matters(CSV)	-	100	-	-	-	-
Camden & Islington NHS Foundation Trust	51	53	-	-	-	-
Braithwaite	7	7	-	-	-	-
Pleydell	24	30	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	-	-	-	-	-	-
Brunswick	31	30	-	-	-	-
Caterlink	178	168	-	-	-	-
Engie Services Ltd(Balfour Beatty)	79	92	-	-	-	-
Mears Ltd	12	-	-	-	-	-
Greenwich Leisure Ltd	47	51	-	-	19	-
Isledon Arts CIC	7	7	-	-	-	-
Alliance In Partnership	33	4	-	-	10	-
Bouyges ES FM UK Ltd.	5	3	-	-	-	-
Sub-total Admitted Bodies	474	545	-	-	29	-
Totals	56,419	31,124	0	0	722	1,577

* 3-year advance deficit lumpsum contribution of £26.9m is included in Islington Council's 2020-21 normal contributions. The entire amount was accounted for, in previous years it was treated as a prepayment.

b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2020/21 £'000	2020/21 £'000
Administering Authority		
Islington Council	12,569	13,452
Scheduled Bodies		
St Mary Magdalene	112	102
City of London Academy	73	77
The New North Academy	29	27
William Tyndale School	33	36
The Courtyard School	15	24
Elliot Foundation	141	152
The Bridge School	141	153
The Bridge School Academy	34	37
Pears Family School Academy	9	11
City of London Academy Highbury Grove	76	78
City of London Academy, Highgate Hill	41	45
The Bridge Satellite Provision	18	18
City of London Primary Academy, Islington	7	10
Clerkenwell Parochial academy	11	1
Hungerford School	21	21
London Screen Academy	40	62
Sub-Total Scheduled Bodies	801	854
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	7
Braithwaite	2	2
Pleydell	7	8
NCP Services (Islington South)	6	6
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	8	7
Caterlink	51	50
Engie Ltd (Balfour Beatty)	34	38
Mears Ltd	9	-
Greenwich Leisure Ltd	22	24
Isledon ArtsCIC	3	3
Alliance In Partnership	8	-
Bouyges ES FM UK Ltd.	1	1
Sub-total Admitted Bodies	163	151
Totals	13,533	14,457

8. Transfers in

2020/21 £'000	Transfers in	2021/22 £'000
-	Group transfers in from other schemes	-
5,021	Individual transfers in from other schemes	2,667
5,021	Total transfers in	2,667

9. Other Income

2020/21 £'000	Other Income	2021/22 £'000
2,399	Other	2,321
2,399	Total other income	2,321

Other income are pension recharges and miscellaneous fees.

10. Benefits

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

DRAFT

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	46,713	48,013	6,501	8,108	1,745	2,101
Scheduled Bodies						
St Mary Magdalene Academy	26	33	-	30	-	-
City of London Academy	58	63	137	7	-	-
The New North Academy	26	28	-	9	-	-
William Tyndale School	26	27	6	-	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	2	-	-	-	-
The Bridge Integrated Learning Space	6	10	16	-	-	-
Pears Family School Academy	1	1	5	-	-	-
City of London Academy Highbury Grove	8	21	-	-	-	-
City of London Highgate Hill	-	8	-	50	-	-
Clerkenwell	-	24	-	9	-	-
City of London Primary Academy, Islington	2	-	20	-	-	-
Hungerford School	8	7	-	-	-	-
Sub-Total Scheduled Bodies	168	229	184	105	-	-
Admitted Bodies						
Volunteering Matters (CSV)	1,292	1,297	105	55	-	133
Aquaterra	229	222	-	-	-	-
CEA	864	866	2	35	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	603	599	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	73	73	-	-	-	-
ALA	21	21	-	-	-	-
Notting Hill Trust	15	15	-	-	-	-
Camden & Islington NHS Foundation Trust	87	88	-	-	-	-
Pleydell	13	13	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	56	57	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	9	9	-	-	-	-
Cushman & Wakefield LLP (Dunlop Haywards)	8	8	-	-	-	-
Mouchel Parkman	33	33	-	-	-	-
Caterlink	57	44	95	-	-	74
Engie Ltd (Balfour Beatty)	29	29	-	-	-	-
Kier Support Services	21	21	-	-	-	-
Breyers	8	7	-	-	-	-
Mears	16	18	-	96	-	-
Greenwich Leisure Ltd	63	52	195	-	-	-
WJ Catering	23	10	-	-	-	-
Alliance In Partnership	3	4	-	-	-	-
Sub-total Admitted Bodies	3,541	3,504	397	186	-	207
Totals	50,422	51,746	7,082	8,399	1,745	2,308

11. Payments to and on Account of Leavers

2020/21 £'000	Payment to and on Account of Leavers	2021/22 £'000
79	Refunds of Contributions	62
8,325	Individual Transfer	4,456
8,404	Total payments to and on account of leavers	4,518

12. Management Expenses

2020/21 £'000	Management Expenses	2021/22 £'000
1,442	Administrative Cost (12a)	1,464
983	Investment Management Expenses (12b)	1,173
412	Oversight and Governance Cost (12c)	477
2,837	Total Management Expenses	3,114

12(a) Administrative Expenses

2020/21 £'000	Administrative expenses	2021/22 £'000
1,322	Employee Cost	1,354
120	Support services	110
1,442	Total administrative expenses	1,464

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2020/21 £'000	Investment Expenses	2021/22 £'000
941	Management Fees	1,134
42	Custody Fees	39
983	Total investment management expenses	1,173

12(c) Oversight and Governance Cost

2020/21 £'000	Oversight & Governance Cost	2021/22 £'000
35	Performance Management Services	14
242	Advisory Services Fees	284
91	Operation and Support	99
19	Actuarial Fees	60
25	Audit Fees	20
412	Total Oversight & Governance Cost	477

13. Income from Investments

2020/21 £'000	Investment Income	2021/22 £'000
5,862	Dividends from equities	6,321
5,967	Income from other investments vehicles	5,914
4,435	Net rents from pooled investment properties	4,571
-	Derivatives	(3,932)
76	Interest on cash deposits	207
16,340	Total Investment income	13,081
-	Irrecoverable withholding tax	-
16,340	Total Investment income	13,081

14. Investments

Investments	Market Value as at 31 Mar 21 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 22 £'000
Fixed interest securities	73	-	-	(5)	68
Indexed linked securities	113	-	-	8	121
Equities	152,931	15,407	(17,843)	12,943	163,438
Pooled investment vehicles (P.I.V)	1,117,397	34,335	(49,169)	64,620	1,167,183
Properties - P.I.V	258,494	10,215	(3,037)	34,825	300,497
Private Equity - P.I.V	16,690	419	(7,939)	2,516	11,686
Infrastructure - PIV	93,127	20,914	(8,014)	18,558	124,585
Total	1,638,825	81,290	(86,002)	133,465	1,767,578
Derivatives - Forward FX	(673)				(5,728)
Other Investment & Cash	23,966				22,573
Total Investments	1,662,118				1,784,423

Investments	Market value 01	Purchases at	Sale proceeds	Change in	Value as at 31
	Apr 20	cost and	and derivative	market value	Mar 21
	£'000	derivative	receipts	£'000	£'000
		payments	£'000		
		£'000			
Fixed interest securities	75			(2)	73
Indexed linked securities	115			(2)	113
Equities	122,986		(497)	30,442	152,931
Pooled investment vehicles (P.I.V)	876,038	81,079	(82,353)	242,633	1,117,397
Properties - P.I.V	256,643	32,338	(33,896)	3,409	258,494
Private Equity - P.I.V	23,342	140	(5,105)	(1,687)	16,690
Infrastructure - PIV	63,535	23,286		6,306	93,127
Total	1,342,734	136,843	(121,851)	281,099	1,638,825
Derivatives - Forward FX	-				(673)
Other Investment & Cash	13,457				23,966
Total Investments	1,356,191				1,662,118

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

14(a)

Investment Assets by Type		2020/21	2021/22
		<i>£'000</i>	<i>£'000</i>
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		73	67
Total Fixed interest securities		73	67
Index -linked			
UK public sector quoted		113	121
Total Index -linked		113	121
Equities (valued at Bid Price)			
UK quoted		120,171	136,306
Overseas quoted		32,760	27,133
Total Equities		152,931	163,439
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	112,421	132,993
	Other : Bond	166,461	161,490
Overseas Managed Funds	Other : Equity	207,277	236,108
	Property	14,896	18,037
	Other : Private Equity	16,690	11,687
UK Unit trusts (valued at Bid Price)	Property	131,173	149,466
	Other	743,663	769,585
Infrastructure Investment		93,127	124,585
Total Pooled investment vehicles		1,485,708	1,603,951
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,334	1,542
Derivatives - Forward FX		(673)	(5,728)
Cash deposits : Sterling		22,376	20,402
Cash deposits : Other		256	629
Total Other investment balances		23,293	16,845
Total Investment Assets		1,662,118	1,784,423

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

14 (b) Derivatives

Derivatives are used to hedge liabilities or hedge exposures to reduce risk to the fund. They are also used to gain exposure to an asset more efficiently than holding the underlying asset.

Settlement	Currency Code Purchased	Asset Value	Liability Value
		£'000	£'000
3 Months	Euros		(45,426)
	Japanese Yen		(17,877)
	Pound Sterling	274,022	
	US Dollars		(216,447)
		274,022	(279,750)
		Net Forward FX at 31 March 2021	(5,729)
		Net Forward FX at 31 March 2020	(673)

DRAFT

15. Investments exceeding 5% of net assets

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

Security	Market value	% of total	Market value	% of total
	31 March 2022	fund	31 March 2021	fund
	£'000		£'000	
LBI Self-Managed UK quoted	136,306	7.6%	120,171	7.2%
London CIV Pooled - Newton MSCI All Country World	321,802	18.0%	291,204	17.5%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	133,687	7.5%	166,462	10.0%
Aviva Lime Property UK Unit Trust	149,466	8.4%	131,173	7.9%
Threadneedle Pooled Investment Property AREF IPD All Balanced	104,274	5.8%	84,104	5.1%
Legal & General Pooled Investment Vehicle	236,108	13.2%	207,277	12.5%
Schroders Pooled Investment Multi Asset	114,440	6.4%	132,289	8.0%
London CIV RBC EQ RBC Bmk	180,227	10.1%	165,290	9.9%

16. Current Assets

2020/21	Current Assets	2021/22
£'000		£'000
1,919	Contributions due from Employers & Employee	2,478
60	Sundry Debtors	50
2216	Cash Balances	3,199
4,195	Total	5,727

17. Current Liabilities

2020/21	Current Liabilities	2021/22
£'000		£'000
(226)	Accrued Benefits	(243)
(548)	Sundry Creditors	(839)
(1,684)	Accrued Expenses	(1,661)
(2,458)	Total Current liabilities	(2,743)

18. Actuarial Position

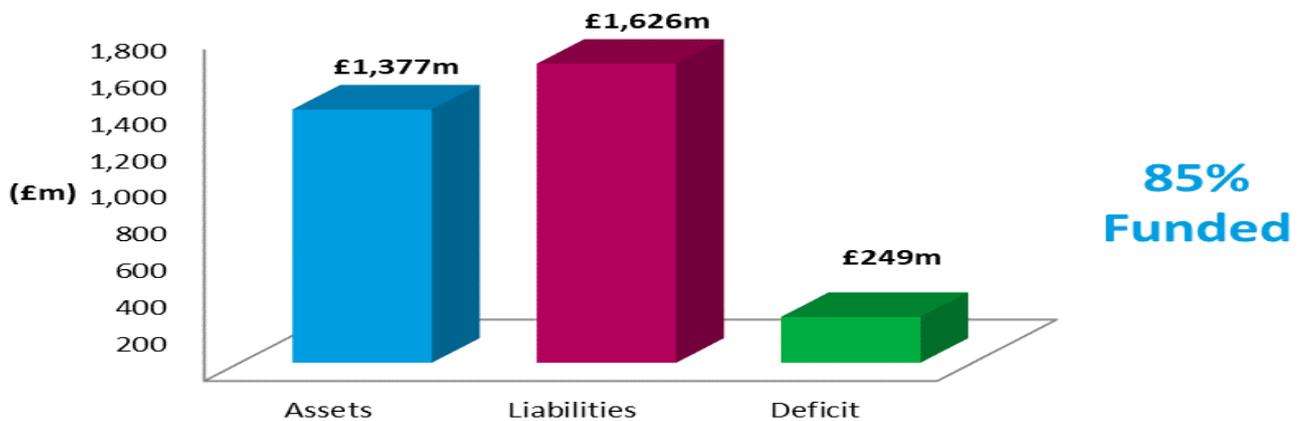
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - STATEMENT BY THE CONSULTING ACTUARY

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

An actuarial valuation of the Islington Council Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

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



The valuation also showed that a Primary contribution rate of 16.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

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

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

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

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

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

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

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

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation.

In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2020 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.4% per annum
Rate of pay increases*	4.2% per annum	4.9% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.5% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation increased during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £2,615 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£35 million (this includes any increase in liabilities arising as a result of early retirements). There was also a decrease in liabilities of £12 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £2,692 million.

GMP Indexation

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

Paul Middleman

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

June 2022

Michelle Doman

Fellow of the Institute and

Faculty of Actuaries

19. Additional Voluntary Contributions

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

2020/21		2021/22	
Market Value	Additional Voluntary Contribution	Market Value	Market Value
£'000		£'000	£'000
1,552	Prudential		1,767
194	Utmost (formerly Equitable life)		170
77	Phoenix Life (formerly NPI)		73
1,823	Total Additional Voluntary Contributions		2,010

20. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2021/22.

21. Contractual Commitments

The fund has outstanding commitments totalling £167.7m as at 31 March 2022 (£55.8m~31 March 2021). Two private equity fund managers Pantheon Ventures £4.2m and Standard Life £4.1m. One fund of funds private global property manager, Franklin Templeton Fund 1, II and III £41.6m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £0m and £23.1m respectively. Two Private debt managers Churchill Middle Market £44.7m and Permira Credit Solutions £50m.

22. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2022, the Pension Fund is due from the Islington Council £0.372m (£0.062m~31 March 2021). Full contributions from the council for the year are disclosed in Note 7.

One member of the pension board is in receipt of pensions benefits from Islington Council (Valerie Easmon George) and two who are active members of the fund Mike Calvert and George Shakey. Each member of the pension board and the pension fund committee is required to declare their interest at each meeting. No other declarations were made during the year.

23. Key Management Personnel

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

2020/21		2021/22	
£'000		£'000	£'000
(64)	Short-term benefits		(65)
(7)	Post-employment benefits		(55)
-	Termination benefits		(20)
(71)			(141)

*Post-employment benefits are at the state retirement age

Risk and Risk Management

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

Market Risks

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

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

26a. Price and Currency Risk

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

Price risk

Price Risk	Final Market Value as at 31/03/22 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	196,902	15.82%	228,052	165,752
Overseas Equities	782,787	14.05%	892,769	672,806
Total Bonds	237,482	5.78%	251,208	223,755
Pooled Multi Asset	114,440	2.56%	123,183	105,697
Cash	16,043	1.12%	16,223	15,863
Property	300,497	7.64%	308,190	292,804
Infrastructure	124,585	9.08%	136,545	112,625
Private Equity	11,687	9.60%	12,748	10,626
Total Assets	1,784,423	7.18%	1,912,544	1,656,301

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

Price Risk	Final Market Value as at 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	174,748	16.40%	203,319	146,176
Overseas Equities	723,237	14.30%	826,371	620,104
Total Bonds	241,826	5.80%	255,949	227,703
Pooled Multi Asset	132,289	7.90%	142,793	121,786
Cash	21,707	0.70%	21,861	21,553
Property	258,493	2.00%	263,740	253,245
Infrastructure	93,128	7.20%	99,786	86,469
Private Equity	16,690	11.30%	18,576	14,804
Total Assets	1,662,118	8.20%	1,798,998	1,525,238

Currency risk

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

Currency Risk(by asset class)	Final Market	% Change	Value on	Value on
	Value as at		Increase	Decrease
	31/03/22		£'000	£'000
Overseas Equities	782,787	6.60%	834,473	731,101
Overseas Private Equity	11,687	6.60%	12,458	10,915
Overseas Infrastructure	124,585	6.60%	132,811	116,359
Overseas Private Debt	27,803	6.60%	29,639	25,967
Overseas property	18,037	6.60%	19,228	16,846
Total Assets	964,899	6.60%	1,028,609	901,188

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

26b. Interest rate risk

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

Interest rate – risk sensitivity analysis

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

Assets Exposed to interest rate risk	Value at 31 March 2022	Impact of 1% decrease	Impact of 1% increase
	£'000	£'000	£'000
Cash and cash equivalent	20,044	19,844	20,244
Fixed interest securities	67	66	68
Total	20,111	19,910	20,312

Assets Exposed to interest rate risk	Value at 31 March 2021	Impact of 1% decrease	Impact of 1% increase
	£'000	£'000	£'000
Cash and cash equivalent	25,509	25,254	25,764
Fixed interest securities	73	72	74
Total	25,582	25,326	25,838

26c. Credit Risk

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

26d. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2022, liquid assets were £1,636m representing 92% of total fund assets (£1,537m at 31 March 2021 representing 92% of the Fund at that date).

The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, which gives access to cash dividend income on a regular basis.

27. Financial Instruments

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

Values at 31 March 2022	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable inputs	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	955,786	670,291	158,346	1,784,423
Loans and Receivables	3,199	-	-	3,199
Total Financial Assets	958,985	670,291	158,346	1,787,622
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(249)	-	(249)
Total Financial Liabilities	-	(249)	-	(249)
Net Financial Assets	958,985	670,042	158,346	1,787,373

Values at 31 March 2021	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable inputs	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	920,742	631,558	109,818	1,662,118
Loans and Receivables	2,216	-	-	2,216
Total Financial Assets	922,958	631,558	109,818	1,664,334
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	(13)	-	(13)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	-	(13)	-	(13)
Net Financial Assets	922,958	631,545	109,818	1,664,321

Valuation of financial instruments carried a fair value

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

Level 1

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Pooled funds are pooled fund with other institutions

and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level 1.

Level 2

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

Level 3

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

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

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

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Private Equity - o/seas	16,691	29,343	(9,543)	2,999	39,490
Infrastructure - PIV	93,127	20,914	(8,015)	18,558	124,584
Derivatives	(673)	15,322	(11,739)	(8,638)	(5,729)
Total Level 3 Assets	109,145	65,579	(29,297)	12,919	158,346

Reconciliation of assets within level 3	Value at 31 March 2020	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Private Equity - o/seas	23,342	140	(5,105)	(1,686)	16,691
Infrastructure - PIV	63,535	23,286	-	6,306	93,127
Derivatives	-	2,225	(11,194)	8,296	(673)
Total Level 3 Assets	86,877	25,651	(16,299)	12,916	109,145

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

DRAFT

Investment Assets by Fund Manager	2020/21 £'000	2021/22 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	120,171	136,306
Overseas quoted - LBI self-managed	32,760	27,133
CASH DEPOSITS		
Sterling	6,187	15,349
Other	6,834	1,371
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,280	1,515
FIXED INTEREST		
UK	73	67
INDEX-LINKED		
UK	113	121
POOLED FUNDS		
UK	5,437	6,000
Total LBI In House Fund	172,855	187,862
Newton - London CIV		
POOLED FUNDS		
UK quoted	291,204	321,802
CASH DEPOSITS		
Sterling	11	1
Other	242	264
OTHER INVESTMENT BALANCES		
Outstanding Dividends	54	27
Total Newton	291,511	322,094
RCM		
CASH DEPOSITS		
Sterling	377	0
Other	7	0
Total RCM	384	0
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	166,462	133,687
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	3,474	2,503
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	13,216	9,184
Aviva Lime Property		
UK UNIT TRUSTS		
Property	131,173	149,466
Threadneedle Pensions		
POOLED INVESTMENT: Property	84,104	104,274
Thesis		
POOLED INVESTMENT: Property	28,317	28,719
BNY Mellon		
CASH DEPOSITS : Sterling	8,976	5,052
outstanding fx trades	-673	-5,728
Total BNY Mellon	8,303	(676)
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	207,277	236,108
Franklin Templeton		
Pooled Investment Global Property	14,899	18,037
Schroders		
Pooled Investment Multi Asset	132,289	114,440
BMO		
Pooled Investment Managed Funds	74,259	70,307
Pantheon Infrastructure		
Infrastructure	32,640	53,779
Quinbrook Infrastructure		
Infrastructure	60,487	70,805
RBC/ LONDON CIV		
POOLED FUNDS		
	165,290	180,227
M&G AOF		
Pooled Investment Managed Funds	75,178	75,804
CHURCHILL		
Private equity - overseas	0	27,803
Total Investment Assets	1,662,118	1,784,423

11: Glossary of terms

Actuary

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

Added years

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

Additional Voluntary Contributions (AVCs)

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

Asset allocation

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

Asset class

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

Basis point

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

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as measured by one of the performance surveys) to customized benchmarks tailored to a particular fund's requirements.

Cash transfer values

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

Corporate bond

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

Custody

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

Deferred pension

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

Defined benefit scheme

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

Diversification

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

Emerging markets

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

Equities

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

Final pensionable pay

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

Final salary scheme

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

Fixed interest

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

Fixed interest securities

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

Index

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

IAS 19

The objective of IAS 19 (1998) is **to prescribe the accounting and disclosure for employee benefits**

IAS 26

Accounting and Reporting by Retirement Benefit Plans outlines the requirements for the preparation of financial statements of retirement benefit plans

Mandate

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

Market value

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

Normal retirement age

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

Pensionable pay

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

Pooled funds

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

Return

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

Unconstrained equity investing

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

Unlisted securities

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

Valuation

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

12: Audit opinion

To follow after audit

DRAFT

13: The fund's statutory statements

13.1 Investment strategy statement

Introduction

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

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

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

The link to the full document is [Investment Strategy Statement London Borough of Islington Pension Fund – December 2020](#)

13.2 The Funding strategy statement

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

The link to the full document is [Funding Strategy Statement Islington Council Pension Fund March 2020](#)

13.3 Governance policy statement

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

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

13.3.1. Overall governance framework

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

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

The governance framework focuses on:

- The effectiveness of the pensions sub-committee and officers to which delegated function has been passed. This will include areas such as decision making processes, knowledge and competencies.

- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and pensions sub-committee members.
- The ability of the pensions sub-committee and officers to communicate clearly and regularly with all stakeholders.
- The ability of the pensions sub-committee or officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

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

13.3.2. Delegation of functions

Governance principles: Effective board delegation; appropriate accountability

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

13.3.2.1 Scheme administration

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

Delegated to the Corporate Director of Resources.

13.3.2.2 Funding

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

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

13.3.2.3 Investment

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

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

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

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

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

13.3.2.4 Communications

Governance principle: Effective information flow

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

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

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

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

13.3.2.5. Risk management

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

Delegated to the Corporate Director of Resources

13.3.3. Terms of reference and decision making

Governance principle: Effective board / delegation; written plan policies

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

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

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

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

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

13.3.3.1. Structure of pensions sub-committee and representation

Governance principle: Effective boards / delegation

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

- Four councillors with nominated substitutes, with voting rights
- Observers as follows:
 - Elected pensioner representative
 - Representative from an Admitted Employer
 - Two trade union observers

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

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

The pensions sub-committee also receives advice from Mercer and from MJ Hudsons

13.3.4 Operational procedures

13.3.4.1 Frequency of meetings

Governance principle: Effective board / delegation

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

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

13.3.4.2 Competencies, knowledge and understanding

Governance principle: Effective board / delegation

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

13.3.4.3 Reporting and monitoring

Governance principle: Rigorous supervision and monitoring

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

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

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

13.3.4.4 Review of this policy statement

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

13.3.4.5. Relevant documents

Funding Strategy Statement

The current published Funding Strategy Statement is online at [Funding Strategy Statement Islington Council Pension Fund March 2020](#)

Investment Strategy Statement

The current published Investment Strategy Statement is online at [Investment Strategy Statement London Borough of Islington Pension Fund – December 2020](#)

13.4 Communication policy

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

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

The methods of communication will be as follows:

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

13.5 Governance compliance statement

13.5.1. Structure

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council `;
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee`:
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels `:
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Compliance

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

13.5.2. Representation

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

Compliance

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

13.5.3. Selection and role of lay members

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

Compliance

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

13.5.4. Voting

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

Compliance

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

13.5.5. Training, facility time and expenses

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

Compliance

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

13.5.6. Meetings frequency and quorum

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

Compliance

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

13.5.7. Access

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

Compliance

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

13.5.8. Scope

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

Compliance

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

13.5.9. Publicity

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

Compliance

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

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

DRAFT

14: More information and comments

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

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

Email: pensions@islington.gov.uk

Telephone: 020 7527 2382

By post: Head of treasury and pension fund management

Finance Department

Islington Council

7 Newington Barrow Way

London

N7 7EP

DRAFT



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

Report of: Corporate Director of Resources

Meeting of: Pension Board

Date: 19th September 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.

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 link [Knowledge and understanding | public service schemes | The Pensions Regulator](#) for free online training and assessment.

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 June 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 One of the objectives of the board is to ensure the necessary skills and knowledge of board members. As part of continuous training, board members are asked to refresh their knowledge and skills by completing The Public Service toolkit, devised by The Pension Regulator. The link [Knowledge and understanding | public service schemes | The Pensions Regulator](#)

3.8 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.

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:

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.

Appendices: Appendix A- Work programme for 2022/23

Background papers:

None:

Final report clearance:

Signed by:

Corporate Director of Resources

Date of final approval

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 September 2022 to June 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"> • Admin Performance report • Forward work programme
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
June 2023		

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
September 2022- joint pension sub and board training	Actuarial Valuation training

This page is intentionally left blank

By virtue of paragraph(s) 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank