

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 20th March 2024

Ward(s): n/a

SUBJECT: PENSION FUND ADMINISTRATION COST 3-YEAR FORECAST AND ANNUAL CASHFLOW

Synopsis

- 1.1 This report is for the Pension Board to review the Fund administration's 3-year income and expenditure forecast and annual cash flow, as part of its work programme objective to make recommendations on statutory and non-statutory policies and strategies.

2. Recommendation

- 2.1 To review the cash flow and forecast of administration cost attached as Appendix 1 and Appendix 1A.

3. Background

- 3.1 The Public Services Pensions Act 2013 requires the establishment of local Pension Boards for each Local Government Pension Fund. Each administering authority were required to establish a Pension Board no later than 1 April 2015.
- 3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),

- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 The Pensions Committee is the decision making body of the Fund and the Pension Board can only advise or make recommendations to the Pensions Committee

The Pension Board should therefore be mindful.

- Its work plan should take account of the Fund's own work programme and seek to add value
- Servicing the Pension board will consume Fund management resources and time
- Senior Fund officers servicing the pension Board may on some fund performance issues be personally compromised and conflicted
- Some work items required may need the use of specialist external consultancy resources rather than using the officers servicing the Fund.

The 3-year Forecast of Pension Fund Admin Income and Expenditure and Annual Cashflow

3.4 A 3-year forecast for pension administration costs including investment management, has been prepared based on actuals to month ten in 2023/24. The year end position is projected to have £10m in cash at the bank to be rolled over into 2024/25. The Fund is then forecasted to remain in net negative cashflow position and will have to call on investment income to meet expenditure from then in the region of £17m till 2026/27.

3.5 The 2024/25 cashflow plots the monthly income and expenditure expected and best use of surplus cash to minimize cost and investment capital. This is a monitoring tool to avoid unnecessary disinvestment and for future investment strategies to generate enough investment income to meet future cashflow requirements. The need to draw down investment income is delayed because of the excess cash at bank at the end of March 2024.

3.6 Members are asked to review the cashflow and 3 year forecast.

4. Implications

4.1 Financial implications

Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 Legal Implications

The Public Services Pensions Act 2013 requires the council to establish a local pension boards by 1 April 2015. The board must comply with the requirements of the relevant Legislation.

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

Environmental implications will be included in each report to the Pensions committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is:

<https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroug-hofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4 **Equality 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.

An equalities impact assessment has not been conducted because this report is seeking opinions on a policy document and therefore no specific equality implications arising from this report.

5. **Conclusion and reasons for recommendation**

- 5.1 Members are asked to note and review 2024/25 cashflow forecast and 3-year forecast of administration cost for the period covering 2023/24 to 2026/27 as per their agreed work plan.

Appendices: 1and 1A- 3 yr forecast and cashflow forecast

Background papers:

Islington pension board's terms of reference

Final report clearance:

Signed by:

Corporate Director of Resources

Received and final clearance date

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