



Report of: Corporate Director of Resources

Meeting of: Pension Board / Pensions sub-Committee

Date: 6th March 2023

Ward(s): n/a

SUBJECT: 2022 ACTUARIAL VALUATION -DRAFT FUNDING STRATEGY STATEMENT CONSULTATION RESULTS

1. Synopsis

- 1.1 A Funding Strategy Statement will be 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).

Under the Regulations, the administering authority must prepare, maintain and publish a written statement setting out their funding strategy. In doing so, the administering authority must consult with such persons, as they feel appropriate. The Fund actuary must have regard to the FSS in carrying out the formal actuarial valuation of the Fund.

- 1.2 This report informs the pension board and pensions sub-committee of consultation result on the main issues that employers admitted into the Fund were consulted on, in the draft FSS, as part of the 2022 actuarial review

2. Recommendations

- 2.1 That the Pension Board consider the draft FSS attached as Appendix 1
- 2.2 That the Pensions sub-committee consider the draft FSS attached as Appendix 1 and note employer comments received from the consultation exercise attached as Appendix 2

- 2.3 Agree to delegate authority to the Section 151 Officer and Fund Actuary to finalise any agreed amendments and regulatory changes.
- 2.4 Agree to delegate authority to the Section 151 Officer and Fund Actuary to publish the final FSS as part of the Actuarial Valuation Report

3. Background

Introduction

- 3.1 The 2022 actuarial valuation is now underway and as part of the process preparatory work is being undertaken to determine the funding position and investment strategy review that can support sustainable contributions from employers.
- 3.2 The LGPS Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement (FSS) alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.

It is a statutory document that has to be consulted upon with interested parties and approved by the Pensions sub-committee before the actuarial valuation can be completed. The FSS must also be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement.

- 3.3 Given the difficult financial environment all employing bodies currently face, the Funding Strategy Statement (FSS) sets out how the issue of affordability is to be addressed in the valuation. In particular, the Fund has taken steps to ensure that as far as possible any increases in contributions are manageable from a budgetary perspective.
- 3.4 In January and early February, all employers admitted into the Islington council pension fund were consulted to give their views on the 2022 actuarial valuation. They were asked to consider the draft funding strategy statement, in particular the following points:
- 3.4.1 Consider the FSS to understand the key areas and policies as it will have a financial and operational impact on their organisation but note that whilst consultation responses from all employers in the Fund will be taken into account, it is ultimately the Administering Authority's responsibility to formulate and implement the FSS as part of the valuation process.
- 3.4.2 Keys areas highlighted for feedback and comments included the below:
- The affordability of contributions and in particular whether there was any particular year over 2023/2026 which will be more challenging. In order to form a view on any further flexibility required e.g. for the Fund to consider phasing of any increases (% rate and/or deficit lump sum).
 - Option to prepay deficit lump sums (if applicable) – either on an annual basis or three years up front.
 - If the minimum contributions result in a reduction in total contributions over 2023/26 (e.g. if the “Total 2023/26 Projected Contributions” has fallen from the 2019 plan), do

you need to take the full reduction now or could you pay more (e.g. could you pay higher deficit contributions or take a smaller surplus offset back each year)?

- Whether there are any other significant post-valuation date events (e.g. major profile changes that the Fund) that the Actuary should be aware of when setting the final contributions for your employer.

3.5 The results of the consultation are attached as (Appendix 2) and Members are asked to note the results.

3.6 Members are asked to note that there were no employer comments on issues listed in para 3.4, however market outlook has changed compared to March 2022 and that needs to be incorporated in the draft FSS. Members are therefore asked to delegate authority to the Section 151 officer and Fund actuary to finalise the FSS with any updates and sign off the Actuarial Valuation's rate and adjustment certificate by 31 March 2023. The final version of FSS will be published after 31 March.

4. Implications

4.1 Financial implications

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

4.1.2 The funding level of the pension fund directly affects employer contributions. A reduced Pension Fund deficit would provide employers with a lower required deficit recovery contribution. Full financial implications to employers will be available once the final valuation is completed

4.2 Legal Implications

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

Prior to agreeing the statement, the Council must have proper regard to any comments received from the consultees.

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

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is: <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/information/adviceandinformation/20212022/20211123islingtonpensionfundinvestmentstrategystatementdec20.pdf>.

4.4 **Resident Impact Assessment**

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

- 4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on updating an existing document and therefore no specific equality implications arising from this report.

5. **Conclusion and reasons for recommendation**

- 5.1 Members are asked note the consultation results and agree to delegate authority to the Section 151 Officer and the Fund Actuary to finalise the draft FSS for publication after 31 March.

Appendices:

Employer consultation results- Appendix 2

Draft FSS -Appendix 1

Background papers:

None

Final report clearance:

Authorised by: Corporate Director of Resources

Date: 23 February 2023

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Financial implications Author: Joana Marfoh
Legal implications – Legal (as per previous report)

Appendix 2

Employer Consultation Results

The Islington fund as at 31 March 2022 had 27 admitted employers with active employees.

All employers were asked to comment by 10th February on the approach taken and to confirm their implied rate and past service deficit contribution where applicable. In the absence of any comment to the contrary the implied contribution rate will be certified.

The table below list the active employers written to and their response.

Employer	2022/23 Contribution Rate		Proposed 2023/24 Contribution Rate (prior to Consultation)		Consultation Response
	Future service rate (%)	Deficit recovery contribution £'s	Future service rate%	Deficit recovery contribution £'s	
Volunteering Matters(CSV)	10.8	96,500	14.0	-	Continuing discussions on proposal to agree a cessation date before March 31 st
London Borough of Islington	14.6	9,900,000	18.3	4,900,000	Officers discussed the Council's position in line with the FSS parameters and affordability
Elliot Foundation	12.5	17,300	15.7	22,500	No response
Isledon Arts/ Youth Hub	20.9	(1700)	23.9	(1,500)	No response
Camden & Islington NHS Foundation	29.0	21,100	30.5	0	No response
NCP Services	21.1	(38,6000)	23.5	(12,900)	Had a comment on presentation of rates and currently in surplus.
Islington lighting	26.3	16,300	29.0	(22,700)	No response.
New North Academy	16.9	29,600	19.5	25,600	No response
William Tyndale	17.5	33,300	17.5	30,700	No response
St Mary Magdalene Academy	16.3	-	19.4	(6,800)	Discussed how surplus will be recovered.

The Courtyard Free School	11.9	(200)	tbc	tbc	Change in payroll providers resulted in incomplete membership. WIP
The Pears Family Charitable Foundation School	12.4	1,600	16.2	1,200	No response
The Bridge Free School	12.1	5000	15.8	10,500	Acknowledged and received comments on pooling and requested phasing
Bridge School Academy	16.8		19.4	220,600	Acknowledged and received comments on pooling and requested phasing
Bridge Satellite	16.2	600	15.1	-	Acknowledged and received comments on pooling and requested phasing
Caterlink	23.3	(26,000)	25.5	(26,600)	No response
City of London Academy	16.2	(26,200)	20.1	(19,400)	No response
EQUANS SERVICES LTD	21.6	(39,200)	23.8	(31,500)	No response
Greenwich Leisure Ltd	23.9	(38,200)	23.9	(25,900)	No response
Bouygues E&S FM UK	22.0	300	27.9	(300)	No response
Highbury Grove (COL)	15.8	145,700	18.5	154100	No response
Primary Academy Isington(COL)	15.6	-	14.1	100	No response
(COL) Academy Highgate Hill	13.1	2,300	17.3	-	No response
London Screen Academy	11.7	-	14.9	-	No response
Hungerford Academy	18.0	54,500	19.9	61,600	Acknowledged and received comments on pooling and requested phasing
Grouped TMO:				-	
Pleydell TMO	23.0	-	21,4		No response
Braithwaite TMO	23.0	-	21.4		No response
Brunswick TMO	23.0	-	21.4		No response