



Report of: Corporate Director of Resources

Meeting of:	Date	Agenda item	Ward(s)
Pension Board	30 June 2020		n/a

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SUBJECT: PENSION FUND- DRAFT 19/20 STATEMENT OF ACCOUNTS AND 20/21 ADMINISTRATION CASHFLOW FORECAST

1. Synopsis

- 1.1 This report is for the local pension board to review the Funds 19/20 draft statement of accounts and annual cash flow updated to May 2020, as part of its work programme objective to make recommendations on statutory and non-statutory policies and strategies.

2. Recommendations

- 2.1 To review the 2020/21 annual cash flow forecast pension fund administration cost attached as Appendix 1
- 2.2 To review the 19/20 draft pension fund accounts attached as Appendix 2 before it is audited by Grant Thornton our external auditors.

3. Background

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

To ensure compliance with:

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

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

The Pension Board should therefore be mindful;

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

Annual Cashflow Update

3.4 As reported in the March meeting agenda, the Council did pay upfront the 3-year deficit lump sum in April 2020 of £29.6m. This was estimated to cover any shortfall in income during the year and the fund would not have to dip into investment income.

3.4.1 The 2021 cashflow plots the monthly income and expenditure expected and best use of surplus cash to minimize cost and investment capital. This is a monitoring tool to avoid disinvestment and for future investment strategies to generate enough investment income to meet future cashflow requirements. The updated cashflow shows receipts and projected expenditure. The lump sum and extra short term cash has been invested with the In-house passive fund until the cash is required in September.

3.4.2 Members are asked to review and note the updated cashflow forecast attached as Appendix 1.

19/20 Draft Statement of Accounts

3.5 The draft pension fund accounts are being finalised and working papers compiled to be handed to the auditors in June for the auditing to be completed and Audit Committee approval by September before the statutory deadline now extended to November because of COVID-19 disruption. The main highlights include:

- A decrease in net assets of 1.3% to £1,359million
- Employees' contributions totalled £12.9million compared to 12.1million in 2018/19
- Employers' contributions amounted to £37.8 million compared to the £34.8 million in the previous year this was mainly due to the Council's 0.7% increase in primary rate.
- Pensions paid totalled £50.2 million compared to £47.3million in 2018/19, a rise of 2.9%. The increase was driven by annual pension increase of 2.4%

As at 31 March 2020 the total income into the fund was £76.8million against an expenditure of £70.2 million. The other drivers apart from pension payments were retirement lump sums and transfer in. This means that the fund was able to meet all its commitments from contributions and investment income.

3.5.1 Members are asked to review the draft 19/20 statement of accounts (attached as Appendix 2) and for officers to make amendments if required as part of the auditing process before sign off at Audit Committee by September.

4. Implications

4.1 Financial implications

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

4.2 Legal Implications

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

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

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

4.4 Resident Impact Assessment

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

5. Conclusion and reasons for recommendation

- 5.1 Members are asked to review and note as per their agreed work plan, the updated 20/21 annual cashflow for pension administration cost Appendix 1 and the draft 19/20 statement of accounts – Appendix 2 that will be audited over the summer for approval by Audit Committee by September/

Background papers:

Islington pension board's terms of reference

Final report clearance:

Signed by:

Corporate Director of Resources

Date

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