

# Islington Pension Fund

## Fund Account

2019/20 £'000		Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2020/21 £'000	Note
<b>Contributions receivable</b>				
27,697	Employer contributions		29,104	7a
10,058	Deficit recovery contributions		28,037	7a
12,970	Members contributions		13,533	7b
5,452	Transfers in from other pension funds		5,021	8
2,647	Other Income		2,399	9
<b>58,824</b>	<b>Total Income</b>		<b>78,094</b>	
<b>Benefits payable</b>				
(50,220)	Pensions		(50,422)	10
(10,217)	Lump sum benefits		(8,827)	10
(6,450)	Payment to and on account of leavers		(8,404)	11
<b>(66,887)</b>	<b>Total Expenditure</b>		<b>(67,653)</b>	
<b>(8,063)</b>	<b>Net additions/ (withdrawals) from dealing with members</b>		<b>10,441</b>	
<b>(3,275)</b>	<b>Management Expenses</b>		<b>(2,837)</b>	<b>12</b>
<b>(11,338)</b>	<b>Net additions/ (withdrawals) including fund management expenses</b>		<b>7,604</b>	
<b>Returns on investments</b>				
17,948	Investment income		16,340	13
(24,534)	Change in market value (realised & unrealised)		281,099	
<b>(6,586)</b>	<b>Total Returns on investments</b>		<b>297,439</b>	
<b>Net return on investments</b>				
(17,924)	Net increase/decrease in fund in year		305,043	
<b>1,376,736</b>	<b>Opening net assets of the scheme</b>		<b>1,358,812</b>	
<b>1,358,812</b>	<b>Closing net assets of the scheme</b>		<b>1,663,855</b>	

## Net Assets Statement

2019/20 £'000		Net Assets Statement for the year ended 31 March 2021	2020/21 £'000	Note
<b>Investments</b>				
1,342,734	Investment assets		1,638,824	14
13,457	Other Investment and Cash		23,294	14
<b>1,356,191</b>	<b>Total Investments</b>		<b>1,662,118</b>	
<b>Current Assets and Liabilities</b>				
6,009	Current assets		4,195	16
(3,388)	Current liabilities		(2,458)	17
<b>1,358,812</b>	<b>Net assets of the scheme at 31 March</b>		<b>1,663,855</b>	

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

# Notes to the Pensions Account

## 1. 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 Standard Life (total commitments tbc). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment tbc). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment tbc) and Pantheon Access. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 28). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who representing the shareholders will recommend the appointment directors to the company and receive reports from the company oversees it.

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

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

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,956	5,961	136	134	460	429	6,552	6,524
Pensioners	5,409	5,643	458	480	39	45	5,906	6,168
Widows/ Children's Pensions	913	918	49	53	5	5	968	976
Deferred Benefits	7,299	7,320	692	676	250	293	8,241	8,289
<b>Totals</b>	<b>19,578</b>	<b>19,842</b>	<b>1,335</b>	<b>1,343</b>	<b>754</b>	<b>772</b>	<b>21,667</b>	<b>21,957</b>

### 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 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 19/20). In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over nineteen years. A lump sum contribution of £28.04m was made in 2020/21 (£10.05m in 2019/20). A 3-year discounted amount of £26.9m was paid in advance by the administering body included in deficit recovery contributions, see note 7a.
- 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
- III- 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 $\frac{1}{80} \times$ pensionable salary	Each year worked is worth $\frac{1}{60} \times$ pensionable salary	Each year worked is worth $\frac{1}{49} \times$ 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 years' membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme. However, if the contributor was in the scheme before 1 April 2014, and leaves after then and have been in the scheme for three or more months but less than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme
- iv. Regulations permit the council to charge administration costs and the investment managers' fees to the Fund. Administration costs represent officers' salaries and other expenses for work on scheme administration and investment-related matters and central establishment and computer recharges. The fees paid to the investment managers are their charges for managing the investments of the Fund.

## **2. Basis of Preparation**

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its positions as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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.

## **3. Summary of Significant Accounting Policies**

### **Fund Account – revenue recognition**

#### **a) Contributions**

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

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

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

#### **b) Transfers**

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

#### **c) Investment Income**

- **Interest income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.
- **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.
- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2021.

## **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 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 2020/21 and the value of the fund as at 31 March 2021 is to be confirmed.

## **Actuarial Position**

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

## **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

### COVID-19 Impact

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

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

Item	Uncertainties	Effect if actual results differ from assumptions		
Actuarial present value of promised retirement benefits.	Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are	Change in assumptions – year ended 31 <sup>st</sup> March 2021	Approx % change in liabilities	Approx monetary value £m
		0.5% p.a. decrease in discount rate	8% increase	£217m increase
		0.5% p.a. increase in salary increase rate	<1% increase	£13m increase

	in regard to the discount rate used, salary increase projections, and retirement age.	0.5% p.a. increase in inflation / pension increase rate 1 year increase in member life expectancy	8% increase 3% increase	£217m increase £78m increase
<b>Private equity and Infrastructure investments</b>	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.	TBC		
<b>Property and Pooled Property funds</b>	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.	TBC		
<b>Diversified Growth Fund</b>	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.			

## 6. EVENTS AFTER THE REPORTING DATE

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

### Non-adjusting event – COVID-19

TBC

## 7. Contributions Receivable

### a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Administering Authority</b>						
Islington Council *	34,347	53,702	-	-	768	634
<b>Scheduled Bodies</b>						
St Mary Magdalene Academy	218	258	-	-	-	-
City of London Academy	150	152	-	-	-	-
The New North Academy	95	107	-	-	-	-
William Tyndale School	111	127	-	-	-	-
The Courtyard School	18	29	-	-	-	-
Tech City (Stem 6th form Academy)	7	-	-	-	-	-
Elliot Foundation	147	218	-	-	-	-
The Bridge School	447	542	-	-	11	-
The Bridge Integrated Learning Space	53	74	-	-	-	-
Pears Family School Academy	14	24	-	-	-	-
City of London Academy Highbury Grove	285	327	-	-	-	-
City of London Academy, Highgate Hill	101	72	-	-	-	-
The Bridge Satellite Provision	24	60	-	-	-	-
City of London Primary Academy, Islington	15	20	-	-	-	-
Clerkenwell Parochial Academy	96	64	-	-	-	59
Hungerford School	76	61	-	-	15	-
London Screen Academy	16	108	-	-	-	-
<b>Sub-Total Scheduled Bodies</b>	<b>1,873</b>	<b>2,243</b>	-	-	<b>26</b>	<b>59</b>
<b>Admitted bodies</b>						
Volunteering Matters(CSV)	160	-	-	-	-	-
Camden & Islington NHS Foundation Trust	70	51	-	-	-	-
Braithwaite	5	7	-	-	-	-
Pleydell	16	24	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	13	-	-	-	-	-
Brunswick	28	31	-	-	-	-
Southern Housing Group	5	-	-	-	-	-
Caterlink	184	178	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	110	79	-	-	-	-
Breyer Group	4	-	-	-	-	-
Mears Ltd	32	12	-	-	-	-
Greenwich Leisure Ltd	69	47	-	-	-	19
WJ Catering	3	-	-	-	-	-
Isledon Arts CIC	8	7	-	-	-	-
Pabulum	3	-	-	-	-	-
Alliance In Partnership	22	33	-	-	-	10
Bouyges ES FM UK Ltd.	9	5	-	-	-	-
<b>Sub-total Admitted Bodies</b>	<b>741</b>	<b>474</b>	-	-	-	<b>29</b>
<b>Totals</b>	<b>36,961</b>	<b>56,419</b>	<b>0</b>	<b>0</b>	<b>794</b>	<b>722</b>

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

## b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2019/20	2020/21
	£'000	£'000
<b>Administering Authority</b>		
Islington Council	12,048	12,569
<b>Scheduled Bodies</b>		
St Mary Magdalene	105	112
City of London Academy	67	73
The New North Academy	31	29
William Tyndale School	31	33
The Courtyard School	12	15
Tech City (STEM 6th form Academy)	4	-
Elliot Foundation	135	141
The Bridge School	140	141
The Bridge Integrated Learning Space	31	34
Pears Family School Academy	7	9
City of London Academy Highbury Grove	76	76
City of London Academy, Highgate Hill	38	41
The Bridge Satellite Provision	11	18
City of London Primary Academy, Islington	8	7
Clerkenwell Parochial academy	13	11
Hungerford School	25	21
London Screen Academy	5	40
<b>Sub-Total Scheduled Bodies</b>	739	801
<b>Admitted bodies</b>		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	7
Braithwaite	2	2
Pleydell	6	7
NCP Services (Islington South)	6	6
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	8	8
Southern Housing Group	1	
Caterlink	54	51
Engie Ltd (Cofely Workplace Ltd )	36	34
Breyer Group	4	-
Mears Ltd	9	9
Greenwich Leisure Ltd	28	22
WJ Catering	1	-
Isledon ArtsCIC	3	3
Pabulum	1	-
Alliance In Partnership	9	8
Bouyges ES FM UK Ltd.	3	1
<b>Sub-total Admitted Bodies</b>	183	163
<b>Totals</b>	<b>12,970</b>	<b>13,533</b>

## 8. Transfers in

Transfers in		
2019/20	£'000	2020/21
		£'000
-	Group transfers in from other schemes	-
5,452	Individual transfers in from other schemes	5,021
<b>5,452</b>	<b>Total transfers in</b>	<b>5,021</b>

## 9. Other Income

Other Income		
2019/20	£'000	2020/21
		£'000
-	Income from Other Investments	-
-	Interest	-
2,647	Other	2,399
<b>2,572</b>	<b>Total other income</b>	<b>2,399</b>

Other income are pension recharges and miscellaneous fees.

## 10. Benefits

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

<b>Benefits Payable</b>	<b>Pensions</b>		<b>Lump sum benefits</b>		<b>Lump sum death</b>	
	<b>2019/20</b> £'000	<b>2020/21</b> £'000	<b>2019/20</b> £'000	<b>2020/21</b> £'000	<b>2019/20</b> £'000	<b>2020/21</b> £'000
<b>Administering Authority</b>						
Islington Council	46,653	46,713	8,550	6,501	958	1,745
<b>Scheduled Bodies</b>						
St Mary Magdalene Academy	25	26	-	-	-	-
City of London Academy	61	58	107	137	-	-
The New North Academy	12	26	66	-	-	-
William Tyndale School	24	26	25	6	-	-
The Courtyard	5	5	-	-	-	-
Tech City (STEM 6th form Academy)	2	2	7	-	-	-
Elliot Foundation	-	-	-	-	-	-
The Bridge Integrated Learning Space	-	6	-	16	-	-
Pears Family School Academy	2	1	12	5	-	-
City of London Academy Highbury Grove	4	8	-	-	-	-
City of London Primary Academy, Islington	-	2	-	20	-	-
Hungerford School	8	8	54	-	-	-
<b>Sub-Total Scheduled Bodies</b>	<b>143</b>	<b>168</b>	<b>271</b>	<b>184</b>	-	-
<b>Admitted Bodies</b>						
Volunteering Matters (CSV)	1,287	1,292	153	105	13	-
Aquaterra	227	229	-	-	-	-
CEA	851	864	-	2	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	588	603	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	72	73	-	-	-	-
ALA	21	21	-	-	-	-
Notting Hill Trust	22	15	19	-	-	-
Camden & Islington NHS Foundation Trust	89	87	78	-	-	-
Pleydell	6	13	89	-	-	-
SSE Contracting Ltd (Islington Lighting)	55	56	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	3	9	8	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	33	33	-	-	-	-
London Property Maintenance	-	-	-	-	-	-
Caterlink	20	57	14	95	-	-
Engie Ltd (Balfour Beatty)	28	29	17	-	-	-
Kier Support Services	20	21	-	-	-	-
Breyers	12	8	47	-	-	-
Mears	16	16	-	-	-	-
Greenwich Leisure Ltd	22	63	-	195	-	-
WJ Catering	23	23	-	-	-	-
Isledon Arts CIC	-	-	-	-	-	-
Alliance In Partnership	3	3	-	-	-	-
<b>Sub-total Admitted Bodies</b>	<b>3,424</b>	<b>3,541</b>	<b>425</b>	<b>397</b>	<b>13</b>	<b>-</b>
<b>Totals</b>	<b>50,220</b>	<b>50,422</b>	<b>9,246</b>	<b>7,082</b>	<b>971</b>	<b>1,745</b>

## 11. Payments to and on Account of Leavers

2019/20 £'000		Payment to and on Account of Leavers	2020/21 £'000
171		Refunds of Contributions	79
6,279		Individual Transfer	8,325
<b>6,450</b>		<b>Total payments to and on account of leavers</b>	<b>8,404</b>

## 12. Management Expenses

2019/20 £'000		Management Expenses	2020/21 £'000
1,286		Administrative Cost (12a)	1,442
1317		Investment Management Expenses (12b)	983
672		Oversight and Governance Cost (12c)	412
<b>3,275</b>		<b>Total Management Expenses</b>	<b>2,837</b>

### 12(a) Administrative Expenses

2019/20 £'000		Administrative expenses	2020/21 £'000
967		Employee Cost	1,322
319		Support services	120
<b>1,286</b>		<b>Total administrative expenses</b>	<b>1,442</b>

All other costs of administration are borne by Islington Council.

### 12(b) Investment Expenses

2019/20 £'000		Investment Expenses	2020/21 £'000
1,278		Management Fees	941
39		Custody Fees	42
<b>1,317</b>		<b>Total investment management expenses</b>	<b>983</b>

### 12(c) Oversight and Governance Cost

2019/20 £'000		Oversight & Governance Cost	2020/21 £'000
35		Performance Management Services	35
384		Advisory Services Fees	242
133		Operation and Support	91
90		Actuarial Fees	19
25		Audit Fees	25
5		Legal Fees	-
<b>672</b>		<b>Total Oversight &amp; Governance Cost</b>	<b>412</b>

### 13. Income from Investments

2019/20 £'000	Investment Income	2020/21 £'000
7,073	Dividends from equities	5,862
6,349	Income from other investments vehicles	5,967
4,488	Net rents from pooled investment properties	4,435
38	Interest on cash deposits	76
<b>17,948</b>	<b>Total Investment income</b>	<b>16,340</b>
-	Irrecoverable withholding tax	
<b>17,948</b>	<b>Total Investment income</b>	<b>16,340</b>

### 14. Investments

Investments	Market value 01 Apr 20 £'000	Purchases at cost and derivative payments £'000		Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 21 £'000
Fixed interest securities	75				(2)	73
Indexed linked securities	115				(2)	113
Equities	122,986			(497)	30,442	152,931
Pooled investment vehicles (P.I.V)	876,038	81,079		(82,353)	242,633	1,117,397
Properties - P.I.V	256,643	32,338		(33,896)	3,409	258,494
Private Equity - P.I.V	23,342	140		(5,105)	(1,687)	16,690
Infrastructure - PIV	63,535	23,286			6,306	93,127
<b>Total</b>	<b>1,342,734</b>	<b>136,843</b>		<b>(121,851)</b>	<b>281,099</b>	<b>1,638,825</b>
Other Investment & Cash	13,457					23,293
<b>Total Investments</b>	<b>1,356,191</b>					<b>1,662,118</b>

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
<b>Total</b>	<b>1,364,616</b>	<b>161,924</b>		<b>(159,272)</b>	<b>(24,534)</b>	<b>1,342,734</b>
Other Investment & Cash	22,263					13,457
<b>Total Investments</b>	<b>1,386,879</b>					<b>1,356,191</b>

14(a)

<b>Investment Assets by Type</b>		<b>2019/20</b> £'000	<b>2020/21</b> £'000
<b>Fixed interest securities (valued at Bid Price)</b>			
Fixed interest securities (valued at Bid Price)		75	73
<b>Total Fixed interest securities</b>		<b>75</b>	<b>73</b>
<b>Index -linked</b>			
UK public sector quoted		115	113
<b>Total Index -linked</b>		<b>115</b>	<b>113</b>
<b>Equities (valued at Bid Price)</b>			
UK quoted		97,759	120,171
Overseas quoted		25,227	32,760
<b>Total Equities</b>		<b>122,986</b>	<b>152,931</b>
<b>Pooled investment vehicles (valued at Bid Price)</b>			
UK Managed Funds	Property	111,742	112,421
	Other : Bond	155,012	166,461
Overseas Managed Funds	Other : Equity	150,026	207,277
	Property	20,119	14,896
	Other : Private Equity	23,342	16,690
UK Unit trusts (valued at Bid Price)	Property	124,782	131,173
	Other	571,000	743,663
<b>Infrastructure Investment</b>		<b>63,535</b>	<b>93,127</b>
<b>Total Pooled investment vehicles</b>		<b>1,219,558</b>	<b>1,485,708</b>
<b>Insurance policies</b>			
Insurance policies			
<b>Other investment balances (valued at Amortised cost)</b>			
Outstanding dividends & RWT		1,292	1,334
Cash deposits : Sterling		11,557	21,703
Cash deposits : Other		608	256
<b>Total Other investment balances</b>		<b>13,457</b>	<b>23,293</b>
<b>Total Investment Assets</b>		<b>1,356,191</b>	<b>1,662,118</b>

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

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

## 15. Investments exceeding 5% of net assets

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

Security	Market value	% of total fund	Market value	% of total fund
	31 March 2021 £'000		31 March 2020 £'000	
LBI Self-Managed UK quoted	120,171	7.2%	97,760	7.2%
London CIV Pooled - Newton MSCI All Country World	291,204	17.5%	211,891	15.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	166,462	10.0%	155,012	11.4%
Aviva Lime Property UK Unit Trust	131,173	7.9%	124,782	9.2%
Threadneedle Pooled Investment Property AREF IPD All Balanced	84,104	5.1%	82,680	6.1%
Legal & General Pooled Investment Vehicle	207,277	12.5%	150,026	11.0%
Schroders Pooled Investment Multi Asset	132,289	8.0%	106,480	7.8%
LGIM Pooled Investment Managed Funds	0	0.0%	75,839	5.6%
London CIV RBC EQ RBC Bmk	165,290	9.9%	112,364	8.3%

## 16. Current Assets

2019/20 £'000		Current Assets	2020/21 £'000
1,884		Contributions due from Employers & Employee	1,919
87		Sundry Debtors	60
4038		Cash Balances	2,216
<b>6,009</b>		<b>Total</b>	<b>4,195</b>

## 17. Current Liabilities

2019/20 £'000		Current Liabilities	2020/21 £'000
(1,049)		Accrued Benefits	(226)
(638)		**Sundry Creditors	(548)
-		*Receipt in Advance	-
(1,701)		Accrued Expenses	(1,684)
<b>(3,388)</b>		<b>Total Current liabilities</b>	<b>(2,458)</b>

## 18. Actuarial Position

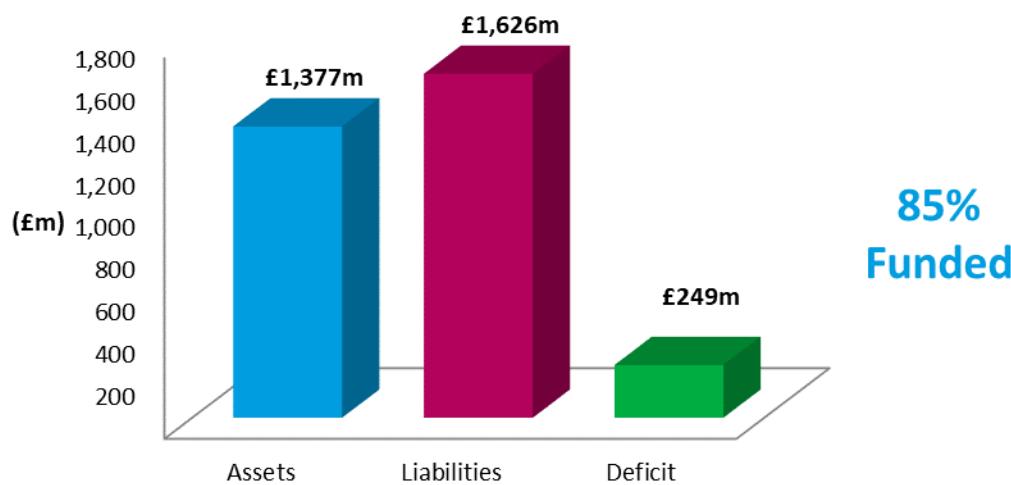
# ISLINGTON COUNCIL PENSION FUND

## ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 - STATEMENT BY THE CONSULTING ACTUARY

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

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

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



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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

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

### **The McCloud Judgment**

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

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

### **Impact of Covid 19**

The valuation results and employer contributions above were assessed as at 31 March 2019. Since then, 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 as a general rule but the Administering Authority is considering updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities

introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will 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.

DRAFT

## **19. 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 2021 (the 31 March 2020 assumptions are included for comparison):

	<b>31 March 2020</b>	<b>31 March 2021</b>
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

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

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

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a. at the prior year end). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. at the prior year end to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £2,241 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£53 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£13 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £308 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £2,615 million.

### **GMP Indexation**

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

**Paul Middleman**

**Fellow of the Institute and**  
**Faculty of Actuaries**

**Michelle Doman**

**Fellow of the Institute and**  
**Faculty of Actuaries**

**Mercer Limited**

**June 2021**

## **20. 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.

2019/20 Market Value £'000	Additional Voluntary Contribution	2020/21 Market Value £'000
1,164	Prudential	TBC
222	Utmost (formerly Equitable life)	
81	Phoenix Life (formerly NPI)	
<b>1,467</b>	<b>Total Additional Voluntary Contributions</b>	<b>0</b>

## **21. Contingent Assets and Liabilities**

There were no contingent assets or liabilities in 2020/21.

## **22. Contractual Commitments**

TBC

## **23. Related Parties**

Islington Pension Fund is administered by Islington Council. As at 31 March 2021, the Pension Fund is due from the Islington Council £0.119m (£0.320m~31 March 2020). 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.

## **24. Key Management Personnel**

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

2019/20 £'000	2020/21 £'000
(50)	Short-term benefits
(10)	*Post-employment benefits
-	Termination benefits
<b>(60)</b>	<b>(71)</b>

\*Post-employment benefits are at the state retirement age and

## 25. 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 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	174,748	16.40%	203,319	146,176
Overseas Equities	723,237	14.30%	826,371	620,104
Total Bonds	241,826	5.80%	255,949	227,703
Pooled Multi Asset	132,289	7.90%	142,793	121,786
Cash	21,707	0.70%	21,861	21,553
Property	258,493	2.00%	263,740	253,245
Infrastructure	93,128	7.20%	99,786	86,469
Private Equity	16,690	11.30%	18,576	14,804
<b>Total Assets</b>	<b>1,662,118</b>	<b>8.20%</b>	<b>1,437,628</b>	<b>1,274,755</b>

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

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
<b>Total Assets</b>	<b>1,356,191</b>	<b>6.00%</b>	<b>1,437,628</b>	<b>1,274,755</b>

## 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 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
	£'000		£'000	£'000
Overseas Equities	723,237	6.50%	770,079	676,396
Overseas Private Equity	16,690	6.50%	17,771	15,609
Overseas Infrastructure	93,128	6.50%	99,159	87,096
Overseas property	14,899	6.50%	15,864	13,934
<b>Total Assets</b>	<b>847,954</b>	<b>6.50%</b>	<b>902,873</b>	<b>793,035</b>

Currency Risk(by asset class)	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
	£'000		£'000	£'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
<b>Total Assets</b>	<b>628,695</b>	<b>5.60%</b>	<b>674,920</b>	<b>582,471</b>

## 26b. Interest rate risk

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

### Interest rate – risk sensitivity analysis

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

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

Assets Exposed to interest rate risk	Value at 31 March 2020 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
	£'000	£'000	£'000
Cash and cash equivalent	17,540	17,365	17,715
Fixed interest securities	75	74	76
<b>Total</b>	<b>17,615</b>	<b>17,439</b>	<b>17,791</b>

## 26c. Credit Risk

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

## 26d. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 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.

## 27. Financial Instruments

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

Values at 31 March 2021	Quoted Market Price	Using Observable Inputs			With Significant Unobservable inputs	Total
		Level 1		Level 2		
		£'000	£'000	£'000		
<b>Financial Assets</b>						
Financial assets at fair value through profit and loss	787,294		75,364		776,166	1,638,824
Loans and Receivables	23,966		-		-	23,966
<b>Total Financial Assets</b>	<b>811,260</b>		<b>75,364</b>		<b>776,166</b>	<b>1,662,790</b>
<b>Financial Liabilities</b>						
Financial liabilities at fair value through profit and loss	-		-		-	-
Financial liabilities at amortised cost	-		(672)		-	(672)
<b>Total Financial Liabilities</b>	<b>-</b>		<b>(672)</b>		<b>-</b>	<b>(672)</b>
<b>Net Financial Assets</b>	<b>811,260</b>		<b>74,692</b>		<b>776,166</b>	<b>1,662,118</b>

Values at 31 March 2020 (Restated)	Quoted Market Price	Using Observable Inputs			With Significant Unobservable inputs	Total
		Level 1		Level 2		
		£'000	£'000	£'000		
<b>Financial Assets</b>						
Financial assets at fair value through profit and loss	628,689		190		713,855	1,342,734
Loans and Receivables	13,457		-		-	13,457
<b>Total Financial Assets</b>	<b>642,146</b>		<b>190</b>		<b>713,855</b>	<b>1,356,191</b>
<b>Financial Liabilities</b>						
Financial liabilities at fair value through profit and loss	-		-		-	-
Financial liabilities at amortised cost	-		-		-	-
<b>Total Financial Liabilities</b>	<b>-</b>		<b>-</b>		<b>-</b>	<b>-</b>
<b>Net Financial Assets</b>	<b>642,146</b>		<b>190</b>		<b>713,855</b>	<b>1,356,191</b>

## Valuation of financial instruments carried a fair value

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

### Level 1

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

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

## **27a. Reconciliation of Fair Value Measurements within Level 3**

Reconciliation of assets within level 3	Value at 31 March 2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2021 £'000
Private Equity - o/seas	43,461	141	(8,999)	(3,014)	31,589
Infrastructure - PIV	63,535	23,286	-	6,306	93,127
Fixed interest	155,012	191	-	11,259	166,462
Pooled Funds	374,132	30,666	(30,057)	110,247	484,988
<b>Total Level 3 Assets</b>	<b>636,140</b>	<b>54,284</b>	<b>(39,056)</b>	<b>124,798</b>	<b>776,166</b>

Reconciliation of assets within level 3 (RESTATED)	Value at 31 March 2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2020 £'000
Private Equity - o/seas	54,434	-	(16,975)	7,182	44,641
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Fixed interest	157,775	185	(7,100)	4,152	155,012
Pooled Funds	302,402	131,655	(232)	16,842	450,667
<b>Total Level 3 Assets</b>	<b>553,822</b>	<b>152,863</b>	<b>(24,768)</b>	<b>31,938</b>	<b>713,855</b>

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.

## 28. Investment Assets by Fund Manager

	2019/20 £'000	2020/21 £'000
<b>Investment Assets by Fund Manager</b>		
<b>LBI In House Fund</b>		
<b>EQUITIES</b>		
UK quoted - LBI self-managed	97,760	120,171
Overseas quoted - LBI self-managed	25,227	32,760
<b>CASH DEPOSITS</b>		
Sterling	4,182	6,187
Other	600	6,834
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends/Tax	1,021	1,280
<b>FIXED INTEREST</b>		
UK	75	73
<b>INDEX-LINKED</b>		
UK	115	113
<b>POOLED FUNDS</b>		
UK	4,524	5,437
<b>Total LBI In House Fund</b>	<b>133,504</b>	<b>172,855</b>
<b>Newton - London CIV</b>		
<b>POOLED FUNDS</b>		
UK quoted	211,891	291,204
<b>CASH DEPOSITS</b>		
Sterling	92	11
Other	0	242
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends	271	54
<b>Total Newton</b>	<b>212,254</b>	<b>291,511</b>
<b>Allianz/ LONDON CIV</b>		
<b>POOLED FUNDS</b>		
Other	0	0
<b>CASH DEPOSITS</b>		
Sterling	376	377
Other	9	7
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends		
<b>Total RCM</b>	<b>385</b>	<b>384</b>

<b>Standard Life Bonds</b>		
POOLED INVESTMENT VEHICLES		
Managed funds	155,012	166,462
<b>Pantheon</b>		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	7,001	3,474
<b>Standard Life</b>		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	16,340	13,216
<b>Aviva Lime Property</b>		
UK UNIT TRUSTS		
Property	124,782	131,173
<b>Threadneedle Pensions</b>		
POOLED INVESTMENT: Property	82,680	84,104
<b>Thesis</b>		
POOLED INVESTMENT: Property	29,062	28,317
<b>BNY Mellon</b>		
CASH DEPOSITS : Sterling	6,906	8,303
outstanding fx trades		
<b>Total BNY Mellon</b>	6,906	8,303
<b>Legal &amp; General</b>		
POOLED INVESTMENT VEHICLES		
Managed funds	150,026	207,277
<b>Franklin Templeton</b>		
Pooled Investment Global Property	20,119	14,899
<b>Schroders</b>		
Pooled Investment Multi Asset	106,480	132,289
<b>BMO</b>		
Pooled Investment Managed Funds	59,902	74,259
<b>LGIM</b>		
Pooled Investment Managed Funds	75,839	0
<b>Pantheon Infrastructure</b>		
Infrastructure	21,741	32,640
<b>Quinbrook Infrastructure</b>		
Infrastructure	41,794	60,487
<b>RBC/ LONDON CIV</b>		
POOLED FUNDS	112,364	165,290
<b>M&amp;G AOF</b>		
Pooled Investment Managed Funds	0	75,178
<b>Total Investment Assets</b>	1,356,191	1,662,118