

# Pension Fund

## Explanatory Foreword

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

The Pension Fund is a defined benefit scheme built up from contributions paid by both employees and the council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Employees' contributions to the Fund and the extent of benefits paid out are fixed by Government Regulations. An independent actuary assesses the council's contribution rate every three years. The Local Government Pension Scheme is operated under regulations made under Sections 7 and 12 of the Local Government Superannuation Act 1972. The Local Government Pension Scheme Regulations 2016 (as amended ("the 2016 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Saving and Amendment) Regulations 2014 ("2014 Transitional Regulations") (collectively; "the Regulations" provide the statutory framework from which the administering Authority is required to cover contributions, valuation of the Fund and benefits. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, cover fund management and suitable investments. The Pension Fund Accounts have been drawn up in accordance with the 2018/19 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the provisions of Chapter 2 of the Statement of Recommended Practice "Financial Reports of Pension Schemes.

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

The investment portfolio is managed by investment managers. The fund has two private equity fund managers Pantheon Ventures (total commitment £28.2million) and Standard Life (total commitment £48.1 million). The fund also has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £50 million). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £52million and Pantheon Access - £78million. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee.

**"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/about-the-council/apply-for-a-job/council-pension-scheme>

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

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

### Organisation

Islington Council

St Mary Magdalene Academy  
City of London Academy, Islington  
The New North Academy

### Employer

Administering Authority

Scheduled Body  
Scheduled Body  
Scheduled Body

William Tyndale Primary School	Scheduled Body
St Mary Magdalene Academy: the Courtyard	Scheduled Body
Tech City College (formerly Stem 6th)	Scheduled Body
Elliot Foundation	Scheduled Body
The Family School	Scheduled Body
The Bridge School	Scheduled Body
City of London Academy, Highbury Grove	Scheduled Body
City of London Academy, Highgate Hill	Scheduled Body
The Bridge Satellite Provision	Scheduled Body
The Bridge Integrated Learning Space	Scheduled Body
City of London Primary Academy, Islington	Scheduled Body
Clerkenwell Parochial CofE Primary School	Scheduled Body
Hungerford Primary School	Scheduled Body

Volunteering Matters (formerly CSV)	Admitted Body
Camden & Islington NHS Foundation Trust	Admitted Body
Braithwaite	Admitted Body
Pleydell	Admitted Body
NCP Services (Islington South)	Admitted Body
SSE Contraction Ltd (Islington Lighting)	Admitted Body
Brunswick	Admitted Body
Southern Housing Group	Admitted Body
Caterlink	Admitted Body
Engie Services Ltd(Cofely Workplace Ltd)	Admitted Body
RM Education	Admitted Body
Breyer Group	Admitted Body
Mears Ltd	Admitted Body
Greenwich Leisure Ltd	Admitted Body
W J Catering	Admitted Body
Isledon Arts CIC	Admitted Body
Pabulum	Admitted Body
Bouyges ES FM UK Ltd.	Admitted Body

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

London Property Maintenance

FSST

St Lukes

Association of London Authorities (ALA)

Family Services Unit (FSU)

Redbrick

Cushman & Wakefield

Kier Islington

Mouchel Parkman

Cambridge Education Associates (CEA)

Notting Hill Housing Trust

Aquaterra

Kier Support Services

Circle Anglia

## Accounting Policies

The accounts have been prepared in accordance with the provisions of Chapter 2 of Recommended Accounting Practice of the Pension SORP May 2007 and the 2017/18 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is IFRS compliant. The financial statements have been prepared on an accruals basis except for transfers to and from the scheme which are accounted for on a cash basis.

The principal accounting policies of the scheme are as follows:

### 1. Investments

Investment values are at bid price.

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

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

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

Index linked securities are valued at bid price.

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

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

Private equity is priced on the latest audited valuation plus any drawdowns and distributions to the 31 March 2019.

Property is valued on the unit price as quoted by the fund manager.

Derivatives are stated at market value.

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

Acquisition costs of assets are included within the historic cost of the assets.

### 2. Investment Income

Investment income (e.g. dividends and interest on Government Stocks) is accounted for on an accruals basis.

Investment income is taken into account where dividends have been declared at the end of the financial year.

Investment income also includes withholding tax where this cannot be recovered. The amount of irrecoverable withholding tax is disclosed as a separate line in the face of the account.

### 3. Foreign Currencies

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

#### **4. Contributions**

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

#### **5. Benefits Payable**

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

#### **6. Transfers**

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

#### **7. Expenses**

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

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

##### Administrative expenses

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

##### Oversight and governance costs

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

##### Investment management expenses

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

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

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

#### **8. Stock Lending**

The fund does not participate in stock lending.

## **9. Additional Voluntary Contributions**

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

## **10. 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.

## Fund Account

2017/18 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2018/19 £'000	Note
<b>Contributions receivable</b>			
33,327	Employer contributions	34,849	2a
11,883	Members contributions	12,127	2
4,156	Transfers in from other pension funds	3,631	3
2,662	Other Income	2,573	4
<b>52,028</b>	<b>Total Income</b>	<b>53,180</b>	
<b>Benefits payable</b>			
(44,632)	Pensions	(47,273)	5
(6,551)	Lump sum benefits	(8,967)	
(5,714)	Payment to and on account of leavers	(7,467)	6
<b>(56,897)</b>	<b>Total Expenditure</b>	<b>(63,707)</b>	
<b>(2,698)</b>	<b>Management Expenses</b>	<b>(2,937)</b>	7
<b>(7,567)</b>	<b>Net additions/ (withdrawals) from dealing with members</b>	<b>(13,464)</b>	
<b>Returns on investments</b>			
14,347	Investment income	16,393	8
45,755	Change in market value (realised & unrealised)	66,386	
<b>60,102</b>	<b>Total Returns on investments</b>	<b>82,779</b>	
<b>Net return on investments</b>			
52,535	Net increase/decrease in fund in year	69,315	
<b>1,254,886</b>	<b>Opening net assets of the scheme</b>	<b>1,307,421</b>	
<b>1,307,421</b>	<b>Closing net assets of the scheme</b>	<b>1,376,736</b>	

## Net Assets Statement

2017/18 £'000	Net Assets Statement for the year ended 31 March 2018	2018/19 £'000	Note
<b>Investments</b>			
1,319,901	Investment assets	1,364,616	9
14,084	Other Investment and Cash	22,263	9
<b>1,333,985</b>	<b>Total Investments</b>	<b>1,386,879</b>	
<b>Current Assets and Liabilities</b>			
5,176	Current assets	3,545	10
(31,740)	Current liabilities	(13,688)	11
<b>1,307,421</b>	<b>Net assets of the scheme at 31 March</b>	<b>1,376,736</b>	

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. Basis of Preparation

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

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

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in Note 15 of these accounts.

### 2. Contributions Receivable

#### a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery*	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
<b>Administering Authority</b>						
Islington Council	30,011	31,877	-	-	1,385	702
<b>Scheduled Bodies</b>						
St Mary Magdalene Academy	203	199	-	-	-	-
City of London Academy	134	154	-	-	-	-
New North Community School	85	97	-	-	-	-
William Tyndale School	91	104	-	-	-	-
The Courtyard School	15	19	-	-	-	-
Tech City (Stem 6th form Academy)	11	14	-	-	-	-
Elliot Foundation	85	105	-	-	-	-
The Bridge Integrated Learning Space	21	39	-	-	-	-
Family School Academy	14	16	-	-	-	-
The Bridge School	428	454	-	-	-	-
City of London Academy Highbury Grove	49	283	-	-	-	-
City of London Academy, Highgate Hill	45	61	-	-	-	-
The Bridge Satellite Provision	5	15	-	-	-	-
City of London Primary Academy, Islington	14	9	-	-	-	-
Clerkenwell Parochial Academy	22	77	-	-	-	-
Hungerford School		108				
<b>Admitted bodies</b>						
Volunteering Matters(CSV)	149	154	-	-	-	-
Camden & Islington NHS Foundation Trust	77	81	-	-	-	-
Braithwaite	5	5	-	-	-	-
Pleydell	16	15	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	12	12	-	-	-	-
Brunswick	18	17	-	-	-	-
Southern Housing Group	4	8	-	-	-	-

Caterlink	154	157	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	133	108	-	-	-	-
R M Education	6	(205)	-	-	-	-
Breyer Group	5	5	-	-	-	-
Mears Ltd	29	31	-	-	-	-
Greenwich Leisure Ltd	82	77	-	-	-	-
WJ Catering	2	2	-	-	-	-
Isledon Arts CIC	8	8	-	-	-	6
Pabulum	9	3	-	-	-	-
Alliance In Partnership		21				
Bouyges ES FM UK Ltd.		14				
<b>Totals</b>	<b>31,942</b>	<b>34,142</b>	<b>0</b>	<b>0</b>	<b>1,385</b>	<b>707</b>

\*Note 15 provides further information regarding "Strain Recovery"

## b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2017/18 £'000	2018/19 £'000
<b>Administering Authority</b>		
Islington Council	11,148	11,245
<b>Scheduled Bodies</b>		
St Mary Magdalene	104	99
City of London Academy	65	71
New North Community School	33	35
William Tyndale School	26	30
The Courtyard School	10	13
Tech City (Stem 6th form Academy)	10	10
Elliot Foundation	97	106
The Bridge Integrated Learning Space	12	146
Family School Academy	6	23
The Bridge School	127	7
City of London Academy Highbury Grove	16	70
City of London Academy, Highgate Hill	16	30
The Bridge Satellite Provision	3	7
City of London Primary Academy, Islington	5	9
Clerkenwell Parochial academy	7	15
Hungerford School		27
<b>Admitted bodies</b>		
Volunteering Matters (CSV)	-	0
Camden & Islington NHS Foundation Trust	12	11
Braithwaite	2	2
Pleydell	6	6
NCP Services (Islington South)	9	8
SSE Contracting Ltd (Islington Lighting)	3	4
Brunswick	6	5
Southern Housing Group	5	2
Caterlink	52	50
Engie Ltd (Cofely Workplace Ltd )	48	36

R M Education	3	1
Breyer Group	3	2
Mears Ltd	9	9
Greenwich Leisure Ltd	34	30
WJ Catering	1	1
Isledon Arts CIC	3	3
Pabulum	2	1
Alliance In Partnership		9
Bouyges ES FM UK Ltd.		4
<b>Totals</b>	<b>11,883</b>	<b>12,127</b>

### 3. Transfers in

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

### 4. Other Income

2017/18 £'000	Other Income	2018/19 £'000
-	Income from Other Investments	-
-	Interest	-
2,662	Other	2,573
<b>2,662</b>	<b>Total other income</b>	<b>2,573</b>

## 5. Benefits

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

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administering Authority</b>						
Islington Council	41,499	43,897	5,114	6,869	1,337	1,486
<b>Scheduled Bodies</b>						
St Mary Magdalene Academy	23	25	14	-	-	-
City of London Academy	29	40	-	27	-	93
New North Community School	9	9	-	-	-	-
William Tyndale School	19	20	-	-	-	-
The Courtyard	3	5	7	-	-	-
Tech City (Stem 6th form Academy)	-	1	-	8	-	-
Elliot Foundation	-	0	-	-	-	-
<b>Admitted bodies</b>						
Volunteering Matters (CSV)	1,099	1,239	54	252	-	24
Aquaterra	220	240	-	65	-	-
CEA	809	831	-	-	-	-
FSST	3	3	-	-	-	-
Kier Islington Ltd (Caxton)	570	578	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	68	70	-	-	-	-
ALA	22	20	3	-	-	-
Notting Hill Trust	8	8	-	-	-	-
Camden & Islington NHS Foundation Trust	52	59	-	36	-	-
NCP Services (Islington South)	4	6	-	11	-	-
SSE Contracting Ltd (Islington Lighting)	53	54	-	-	-	-
Brunswick	9	9	-	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	31	32	-	-	-	-
London Property Maintenance	-	0	-	-	-	-
Caterlink	15	18	-	5	-	-
Engie Ltd (Balfour Beatty)	19	24	-	32	-	-
Kier Support Services	20	20	-	-	-	-
Mears	15	16	-	-	-	-
Greenwich Leisure Ltd	21	22	22	-	-	-
WJ Catering	-	12	-	57	-	-
Isledon Arts CIC	-	1	-	2	-	-
Alliance In Partnership	-	2	-	-	-	-
<b>Totals Out</b>	<b>44,632</b>	<b>47,273</b>	<b>5,214</b>	<b>7,364</b>	<b>1,337</b>	<b>1,603</b>

## 6. Payments to and on Account of Leavers

2017/18 £'000	Payment to and on Account of Leavers	2018/19 £'000
154	Refunds of Contributions	193
5,560	Individual Transfer	7,274
<b>5,714</b>	<b>Total payments to and on account of leavers</b>	<b>7,467</b>

## 7. Management Expenses

2017/18 £'000	Management Expenses	2018/19 £'000
1,242	Administrative Cost (7a)	1,324
1010	Investment Management Expenses (7b)	1,214
446	Oversight and Governance Cost (7c)	399
<b>2,698</b>	<b>Total Management Expenses</b>	<b>2,937</b>

### 7(a) Administrative Expenses

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

All other costs of administration are borne by Islington Council.

### 7(b) Investment Expenses

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

### 7(c) Oversight and Governance Cost

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

## 8. Income from Investments

2017/18 £'000	Investment Income	2018/19 £'000
12,056	Dividends from equities	7,229
(233)	Income from other investments vehicles	5,791
2,524	Net rents from pooled investment properties	3,356
-	Interest on cash deposits	17
<b>14,347</b>	<b>Total Investment income</b>	<b>16,393</b>
-	Irrecoverable withholding tax	
<b>14,347</b>	<b>Total Investment income</b>	<b>16,393</b>

## 9. Investments

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

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.

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

Investment Assets by Type	2017/18 £'000	2018/19 £'000
<b>Fixed interest securities (valued at Bid Price)</b>		
Fixed interest securities (valued at Bid Price)	80	78
<b>Total Fixed interest securities</b>	<b>80</b>	<b>78</b>
<b>Index -linked</b>		
UK public sector quoted	125	125
<b>Total Index -linked</b>	<b>125</b>	<b>125</b>

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

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

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

## 10. Current Assets

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

## 11. Total Liabilities

2017/18	Current Liabilities	2018/19
£'000		£'000
(601)	Accrued Benefits	(930)
(11,249)	**Sundry Creditors	(480)
(8,920)	*Receipt in Advance	(8,863)
(2,107)	Accrued Expenses	(3,415)
<b>(22,877)</b>	<b>Total Current liabilities</b>	<b>(13,688)</b>
2017/18	Non-Current Liabilities	2018/19
£'000		£'000
(8,863)	*Receipt in Advance	-
<b>(8,863)</b>	<b>Total Non-Current Liabilities</b>	<b>0</b>
<b>(31,740)</b>	<b>Total Liabilities</b>	<b>(13,688)</b>

## 12. Benefits

a) Benefits provided by the scheme include:

- Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

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

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

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

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

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

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

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

## 13. Contributions

Contributions are credited to the Pension Fund consisting mainly of:

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

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

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

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

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

f) The Pension Fund is Tax Exempt

#### **14. Actuarial Position**

Mercer, an independent actuary, values the Fund every three years. The actuary's job is to decide whether present contribution rates are sufficient for funding purposes. They may, if the situation demands, recommend an increase in contributions to ensure the solvency of the Fund. The latest actuarial valuation, including calculated changes to the ongoing employer contribution rate to meet current service accrual, and to the lump sums needed to meet past service deficit, was carried out as at 31 March 2016. The next valuation is due to take place as at 31 March 2019.

The Pension Fund Triennial revaluation carried out as at 31 March 2016 came into effect in terms of altered employer contributions from 1 April 2017 to 31 March 2020. Under this revaluation the Fund assets were valued at £1,084m and, a deficit of £299m. The funding level has improved to 78% compared to 70% at 31 March 2013. The actuary has defined a common employer contribution rate of 14.7% of pensionable pay per annum, and an average additional contribution of 6% of pensionable pay for 22 years to eliminate the deficit. This would imply an average employer contribution rate of 20.7% of pensionable pay in total.

Additional monetary amounts are paid each year and inflated by the amount specified in the annual Pensions Increase Order of 3.7% to complete a 22-year programme of payments to bring the Fund back to 100% funding.

The contribution rates were calculated using the projected unit actuarial method and the main assumptions (2016 valuation) were as follows for future service:

- Rate of return on investments 4.95% per annum
- Rate of general pay increases 3.7% per annum
- Rate of increases to pensions in payment (in excess of Guaranteed Minimum Pensions) 2.2% per annum

Assets have been valued at their market value at the valuation date.

The Audit Commission published a report on the impact of early retirement on public sector pension funds in 1997, "Retiring Nature: Early Retirement in Local Government".

Following the council's consideration of this report, a system of controls was put in place to protect the Pension Fund from the unfunded costs or "strain" placed on the Fund to finance early retirements due to redundancy, and also high levels of medical retirements. As a result, all medical retirements must be considered and approved by the council's Occupational Health Adviser based on practice guidelines issued by the adviser's professional body.

In addition, the levels of medical retirements are monitored annually to ensure that the costs incurred are not significantly different from the annual allowance for such costs made by the Fund actuary. For early retirements resulting from redundancy, there is no allowance in the Pension Fund for the costs of the additional years of benefit payable before normal retirement age, or the loss of contribution income, (the capitalised sum of these cash streams are termed the "strain" on the Pension Fund). To allow for this, when departments consider redundancies involving an early retirement, they must take into account the "strain" cost in the appraisal, and if an early retirement is permitted, the department must repay the "strain" payment into the Fund. Instalments over three years are permitted, with an interest charge.

The figure is prepared for the purposes of IAS 26 and has no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund, which is carried out on a triennial basis.

### **15. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26(yet to be updated)**

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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / Care Revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / deferment	2.3% per annum	2.2% per annum

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

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,101 million. Interest over the year increased the liabilities by c£53 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£19 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £82 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,091 million.

## 16. Fund Membership (yet to be updated)

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,562	5,690	137	124	327	477	6,026	6,291
Pensioners	5,057	5,193	391	403	15	17	5,463	5,613
Widows/ Children's Pensions	934	1,001	47	50	4	5	985	1,056
Deferred Benefits	7,529	7,682	773	755	163	169	8,465	8,606
<b>Totals</b>	<b>19,082</b>	<b>19,566</b>	<b>1,348</b>	<b>1,332</b>	<b>509</b>	<b>668</b>	<b>20,939</b>	<b>21,566</b>

## 17. Additional Voluntary Contributions

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

## 18. Contingent Assets and Liabilities

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

## 19. Contractual Commitments

There were no contractual commitments at the period end.

## 20. Related Parties

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

Two members of the pension board are in receipt of pensions benefits from the Islington Council Pension Fund (Marion Oliver and Valerie George). Members of the Pensions Sub-committee are related parties of the fund and four of them are deferred members of the LGPS. 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.

## 21. Post Balance Sheet Events

None.

## 22. 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.

## 23. Price and Currency Risk

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

### Price risk

Price Risk	Final Market Value as at 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	162,708	8.50%	176,615	148,801
Overseas Equities	583,630	10.00%	642,213	525,046
Total Bonds	157,775	5.40%	166,273	149,276
Pooled Multi Asset	113,648	4.60%	118,861	108,436
Cash	19,327	0.50%	19,424	19,231
Property	260,677	3.20%	269,041	252,313
Infrastructure	39,211	5.50%	41,356	37,066
Private Equity	27,433	13.20%	31,060	23,805
<b>Total Assets</b>	<b>1,364,409</b>	<b>5.30%</b>	<b>1,464,843</b>	<b>1,263,974</b>

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

### Currency risk

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

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

## 24. 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 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	1,297,972	88,907		1,386,879
Loans and Receivables		3,545		3,545
<b>Total Financial Assets</b>	<b>1,297,972</b>	<b>92,452</b>	<b>0</b>	<b>1,390,424</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>(13,688)</b>	<b>0</b>	<b>(13,688)</b>
<b>Net Financial Assets</b>	<b>1,297,972</b>	<b>78,764</b>	<b>0</b>	<b>1,376,736</b>

Values at 31 March 2018	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial Asests</b>				
Financial assets at fair value through profit and loss	1,293,614	40,371	-	1,333,985
Loans and Receivables	-	5,176	-	5,176
<b>Total Financial Assets</b>	<b>1,293,614</b>	<b>45,547</b>	<b>0</b>	<b>1,339,161</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(31,740)	-	(31,740)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>(31,740)</b>	<b>0</b>	<b>(31,740)</b>
<b>Net Financial Assets</b>	<b>1,293,614</b>	<b>13,807</b>	<b>0</b>	<b>1,307,421</b>

### Valuation of financial instruments carried a fair value

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

#### Level 1

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

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

## Level 2

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

## Level 3

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

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

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

## 24. Investment Assets by Fund Manager

<b>Investment Assets by Fund Manager</b>	<b>2017/18</b>	<b>2018/19</b>
	<i>£'000</i>	<i>£'000</i>
<b>LBI In House Fund</b>		
<b>EQUITIES</b>		
UK quoted - LBI self-managed	126,485	125,805
Overseas quoted - LBI self-managed	37,244	37,111
<b>CASH DEPOSITS</b>		
Sterling	1,853	2,625
Other	2,817	9,808
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends/Tax	1,174	1,571
Outstanding trades		
<b>FIXED INTEREST</b>		
UK	80	78
<b>INDEX-LINKED</b>		
UK	125	125
<b>POOLED FUNDS</b>		
UK	5,605	5,177
<b>Total LBI In House Fund</b>	<b>175,383</b>	<b>182,300</b>
<b>Newton-London CIV</b>		
<b>EQUITIES</b>		
Overseas quoted - NEWTON		
UK quoted - NEWTON		
<b>POOLED FUNDS</b>		
UK quoted	190,907	218,049
Overseas quoted		
<b>CASH DEPOSITS</b>		
Sterling	109	109

Other	439	477
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends	411	390
Outstanding trades		
<b>Total Newton</b>	<b>191,866</b>	<b>219,025</b>
<b>Allianz / LONDON CIV</b>		
<b>EQUITIES</b>		
Overseas quoted - RCM		
UK quoted - RCM		
<b>POOLED FUNDS</b>		
Other	106,770	118,596
<b>CASH DEPOSITS</b>		
Sterling	279	284
Other	7	8
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends	101	97
Outstanding trades		
<b>Total RCM</b>	<b>107,157</b>	<b>118,985</b>
<b>Standard Life Bonds</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Managed funds	248,487	157,775
<b>Pantheon</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Private equity - overseas	6,488	9,174
<b>Standard Life</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Private equity - overseas	19,799	18,258
<b>Aviva Lime Property</b>		
<b>UK UNIT TRUSTS</b>		
Property	64,316	117,709
<b>Threadneedle Pensions</b>		
POOLED INVESTMENT: Property	84,778	88,673
<b>Baring English Growth Fund</b>		
UK UNIT TRUSTS	0	
<b>Thesis</b>		
POOLED INVESTMENT: Property	27,674	28,514
<b>BNY Mellon</b>		
CASH DEPOSITS : Sterling	6,896	6,894
outstanding fx trades	-2	
<b>Total BNY Mellon</b>	<b>6,894</b>	<b>6,894</b>
<b>Legal &amp; General</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Managed funds	147,199	162,254
<b>Franklin Templeton</b>		
Pooled Investment Global Property	18,833	25,781
<b>Schroders</b>		
Pooled Investment Multi Asset	128,530	113,648

<b>BMO</b>		
Pooled Investment Managed Funds	74,776	76,207
<b>LGIM</b>		
Pooled Investment Managed Funds	31,805	22,471
<b>Pantheon Infrastructure</b>		
Infrastructure	0	16,500
<b>Quinbrook Infrastructure</b>		
Infrastructure	0	22,711
<hr/>		
<b>Total Investment Assets</b>	<b>1,333,985</b>	<b>1,386,879</b>