

London Borough of Islington Pension Fund Annual Report 2020/21

Contents

Foreword: Message from the Chair	4
1: Investment report	6
1.1. Fund manager performance	
1.2. Long-term average returns	
2: Pooling	9
3. Exercising Shareholder Voting Rights	9
4. Business plan	10
5: The local government pension scheme	11
5.1. Membership	
5.2. Pension contributions	
6: Democratic arrangements	15
6.1 Pensions Sub-Committee	
6.2 Islington Council Local Pension Board	
6.3 Activities of the Board	
7: Funding of the pension scheme	18
7.1. Actuarial report	
8: Summary of financial report	22
9. Statement of responsibilities	23
10. Statement of accounts	24
10.1. Accounting policies	

10.2. Income and expenditure	
10.3. Net assets statement	
10.4. Notes to the pension accounts	
11. Glossary of terms	55
12. Auditors opinion	58
13. The funds statutory statements	59
13.1: Investment Strategy Statement	
13.2. Funding strategy statement	
13.3. Governance policy statement	
13.4. Communication policy statement	
13.5. Governance compliance statement	
14. More information	67

Foreword

Dear Pension Scheme Member

Welcome to the Islington Council pension fund annual report for the 2020/21 financial year.

In this report we set out the Fund's recent performance and the activities undertaken to maximise the growth of the pension fund's investments and stabilise contributions to the fund.

After the sharp fall in global markets in the quarter to March 2020, equity returns in the main bounced back almost immediately despite the ongoing challenges of the COVID pandemic which has been larger and longer lasting than predicted. The outlook has got positive with the vaccine roll out.

The Fund's performance is measured against a customised benchmark and returned 22.1% compared to the benchmark of 19.3%. Its market value increased from £1.36billion to £1.66bn as at March 2021. The average Local Authority fund delivered an investment return of around 22.7%, driven by equities outperformance. Property was the most disappointing with an average 0.4% return.

The London CIV, our asset pooling organisation continues to grow its assets under management on Authorised Contractual Scheme (ACS). At the end of March the London CIV had c.54% of potential assets, £23.8bn (active and passive) across the 32 London Local Authorities (LLAs). As at the end of March 2021, 22 funds had been launched and LCIV are now also signatories to Climate Action 100+ and Task Force on Climate-Related Financial Disclosures.

The Pensions Board and Pensions-Sub Committee continue to monitor and review Environment, Social and Governance (ESG) factors as a fundamental part of the Fund's strategy and its approach to being a long-term investor. Members completed a revision of their Investment Strategy Statement further integrating a comprehensive decarbonisation policy with targets and monitoring plan in June 2019 and set targets to 2022 and a monitoring plan.

The Pensions sub-Committee in June 2021 revisited its decarbonisation targets to set short to medium targets from 2022 onwards and these are the highlights:

- Net zero emission target at 2050 including aligning with 1.5 degree Celsius scenario
- Investing at least 20% of the fund in sustainability-themed investments (such as low carbon technology or green infrastructure) by the end of April 2026
- Reduce carbon emissions of all listed portfolios that is equities and credit by 49% at 2026, and 60% by 2030 with a 2016 baseline (Reduce carbon emissions of all listed portfolio i.e. equities and credit by 60% by 2030)

The targets and metrics and progress made as at 31 March 2021 against the 2022 targets include:

- Reducing the equity allocation's current exposure to carbon (so reducing its carbon intensity) by more than 50%, by the end of April 2022, compared to when it was measured in June 2016.
Progress: 45.8% reduction of carbon intensity achieved
- Reducing the equity allocation's future exposure to carbon (so reducing its investment in fossil fuel reserves) by more than 75%, by the end of April 2022, compared to when it was measured in June 2016.

Progress: 55% reduction of its exposure to fossil fuel reserves

- Investing at least 15% of the fund in sustainability-themed investments (such as low carbon technology or green infrastructure) by the end of April 2022.

Progress: 13.9% investment in sustainable –themed investments

- Aiming to decarbonise other asset classes, besides equities, where possible.
- Engaging with companies in which the fund invests (including collectively through the London CIV), to urge them to reduce their carbon footprint and their reliance on fossil fuels.
- The fund measures its carbon footprint and carbon emissions on an annual basis.

The Committee expects its investment managers to include information on how carbon risk is being managed within their respective portfolios as part of regular reporting for the Fund. The Committee believes in engagement with carbon intensive companies and that this will enhance returns in the long term but will divest if they believe there is a long- term risk to returns because of stranded assets.

We are actively involved in the Local Authorities Pension Fund Forum (LAPFF) which engages with individual companies and the Institutional Investors Group on Climate Change (IIGCC).

We would like to thank our in-house pension administration staff, advisors and service providers for their support during the year.



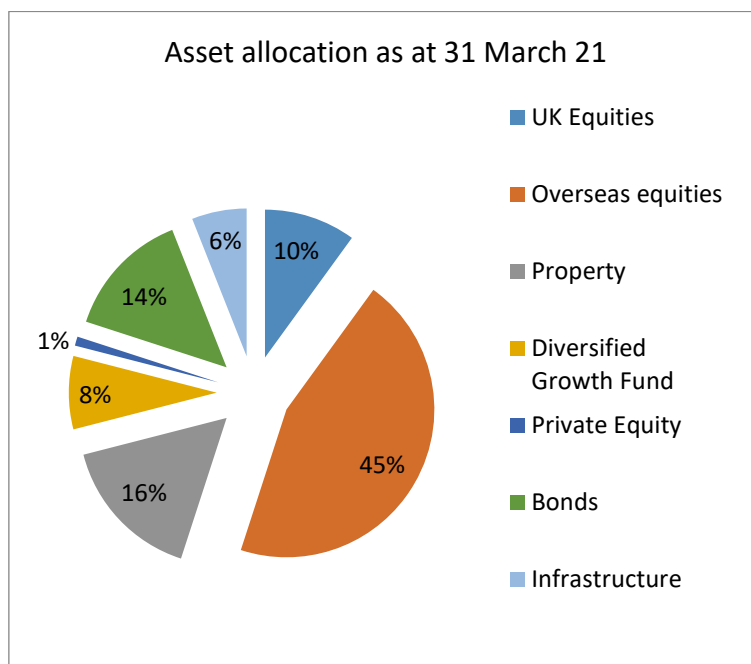
Cllr David Poyser

Chair of Pension Board

1: Investment report

The 2020/21 year saw our fund return 22.1% compared to the customised benchmark (aggregated benchmark of all our investment portfolios) of 19.3%. The average LA universe returned 22.7%. Our fund is structured differently from the average fund due to the proportionately higher exposure to property that returned 0.4% on average. Following the actuarial valuation and pandemic the strategic allocation was reviewed and amended to achieve target return of 2.2% above CPI within our risk tolerance.

During the year to 31 March 2021 the fund's asset allocation was as follows



The new agreed strategic asset allocation is as follows;

Equities	Property including social housing	Private debt	Multi asset credit	Infrastructure
50%	25%	10%	5%	10%

1.1. Fund manager performance (BNY Mellon Performance Services)

The table below shows our portfolio fund managers' value of assets under management and their 12-month performance to 31 March 2021

Manager	Mandate	Market value £'000	12-month return %
Islington Council Treasury team	UK equities	172,855	25.7

Manager	Mandate	Market value £'000	12-month return %
London LGPS CIV RBC sub fund	Global equities	165,291	46.3
London LGPS CIV Newton sub fund	Global equities	291,510	37.3
Legal and General	Global/Emerging equities	207,277	38.2
BMO	Emerging/ Frontier equities	74,260	36.7
Standard Life	Corporate bonds	166,462	7.3
M&G(1)	Multi asset credit	75,177	n/a
Aviva	Property	131,174	6.1
Columbia Threadneedle	Property	84,104	1.7
Franklin Templeton	Property	14,899	-8.6
Hearthstone	Property	28,317	1.2
Standard Life	Private equity	13,216	-4.7
Pantheon	Private equity	3,474	-9.9
Schroders	Diversified growth fund	132,289	24.2
Pantheon	Infrastructure	32,640	0.1
Quinbrook	Infrastructure	60,487	8.5
BNY Mellon(2)	Cash deposits	8,686	n/a
Total Market Value		1,662,118	22.1

(1) M&G commenced in March 2021

(2) BNY Mellon hedge overseas equities holdings

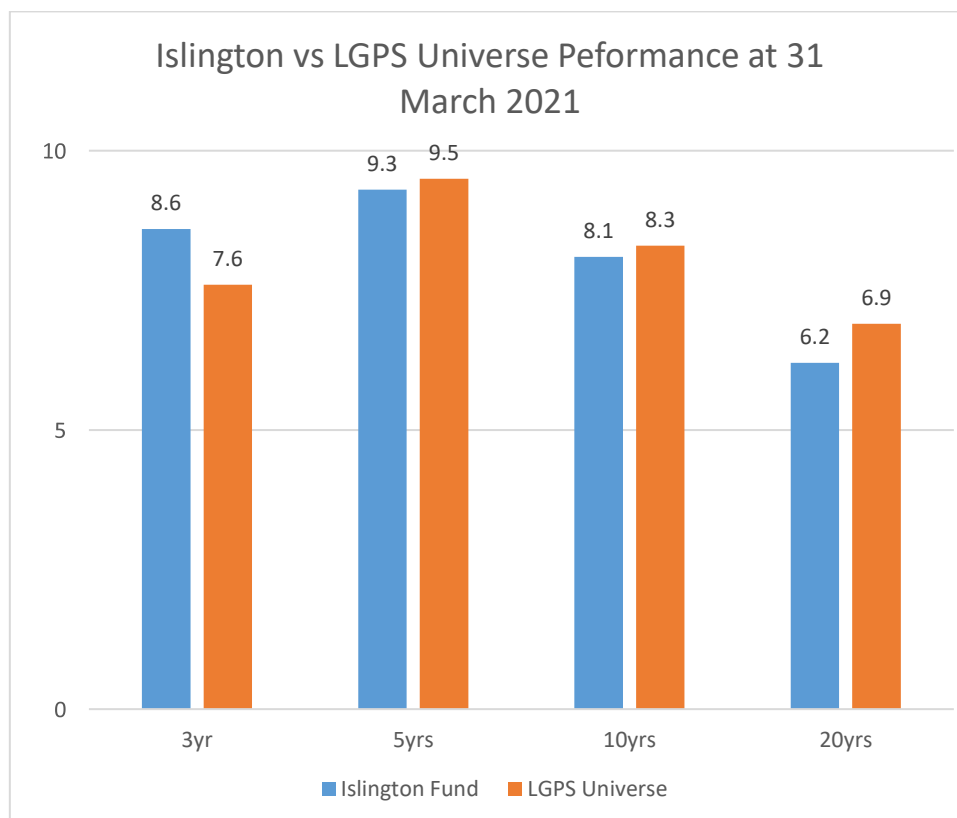
All the councils funds are in pooled vehicles apart from the UK equities tracker mandate that is managed internally.

1.2 It is important to look at average performance over the longer term. The following table shows the average annual return achieved by the fund over one, three, and five, years compared to its customised benchmark.

Period	1years	3 years	5years
Fund return per annum %	22.1	8.6	9.3
Benchmark%	19.3	7.7	8.3

Over the 20- year period the fund has returned 6.2% per annum in absolute terms.

The Islington Council pension fund also compares itself against its peers through the league table compiled by the Local Authority Pension Performance Analytics. The graph below shows the pension fund compared to the average performance of the universe over the 3, 5, 10 and 20 year periods.



The Fund is top quartile over the latest three year period and has improved over the last five years. In the last five years the relative volatility has also reduced further while the Fund return has improved closer to average. The 20-year ranking is below average largely as a result of poor equity selection over the period.

The 10 Top Holdings in our segregated equity account are listed in the table below as at 31 March 2021. A schedule of the fund's mandates is listed on page 6-7(paragraph 1.1).

INSTITUTION	MARKET VALUE (£'000s)
ROYAL DUTCH SHELL PLC	7,557
ASTRAZENECA PLC	6,290
HSBC HOLDINGS PLC	5,797
DIAGEO PLC	5,182
RIO TTINTO PLC	5,054
GLAXOSMITH PLC	4,290
BP	3,890
BRITISH AMERICA PLC	3,559
UNILEVER PLC	3,401
RECKITT BENCKISER GROUP PLC	3,057

It is worth noting that due to the Fund's low carbon strategy and restructuring, our total fund carbon footprint and emissions continues to decrease, and holdings in carbon intensive companies across the fund have fallen by 45%.

2: Pooling

Islington is one of 33 London local authorities who have become active participants in the London CIV programme. The LCIV has been constructed as a FCA regulated UK Authorised Contractual Scheme (ACS). The ACS is composed of two parts: the Operator and the Fund a limited liability company (London LGPS CIV Ltd) has been established, with each participating borough holding a nominal £1 share. The London CIV received its ACS authorisation in November 2015.

Since then it has secured regulatory approval, established a team of 35 staff and by the end of March 2021, £23.8bn of LLAs assets were under LCIVs oversight.

Islington has three funds (i.e 40% of the whole fund) managed on the LCIV platform; two global active equities valued at £457m and global passive equities of £207m. The estimated fees saving for the year for pooling these three funds is £0.18m. As more funds and asset classes become available and meet our needs, we will look to transfer more assets.

2.1 Key highlights for the Pool in 2020/21 year included the following:

- The launch of a renewable infrastructure fund with £435m commitment
 - Commitment to set ambitious short and long term net zero targets before November 2021 COP 26.
 - Private debt fund launch with £290m commitment
 - Climate and stewardship policies have been set out
 - Global alpha growth Paris aligned fund launched in April
 - A further build on current stewardship and voting capabilities with Hermes EOS
- A link to London CIV annual review <https://londonciv.org.uk/reports-and-regulatory-information>.

3. Exercise of shareholder rights -voting

3.1 The Pensions Sub-Committee takes its responsibilities as a company shareholder seriously and exercises its votes at company AGMs/EGMs wherever practically possible on its segregated portfolio. The Sub-Committee uses the Corporate Governance Service provided by Pension Investments Research Consultants (PIRC), and casts votes at all UK, European and North American company AGMs in line with PIRC recommendations unless the Council decides otherwise.

3.2 The table below lists the voting record by region at company annual meetings for the quarter ending 31 March 2021

	UK & British Overseas	Europe & Global EU	Total
For	317	77	394
Abstain	40	30	70
Oppose	101	7	108
Non-Voting	0	1	1
Total	458	115	573

4: Business plan

The Myners principles and compliance forms part of Islington Pension Fund's published Investment Strategy Statement. The Pensions Sub Committee agreed a four-year business plan to June'2020 in compliance with Myners Principle 1, 'Effective decision-making through a forward looking business plan'.

4.1 The key objectives of the four- year business plan, last reviewed in September 2020 are listed below along with actions taken to June 2021.

- ◆ To achieve best practice in managing our investments in order to ensure good long-term performance, sustainability of the Fund value for money and a reduction in managers' fees wherever possible and pursue new investment opportunities plus an expectation of strong business ethics from fund managers also"

Actions:

- Strategic allocation was still fit for purpose after impact of lockdown and recovery scenario testing was undertaken in 2020.
- Preferred manager was appointed to run the MAC mandate of £75m and funded in March 2021
- Reduction in fees was agreed with our global manager after mandate restructuring
- Members complied with TPR directives of reviewing agreed objectives and performance of investment consultancy service providers by December 2020

- ◆ To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members

Actions:

- Pension board review draft statement of accounts before auditing and monitor pension's administration cashflow
- Risk register is reviewed 6monthly to include pandemic impact and improvements have been requested in the layout.
- A new improved website is almost completed, with documents accessible on line for some self-service options.

- ◆ To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability, whilst achieving a financial return for the fund, addressing societal impact and a focus on strong business ethics and reputation to ensure the safeguarding of the Fund and its members

Actions:

- Work with LAPFF and IIGCC, and the LCIV continues
- Carbon footprinting for equity and credit portfolios and ESG measurement of our fund managers was undertaken as at March 2021.
- Net Zero carbon target to 2050 was agreed by Members in June along with new carbon reductions targets to 2026 and 2030 allocation and an increase allocation to green opportunities.
- Voting records are published
- Recent appointment of MAC had a specific criteria on ESG integration in the investment process.

- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities

Actions:

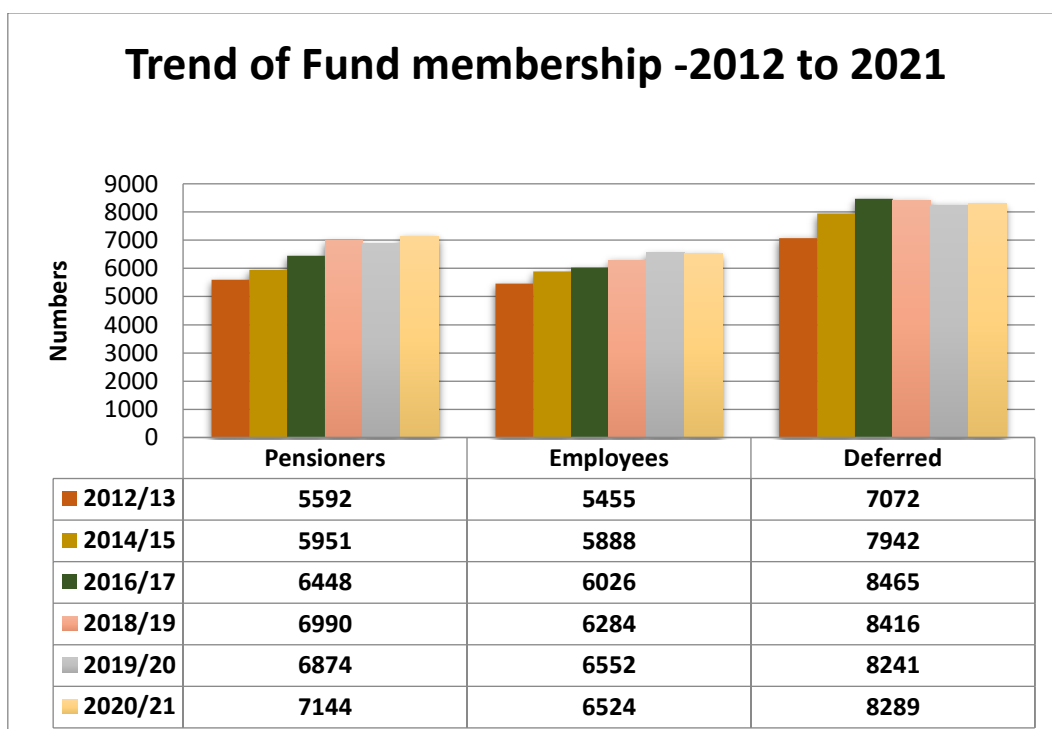
- Regular monitoring meeting were also arranged with emerging/frontier market manager for reassurances on strategy after changes in management.
- 1>1 meetings with managers have been held with officers and advisors to report to members

- Members agreed to recommit to global property FTRETP III in December.
 - Net-zero carbon target transition training run by Mercer was provided to all pension sub committee and board members.
 - Members attend seminars and LCIV AGMs as a shareholder
- ◆ To develop collaboration opportunities with other funds for sharing of services and pooling
- Actions:*
- Officers sourced collaboration with previous LA procurement to procure Private debt due to commonality of best in class.
 - Pension Chair Members' collaboration of a North London LA group meet regularly to share ideas
 - Fund participates in the London CIV seed investor groups on aligned interest products

5: The local government pension scheme

5.1. Membership

The scheme membership continues to grow year on year. Deferred members and pensioners are increasing at the expense of active employees. The profile from 2012 to 2021 is shown below.



The total membership over the same period is as follows:

March 2010	16,796
March 2011	17,495

March 2012	17,690
March 2013	18,119
March 2014	19,005
March 2015	19,781
March 2016	20,387
March 2017	20,939
March 2018	21,566
March 2019	21,690
March 2020	21,667
March 2021	21,957

5.2 Benefits

The LGPS is referred to as a 'defined benefit' scheme.

The Pension earned for any period before 1 April 2014 is calculated on the pensionable pay over the final 12 months (termed 'final pay') to the leaving/retiring date. For membership to 31 March 2008 the Pension calculation is final pay x years and days of service x 1/80, and for membership from 1 April 2008 to 31 March 2014 the Pension is final pay x years and days of service x 1/60.

For membership in respect of service from 1 April 2014 the Pension calculation is the pensionable pay for each year thereafter x 1/49, with the Pension earned revalued annually to account for inflation. In respect of membership from April 2014 the LGPS is now termed a Career Average Revalued Earnings ('CARE') pension scheme.

The Pension calculation for a scheme member who joined the LGPS before 1 April 2008 will be the total for the three periods mentioned in the preceding paragraphs.

Since April 2014 there has been an option, for a limited period, of a half rate contribution and pension arrangement, but after the limited period re-enrolment in the full scheme applies.

The LGPS is a 'funded' scheme, which means that the Council is required to maintain a separate pension fund comprising of investments and contributions from employees and employer, from which benefits are paid. These investments provide the growth and income with which to pay the benefits.

These "defined benefits" are guaranteed and do not vary depending on investment performance, which means they are stable and more predictable for scheme members, who can plan their retirement around this security.

The core benefits of the scheme are:

- a guaranteed pension as explained above
- a tax free lump sum of three times the annual pension earned in respect of scheme membership to 31 March 2008
- life assurance cover of three times a member's' yearly pay from the first day of joining the scheme
- a pension for spouses, Civil Partners, co-habiting partners and children
- Pension entitlement paid early if a member has to stop work due to permanent ill health
- Pensions increases in line with inflation (measured by the Consumer Prices Index).

5.2.1 Pension contributions

The employee pension contribution percentage is according to the pay band applicable. For example a pension contribution of 6.5% of pay applies where annual salary is in the range £22,901.00 to £37,200.00 a year. A person on £30,000.00 a year (£2,500.00 a month) pays £162.50 a month in pension contributions, but income tax relief is given by deducting the contribution from taxable pay so £162.50 a month costs £130.00 net if the tax rate is 20%.

A part-time worker falls into the band relating to annual part-time pay.

The contribution rates that currently apply (2020/21), depending on the annual salary band, is shown below.

Contribution Rate and banding 2021/2022

Actual pensionable pay for an employment (2021/2022)	Main scheme contribution rate	50/50 section contribution rate
Up to £14,600	5.50%	2.75%
£14,601 to £22,900	5.80%	2.90%
£22,901 to £37,200	6.50%	3.25%
£37,201 to £47,100	6.80%	3.40%
£47,101 to £65,900	8.50%	4.25%
£65,901 to £93,400	9.90%	4.95%
£93,401 to £110,000	10.50%	5.25%
£110,001 to £165,000	11.40%	5.70%
£165,001 or more	12.50%	6.25%

5.2.2 Retirement age

Since April 2014 there has no longer been a standard scheme retirement age in the LGPS; instead each person has an individual Normal Pension Age (NPA) which is the date of entitlement to State Pension (with a minimum of age 65). Members can choose to retire and claim their pension from Islington Pension Fund at any time from age 55 to 75, providing that they have met the 2 year vesting period in the LGPS. If a member claims their pension before their NPA, it will normally be reduced. Members must take their pension benefits in the LGPS before their 75th birthday.

5.3 Keeping up to date

Information regarding the LGPS can be accessed by visiting the following websites:

<https://islington.gov.uk/IslingtonCouncilLGPS>

<https://www.lgpsmember.org/>

Employees who are not members of the LGPS

There are many advantages in being a member of the LGPS. 'Auto-enrolment' rules mean that employees

who opt-out of the scheme are 're-enrolled' every three years. The next re-enrolment date for those who have opted-out is 1st April 2022.

5.4 Pension administration performance

The table below gives the data for the average performance for the year to 31 March 2021, in respect of the main procedures/processes.

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	172	95%	97.0%	5.5
Retirement benefits	5	278	95%	88.0%	8.0
Pension estimates	10	540	95%	80.0%	12.0
Preserved benefit calculations	15	193	95%	65.0%	23.0
Transfer-in quotation	10	122	95%	91.0%	14.0
Transfer-in actual	10	113	95%	98.0%	10.5
Transfer out quotation	15	119	95%	83.0%	17.5
Transfer out actual	12.5	108	95%	94.0%	13.5

Over the period, 82% of the 1,713 processes undertaken by the Pensions Administration team were completed within the target days. The pension administration team consist of 10 FTE staff.

Contacts

If you have any enquiries or wish to know more about your own pension benefits position, please contact the Pensions benefits staff at:

The Pension's Office, Third floor, 7 Newington Barrow Way, London N7 7EP

Queries can be made to the Pensions Officer who deals with the alphabetical range that includes your surname:

Surname range Telephone enquiries

A – DA	020 7527 2028
DB – J	020 7527 4492
K – Q	020 7527 6733
R – Z	020 7527 2320

Email enquiries

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

6: Democratic arrangements

6.1 Pensions Sub-Committee

In 2020/21 the Pensions Sub-Committee were responsible for all decision making on pensions matters and stewardship of the pension fund. The Chair and Members of the sub-committee are:

Membership

Clr Paul Convery (Chair)
 Cllr Satnam Gill OBE (Vice Chair)
 Cllr Sue Lukes
 Cllr Mick O'Sullivan

Substitutes

Clr Mouna Hamitouche MBE
 Cllr David Poyser
 Cllr Roulin Khondoker

Ps: Audit Committee made some new appointments to Pension Sub- Committee in June 2021
 There is only one substitute: Councillor Jenny Kay
 Councillor Mick Gilgunn has replaced Cllr Sue Lukes

Other Representatives:

Four trade union observers
 Pensioner representative Valarie Easmon-George
 Observer from Volunteering Matters (An 'admitted body')

Fund Investment Advisors:

Mercer
 MJ Hudson Allenbridge

Fund Actuary:

Mercer

Fund Legal Advisor

Internal Legal Department

Fund Custodian:

BNY Mellon

Performance Monitoring:

BNY Mellon

Corporate Governance Research and Voting Advice Service:

Pension Investments Research Consultants

Fund AVC Providers

Equitable Life, Prudential, Phoenix Life

Fund Auditors

Grant Thornton UK LLP

Bankers

Barclays Bank

6.2. Islington Council Local Pension Board

In accordance with the Public Service Pensions Act 2013, the Islington Council Local Pension Board (ICLPB) was established on 1 April 2015 for the purposes of assisting the Pensions Sub-Committee:

- to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The membership of the board is as follows:

Councillor David Poyser	Employer representative- Chair
Maggie Elliott - Chair of Governors of the Edventure Collaborative (which is the federation of Montem and Drayton Park Primary Schools)	Employer representative-Vice Chair
George Sharkey, GMB	Member representative
Mike Calvert, Unison	Member representative
Valarie Easmon George	Retired members representative
vacant	Employer representative
Alan Begg	Independent member

The Board's terms of reference specify that the Board shall meet bi-annually(as a minimum) and normally on the same date as the Pensions Sub-Committee, in order that its deliberations may be taken into account in relation to relevant items on the agenda of the Pensions Sub-Committee. Board members agreed to meet quarterly in 2019.

For the municipal year 2020/21, the Board met on 30th June 2020 15th September 2020, 8thDecember 2020 and 23rd March 2021. Members receive copies of agenda and reports of the pension sub-committee and vice versa.

6.3 Activities of the Board

(i) Members reviewed their agreed a work programme at the March 2019 meeting for progress and amendments where required. The objectives are as follows:

- To ensure accurate record keeping, data quality and improvements
- To ensure Governance Compliance Statement sets out delegation, function and structure

- To ensure Fund has the appropriate policies in place to safeguard the Fund's assets through appropriate methods of risk management
- To ensure members have the necessary skills knowledge and understanding
- The General Data Protection Regulation (GDPR) is upheld)
- To ensure the effective and efficient governance and administration of the Scheme
- That the Pension board are able to make recommendations on Statutory and non-statutory policies and strategies
- Self-Assessment review of the effectiveness of the Board

- (i) Auto enrolment data is reviewed quarterly and have worked with officers to encourage opt ins and highlight scheme benefits
- (ii) Risk register is reviewed 6monthly to include pandemic impact and improvements have been requested in the layout
- (iii) Pension board have an agreed work plan and forward plan to decide committee agenda
- (iv) McCloud implementation process was discussed by the board and resource engagement is now agreed to carry this forward and a workplan is to be agreed at a future meeting
- (v) Attended joint training with Pension Subs-Committee members on Net Zero Carbon target
- (vi) They reviewed the draft pension statement of accounts for 2020/21
- (vii) They also reviewed pension administration annual cashflow forecast and 3-year budget forecast

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

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

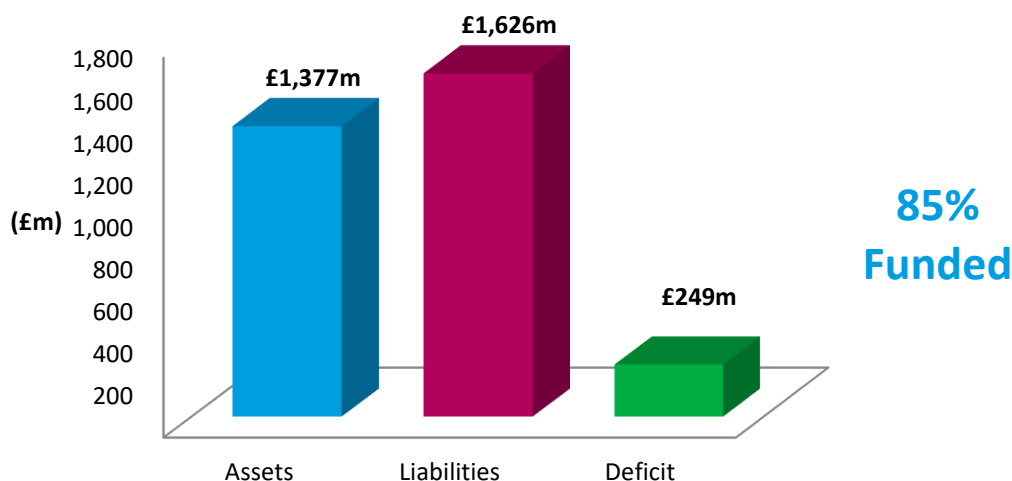
7. Funding of the pension scheme

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 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 2019 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 Funding Strategy Statement (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 triennial 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 kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
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 triennial 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

8: Summary of financial report

8.1 Income and expenditure for 2020/21

- An increase in net assets of £304million (22.3%) to £1,663million due to an increase in market value of assets especially equities after initial COVID-19 market falls.
- Employees' contributions totalled £13.5million compared to 12.9million in 2019/20

Employers' contributions amounted to £57.1million compared to the £38.7 million in the previous year this was mainly due to the Council paying its 3-year past year's deficit contribution upfront in April 2020 instead of spreading it over 3years to 22/23

- Other Income comprised of transfers from other pension fund and recharges amounted to £8.1 million compared to £6.2 million in 2019/20
- Pensions paid totalled £50.4 million compared to £50.2million in 2019/20. The increase was low because the annual pension increase was 0.5%.
- The total fund management cost was £2.8m and the breakdown is detailed in the full accounts.

As at 31 March 2021, £78.1million income (excluding investment income) was received against an expenditure of £70.5 million. The other drivers apart from pension payments were retirement lump sums and transfer in. There were in total 296 retirements, 10 of which were due to ill-health. This means that the fund was able to meet all its commitments from contributions only and did not dip into investment income during the year.

The detailed reporting of the pension fund accounts for 2020/21 forms part of the council's annual statement of accounts which include the statement of responsibilities and covers all the council services. This can be found at www.islington.gov.uk/accounts.

9: Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

The council's designated Chief Finance Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the council's financial affairs.

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

In preparing these Statements of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
 - made judgments and estimates that were reasonable and prudent; and
 - complied with the Code.
- The Section 151 Officer has also:
- kept proper accounting records which were up to date; and
 - taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.



David Hodgkinson
Corporate Director of Resources
11 November 2021

Approval of the accounts

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



Councillor Nick Wayne,
Chair of the Audit Committee 11 November 2021

10: Statement of Accounts 2020/2021

Islington Pension Fund

Fund Account

2019/20	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2020/21	
£'000		£'000	Note
Contributions receivable			
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
58,824	Total Income	78,094	
Benefits payable			
(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
(66,887)	Total Expenditure	(67,653)	
(8,063)	Net additions/ (withdrawals) from dealing with members	10,441	
(3,275)	Management Expenses	(2,837)	12
(11,338)	Net additions/ (withdrawals) including fund management expenses	7,604	
Returns on investments			
17,948	Investment income	16,340	13
(24,534)	Change in market value (realised & unrealised)	281,099	
(6,586)	Total Returns on investments	297,439	
Net return on investments			
(17,924)	Net increase/decrease in fund in year	305,043	
1,376,736	Opening net assets of the scheme	1,358,812	
1,358,812	Closing net assets of the scheme	1,663,855	

Net Assets Statement

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

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 £35.33m) and Standard Life (total commitments £49.2m). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £58.2m). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £48.7m) and Pantheon Access £72.7m. 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/about-the-fund>

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		• Breyer Group	
• The Bridge Satellite Provision		• Mears Ltd	
• The Bridge Integrated Learning Space		• Greenwich Leisure Ltd	
• City of London Primary Academy, Islington		• W J Catering	
• Clerkenwell Parochial CofE Primary School		• Isledon Arts CIC	
• Hungerford Primary School		• Pabulum	
• London Screen Academy		• 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	914	918	49	53	5	5	968	976
Deferred Benefits	7,299	7,320	692	676	250	293	8,241	8,289
Totals	19,578	19,842	1,335	1,343	754	772	21,667	21,957

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
- Ill- Health Retirement subject to approval by council's medical adviser

- ii. Lump sum payments on retirement or death in service.

	Service Pre 1 April 2008	Services Post 31 March 2008	Service Post 31 March 2014
Pension	Each year worked is worth 1/80 x pensionable salary	Each year worked is worth 1/60 x pensionable salary	Each year worked is worth 1/49 x pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

- iii. A contributor who voluntarily leaves with less than two year's membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme. However, if the contributor was in the scheme before 1 April

2014, and leaves after then and have been in the scheme for three or more months but less than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme

- iv. 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. 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 hold forward exchange contract consists of an asset and liability.

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 is £67,967.69 and the estimated value of the fund as at 31 March 2021 is £1,488,635.03, the value is subject to change pending final valuation from the AVC providers.

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.

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.	<table border="1"> <thead> <tr> <th data-bbox="825 533 1139 595">Change in assumptions – year ended 31st March 2021</th> <th data-bbox="1150 533 1310 595">Approx % change in liabilities</th> <th data-bbox="1321 533 1497 595">Approx monetary value £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="825 602 1139 651">0.5% p.a. decrease in discount rate</td> <td data-bbox="1150 602 1310 651">8% increase</td> <td data-bbox="1321 602 1497 651">£217m increase</td> </tr> <tr> <td data-bbox="825 658 1139 707">0.5% p.a. increase in salary increase rate</td> <td data-bbox="1150 658 1310 707"><1% increase</td> <td data-bbox="1321 658 1497 707">£13m increase</td> </tr> <tr> <td data-bbox="825 714 1139 763">0.5% p.a. increase in inflation / pension increase rate</td> <td data-bbox="1150 714 1310 763">8% increase</td> <td data-bbox="1321 714 1497 763">£217m increase</td> </tr> <tr> <td data-bbox="825 770 1139 819">1 year increase in member life expectancy</td> <td data-bbox="1150 770 1310 819">3% increase</td> <td data-bbox="1321 770 1497 819">£78m increase</td> </tr> </tbody> </table>			Change in assumptions – year ended 31 st 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	0.5% p.a. increase in inflation / pension increase rate	8% increase	£217m increase	1 year increase in member life expectancy	3% increase	£78m increase
Change in assumptions – year ended 31 st 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																	
0.5% p.a. increase in inflation / pension increase rate	8% increase	£217m increase																	
1 year increase in member life expectancy	3% increase	£78m increase																	
Private equity 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 and infrastructure investments are valued at £109.8m in the financial statements. These investments were valued as at the 31 st March 2021. These assets have been predicted a sensitivity range of 6.5% – 11.3% by the performance analytics. (See note 26).																	
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 £258.494m (including pooled property). These assets were valued as at 31 st March 2021. 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 6.50% (See note 26).																	

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.

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	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council *	34,347	53,702	-	-	768	634
Scheduled Bodies						
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	-	-	-	-
Sub-Total Scheduled Bodies	1,873	2,243	-	-	26	59
Admitted bodies						
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	-	-	-	-
Sub-total Admitted Bodies	741	474	-	-	-	29
Totals	36,961	56,419	0	0	794	722

* 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 £'000	2020/21 £'000
Administering Authority		
Islington Council	12,048	12,569
Scheduled Bodies		
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
Sub-Total Scheduled Bodies	739	801
Admitted bodies		
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
Sub-total Admitted Bodies	183	163
Totals	12,970	13,533

8. Transfers in

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

9. Other Income

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

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	46,653	46,713	8,550	6,501	958	1,745
Scheduled Bodies						
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	-	-	-
Sub-Total Scheduled Bodies	143	168	271	184	-	-
Admitted Bodies						
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	-	-	-	-
Sub-total Admitted Bodies	3,424	3,541	425	397	13	-
Totals	50,220	50,422	9,246	7,082	971	1,745

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
6,450	Total payments to and on account of leavers	8,404

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
3,275	Total Management Expenses	2,837

12(a) Administrative Expenses

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

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
1,317	Total investment management expenses	983

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	-
672	Total Oversight & Governance Cost	412

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
17,948	Total Investment income	16,340
-	Irrecoverable withholding tax	
17,948	Total Investment income	16,340

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
Total	1,342,734	136,843	(121,851)	281,099	1,638,825
Derivatives - Forward FX	-				(673)
Other Investment & Cash	13,457				23,966
Total Investments	1,356,191				1,662,118

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

14(a)

Investment Assets by Type		2019/20	2020/21
		<i>£'000</i>	<i>£'000</i>
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		75	73
Total Fixed interest securities		75	73
Index -linked			
UK public sector quoted		115	113
Total Index -linked		115	113
Equities (valued at Bid Price)			
UK quoted		97,759	120,171
Overseas quoted		25,227	32,760
Total Equities		122,986	152,931
Pooled investment vehicles (valued at Bid Price)			
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
Infrastructure Investment		63,535	93,127
Total Pooled investment vehicles		1,219,558	1,485,708
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,292	1,334
Derivatives - Forward FX		-	(673)
Cash deposits : Sterling		11,557	22,376
Cash deposits : Other		608	256
Total Other investment balances		13,457	23,293
Total Investment Assets		1,356,191	1,662,118

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

14 (b)

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
		<i>£'000</i>	<i>£'000</i>
3 Months	Euros		(40,496)
	Japanese Yen		(19,673)
	Pound Sterling	234,688	
	US Dollars		(175,192)
		234,688	(235,361)
	Net Forward FX at 31 March 2021		(673)
	Net Forward FX at 31 March 2020		-

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 2021	fund	31 March 2020	fund
	£'000		£'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	Current Assets	2020/21
£'000		£'000
1,884	Contributions due from Employers & Employee	1,919
87	Sundry Debtors	60
4038	Cash Balances	2,216
6,009	Total	4,195

17. Current Liabilities

2019/20	Current Liabilities	2020/21
£'000		£'000
(1,049)	Accrued Benefits	(226)
(638)	Sundry Creditors	(548)
(1,701)	Accrued Expenses	(1,684)
(3,388)	Total Current liabilities	(2,458)

18. Actuarial Position

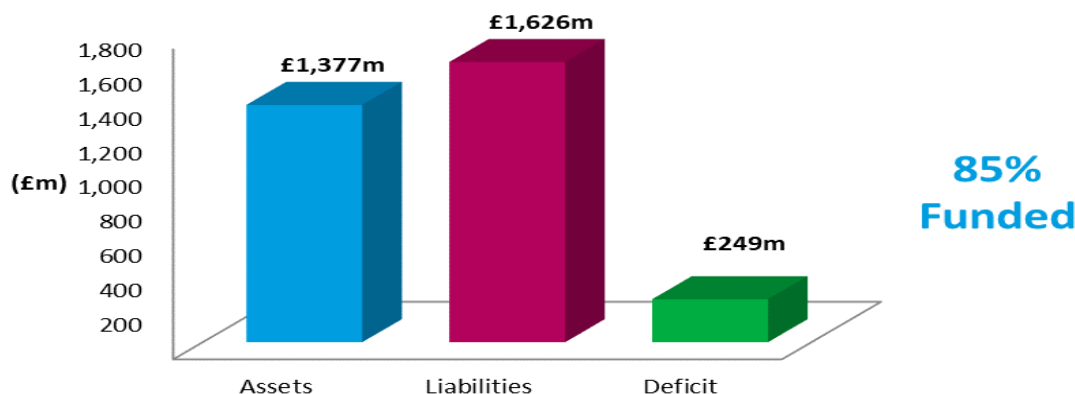
ISLINGTON COUNCIL PENSION FUND

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.

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):

	31 March 2020	31 March 2021
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

2019/20 Market Value £'000	Additional Voluntary Contribution	2020/21 Est. Market Value £'000
1,164	Prudential	1,239
222	Utmost (formerly Equitable life)	173
81	Phoenix Life (formerly NPI)	77
1,467	Total Additional Voluntary Contributions	1,489

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. Confirmations were sent out and due to no response being received the prior year figures in addition to contributions paid have been used as an estimate.

21. Contingent Assets and Liabilities

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

22. Contractual Commitments

The fund has outstanding commitments totalling £55.8m as at 31 March 2021 (£93.5m~31 March 2020). Two private equity fund managers Pantheon Ventures £4.03m and Standard Life £4.4m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £6.4m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £0m and £39.7m respectively.

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 £0.062m (£0.320m~31 March 2020). 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.

2019/20 £'000		2020/21 £'000
(50)	Short-term benefits	(64)
(5)	Post-employment benefits	(7)
-	Termination benefits	-
(55)		(71)

*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.

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 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
Total Assets	1,662,118	8.20%	1,798,998	1,525,238

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
Total Assets	1,356,191	6.00%	1,437,628	1,274,755

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
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
Total Assets	847,954	6.50%	902,873	793,035

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

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
Cash and cash equivalent	25,509	25,254	25,764
Fixed interest securities	73	72	74
Total	25,582	25,326	25,838

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

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 2021, liquid assets were £1,537m representing 92% of total fund assets (£1,269m at 31 March 2020 representing 94% 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. Financial assets totalling £591m that

was previously classified as level 2 as at March 2020 has reclassified as level 1, this was due to a review of the funds and considering IFRS 13 that the valuation method of the funds were reassessed.

Values at 31 March 2021	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	920,742	631,558	109,818	1,662,118
Loans and Receivables	2,216	-	-	2,216
Total Financial Assets	922,958	631,558	109,818	1,664,334
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	(13)	-	(13)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	-	(13)	-	(13)
Net Financial Assets	922,958	631,545	109,818	1,664,321

Values at 31 March 2020 (restated)	Restated Quoted Market Price	Restated Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	Financial Assets			
Financial assets at fair value through profit and loss	631,409	637,905	86,877	1,356,191
Financial assets at amortised cost	4,038	1,971	-	6,009
Total Financial Assets	635,447	639,876	86,877	1,362,200
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	(3,388)	-	(3,388)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	-	(3,388)	-	(3,388)
Net Financial Assets	635,447	636,488	86,877	1,358,812

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.

27a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2020 £'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	23,342	140	(5,105)	(1,686)	16,691
Infrastructure - PIV	63,535	23,286	-	6,306	93,127
Total Level 3 Assets	86,877	23,426	(5,105)	4,620	109,818

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 2020 £'000
Private Equity - o/seas	27,433		(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total Level 3 Assets	66,644	21,023	(7,245)	6,455	86,877

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

Investment Assets by Fund Manager	2019/20 £'000	2020/21 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	97,760	120,171
Overseas quoted - LBI self-managed	25,227	32,760
CASH DEPOSITS		
Sterling	4,182	6,187
Other	600	6,834
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,021	1,280
FIXED INTEREST		
UK	75	73
INDEX-LINKED		
UK	115	113
POOLED FUNDS		
UK	4,524	5,437
Total LBI In House Fund	133,504	172,855
Newton - London CIV		
POOLED FUNDS		
UK quoted	211,891	291,204
CASH DEPOSITS		
Sterling	92	11
Other	0	242
OTHER INVESTMENT BALANCES		
Outstanding Dividends	271	54
Total Newton	212,254	291,511
RCM		
CASH DEPOSITS		
Sterling	376	377
Other	9	7
Total RCM	385	384
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	155,012	166,462
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	7,001	3,474
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	16,340	13,216
Aviva Lime Property		
UK UNIT TRUSTS		
Property	124,782	131,173
Threadneedle Pensions		
POOLED INVESTMENT: Property	82,680	84,104
Thesis		
POOLED INVESTMENT: Property	29,062	28,317
BNY Mellon		
CASH DEPOSITS : Sterling	6,906	8,976
outstanding fx trades	0	-673
Total BNY Mellon	6,906	8,303

Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	150,026	207,277
Franklin Templeton		
Pooled Investment Global Property	20,119	14,899
Schroders		
Pooled Investment Multi Asset	106,480	132,289
BMO		
Pooled Investment Managed Funds	59,902	74,259
LGIM		
Pooled Investment Managed Funds	75,839	0
Pantheon Infrastructure		
Infrastructure	21,741	32,640
Quinbrook Infrastructure		
Infrastructure	41,794	60,487
RBC/LONDON CIV		
POOLED FUNDS	112,364	165,290
M&G AOF		
Pooled Investment Managed Funds	0	75,178
Total Investment Assets	1,356,191	1,662,118

11: Glossary of terms

Actuary

An independent consultant who advises the fund and reviews the financial position of the fund every three years. The actuary then produces a report, known as the actuarial valuation report, which compares the fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added years

Additional service that a member of the fund can buy by paying extra contributions to the fund providing that Inland Revenue limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVCs)

An option available to individual members to secure additional pension benefits by making regular payments to the pension fund's AVC provider up to a maximum of 15% of total earnings.

Asset allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Basis point

One hundredth of 1% (i.e. 0.01%).

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as measured by one of the performance surveys) to customized benchmarks tailored to a particular fund's requirements.

Cash transfer values

The capital value of a benefit entitlement paid into or withdrawn from the fund when an employee joins or leaves the scheme with a pension transfer.

Corporate bond

Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by governments in their own currencies. Therefore, the 'credit' sector, as it is often known, includes issues by companies, supranational organizations and government agencies.

Custody

Administering of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax reclaims and provide other services, according to client instructions. The custodian physically holds the securities for safe-keeping

Deferred pension

The pension benefit payable from Normal Retirement Age to a member of the fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Emerging markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Final pensionable pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final salary scheme

A pension scheme that provides a pension and a lump sum benefit calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Fixed interest securities

Investments, mainly in government stocks, which guarantee a fixed rate of interest. Investments in government stocks represent 'loans' to Government which are repayable on a stated future date.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

IAS 19

The objective of IAS 19 (1998) is **to prescribe the accounting and disclosure for employee benefits**

IAS 26

Accounting and Reporting by Retirement Benefit Plans outlines the requirements for the preparation of financial statements of retirement benefit plans

Mandate

The agreement between a client and investment manager laying down how the fund is to be managed. May include performance targets by reference to a benchmark.

Market value

The price at which an investment can be bought or sold at a given date.

Normal retirement age

Age 65 for both men and women but members whose age and membership, when combined, total 85 or more can retire at any time from age 60 without actuarial reduction.

Pensionable pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled funds

Pooled funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Return

The value received (income plus capital) annually from an investment, usually expressed as a percentage.

Unconstrained equity investing

Mandates where the investment manager is expected to construct and manage their portfolio of stocks in a way that reflects their judgment, without being hindered by limits sets relative to a benchmark index. The manager may also be free to invest a high proportion in cash if they have a negative view on equity markets. Generally, there would be few investment restrictions, although a mandate would rarely be totally unconstrained.

Unlisted securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

12: Audit opinion

Independent auditor's report to the members of the London Borough of Islington on the consistency of the pension fund financial statements of the London Borough of Islington Pension Fund included in the London Borough of Islington Pension Fund Annual Report

Opinion

The pension fund financial statements of the London Borough of Islington Pension Fund (the 'pension fund') administered by the London Borough of Islington (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 2 February 2022.

Corporate Director of Resources' responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Corporate Director of Resources is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2012/21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady

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

11 March 2022

13: The fund's statutory statements

13.1 Investment strategy statement

Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This investment strategy statement (ISS) has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Pensions Sub-Committee ('the Committee') at least triennially or more frequently should any significant change occur.

The link to the full document is [Investment Strategy Statement London Borough of Islington Pension Fund – December 2020](#)

13.2 The Funding strategy statement

This Funding Strategy Statement has been prepared by London Borough of Islington (the Administering Authority) to set out the funding strategy for the Islington Council Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The link to the full document is [Funding Strategy Statement Islington Council Pension Fund March 2020](#)

13.3 Governance policy statement

This statement is prepared for the purposes of The Local Government Pension Scheme Regulations 2013. It sets out the policy of Islington Council as the administering authority in relation to its governance responsibilities for the local government pension scheme.

This governance policy statement ultimately sets out to be a comprehensive summary of all aspects of pension scheme governance, communication and risk management.

13.3.1. Overall governance framework

The council as administering authority, with its advisers has identified the following key areas (the "five principles") to support its overall governance framework.

- Effective board delegation
- Written plan policies
- Appropriate accountability
- Effective information flow
- Rigorous supervision and monitoring

The governance framework focuses on:

- The effectiveness of the pensions sub-committee and officers to which delegated function has been passed. This will include areas such as decision making processes, knowledge and competencies.

- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and pensions sub-committee members.
- The ability of the pensions sub-committee and officers to communicate clearly and regularly with all stakeholders.
- The ability of the pensions sub-committee or officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.
- The management of risks and internal controls to underpin the framework.

Overall responsibility for the governance of the Local government pension scheme and for this document resides with the corporate services committee.

13.3.2. Delegation of functions

Governance principles: Effective board delegation; appropriate accountability

The following functions are delegated by the pensions sub-committee:

13.3.2.1 Scheme administration

Including, but not exclusively, record keeping, calculation of and payment of benefits, reconciliation and investment of contributions, preparation of annual accounts, provision of membership data for actuarial valuation purposes.

Delegated to the Corporate Director of Resources.

13.3.2.2 Funding

Including, but not exclusively, setting of the appropriate funding target for the local government pension scheme. The council's constitution records that the allocation of resources to the pension fund is a function of the executive.

The Corporate Director of Resources shall be responsible for maintaining the Funding Strategy Statement (please see 9.3.4.5. Relevant documents).

13.3.2.3 Investment

The council constitution records that the following issues are delegated to the pensions sub-committee in relation to investment:

- To administer all matters concerning the council's pension investments in accordance with the law and council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.
- To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the Investment Managers.

The Corporate Director of Resources shall work with the fund's advisors and service providers to bring to the attention of the pensions sub-committee any issues of concern which may require decision by the sub-committee in these areas of policy. This will include but not be limited to, setting of an appropriate investment strategy, selection of investment managers, setting of performance benchmarks and monitoring of performance.

The pensions sub-committee will make the final decision on appointment of new managers, and termination of contracts for existing managers.

The Corporate Director of Resources shall be responsible for maintaining the Investment Strategy Statement of (please see 9.3.4.5. Relevant documents).

13.3.2.4 Communications

Governance principle: Effective information flow

Including setting of communication strategy, issuing, or arranging to be issued, benefit statements, annual newsletters, shortened annual report.

The Corporate Director of Resources shall be responsible for making all arrangements for the Annual General Meeting.

The Corporate Director of Resources shall be responsible for making all arrangements for an Annual Employers' Consultation meeting where admitted/scheduled employers may be informed of current developments and be offered the opportunity to feedback views. The outcome of this meeting shall be reported to the next available pensions sub-committee meeting.

The Corporate Director of Resources shall be responsible for maintaining the Communications Policy Statement (This is published as part of this statement and is attached as Appendix 2).

13.3.2.5. Risk management

Including the identification, evaluation and monitoring of risks inherent within the local government pension scheme. The Corporate Director of Resources shall be responsible for compiling and maintaining a risk register.

Delegated to the Corporate Director of Resources

13.3.3. Terms of reference and decision making

Governance principle: Effective board / delegation; written plan policies

The council constitution records the responsibilities within the committee structure as follows:

Corporate services committee: matters delegated to the pensions sub-committee:

- To consider policy matters in relation to the pension scheme, including the policy in relation to early retirements
- To administer all matters concerning the council's pension investments in accordance with the law and council policy.
- To establish a strategy for disposition of the pension investment portfolio.
- To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.
- To review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the Investment Managers. (Note: The allocation of resources to the pension fund is a function of the Executive)."

The rules for conduct of pensions sub-committee are those laid out in the procedure rules stated in the council's constitution and published on the council's website under **www.islington.gov.uk/council**.

The constitution also defines that day to day management of the pension fund is delegated to the Corporate Director of Resources

13.3.3.1. Structure of pensions sub-committee and representation

Governance principle: Effective boards / delegation

The pensions sub-committee shall be made up of the following:

- Four councillors with nominated substitutes, with voting rights
- Observers as follows:
 - Elected pensioner representative
 - Representative from Volunteer Matters (formerly CSV)
 - Two trade union observers

Observers are encouraged to take a full part in the meeting, but do not have voting rights.

The pensioner representative shall be elected by ballot of all pensioner members

The pensions sub-committee also receives advice from Mercer and from Allenbridge Investment Advisers.

13.3.4 Operational procedures

13.3.4.1 Frequency of meetings

Governance principle: Effective board / delegation

The pensions sub-committee shall convene no less frequently than 4 times per year.

An Annual General Meeting will also be held where all scheme members will be entitled to attend, including admitted bodies and scheduled bodies.

13.3.4.2 Competencies, knowledge and understanding

Governance principle: Effective board / delegation

Members of pensions sub-committee shall undertake to ensure that they have the appropriate knowledge, understanding and competency to carry out the delegated function. It is recommended that such knowledge etc is evaluated on an annual basis to identify any training or educational needs of the sub-committee.

13.3.4.3 Reporting and monitoring

Governance principle: Rigorous supervision and monitoring

The pension's sub-committee shall receive detailed performance reports relating to the investment of the fund assets, on a quarterly basis. An annual review of performance of the whole fund to 31 March of each year will also be considered by the pension's sub-committee as soon as possible after the end of the financial year.

Fund managers will be called to make presentations on their performance to the pensions sub-committee, as a minimum, annually if required. Managers will be seen regularly by the Corporate Director of Resources between these presentations in line with requirements of the regulations.

Pension's sub-committee shall also receive reports prepared by the fund actuary after the triennial revaluation has been carried out, and shall seek further advice on the investment policy and goals of the fund and whether policy changes are required to ensure the funding strategy is fulfilled.

13.3.4.4 Review of this policy statement

Responsibility for this document resides with the pensions sub-committee. It will be reviewed no less frequently than annually and where changes are necessary they will be agreed at a meeting of pensions sub-committee. This document will be reviewed if there are any material changes in the administering authority's governance policy.

13.3.4.5. Relevant documents

Funding Strategy Statement

The current published Funding Strategy Statement is online at [Funding Strategy Statement Islington Council Pension Fund March 2020](#)

Investment Strategy Statement

The current published Investment Strategy Statement is online at [Investment Strategy Statement London Borough of Islington Pension Fund – December 2020](#)

13.4 Communication policy

The Local Government Pension Scheme Regulations 2013 require each administering authority to prepare, maintain and publish a policy statement setting out its policy on communicating with members, their representatives, prospective members and their employing authorities.

Any change in policy would require the policy statement to be revised and re-published.

The methods of communication will be as follows:

- Access to the Pension pages on IZZI and the external website, with updates as required and links to the LGE Pension website.
- An Annual General Meeting.
- Briefing notes to employers participating in the Pension Fund, on an as and when required basis.
- Annual Benefits Statements to current scheme members and those with deferred pensions.
- Annual Monitoring of HM Revenues & Customs maxima in respect of the annual growth of individuals LGPS benefits; and notification to those individuals where the limit may be breached.
- Every three years from April 2013 the current employees who have opted out of the LGPS are re-enrolled into the scheme, and prior notification is provided to each individual affected.
- Notification to be provided to employees who opted out of the LGPS before April 2013 that they will become members of the scheme from October 2017.
- Departmental 'roadshows' will be provided on the LGPS, as required.
- Pre-Retirement Courses – a session on the LGPS is delivered at these regular events.
- Individual counselling: Scheme members, persons in receipt of a Local Government Pension, and former employees with deferred pensions will, on request, be given a private appointment to discuss their pension rights.
- Persons in receipt of an LGPS Pension will be notified each April of any inflation proofed increase being applied, together with the payment dates for the next 12 months.
- Payment advices will be sent to each pension recipient every March and April, plus in May if an index linked increase occurs. In other months a payment advice will be sent if the net pay differs by more than £2.00 compared to the previous period.
- Pension recipients will be sent a P60 statement of earnings by the end of May each year, relating to payments made for the year to 5th April.

13.5 Governance compliance statement

13.5.1. Structure

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council `;`
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee`:`
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels `:`
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

Compliance

- a) The council constitution clearly sets out that responsibility for the management of the pension fund resides with pension sub-committee.
- b) The pensions-sub committee comprises of three trade union observer, an admitted body observer and a pensioner representative.
- c) There is no secondary committee.
- d) There is no secondary committee and therefore no allocation for a member.

13.5.2. Representation

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
 - employing authorities (including non-scheme employers, e.g, admitted bodies`:`)
 - scheme members (including deferred and pensioner scheme members`:`)
 - independent professional observer and
 - expert advisors (on an ad-hoc basis)
- b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

Compliance

- a) The pensions-sub committee comprises of three trade union observers, an admitted body observer and a pensioner representative. The sub-committee has also appointed in independent adviser who attends all the quarterly meetings.
- b) All the members of the pension sub-committee are distributed papers and reports seven working days before the meetings are held.

13.5.3. Selection and role of lay members

That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Compliance

Members of the pensions sub-committee are aware of their roles and responsibilities

13.5.4. Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committee.

Compliance

No clear justification for not extending voting rights but all members are allowed to express their opinion during meetings.

13.5.5. Training, facility time and expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

Compliance

- a) Training is made available to members of the pension sub- committee to assist them in the decision making process. Expenses are reimbursed for activities undertaken to perform their role.
- b) Whenever possible training is arranged to accommodate all members.

13.5.6. Meetings frequency and quorum

- a) That an administering authority's main committee or committees meet at least quarterly.
- b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliance

- a) The pensions sub-committee meets at least 4 times a year.
- b) No secondary committee.
- c) Not required since there is representation of stakeholders.

13.5.7. Access

That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Compliance

The pensions sub-committee papers are sent to members at least 5 working days prior to the meeting.

13.5.8. Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Compliance

The pensions sub-committee already considers a wider range of pension fund issues outside of investment.

13.5.9. Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliance

The council's governance policy statement was consulted upon prior to publication. The council also holds pension AGMs for all its members to highlight performance and activities undertaken during the year and publishes a separate pension fund annual report. All quarterly meetings are open to the public.

This governance policy statement ultimately sets out to be a comprehensive summary of all aspects of pension scheme governance, communication and risk management.

14: More information and comments

More information about the pension fund is available on our website:

<https://islington.gov.uk/IslingtonCouncilLGPS>

If you have any questions or comments, please contact the pensions fund team

Email: pensions@islington.gov.uk

Telephone: 020 7527 2382

By post: Head of treasury and pension fund management

Finance Department

Islington Council

7 Newington Barrow Way

London

N7 7EP