ISLINGTON

Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of:	**Date**	**Agenda item**	**Ward(s)**
Pensions Sub-Committee	8 December 2020		n/a

Delete as appropriate		Non-exempt

Appendix 1 attached is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information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: FUNDING REVIEW UPDATE

1. Synopsis

1.1 This is an update report on the funding level of the Fund since the 2019 Actuarial review at 31st March 2019 to September 2020. The Fund Actuary, Mercer will present to Members their outlook on funding position and risk principles.

2. Recommendations

2.1 To receive the presentation prepared by our Fund Actuary attached as Exempt Appendix 1

2.2 To note the summary findings in paragraph 3.5

3. Background

3.1 The 2019 actuarial valuation was completed in March 2020 and is undertaken to determine the funding position and investment strategy that can support sustainable contributions from employers.

3.2 The actuarial review covers three main elements; processing and validation of data, funding strategy review and covenant assessment.

3.3 The 18 months since the valuation has seen market volatility and the COVID-19 pandemic affect employers covenants, future contributions and investment returns outlook. These factors will have an effect on the medium term funding level and it is prudent for Members to review any risk mitigation factors they may consider.

3.4 Mercers our fund actuary have prepared a presentation (attached as Exempt Appendix 1) to review the whole Funding level.

3.5 The summary findings to note include the following:

1) The funding level has increased by 5% since the 2019 valuation to 90% however the outlook of investment returns has reduced.
2) Though there has been gains, the period to being fully funded has increased
3) On going monitoring of employers represents the greatest risk (low affordability and high funding deficit)
4) Lowering the discount rate (in the absence of increasing investment risk/return) will increase the chance of achieving the recovery plan but this will increase employer contributions when affordability has reduced.
5) The Fund may have to accept an increase in funding risk and may want to consider options to reduce this risk.

3.6 Members are asked to receive the presentation and note the summary findings.

4. Implications

4.1 Financial implications

4.1.1 The cost of providing actuarial advice is part of fund management and administration fees charged to the pension fund.

4.2 Legal Implications

No legal implications

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 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.

4.4.1 An equalities impact assessment has not been conducted because this report is an update on existing exercise and the consultation of employers will mitigate any inequality issues.

5. Conclusion and reasons for recommendation

5.1 Members asked to receive the presentation from our Fund Actuary and note the summary findings from the 18 month funding review.

Background papers:
None

Final report clearance:

Signed by: Corporate Director of Resources Date

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