

Islington Pension Fund

Fund Account

2021/22 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2022/23 £'000	Note
Contributions receivable			
31,449	Employer contributions	33,032	7a
1,252	Deficit recovery contributions	20,591	7a
14,457	Members contributions	15,618	7b
2,667	Transfers in from other pension funds	7,866	8
2,321	Other Income	2,679	9
52,146	Total Income	79,786	
Benefits payable			
(51,746)	Pensions	(54,275)	10
(10,707)	Lump sum benefits	(10,860)	10
(4,518)	Payment to and on account of leavers	(2,218)	11
(66,971)	Total Expenditure	(67,353)	
(14,825)	Net additions/ (withdrawals) from dealing with members	12,433	
(3,114)	Management Expenses	(12,237)	12
(17,939)	Net additions/ (withdrawals) including fund management expenses	196	
Net Returns on investments			
13,081	Investment income	25,857	13
128,410	Change in market value (realised & unrealised)	(74,094)	
141,491	Total Returns on investments	(48,237)	
123,552	Net increase/(decrease) in fund in year	(48,041)	
1,663,855	Opening net assets of the scheme	1,787,407	
1,787,407	Closing net assets of the scheme	1,739,366	

Net Assets Statement

2021/22 £'000	Net Assets Statement for the year ended 31 March 2023	2022/23 £'000	Note
Investments			
1,767,578	Investment assets	1,703,621	14
16,845	Other Investment and Cash	33,004	14
1,784,423	Total Investments	1,736,625	
Current Assets and Liabilities			
5,727	Current assets	5,421	16
(2,743)	Current liabilities	(2,680)	17
1,787,407	Net assets of the scheme available to fund benefits at 31 March	1,739,366	

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 (total commitments £36.99m) and Standard Life (total commitments £49.93m).

The fund has one fund of funds private global property manager, Franklin Templeton Fund 1, II and III (total commitment £99.0m).

The fund has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £51.0m) and Pantheon Access £76.1m.

The fund also has three Private Debt managers Churchill Middle Market (total commitment £72.3m), Permira Credit Solutions (total commitment £50m) and Crescent Credit Solutions (total commitment £70.36m).

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:

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.

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

Administering Authority	Islington Council
Schedule 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 Primary School	Pleydell
St Mary Magdalene Academy: The Courtyard	NCP Services (Islington South)
Elliot Foundation	SSE Contraction Ltd (Islington Lighting)
Pears Family School Academy	Brunswick
The Bridge School	Caterlink
City of London Academy, Highbury Grove	Caterlink – Pooles Park
City of London Academy, Highgate Hill	Engie Services Ltd(Cofely Workplace Ltd)
The Bridge Satellite Provision	Greenwich Leisure Ltd
The Bridge Integrated Learning Space	Isledon Arts CIC
City of London Primary Academy, Islington	Bouyges ES FM UK Ltd.
Hungerford School	
London Screen Academy	

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	6,087	5,916	106	95	519	565	6,712	6,576
Pensioners	5,778	6,012	501	524	50	54	6,329	6,590
Widows/ Children's Pensions	914	925	55	68	6	7	975	1,000
Deferred Benefits	7,333	7,482	660	630	333	340	8,326	8,452
Totals	20,112	20,335	1,322	1,317	908	966	22,342	22,618

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.
The Council made a HRA deficit lump sum payment of £20m in 2022-23 to the Pension fund in advance to fund the deficit following the triennial valuation.
- 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. Voluntary Scheme Pay, Mandatory Scheme Pay and Lifetime Allowance
Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.
- iii. 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.

- iv. 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
- 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.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2022/23 financial year and its positions as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Updated in 2021/22), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. There are no Code changes affecting pension funds for 2022/23, nor new CIPFA Guidance in 2022/23

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.

Going concern

Going concern is assessed by management using four key factors as follows:

- Investment returns, diversification, and Net Asset Values
- Cashflow forecasts and liquidity
- Membership trends
- Funding levels and delivery of agreed recovery plans

The period from April 2022 to March 2023 has seen market volatility caused by impact of Ukraine invasion, consequent high energy prices, cost of living and high inflation.

The fund performance was marginally below benchmark and valuation fall of £44m.

However, the fund is diversified with inflation matching assets and income generation in the short to medium term.

Cashflow forecast confirm that for the 23/24 financial year the fund will not have to sell assets to meet benefit payments.

The fund is an open fund with active membership and a sturdy level of membership from 21/22 to 22/23.

The 2022 valuation results showed a better funding position of 96% compared to 85% in 2019, giving assurance of being able to achieve the funding target of 100% over 16year recovery period.

For the reason set out above, the administering authority is satisfied the fund is a going concern and the financial statements for 2022/23 have been prepared on this basis accordingly.

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 2023.

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.

F) VAT

Input VAT is generally recoverable on all Fund activities.

G) Mandatory Scheme Pays (MSP), Voluntary Scheme Pays (VSP) and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

H) 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 -

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Where fees are netted off returns by investment managers, these expenses are adjusted in the change of market value of investments.

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.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2022/23, £1.7m of fees is based on such estimates for property funds

The costs of the council's in-house fund management team are also charged to the fund as well as a proportion of the time spent by officers on investment management activity.

Net assets statement

I) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete as at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14. Any gains or losses on investment sales arising from changes in the fair 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.

J) 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.

K) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value. The fund holds forward exchange contract consists of an asset and liability.

L) 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.

M) 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.

N) 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.

O) Stock Lending

The fund does not participate in stock lending.

P) 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 but are disclosed for information in Note 20.

Q) 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

There were no critical judgements made during 2022/23.

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 in regard to the discount rate used, salary increase projections, and retirement age.	Change in assumptions – year ended 31st March 2023	Approx% change in liabilities	Approx monetary value £m
		0.5% p.a. decrease in discount rate	8% increase	£161m increase
		0.5% p.a. increase in salary increase rate	<1% increase	£17m increase
		0.5% p.a. increase in inflation/pension increase rate	8% increase	£160m increase
		1 year increase in member life expectancy	2% increase	£39m increase
Private equity Private debt and Infrastructure investments	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.	Private equity, private debt and infrastructure investments are valued at £283.8m in the financial statements. These investments were valued as at the 31st March 2023. These assets have been predicted a sensitivity range of 9.3% –11.9% by the performance analytics. (See note 26a).		
Property and Pooled Property funds	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.	The total Property Funds are £273M (including pooled property). These assets were valued as at 31st March 2023 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 4.8% (See note 26a).		

6. EVENTS AFTER THE REPORTING DATE

We have received the 2022 triennial valuation result on 31 March 2023, the employer contribution rate for the next three years has been set at 18.3%. The funding level is 96% and has a deficit of £79m to be recovered over a 16year period.

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	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Administering Authority						
Islington Council *	28,189	49,860	-		1,543	692
Scheduled Bodies						
St Mary Magdalene Academy	246	290	-		24	
City of London Academy	163	164	-		-	
The New North Academy	104	110	-		-	
William Tyndale School	141	153	-		-	
The Courtyard School	44	57	-		-	
Elliot Foundation	187	186	-		-	
The Bridge School	586	656	-		-	
The Bridge School Academy	78	79	-		-	
Pears Family School Academy	28	24	-		-	
City of London Academy Highbury Grove	341	368	-		-	
City of London Academy, Highgate Hill	90	101	-		-	
The Bridge Satellite Provision	46	48	-		-	
City of London Primary Academy, Islington	26	42	-		-	
Clerkenwell Parochial Academy	35		-		10	
Hungerford School	166	125	-		-	
London Screen Academy	109	122	-		-	
Sub-Total Scheduled Bodies	2,390	2,525	-	0	34	-
Admitted bodies						
Volunteering Matters(CSV)	100	100	-		-	13
Camden & Islington NHS Foundation Trust	53	55	-		-	
Braithwaite	7	7	-		-	
Pleydell	30	33	-		-	
NCP Services (Islington South)	-		-		-	
SSE Contracting Ltd (Islington Lighting)	-		-		-	
Brunswick	30	30	-		-	
Caterlink	168	151	-		-	
Caterlink - Pooles Park		8	-		-	
Engie Services Ltd(Balfour Beatty)	92	92	-		-	
Greenwich Leisure Ltd	51	31	-		-	
Isledon Arts CIC	7	19	-		-	
Alliance In Partnership	4		-		-	
Bouyges ES FM UK Ltd.	3	7	-		-	
Sub-total Admitted Bodies	545	533	-	0	-	13
Totals	31,124	52,918	0	0	1,577	705

*HRA deficit lumpsum contribution of £20.0m is included in Islington Council's 2022-23 normal contributions.

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)	
	2021/22	2022/23
	£'000	£'000
Administering Authority		
Islington Council	13,452	14,529
Scheduled Bodies		
St Mary Magdalene	102	122
City of London Academy	77	72
The New North Academy	27	29
William Tyndale School	36	41
The Courtyard School	24	29
Elliot Foundation	152	151
The Bridge School	153	176
The Bridge School Academy	37	37
Pears Family School Academy	11	10
City of London Academy Highbury Grove	78	87
City of London Academy, Highgate Hill	45	50
The Bridge Satellite Provision	18	18
City of London Primary Academy, Islington	10	16
Clerkenwell Parochial academy	1	-
Hungerford School	21	24
London Screen Academy	62	71
Sub-Total Scheduled Bodies	854	933
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	8
Braithwaite	2	2
Pleydell	8	9
NCP Services (Islington South)	6	7
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	7	7
Caterlink	50	46
Caterlink -Pooles Park	-	2
Engie Ltd (Balfour Beatty)	38	40
Greenwich Leisure Ltd	24	20
Isledon ArtsCIC	3	9
Bouyges ES FM UK Ltd.	1	1
Sub-total Admitted Bodies	151	156
Totals	14,457	15,618

8. Transfers in

2021/22 £'000	Transfers in	2022/23 £'000
-	Group transfers in from other schemes	-
2,667	Individual transfers in from other schemes	7,866
2,667	Total transfers in	7,866

9. Other Income

2021/22 £'000	Other Income	2022/23 £'000
2,321	Other	2,679
2,321	Total other income	2,679

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.

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	48,013	50,347	8,108	8,758	2,101	1,381
Scheduled Bodies						
St Mary Magdalene Academy	33	44	30	5	-	-
City of London Academy	63	76	7	8	-	-
The New North Academy	28	28	9	-	-	-
William Tyndale School	27	25	-	-	-	97
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	1	-	-	-	-
Elliott Foundation Academies	-	5	-	-	-	-
The Bridge Integrated Learning Space	10	9	-	-	-	-
Pears Family School Academy	1	1	-	-	-	-
City of London Academy Highbury Grove	21	32	-	-	-	-
City of London Highgate Hill	8	11	50	-	-	-
Clerkenwell	24	14	9	-	-	-
City of London Primary Academy, Islington	-	-	-	-	-	-
Hungerford School	7	7	-	-	-	-
Sub-Total Scheduled Bodies	229	258	105	13	-	97
Admitted Bodies						
Volunteering Matters (CSV)	1,297	1,306	55	-	133	-
Aquaterra	222	229	-	-	-	-
CEA	866	889	35	-	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	599	608	-	9	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	73	78	-	-	-	-
ALA	21	23	-	-	-	-
Notting Hill Trust	15	16	-	-	-	-
Camden & Islington NHS Foundation Trust	88	104	-	38	-	-
Pleydell	13	14	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	57	58	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	9	10	-	-	-	-
Cushman & Wakefield LLP (Dunlop Haywards)	8	8	-	-	-	-
Mouchel Parkman	33	34	-	-	-	-
Caterlink	44	49	-	11	74	48
Engie Ltd (Balfour Beatty)	29	37	-	78	-	84
Kier Support Services	21	21	-	-	-	-
Breyers	7	8	-	-	-	-
Mears	18	93	96	315	-	-
Greenwich Leisure Ltd	52	62	-	28	-	-
WJ Catering	10	-	-	-	-	-
Alliance In Partnership	4	5	-	-	-	-
Sub-total Admitted Bodies	3,504	3,670	186	479	207	132
Totals	50,422	54,275	8,399	9,250	2,308	1,610

11. Payments to and on Account of Leavers

2021/22 £'000	Payment to and on Account of Leavers	2022/23 £'000
62	Refunds of Contributions	130
4,456	Individual Transfer	2,088
4,518	Total payments to and on account of leavers	2,218

12. Management Expenses

2021/22 £'000	Management Expenses	2022/23 £'000
1,464	Administrative Cost (12a)	1,509
1,173	Investment Management Expenses (12b)	10,238
477	Oversight and Governance Cost (12c)	490
3,114	Total Management Expenses	12,237

12(a) Administrative Expenses

2021/22 £'000	Administrative expenses	2022/23 £'000
1,354	Employee Cost	1,438
110	Support services	71
1,464	Total administrative expenses	1,509

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2021/22 £'000	Investment Expenses	2022/23 £'000
1,134	Management Fees	10,200
39	Custody Fees	38
1,173	Total investment management expenses	10,238

12(c) Oversight and Governance Cost

2021/22 £'000	Oversight & Governance Cost	2022/23 £'000
14	Performance Management Services	30
284	Advisory Services Fees	268
99	Operation and Support	30
60	Actuarial Fees	99
20	Audit Fees	63
477	Total Oversight & Governance Cost	490

13. Income from Investments

2021/22 £'000	Investment return gain/(loss)	2022/23 £'000
6,256	UK Equities	3,764
-	Bonds	7
5,208	Global active equities	6,406
(4)	Private equity	-
(139)	Private Debt	4,901
5,249	Property	5,266
-	Infrastructure	1,446
(3,932)	Derivatives	4,060
253	Other investments & Dividends	14
190	Cash	290
13,081	Net returns on investment	26,154

14. Reconciliation Of Movements in Investments and Derivatives

Investments	Value as at 31 Mar 22 £'000	Purchases at		Change in market value £'000	Value as at 31 Mar 23 £'000
		cost and derivative payments £'000	Sale proceeds and derivative receipts £'000		
UK Equities	169,440	3,114	(166,967)	(5,421)	166
Global active equities	573,340	6,353	(1,250)	(20,961)	557,482
Multi Asset	114,440	-	(60,000)	(8,680)	45,760
Global Passive Equities	236,108	333,808	(168,711)	(3,764)	397,442
Bonds	209,679	83	(50,747)	(13,203)	145,812
Property	282,459	4,582	(2,700)	(36,285)	248,057
Property - Private equities	18,037	9,809	(6,347)	3,562	25,060
Private equities	11,687	525	(3,042)	1,331	10,501
Private Debt	27,803	84,438	(9,324)	2,009	104,927
Infrastructure - PIV	124,585	63,590	(42,593)	22,832	168,414
	1,767,578	506,303	(511,682)	(58,579)	1,703,621
Derivatives - Forward FX (including spot FX)	(5,728)	39,978	(12,026)	(15,515)	6,709
	1,761,850	546,281	(523,708)	(74,094)	1,710,330
Other Investment & Cash	22,573	-	-	-	26,295
Total Investments	1,784,423	546,281	(523,708)	(74,094)	1,736,625

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.

14 (a) Investment Detail

Investment Assets by Type		2021/22	2022/23
		£'000	£'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		67	62
Total Fixed interest securities		67	62
Index -linked			
UK public sector quoted		121	-
Total Index -linked		121	0
Equities (valued at Bid Price)			
UK quoted		142,307	166
Overseas quoted		27,133	-
Total Equities		169,440	166
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	282,459	248,057
	Multi Asset	114,440	45,760
	Bond	209,612	145,750
Overseas Managed Funds	Global active equities	573,340	557,482
	Global Passive equities	236,108	397,442
	Private equities	11,687	10,501
	Private equities -Property	18,037	25,060
	Private Debt	27,803	104,926
Infrastructure Investment		124,585	168,414
Total Pooled investment vehicles		1,597,950	1,703,393
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,542	265
Derivatives - Forward FX		(5,728)	6,709
Cash deposits : Sterling		20,402	647
Cash deposits : Other		629	25,383
Total Other investment balances		16,845	33,004
Total Investment Assets		1,784,423	1,736,625

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

14 (b) Analysis of derivatives

Derivatives are used to hedge liabilities or hedge exposures to reduce risk to the fund. They are also used to gain exposure to an asset more efficiently than holding the underlying asset.

Settlement	Currency Code Purchased	Asset Value	Liability Value
		£'000	£'000
3 Months	Euros		(47,717)
	Japanese Yen		(12,846)
	Pound Sterling	268,480	
	US Dollars		(201,209)
		268,480	(261,772)

Net Forward FX at 31 March 2023 6,709

Net Forward FX at 31 March 2022 (5,728)

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	Market value	% of total
	31 March 2022	fund	31 March 2023	fund
	£'000		£'000	
LBI Self-Managed UK quoted	136,306	7.6%	-	-
London CIV Pooled - Newton MSCI All Country World	321,802	18.0%	322,581	18.5%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	133,687	7.5%	-	-
Aviva Lime Property UK Unit Trust	149,466	8.4%	129,779	7.5%
Threadneedle Pooled Investment Property AREF IPD All Balanced	104,274	5.8%	90,327	5.2%
Legal & General Pooled Investment Vehicle	236,108	13.2%	233,378	13.4%
Schroders Pooled Investment Multi Asset	114,440	6.4%	-	-
Quinbrook Infrastructure	-	-	98,656	5.7%
London CIV RBC EQ RBC Bmk	180,227	10.1%	166,436	9.6%
L&G Paris Align Global Passive Equities	-	-	164,064	9.4%

16. Current Assets

2021/22 £'000	Current Assets	2022/23 £'000
2,478	Contributions due from Employers & Employee	3,266
50	Sundry Debtors	27
3199	Cash Balances	2,128
5,727	Total Current Assets	5,421

17. Current Liabilities

2021/22 £'000	Current Liabilities	2022/23 £'000
(243)	Accrued Benefits	(169)
(839)	Sundry Creditors	(865)
(1,661)	Accrued Expenses	(1,646)
(2,743)	Total Current liabilities	(2,680)

18. Actuarial Position

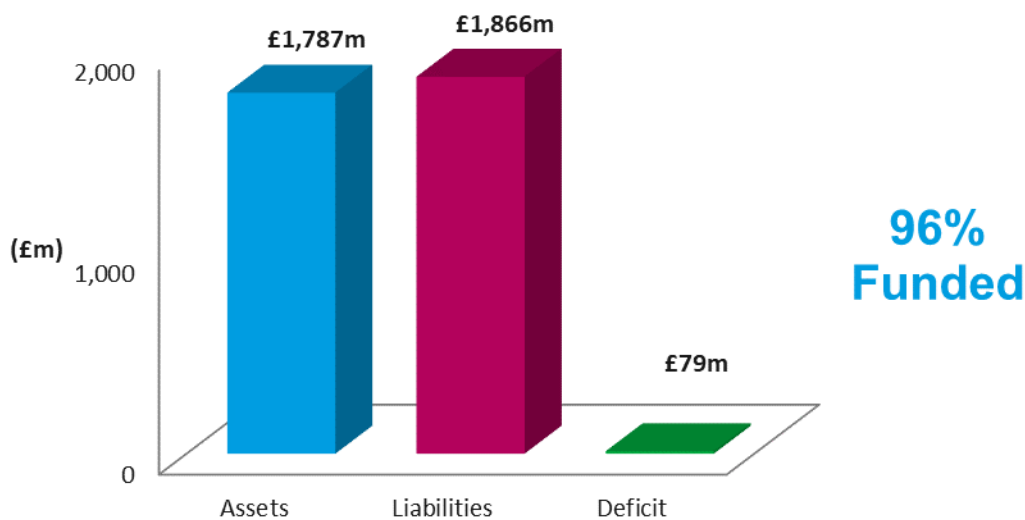
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 - 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £1,787 million represented 96% of the Fund's past service liabilities of £1,866 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £79 million.



The valuation also showed that a Primary contribution rate of 18.4% 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. Equally, where there is a surplus, it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the 2022 actuarial valuation the average recovery period adopted was 16 years. The total recovery payment (the "Secondary rate" for 2023/26) was, on average, an addition of approximately £5.1m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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)	4.65% per annum	5.10% per annum
Rate of pay increases (long term)	4.60% per annum	4.60% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

19. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS26

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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.4% per annum	2.7% per annum
Rate of pay increases*	4.9% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	3.5% per annum	2.8% per annum

*This is the long-term assumption. An allowance corresponding to that made at the 2019 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:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	£2,692m
Interest on liabilities	£75m
Net benefits accrued/paid over the period*	£45m
Actuarial (gains)/losses (see below)	(£895m)
End of period liabilities	£1,917m

*this includes any increase in liabilities arising as a result of early retirements

Key factors leading to the actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a.. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4% p.a.. In combination, these factors lead to a significant reduction in liabilities
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2023

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. Total contribution paid by members during 2022/23 is £175,168.85 and the value of the fund as at 31 March 2023 is £1.926m.

2021/22		2022/23
Market Value	Additional Voluntary Contribution	Market Value
£'000		£'000
1,767	Prudential	1,685
170	Utmost (formerly Equitable life)	168
73	Phoenix Life (formerly NPI)	73
2,010	Total Additional Voluntary Contributions	1,926

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2022/23.

22. Contractual Commitments

The fund has outstanding commitments totalling £186.3 as at 31 March 2023 (£167.7m ~31 March 2022).

Two private equity fund managers Pantheon Ventures £4.5m and Standard Life £4.0m.

One fund of funds private global property manager, Franklin Templeton Fund 1, II and III £37.5m.

The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £38.8m and £8.4m respectively.

Three Private debt managers Churchill Middle Market £20.7m, Permira Credit Solutions £35m and Crescent Credit Solutions £37.4m.

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2023, the Pension Fund is due from the Islington Council £0.862m (£0.372m~31 March 2022). Full contributions from the council for the year are disclosed in Note 7.

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.

2021/22		2022/23
£'000		£'000
(65)	Short-term benefits	(168)
(55)	Post-employment benefits	(24)
(20)	Termination benefits	-
(141)		(192)

*Post-employment benefits are at the state retirement age

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.

26. 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 risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices other than those arising from interest rate risk or foreign exchange risk, whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all similar instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Price risk

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Price Risk 22/23	Final Market Value as at 31/03/23 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	49,120	13.26%	55,631	42,609
Overseas Equities	905,078	10.74%	1,002,312	807,843
Total Bonds	145,750	5.71%	154,076	137,424
Pooled Multi Asset	45,760	7.43%	49,160	42,361
Cash	33,959	1.32%	34,406	33,511
Property	273,118	4.83%	286,300	259,935
Infrastructure	168,413	10.45%	186,007	150,820
Private Debt	104,927	11.92%	117,433	92,421
Private Equity	10,501	9.32%	11,479	9,522
Total Assets	1,736,626	7.81%	1,872,256	1,600,996

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

Price Risk 21/22	Final Market Value as at 31/03/22 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	196,902	15.82%	228,052	165,752
Overseas Equities	782,787	14.05%	892,769	672,806
Total Bonds	237,482	5.78%	251,208	223,755
Pooled Multi Asset	114,440	2.56%	123,183	105,697
Cash	16,043	1.12%	16,223	15,863
Property	300,497	7.64%	308,190	292,804
Infrastructure	124,585	9.08%	136,545	112,625
Private Equity	11,687	9.60%	12,748	10,626
Total Assets	1,784,423	7.18%	1,912,544	1,656,301

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) 22/23	Final Market Value as at 31/03/23 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	905,078	7.30%	971,106	839,049
Overseas Private Equity	10,501	7.30%	11,267	9,735
Overseas Infrastructure	168,413	7.30%	180,700	156,127
Overseas Private Debt	104,927	7.30%	112,582	97,272
Overseas property	25,060	7.30%	26,889	23,232
Total Assets	1,213,979	7.30%	1,302,544	1,125,415

Currency Risk (By Asset Class) 21/22	Final Market Value as at 31/03/22 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	782,787	6.60%	834,473	731,101
Overseas Private Equity	11,687	6.60%	12,458	10,915
Overseas Infrastructure	124,585	6.60%	132,811	116,359
Overseas Private Debt	27,803	6.60%	29,639	25,967
Overseas property	18,037	6.60%	19,228	16,846
Total Assets	964,899	6.60%	1,028,609	901,188

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 2023 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	35,132	34,781	35,483
Fixed interest securities	62	61	63
Total	35,194	34,842	35,546

Assets Exposed to interest rate risk	Value at 31 March 2022 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	20,044	19,844	20,244
Fixed interest securities	67	66	68
Total	20,111	19,910	20,312

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 2023, liquid assets were £1,420m representing 82% of total fund assets (£1,620m at 31 March 2022 representing 91% of the Fund at that date).

The majority of these investments can in fact be liquidated within a matter of days at a cost.

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 2023	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss				
Equities	166			166
Global Active equities	557,482			557,482
Multi Asset	45,760			45,760
Global Passive Equities		397,443		397,443
Bonds	77,646	68,167		145,813
Property		248,056		248,056
Property - Private equities			25,060	25,060
Infrastructue			168,413	168,413
Private equities			10,501	10,501
Private Debt			104,927	104,927
Derivaties		6,709		6,709
Cash	26,030			26,030
Other investments / Dividenes	265			265
Loans and Receivables	2,128	-	-	2,128
Total Financial Assets	709,477	720,375	308,901	1,738,753
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(168)	-	(168)
Total Financial Liabilities	-	(168)	-	(168)
Net Financial Assets	709,477	720,207	308,901	1,738,585

Values at 31 March 2022	Restated	Resated	With Significant	Total
	Quoted	Using	Unobservable	
	Market Price	Observable	inputs	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss				
Equities	169,440			169,440
Global Active equities	573,340			573,340
Multi Asset	114,440			114,440
Global Passive Equities		236,108		236,108
Bonds	75,992	133,687		209,679
Property		282,459		282,459
Property - Private equities			18,037	18,037
Private equities			11,687	11,687
Private Debt			27,802	27,802
Infrastructue			124,585	124,585
Derivaties		(5,728)		(5,728)
Cash	21,031			21,031
Other investments / Dividenes	1,543			1,543
Loans and Receivables	3,199	-	-	3,199
Total Financial Assets	958,985	646,526	182,111	1,787,622
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(249)	-	(249)
Total Financial Liabilities	-	(249)	-	(249)
Net Financial Assets	958,985	646,277	182,111	1,787,373

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 1.

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, 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.

The valuation basis for each category of investment is set out below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Equities	The published bid market price on the final day of the accounting period.	Not required	Not required
Multi Asset	Quoted market value based on current yields.	Not required	Not required
Global active equities	Quoted market value based on current yields.	Not required	Not required
Bonds	Published exchange price at year end.	Not required	Not required
Cash Deposits	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required	Not required

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 2			
Global passive equities	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not required
Property	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Bonds	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Derivatives	Market Forward exchange rates at the year end	Exchange rate risk	Not required

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 3			
Private equities & Infrastructure	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private equities: (Property)	Closing bid price where bid and offer prices are published Closing single price where single price published.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private Debt	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2022	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Private Equity	29,724	10,333	(9,390)	4,893	35,561
Infrastructure - PIV	124,584	63,590	(42,593)	22,832	168,413
Private Debt	27,803	84,438	(9,324)	2,009	104,927
Total Level 3 Assets	182,111	158,361	(61,306)	29,735	308,901

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 and is disclosed in note 5. 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 the level 3 underlying investments will not have a significant impact on the whole portfolio.

28. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2021/22 £'000	2022/23 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	136,306	166
Overseas quoted - LBI self-managed	27,133	0
CASH DEPOSITS		
Sterling	15,349	610
Other	1,371	26,109
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,515	265
FIXED INTEREST		
UK	67	62
INDEX-LINKED		
UK	121	0
POOLED FUNDS		
UK	6,000	0
Total LBI In House Fund	187,862	27,212
Newton - London CIV		
POOLED FUNDS		
Private equities	321,802	322,581
CASH DEPOSITS		
Sterling	1	0
Other	264	279
OTHER INVESTMENT BALANCES		
Outstanding Dividends	27	0
Total Newton	322,094	322,860
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Bonds	133,687	68,167
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity	2,503	1,975
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity	9,184	8,526
Aviva Lime Property		
UK UNIT TRUSTS		
Property	149,466	129,779
Threadneedle Pensions		
POOLED INVESTMENT: Property	104,274	90,327
Thesis		
POOLED INVESTMENT: Property	28,719	27,951
BNY Mellon		
CASH DEPOSITS : Sterling	5,052	37
outstanding fx trades	-5,728	6,709
Total BNY Mellon	(676)	6,746
Legal & General		
POOLED INVESTMENT VEHICLES		
Private Equities (Global & Emerging)	236,108	233,378
Franklin Templeton		
Private equity - Pooled Investment Global Property	18,037	25,060
Schroders		
Pooled Investment Multi Asset	114,440	45,760
BMO		
Pooled Investment Managed Funds - Equities	71,312	68,466
Cash - other	-1,005	-1,005
	70,307	67,461
Pantheon Infrastructure		
Infrastructure	53,779	69,757
Quinbrook Infrastructure		
Infrastructure	70,805	98,656
RBC/ LONDON CIV		
POOLED FUNDS - Private Equities	180,227	166,436
M&G AOF		
Pooled Investment Managed Funds - Bonds	75,804	77,583
CHURCHILL		
Private debt	27,803	54,805
Permira CS		
Private debt	0	15,481
L&G Paris Align		
Private Equities - Global	0	164,064
Crescent		
Private debt	0	34,641
Total Investment Assets	1,784,423	1,736,625