

London Borough of Islington Pension Fund Annual Report 2019/20

DRAFT

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Foreword

Dear Pension Scheme Member

Welcome to the Islington Council pension fund annual report for the 2019/20 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.

The beginning of 2020 saw the unpredicted event of COVID 19 pandemic, that brought the world to a virtual standstill. The first quarter of 2020 saw global equity markets lose a quarter of their value while credit markets also fell, property funds were closed as managers struggled to value assets in these new times. The Fund returned -1.3% against a customised benchmark of -1.8% and a drop to its market value from £1.38 billion to £1.36bn. The average Local Authority fund delivered an investment return of around -4.8%. Funds that had invested in alternative strategies particularly private equity performed better than those with high exposures to equities. Our equity protection hedge strategy expired in the last week in March 2020 and small portion in June and this provided a profit totalling £74.6m for the Fund and hence providing a better year end performance and a relative less drop in fund value.

The London CIV, our asset pooling organisation continues to grow its assets under management on Authorised Contractual Scheme (ACS). At the end of March 2020, London CIV had c.46% of potential assets, £16.7bn (active and passive) across the 32 London Local Authorities (LLAs). As at the end of March 2020, 16 funds had been launched and LCIV are also signatories to UNPRI and SAB Code of Transparency

The Pensions-Sub Committee and the Pension Board 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.

The targets and metrics and progress made as at 31 March 2020 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: 36% reduction of carbon intensity achieved
- 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: 55% 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: 12% 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.

Progress: Annual review was undertaken as at March 2020. Average whole Fund ESG rating by fund manager improved from 2.3 to 2.1

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.

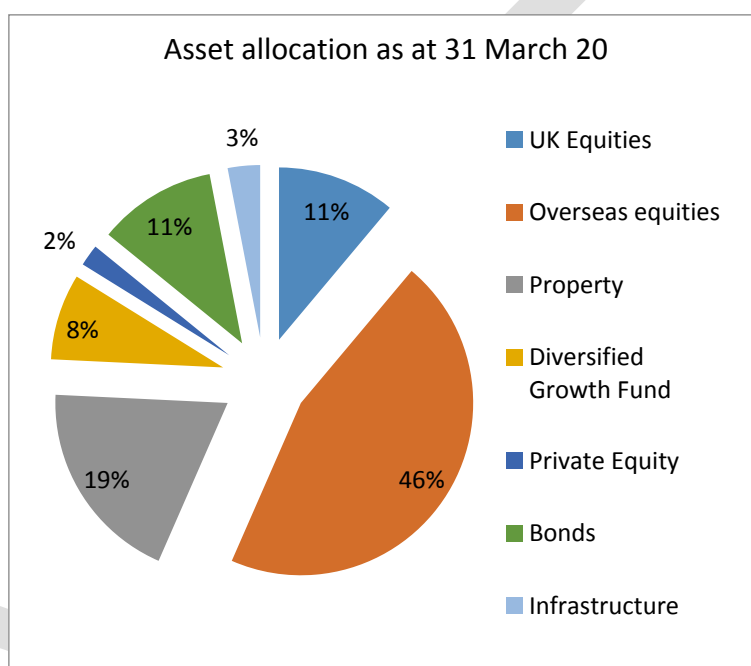
Cllr Paul Smith

Chair of Pension Board

1: Investment report

The 2019/20 year saw our fund return -1.3% compared to the average local authority fund return of -4.8%. Asset returns fell across most asset classes in the last quarter of the year with bonds, equities and alternatives returning -12.5%, 1.7%, and 7.4% respectively for the year. The best performing alternative asset class was private equity returning 12.1%. Despite the gradual reduction of equities for over a decade, most fund still held 55% of equities. The fund's equity protection had an impact on relative performance.

During the year to 31 March 2020 the fund's asset allocation was as follows



The agreed strategic asset allocation is as follows;

Equities	Property	Diversified growth fund	Corporate bond	Infrastructure
50%	20%	10%	10%	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 2020

Manager	Mandate	Market value £'000	12-month return %
Islington Council Treasury team	UK equities	133,500	-17.7

Manager	Mandate	Market value £'000	12-month return %
London LGPS CIV RBC sub fund(1)	Global equities	112,800	n/a
London LGPS CIV Newton sub fund	Global equities	212,300	-2.8
Legal and General	Global/Emerging equities	150,000	-17.2
BMO(1)	Emerging/ Frontier equities	59,900	-21.4
Standard Life	Corporate bonds	155,000	2.5
Aviva	Property	124,800	6.0
Columbia Threadneedle	Property	82,700	-6.8
Franklin Templeton	Property	20,100	21.2
Standard Life	Private equity	16,300	23.5
Pantheon	Private equity	7,000	8.7
Hearthstone	Property	29,100	1.7
Schroders	Multi Asset	106,500	-6.3
Pantheon	Infrastructure	21,700	5.5
Quinbrook	Infrastructure	41,800	9.1
BNY Mellon(2)	Cash deposits	6,900	n/a
LGIM	Investment Fund	75,800	n/a
Total Market Value		1,356,200	

(1) LCIV RBC commenced in July 2019.

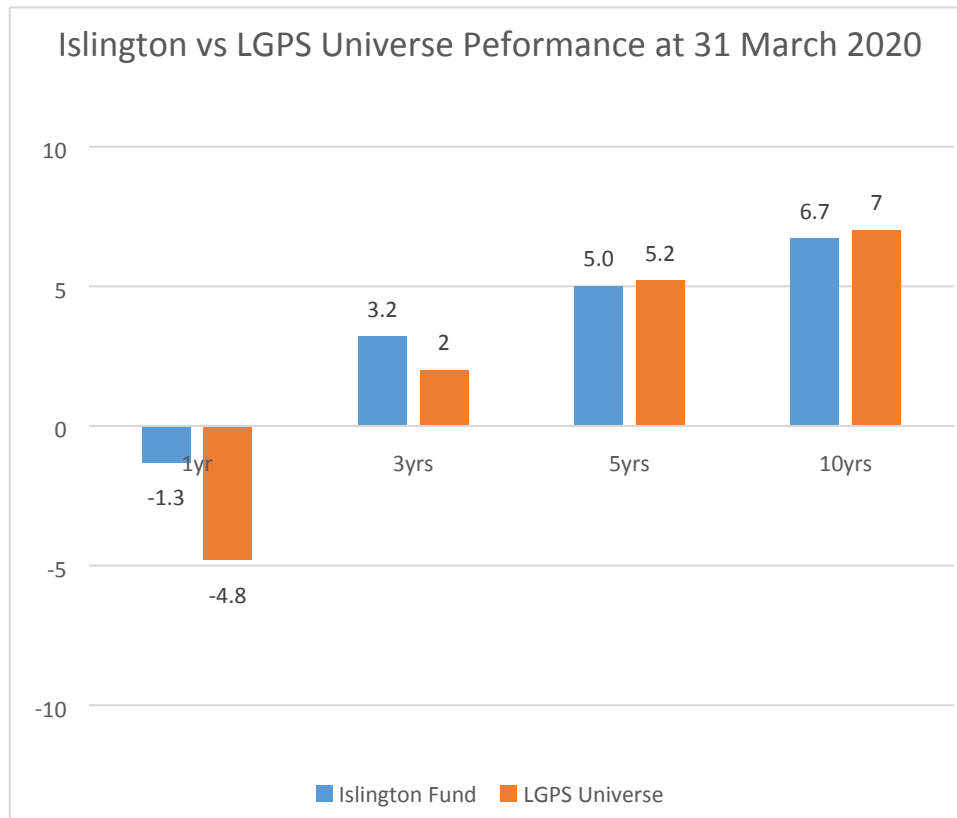
(2) BNY Mellon hedge overseas equities holdings/LGIM equity investment fund

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 year	3 year	5 year
Fund return per annum %	-1.3	3.2	5.0
Benchmark%	-1.8	2.5	4.5

Over the 10- year period the fund has returned 6.7% 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 1, 3, 5 and 10 year periods.



The Fund is top quartile over the latest three year period and has improved over the last five years. The Fund has reduced its overall level of volatility whilst managing to deliver a return in line with the median, hence more efficient than most peers. The medium term performance has been due to the high level of property held and the positive impact of the equity protection strategy employed.

The 10 Top Holdings in our segregated equity account are listed in the table below as at 31 March 2020

INSTITUTION	MARKET VALUE (£'000s)
ASTRAZENECA PLC	6,263
HSBC HOLDINGS PLC	6,222
GLAXOSMITH PLC	5,045
BP	4,545
DIAGEO PLC	4,484
ROYAL MAIL PLC	3,980
ROYAL DUTCH SHELL PLC	3,659
BRITISH AMERICA PLC	3,450
UNILEVER PLC	3,418
RIT CAPITAL PARTNERS	3,386

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 have fallen by 36%.

2: Pooling

Islington is one of 33 London local authorities who have become active participants in the CIV programme. The CIV 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 27 staff and by the end of March 2020, £17bn of LLAs assets were under LCIVs oversight.

Islington has three funds managed on the LCIV platform; two global active equities valued at £324m and global passive equities of £150m. The estimated fees saving for the year for pooling these three funds is £241,000. 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 2019/20 year included the following:

- London CIV finally had their business purpose changes approved by all shareholders to enable them take on additional activities such as management and oversight of passive fund.
- The LCIV Infrastructure Fund launched had its first close on 31 October 2019 with committed Funds of £399m and 6 investors. The LCIV Sustainable Equity Exclusion Fund launched on 11 March 2020 with £200m. Approval for the LCIV Global Equity Core Fund was achieved and is open for investment. In June, the LCIV Inflation Plus Fund with commitments of £107m was launched.
- In March 2019 the current CEO was appointed and by July 2020 a permanent CIO and Head of Responsible Investment were in place
- Key changes to the responsible investment and stewardship governance and organisational framework in 2019/20 include:
 - Agreement to establish a Responsible Investment Reference Group which will provide a focused forum for client assurance and engagement, collaboration and drive for best practice to ensure that London CIV is effective in serving the best interests of beneficiaries.
 - Appointment of a Non-Executive Director (NED) champion, Chris Bilsland
 - Changes to the Investment Oversight Committee (IOC) Terms of Reference to include Responsible Investment (The Shareholder Committee ToR already explicitly refer to Responsible Investment policy)
 - Recruitment of a Head of Responsible Investment who starts in mid-June 2020

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 March 2020

	UK & British Overseas	Europe & Global EU	Rest of the World	Total
For	310	67	1	378
Abstain	24	2	0	26
Oppose	104	9	0	113
Non-Voting	0	1	0	1
Total	438	79	1	518

4: Business plan

The Myners principles and compliance forms part of Islington Pension Fund's published Statement of Investment Principles. The Pensions Sub Committee agreed a four-year business plan to March 2019 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 2020 are listed below along with actions taken to June 2020

- ◆ 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:

- Actuary valuation was signed off on March 2020
- As part of actuarial valuation members agreed a new investment target return from amended strategic asset allocation within a risk budget
- Members agreed to tender for a new Multi asset credit mandate
- Members complied with TPR directives of agreeing objectives with investment consultancy service providers by December 2019

- ◆ 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 admin cashflow
- The board challenged officers on targets and benchmarking and recommended more resource that is now in place.
- As part of the workplan the board requested more scrutinise of COVID 19 checklist and impact on service.
- Board have also implemented regular reviews of new members through auto enrolment and opt-out numbers and commented on new website layout and contents.

- ◆ 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 policy is published and Members have shared their story with other LAs
 - Members continue to encourage and support the LCIV on engagement on ESG factors.
 - Voting records are published
 - Climate scenario analysis was undertaken for the whole fund in December 2019
-
- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities

Actions:

- Commissioned a deep dive in our residential property manager for governance assurances
- 1>1 meetings with managers have been held with officers and advisors to report to members
- Recap of multi – asset credit briefing before agreeing to procure
- Joint briefing on Actuarial valuations were held for Members to understand assumption and take funding decisions
- New Members have been enrolled to attend LGA trustee pension course.
- Training sessions before and during committee meetings continue.
- Members attend seminars and LCIV AGMs as shareholder

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

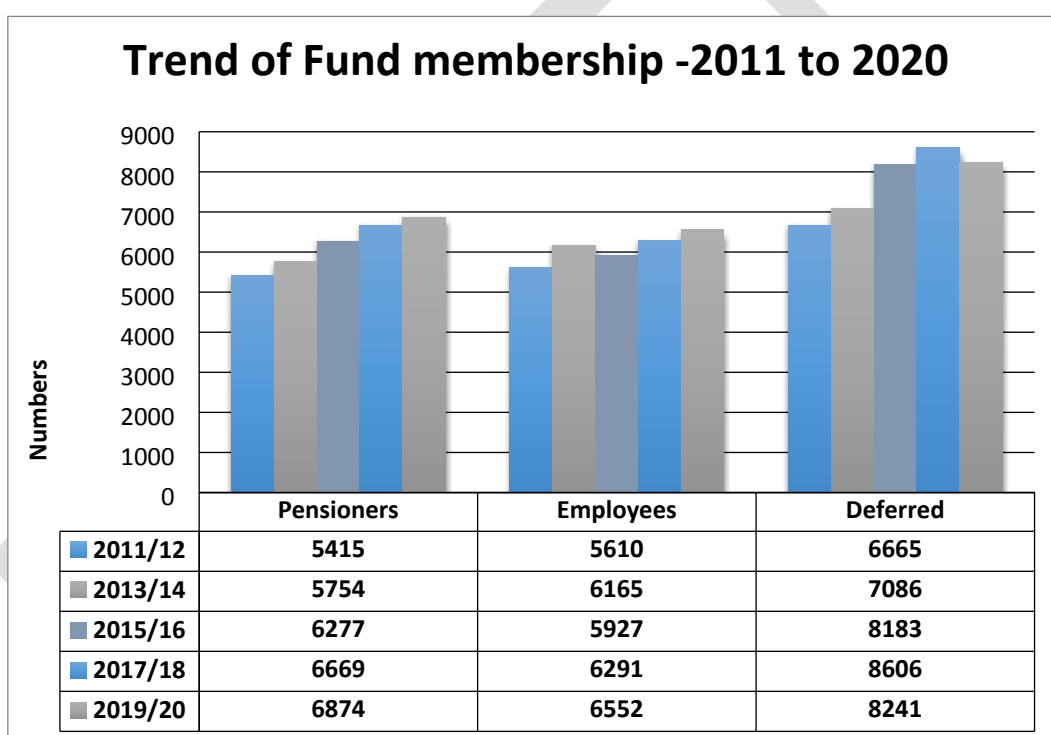
Actions:

- Officers are collaborating with another LA to procure a MAC mandate after LCIV's review of current manager on LCIV platform
- Members and officers worked with the LCIV on the initial workshops on ESG
- Pension Chair Members' collaboration of a North London LA group meet regularly to share ideas

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 2011 to 2020 is shown below.



The total membership over the same period is as follows:

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

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).

5.2.1 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 £22,501.00 to £36,500.00 a year. A person on £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 (2020/21), depending on the annual salary band, is shown below.

Contribution table 2020/21			
		main scheme	50/50 section

up to	£ 14,600.00	5.50%	2.75%
£ 14,601.00	£ 22,800.00	5.80%	2.90%
£ 22,801.00	£ 37,100.00	6.50%	3.25%
£ 37,101.00	£ 46,900.00	6.80%	3.40%
£ 46,901.00	£ 65,600.00	8.50%	4.25%
£ 65,601.00	£ 93,000.00	9.90%	4.95%
£ 93,001.00	£ 109,500.00	10.50%	5.25%
£ 109,501.00	£ 164,200.00	11.40%	5.70%
£ 164,201.00	or more	12.50%	6.25%

5.2.2 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 which is the date of entitlement to State Pension. The State Pension age is being changed for women so that before the end of the decade there will be a common age of 65 for both men and women, and rising thereafter to age 66 and beyond. To find out your own state pension age please see the following link: www.gov.uk/calculate-state-pension

5.3 Keeping up to date

Information regarding the LGPS provisions is provided on the Council's internal 'Izzi' site, and also on the external website for those who do not have access to the intranet site.

There are full details on the website regarding the LGPS.

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 2022.

5.4 Pension administration performance

The table below gives the data for the average performance for the year to 31 March 2020, in respect of the main procedures/processes.

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	154	95%	96.0%	5.5
Retirement benefits	5	414	95%	90.0%	7.0
Pension estimates	10	380	95%	82.0%	12.5
Preserved benefit calculations	15	224	95%	80.0%	18.0
Transfer-in quotation	10	98	95%	94.0%	12.0

Transfer-in actual	10	95	95%	100.0%	9.0
Transfer out quotation	15	125	95%	88.0%	17.0
Transfer out actual	12.5	116	95%	93.0%	14.0

Over the period, 85% of the 1,792 processes undertaken by the Pensions Administration team were completed 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, Third floor, 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:

Surname range Telephone enquiries

A – DA	020 7527 2028
DB – J	020 7527 2170
K – Q	020 7527 6733
R – Z	020 7527 2320

Email enquiries

shahid.daudi@islington.gov.uk
ali.sari@islington.gov.uk
romel.senior-walcott@islington.gov.uk
yonatan.worku@islington.gov.uk

6: Democratic arrangements

6.1 Pensions Sub-Committee

In 2019/20 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

Clr Paul Convery) Chair
 Clr Andy Hull (Vice Chair)
 Clr Sue Lukes
 Clr Mick O'Sullivan

Substitutes

Clr Mouna Hamitouche MBE
 Clr David Poyser
 Clr Roulin Khondoker

Ps: Audit Committee made some new appointments to Pension Sub- Committee in July 2020 Clr Poyser is now a member, Clr Satnam Gill OBE is now the 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 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 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 Paul Smith	Employer representative- Chair
Maggie Elliott - Chair of Governors at Montem Primary School	Employer representative-Vice Chair
George Sharkey, GMB	Member representative
Mike Calvert, Unison	Member representative
Valarie Easmon George	Retired members representative
-	Employer representative
Alan Begg	Independent member

The Board's terms of reference specify that the Board shall meet bi-annually 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.

For the municipal year 2019/20, the Board met on 17th June 2019, 10th September 2019, 3rd December 2019. The scheduled meeting 24th March 2020 was postponed due to COVID 19 pandemic. 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 2019 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

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

(ii) AVC provision for employees were reviewed

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

(iv) They reviewed the pensions risk register and requested COVID-19 impact be included and reviewed six monthly

(iv) They also considered consultation on McCloud and valuation cycle and employer risk

(v) Attended joint training with Pension Subs-Committee members on Actuarial valuation update

(vi) They also reviewed the draft pension statement of accounts for 2019/20

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

<http://democracy.islington.gov.uk>

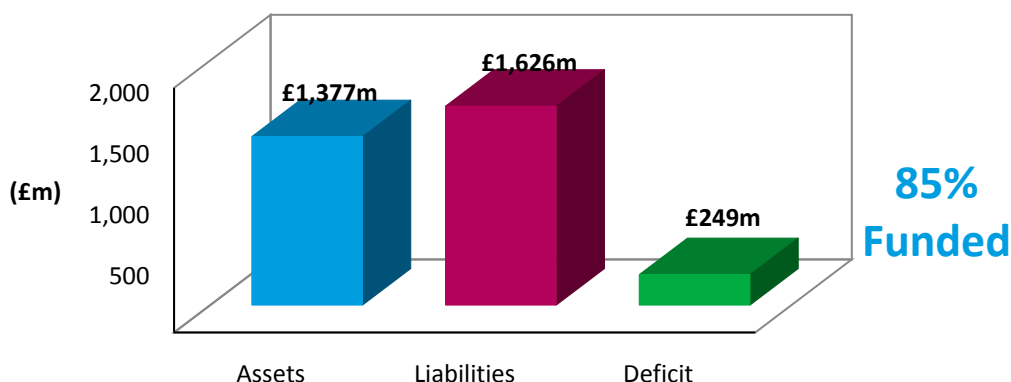
7. Funding of the pension scheme

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - 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 (other than ill-health retirements) 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 announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

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

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. 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. Our view is that employer contributions should not be revisited but the position should be 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 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum

	31 March 2019	31 March 2020
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% 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, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,295 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£55 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£24 million (this includes any increase in liabilities arising as a result of early retirements and and GMP indexation – see comments elsewhere in this statement).

There was also a decrease in liabilities of £133 million due to “actuarial gains” (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures*).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,241 million.

GMP Indexation

At present, the public service schemes are 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 may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £10 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

8: Summary of financial report

8.1 Income and expenditure for 2019/20

- A reduction in net assets of 13% to £1,359million. The reduction was due to a fall in the valuation of financial assets during the month of March 2020, which is because of the Covid-19 pandemic.
- Employees' contributions totalled £12.97 million compared to £12.1 million in 2018/19
- Employers' contributions amounted to £37.7 million compared to the £34.8 million in the previous year.
- Other Income comprised of transfers from other pension fund and recharges amounted to £8.1 million compared to £6.2 million in 2018/19
- Pensions paid totalled £50.2 million compared to £47.3 million in 2018/19, a rise of 6.1%. The increase was driven by annual pension increase of 3%

As at 31 March 2020, the total loss into the fund was £17.9 million and investment income £17.9 million against an expenditure of £70.2 million. The other drivers apart from pension payments were retirement lump sums and transfer outs. This means that the fund was however, able to meet all its commitments from contributions and investment income.

The detailed reporting of the pension fund accounts for 2019/20 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/accounts.

9: Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Statement of Responsibilities for the Statement of Accounts is prepared in accordance with the requirements of the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)*. The council's designated Chief Finance Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the Council's financial affairs.

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently; made judgements and estimates that were reasonable and prudent; complied with the Code; kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.



David Hodgkinson
Corporate Director of Resources
30 November 2020

Approval of the accounts

I certify that the audited Statement of Accounts has been approved by resolution of the Audit Committee of the London Borough of Islington in accordance with the Accounts and Audit Regulations 2015.



Councillor Nick Wayne, Chair of the Audit Committee

30 November 2020

DRAFT

10: Statement of Accounts 2019/20

10.1 Fund Account

2018/19 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2019/20 £'000	Note
Contributions receivable			
24,721	Employer contributions	27,697	7a
10,128	Deficit recovery contributions	10,058	7a
12,127	Members contributions	12,970	7b
3,631	Transfers in from other pension funds	5,452	8
2,572	Other Income	2,647	9
53,180	Total Income	58,824	
Benefits payable			
(47,273)	Pensions	(50,220)	10
(8,967)	Lump sum benefits	(10,217)	10
(7,466)	Payment to and on account of leavers	(6,450)	11
(63,707)	Total Expenditure	(66,887)	
(10,527)	Net additions/ (withdrawals) from dealing with members	(8,063)	
(2,937)	Management Expenses	(3,275)	12
(13,464)	Net additions/ (withdrawals) including fund management expenses	(11,338)	
Returns on investments			
16,393	Investment income	17,948	13
66,385	Change in market value (realised & unrealised)	(24,534)	
82,779	Total Returns on investments	(6,586)	
Net return on investments			
69,315	Net increase/decrease in fund in year	(17,924)	
1,307,421	Opening net assets of the scheme	1,376,736	
1,376,736	Closing net assets of the scheme	1,358,812	

10.2 Net Assets Statement

2018/19 £'000	Net Assets Statement for the year ended 31 March 2020	2019/20 £'000	Note
Investments			
1,364,616	Investment assets	1,342,734	14
22,263	Other Investment and Cash	13,457	14
1,386,878	Total Investments	1,356,191	
Current Assets and Liabilities			
3,545	Current assets	6,009	16
(13,688)	Current liabilities	(3,388)	17
1,376,736	Net assets of the scheme at 31 March	1,358,812	

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.

10.3 Notes to the Pensions Account

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 commitment £4.47million) and Standard Life (total commitment £5.25 million). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £12.2 million). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £13.6 million) and Pantheon Access - £57.9 million. 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 29). 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>

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.

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

Administering Authority:		Islington Council
Scheduled 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 Community School		• Pleydell
• St Mary Magdalene Academy: the Courtyard		• NCP Services (Islington South)
• Tech City College (formerly Stem 6th)		• SSE Contracting Ltd (Islington Lighting)
• Elliot Foundation		• Brunswick
• The Pears Family School		• Southern Housing Group
• The Bridge School		• Caterlink
• City of London Academy, Highbury Grove		• Engie Services Ltd(Cofely Workplace Ltd)
• City of London Academy, Highgate Hill		• RM Education
• The Bridge Satellite Provision		• Breyer Group
• The Bridge Integrated Learning Space		• Mears Ltd
• City of London Primary Academy, Islington		• Greenwich Leisure Ltd
• Clerkenwell Parochial CofE Primary School		• W J Catering
• Hungerford Primary School		• Isledon Arts CIC
• London Screen Academy		• Pabulum
		• Alliance in Partnership
		• Bouyges ES FM UK Ltd.

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,684	5,956	128	136	472	460	6,284	6,552
Pensioners	5,455	5,409	428	458	25	39	5,908	5,906
Widows/ Children's Pensions	1,026	913	51	50	5	5	1,082	968
Deferred Benefits	7,465	7,299	722	692	229	250	8,416	8,241
Totals	19,630	19,577	1,329	1,336	731	754	21,690	21,667

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.
- ii. 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 (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 twenty-two years. A lump sum contribution of £10.06m was made in 2019/20 (£10.13m in 2018/19) (a discounted amount due to payment in advance in April 2017).
- iii. 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.
- iv. 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.
- v. 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. 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.
- v. 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.

Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its positions as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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 18 of these accounts.

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

Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) 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.

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, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

- **Investment 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 2020.

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. The fund does not hold derivatives for speculative purposes.

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 2019/20 amounted to £219k and the value of the fund as at 31 March 2020 was £1.467m.

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.

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.

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.	<p>The effects on the net pension liability of changes in the individual assumptions can be measured.</p> <ul style="list-style-type: none"> • A 0.5% p.a. decrease in discount rate would result in a pension liability increase of approximately 8% ~ £186m. • A 0.5% p.a. increase in salary increase rate would result in a pension liability increase of approximately <1% ~ £11m. • 0.5% p.a. increase in inflation / pension increase rate 8% increase ~ £186m. • A 1-year increase in member life expectancy would result in a pension liability increase of approximately 3% ~ £61m.

<p>Private equity and Infrastructure investments</p>	<p>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.</p>	<p>Private equity and infrastructure investments are valued at £86.877m in the financial statements. These investments were valued as at the 31st March and may vary when the final audited valuations become available during the year.</p> <p>These assets have been predicted a sensitivity range of 6 – 11.7% by the performance analytics. (See note 26).</p> <p>The General Partner has considered the impact of the emergence and spread of COVID-19 and potential implications on future Partnership operations, there is currently material valuation uncertainty. This consideration included, but is not limited to the liquidity of the Partnership including an assessment of the impact of a temporary reduction in income, no external debt held by the Partnership, the ability of the Partnership to draw down cash from investors in line with available undrawn commitments, which provides sufficient funds to cover operating expenses for at least the next 12 months, and business contingency plans to cope with sustained periods of remote working.</p>
<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 £256.643m (including pooled property). These assets were valued as at 31st March 2020</p> <p>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 7.40% (See note 27).</p> <p>Having engaged with the fund managers, it was reported that "As at the valuation date, they consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means those funds faced with an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuation of properties are kept under frequent review.</p> <p>As at 31st March, the total valuation of the fund was 106.5m. The Schroder UK Real Estate Fund holding was 4.8%. As at 31st March 2020, RICS (Royal Institute of Chartered Surveyors) have advised there is</p>

Diversified Growth Fund	Investments are valued as frequently as possible based on the price frequency of the underlying assets. For listed or exchange-traded instruments including derivatives, this is normally daily. For Fixed Income securities and OTC derivatives, this is also normally daily. For 3rd party funds (including Hedge funds; Private Equity funds; and Real Estate funds), monthly or quarterly valuations are more common. Care is taken to ensure the most up to date price at the valuation date is used at the time each valuation report is created.	currently material valuation uncertainty of UK Real Estate Funds due to market conditions.
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COVID-19 IMPACT

The COVID-19 pandemic has negatively affected the value of the fund see note 19. We have a robust cash flow monitoring system, in line with revisiting the employers' contribution rates set by the actuary. A delay in the AVC fund statements has led to an estimated value; hence, these amounts are subject to change.

EVENTS AFTER THE REPORTING DATE

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

Non-adjusting event – COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets; How long will the pandemic last? Will there be a second flare-up? How deep will its economic impacts be? There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs. Both the short and long-term implications of the shut-down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of Covid-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for Covid-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of September 2020 the investments are valued overall at £1.548bn, a higher value than were at 31 March 2020 (in these financial statements).

With regards to the Fund's Level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying Level 3 investment assets could have seen positive uplifts to their valuations (e.g. broadband/telecommunications infrastructure providers) as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

In April 2020, the Pension fund was paid £29.6m, which is the 3 years advance deficit lumpsum.

DRAFT

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	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Administering Authority						
Islington Council	31,877	34,347	-	-	702	768
Scheduled Bodies						
St Mary Magdalene Academy	199	218	-	-	-	-
City of London Academy	154	150	-	-	-	-
The New North Academy	97	95	-	-	-	-
William Tyndale School	104	111	-	-	-	-
The Courtyard School	19	18	-	-	-	-
Tech City (Stem 6th form Academy)	14	7	-	-	-	-
Elliot Foundation	105	147	-	-	-	-
The Bridge School	454	447	-	-	-	11
The Bridge Integrated Learning Space	39	53	-	-	-	-
The Pears Family School	16	14	-	-	-	-
City of London Academy Highbury Grove	283	285	-	-	-	-
City of London Academy, Highgate Hill	61	101	-	-	-	-
The Bridge Satellite Provision	15	24	-	-	-	-
City of London Primary Academy, Islington	9	15	-	-	-	-
Clerkenwell Parochial Academy	77	96	-	-	-	-
Hungerford School	108	76	-	-	-	15
London Screen Academy	-	16	-	-	-	-
Sub-Total Scheduled Bodies	1,751	1,873	-	-	-	26
Admitted bodies						
Volunteering Matters(CSV)	154	160	-	-	-	-
Camden & Islington NHS Foundation Trust	81	70	-	-	-	-
Braithwaite	5	5	-	-	-	-
Pleydell	15	16	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	12	13	-	-	-	-
Brunswick	17	28	-	-	-	-
Southern Housing Group	8	5	-	-	-	-
Caterlink	157	184	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	108	110	-	-	-	-
R M Education	(205)	-	-	-	-	-
Breyer Group	5	4	-	-	-	-
Mears Ltd	31	32	-	-	-	-
Greenwich Leisure Ltd	77	69	-	-	-	-
WJ Catering	2	3	-	-	-	-
Isledon Arts CIC	8	8	-	-	6	-
Pabulum	3	3	-	-	-	-
Alliance In Partnership	21	22	-	-	-	-
Bouyges ES FM UK Ltd.	14	9	-	-	-	-
Sub-total Admitted Bodies	514	511	-	-	6	-
Totals	34,142	36,731	0	0	707	794

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)	
	2018/19	2019/20
	£'000	£'000
Administering Authority		
Islington Council	11,245	12,048
Scheduled Bodies		
St Mary Magdalene	99	105
City of London Academy	71	67
The New North Academy	35	31
William Tyndale School	30	31
The Courtyard School	13	12
Tech City (Stem 6th form Academy)	10	4
Elliot Foundation	106	135
The Bridge School	146	140
The Bridge Integrated Learning Space	23	31
The Pears Family School	7	7
City of London Academy Highbury Grove	70	76
City of London Academy, Highgate Hill	30	38
The Bridge Satellite Provision	7	11
City of London Primary Academy, Islington	9	8
Clerkenwell Parochial academy	15	13
Hungerford School	27	25
London Screen Academy	-	5
Sub-Total Scheduled Bodies	698	739
Admitted bodies		
Volunteering Matters (CSV)	0	-
Camden & Islington NHS Foundation Trust	11	7
Braithwaite	2	2
Pleydell	6	6
NCP Services (Islington South)	8	6
SSE Contracting Ltd (Islington Lighting)	4	5
Brunswick	5	8
Southern Housing Group	2	1
Caterlink	50	54
Engie Ltd (Cofely Workplace Ltd)	36	36
R M Education	1	-
Breyer Group	2	4
Mears Ltd	9	9
Greenwich Leisure Ltd	30	28
WJ Catering	1	1
Isledon ArtsCIC	3	3
Pabulum	1	1
Alliance In Partnership	9	9
Bouyges ES FM UK Ltd.	4	3
Sub-total Admitted Bodies	184	183
Totals	12,127	12,970

Transfers in

2018/19	Transfers in	2019/20
£'000		£'000
-	Group transfers in from other schemes	-
3,631	Individual transfers in from other schemes	5,452
3,631	Total transfers in	5,452

Other Income

2018/19	Other Income	2019/20
£'000		£'000
-	Income from Other Investments	-
-	Interest	-
2,572	Other	2,647
2,572	Total other income	2,647

Other income are pension recharges and miscellaneous fees.

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	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Administering Authority						
Islington Council	43,903	46,653	6,879	8,550	1,487	958
Scheduled Bodies						
St Mary Magdalene Academy	25	25	-	-	-	-
City of London Academy	40	61	27	107	93	-
The New North Academy	9	12	-	66	-	-
William Tyndale School	20	24	-	25	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	1	2	8	7	-	-
Elliot Foundation	0.21	-	-	-	-	-
The Bridge School	-	2	-	12	-	-
City of London Academy Highbury Grove	-	4	-	-	-	-
City of London Primary Academy, Islington	-	-	-	-	-	-
Hungerford School	-	8	-	54	-	-
Sub-Total Scheduled Bodies	100	143	36	271	93	-
Admitted Bodies						
Volunteering Matters (CSV)	1,238	1,287	251	153	24	13
Aquaterra	240	227	65	-	-	-
CEA	831	851	-	-	-	-
FSST	3	4	-	-	-	-
Kier Islington Ltd (Caxton)	578	588	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	70	72	-	-	-	-
ALA	20	21	-	-	-	-
Notting Hill Trust	8	22	-	19	-	-
Camden & Islington NHS Foundation Trust	59	89	36	78	-	-
Pleydell	-	6	-	89	-	-
SSE Contracting Ltd (Islington Lighting)	54	55	-	-	-	-
Brunswick	9	10	-	-	-	-
Southern Housing Group	-	3	-	8	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	32	33	-	-	-	-
London Property Maintenance	0	-	-	-	-	-
Caterlink	18	20	5	14	-	-
Engie Ltd (Balfour Beatty)	24	28	32	17	-	-
Kier Support Services	20	20	-	-	-	-
Breyers	-	12	-	47	-	-
Mears	16	16	-	-	-	-
Greenwich Leisure Ltd	22	22	-	-	-	-
WJ Catering	12	23	57	-	-	-
Isledon Arts CIC	1	-	2	-	-	-
Alliance In Partnership	2	3	-	-	-	-
Sub-total Admitted Bodies	3,271	3,424	449	425	24	13
Totals	47,274	50,220	7,364	9,246	1,603	971

Payments to and on Account of Leavers

Payment to and on Account of Leavers		2019/20
£'000		£'000
193	Refunds of Contributions	171
7,273	Individual Transfer	6,279
7,466	Total payments to and on account of leavers	6,450

Management Expenses

Management Expenses		2019/20
2018/19 £'000		£'000
1,324	Administrative Cost (12a)	1,286
1214	Investment Management Expenses (12b)	1,317
400	Oversight and Governance Cost (12c)	672
2,937	Total Management Expenses	3,275

Administrative Expenses

Administrative expenses		2019/20
2018/19 £'000		£'000
898	Employee Cost	967
426	Support services	319
1,324	Total administrative expenses	1,286

All other costs of administration are borne by Islington Council.

Investment Expenses

Investment Expenses		2019/20
2018/19 £'000		£'000
1,181	Management Fees	1,278
33	Custody Fees	39
1,214	Total investment management expenses	1,317

Oversight and Governance Cost

Oversight & Governance Cost		2019/20
2018/19 £'000		£'000
25	Performance Management Services	35
313	Advisory Services Fees	384
21	Operation and Support	133
25	Actuarial Fees	90
16	Audit Fees	25
-	Legal Fees	5
400	Total Oversight & Governance Cost	672

Income from Investments

2018/19 £'000	Investment Income	2019/20 £'000
7,229	Dividends from equities	7,073
5,791	Income from other investments vehicles	6,349
3,356	Net rents from pooled investment properties	4,488
17	Interest on cash deposits	38
16,393	Total Investment income	17,948
-	Irrecoverable withholding tax	
16,393	Total Investment income	17,948

Investments

Investments	Market value 01 Apr 19 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 20 £'000
Fixed interest securities	78	-	-	(3)	75
Indexed linked securities	125	-	-	(10)	115
Equities	162,915	-	(4,412)	(35,517)	122,986
Pooled investment vehicles (P.I.V)	874,177	136,341	(137,425)	2,945	876,038
Properties - P.I.V	260,677	4,560	(10,190)	1,596	256,643
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total	1,364,616	161,924	(159,272)	(24,534)	1,342,734
Other Investment & Cash	22,263				13,457
Total Investments	1,386,879				1,356,191

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.

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	163,729	-	(4,879)	4,065	162,915
Pooled investment vehicles (P.I.V)	934,079	5,798	(111,190)	45,490	874,177
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
Total	1,319,901	133,247	(154,918)	66,386	1,364,616
Other Investment & Cash	14,084				22,263
Total Investments	133,985				1,386,879

Investment Assets by Type		2018/19 £'000	2019/20 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		78	75
Total Fixed interest securities		78	75
Index -linked			
UK public sector quoted		125	115
Total Index -linked		125	115
Equities (valued at Bid Price)			
UK quoted		125,805	97,759
Overseas quoted		37,111	25,227
Total Equities		162,916	122,986
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	117,187	111,742
	Other : Bond	157,775	155,012
Overseas Managed Funds	Other : Equity	162,254	150,026
	Property	25,781	20,119
	Other : Private Equity	27,433	23,342
UK Unit trusts (valued at Bid Price)	Property	117,709	124,782
	Other	554,147	571,000
Infrastructure Investment		39,211	63,535
Total Pooled investment vehicles		1,201,497	1,219,558
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		2,058	1,292
Cash deposits : Sterling		9,913	11,557
Cash deposits : Other		10,293	608
Total Other investment balances		22,263	13,457
Total Investment Assets		1,386,879	1,356,191

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

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

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 31 March 2020 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
LBI Self-Managed UK quoted	97,760	7.2%	125,805	9.1%
London CIV Pooled - Newton MSCI All Country World	211,891	15.6%	218,049	15.8%
London CIV Pooled Allianz MSCI World	0	0.0%	118,596	8.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	155,012	11.4%	157,775	11.5%
Aviva Lime Property UK Unit Trust	124,782	9.2%	117,709	8.5%
Threadneedle Pooled Investment Property AREF IPD All Balanced	82,680	6.1%	88,673	6.4%
Legal & General Pooled Investment Vehicle	150,026	11.0%	162,254	11.8%
Schroders Pooled Investment Multi Asset	106,480	7.8%	113,648	8.3%
LGIM Pooled Investment Managed Funds	75,839	5.6%	22,471	1.6%
BMO Pooled Investment MSCI Emerging Market	59,902	4.4%	76,207	5.5%
London CIV RBC EQ RBC Bmk	112,364	8.3%	0	0.0%

Current Assets

2018/19 £'000	Current Assets	2019/20 £'000
706	Contributions due from Employers & Employee	1,884
46	Sundry Debtors	87
2793	Cash Balances	4,038
3,545	Total	6,009

Current Liabilities

2018/19 £'000	Current Liabilities	2019/20 £'000
(930)	Accrued Benefits	(1,049)
(480)	Sundry Creditors	(638)
(8,863)	Receipt in Advance	-
(3,415)	Accrued Expenses	(1,701)
(13,688)	Total Current liabilities	(3,388)

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.

2018/19 Market Value £'000	Additional Voluntary Contribution	2019/20 Market Value £'000
1,237	Prudential	1,164
215	Utmost (formerly Equitable life)	222
87	Phoenix Life (formerly NPI)	81
1,539	Total Additional Voluntary Contributions	1,467

Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2019/20.

Contractual Commitments

The fund has outstanding commitments totalling £93.5m as at 31 March 2020. Two private equity fund managers Pantheon Ventures £4.47m and Standard Life £5.25m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £12.20m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £13.64m and £57.9m respectively.

Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2020, the Pension Fund is due from the Islington Council £0.320m (£11.7m~31 March 2019). Full contributions from the council for the year are disclosed in Note 2.

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.

Key Management Personnel

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

2018/19 £'000		2019/20 £'000
(50)	Short-term benefits	(50)
(10)	*Post-employment benefits	(5)
(60)		(55)

*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 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	141,568	14.20%	161,609	121,528
Overseas Equities	521,700	11.70%	582,732	460,667
Total Bonds	155,012	5.70%	163,876	146,148
Pooled Multi Asset	106,480	6.70%	113,616	99,343
Cash	87,912	1.00%	88,756	87,068
Property	256,643	1.90%	261,621	251,665
Infrastructure	63,535	6.00%	67,333	59,736
Private Equity	23,341	11.70%	26,066	20,617
Total Assets	1,356,191	6.00%	1,437,628	1,274,755

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

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
Total Assets	1,364,409	5.30%	1,436,358	1,292,458

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 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	521,700	7.40%	560,057	483,342
Overseas Private Equity	23,342	7.40%	25,058	21,625
Overseas Infrastructure	63,535	7.40%	68,206	58,864
Overseas property	20,119	7.40%	21,598	18,640
Total Assets	628,695		674,920	582,471

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
Total Assets	676,054	5.60%	714,178	637,930

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 2020 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	17,540	17,365	17,715
Fixed interest securities	75	74	76
Total	17,615	17,439	17,791

Assets Exposed to interest rate risk	Value at 31 March 2019 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,056	24,805	25,307
Fixed interest securities	78	77	79
Total	25,134	24,882	25,385

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.

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 2020, liquid assets were £1,269m representing 94% of total fund assets (£1,320m at 31 March 2019 representing 95% 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.

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 2020	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	129,892	1,139,422	86,877	1,356,191
Loans and Receivables	4,038	1,971		6,009
Total Financial Assets	133,930	1,141,393	86,877	1,362,200
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(3,388)		(3,388)
Total Financial Liabilities	-	(3,388)	-	(3,388)
Net Financial Assets	133,930	1,138,005	86,877	1,358,812

Values at 31 March 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	

Financial Assets				
Financial assets at fair value through profit and loss	169,809	1,150,426	66,644	1,386,879
Loans and Receivables	2,793	752		3,545
Total Financial Assets	172,602	1,151,178	66,644	1,390,424
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
Total Financial Liabilities	-	(13,688)	-	(13,688)
Net Financial Assets	172,602	1,137,490	66,644	1,376,736

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 I.

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 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.

Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2019	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 - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total Level 3 Assets	66,644	21,023	(7,245)	6,455	86,877

Reconciliation of assets within level 3	Value at 31 March 2018	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Private Equity - P.I.V	26,287	619	(7,360)	7,887	27,433
Infrastructure - PIV	-	61,397	(19,899)	(2,287)	39,211
Total Level 3 Assets	26,287	62,016	(27,259)	5,600	66,644

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.

Investment Assets by Fund Manager

Investment Assets by Fund Manager		2018/19	2019/20
		£'000	£'000
LBI In House Fund			
EQUITIES			
UK quoted - LBI self-managed		125,805	97,760
Overseas quoted - LBI self-managed		37,111	25,227
CASH DEPOSITS			
Sterling		2,625	4,182
Other		9,808	600
OTHER INVESTMENT BALANCES			
Outstanding Dividends/Tax		1,571	1,021
FIXED INTEREST			
UK		78	75
INDEX-LINKED			
UK		125	115
POOLED FUNDS			
UK		5,177	4,524
Total LBI In House Fund		182,300	133,504
Newton - London CIV			
POOLED FUNDS			
UK quoted		218,049	211,891
CASH DEPOSITS			
Sterling		109	92
Other		477	0

OTHER INVESTMENT BALANCES		
Outstanding Dividends	390	271
Total Newton	219,025	212,254
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	118,596	0
CASH DEPOSITS		
Sterling	284	376
Other	8	9
OTHER INVESTMENT BALANCES		
Outstanding Dividends	97	
Total RCM	118,985	385
Standard Life Bonds		
Managed funds	157,775	155,012
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	9,174	7,001
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	18,258	16,340
Aviva Lime Property		
UK UNIT TRUSTS		
Property	117,709	124,782
Threadneedle Pensions		
POOLED INVESTMENT: Property	88,673	82,680
Thesis		
POOLED INVESTMENT: Property	28,514	29,062
BNY Mellon		
CASH DEPOSITS : Sterling	6,894	6,906
outstanding fx trades		
Total BNY Mellon	6,894	6,906
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	162,254	150,026
Franklin Templeton		
Pooled Investment Global Property	25,781	20,119
Schroders		
Pooled Investment Multi Asset	113,648	106,480
BMO		
Pooled Investment Managed Funds	76,207	59,902
LGIM		
Pooled Investment Managed Funds	22,471	75,839
Pantheon Infrastructure		
Infrastructure	16,500	21,741
Quinbrook Infrastructure		

RBC/ LONDON CIV

POOLED FUNDS

0

112,364

Total Investment Assets

1,386,789

1,356,191

11: Auditors opinion

Independent auditor's report to the members of London Borough of Islington on the pension fund financial statements of London Borough of Islington Pension Fund

Opinion

We have audited the financial statements of the London Borough of Islington Pension Fund (the 'pension fund') administered by the London Borough of Islington (the 'Authority') for the year ended 31 March 2020 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of

estimates made by the Corporate Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Corporate Director of Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Corporate Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's private equity, infrastructure, property and pooled property funds and the Diversified Growth Fund investments as at 31 March 2020.

For private equity and infrastructure investments, General Partners have considered the impact of the emergence and spread of Covid-19 and potential implications on future operations. These investments are presented in the context of a material valuation uncertainty. This consideration included, but is not limited to, the liquidity of the Partnerships including an assessment of the impact of a temporary reduction in income, no external debt held by the Partnerships, the ability of the Partnerships to draw down cash from investors in line with available undrawn commitments, which provides sufficient funds to cover operating expenses for at least the next 12 months, and business contingency plans to cope with sustained periods of remote working.

For pooled property investments, fund managers have reported that, as at the valuation date, they consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that funds were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

For the Diversified Growth Funds, the Royal Institute of Chartered Surveyors (RICS) have advised that, as at 31st March 2020, there is a material valuation uncertainty of UK Real Estate funds due to market conditions.

Our opinion is not modified in respect of these matters.

Other information

The Corporate Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Corporate Director Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Corporate Director of Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit Committee and Audit Committee (Advisory) is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady

Paul Grady, Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor
London
30 November 2020

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12: 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 'loans' 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.

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.

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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 [20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf](https://www.islington.gov.uk/media/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf)

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 [20200407icpffssmarch20201.pdf \(islington.gov.uk\)](https://www.islington.gov.uk/media/20200407icpffssmarch20201.pdf)

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 Audit 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 Volunteer Matters (formerly CSV)
 - 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 Hudson Allenbridge Investment Advisers.

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 www.islington.gov.uk/advice/council_pension_scheme.

Investment Strategy Statement

The current published Investment Strategy Statement is online at www.islington.gov.uk/advice/council_pension_scheme.

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 an 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.

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

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