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London Borough of Islington Pension Fund Summary Annual Report 2016/17

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Foreword

Dear Pension Scheme Member

Welcome to the Islington Council pension fund annual report for the 2016/17 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.

This year has been very eventful, crowned by the triggering of Article 50, and our eventual exit from the European Union. The domestic market was largely unruffled by Brexit fears, and had a positive outlook on growth. The fall in the pound sterling has increased the value of our overseas assets. Globally equity markets rose by double digits while bond markets and property rose modestly. The fund returned 16.1% and increased its market value by £167million mainly driven by our equities allocation. Implementation of our strategy continued and we appointed an Emerging and Frontier Equity Manager in September 2016. The 2016 triennial actuarial valuation was concluded by the end of March 2017.

Asset pooling continues and our passive equity funds with Legal and General are now part of the London CIV pooled fund under a segregated platform. Members also agreed to transition our Newton Global Equity Fund to the London CIV.

The Pensions-Sub Committee with consultation with the Pension Board have agreed a new Investment Strategy Statement. Environment, Social and Governance(ESG) considerations are an integral part of the Fund's strategy and its approach to being a long term investor. 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.

At the same time, the Fund decided to reduce its exposure to carbon intensive companies and assets and has switched its passive benchmarks to low carbon variants of the standard index. The Fund's internally managed passive equities are now tracking the FTSE UK Low Carbon Index and the externally-managed passive equities are now benchmarked against the MSCI World Low Carbon Index. As a result of these changes in July and August 2017 the Fund has a very much lower carbon footprint than a 'normal' equity portfolio, a reduction of 45%. The Committee is reviewing opportunities in other asset classes, to reduce the Fund's carbon footprint further.

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.

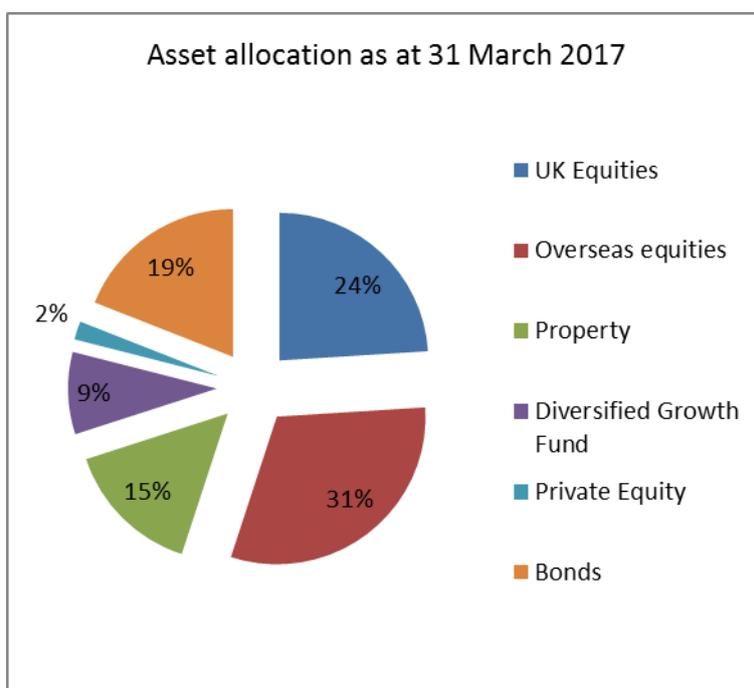
Cllr Dave Poyser
Chair of Islington Pension Board

Cllr Richard Greening
Chair of Pensions Sub-Committee

1: Investment report

The 2016/17 year saw the average local authority fund return just over 20%. Equities returned around 30% for the year and asset allocation had a greater impact on funds absolute return than active management effect. Heavily weighted equity Funds with overseas assets benefited from the weakening of Sterling during the year and performed substantially well compared to funds with fixed income, property and cash linked assets.

During the year to 31 March 2017 the fund’s asset allocation was as follows;



The agreed strategic asset allocation is as follows;

Equities	Property	Diversified growth fund	Corporate bond	Infrastructure
50%	20%	10%	10%	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 2017

Manager	Mandate	Market value £'000	12-month return %
Islington Council Treasury team	UK equities	295,600	21.8

Manager	Mandate	Market value £'000	12-month return %
London LGPS CIV Allianz sub fund (RCM)	Global equities	98,300	30.0
Newton	Global equities	188,900	23.7
Legal and General	Emerging equities	97,600	40.1
Standard Life	Corporate bonds	244,300	9.3
Aviva	Property	59,500	5.7
Columbia Threadneedle	Property	76,900	3.6
Franklin Templeton	Property	20,700	21.6
Standard Life	Private equity	20,600	5.9
Pantheon	Private equity	11,600	
BNY Mellon(1)	Cash deposits	5,900	n/a
Hearthstone	Property	26,500	2.3
Schroders	Multi Asset	107,200	10.6
Total Market Value		1,253,600	

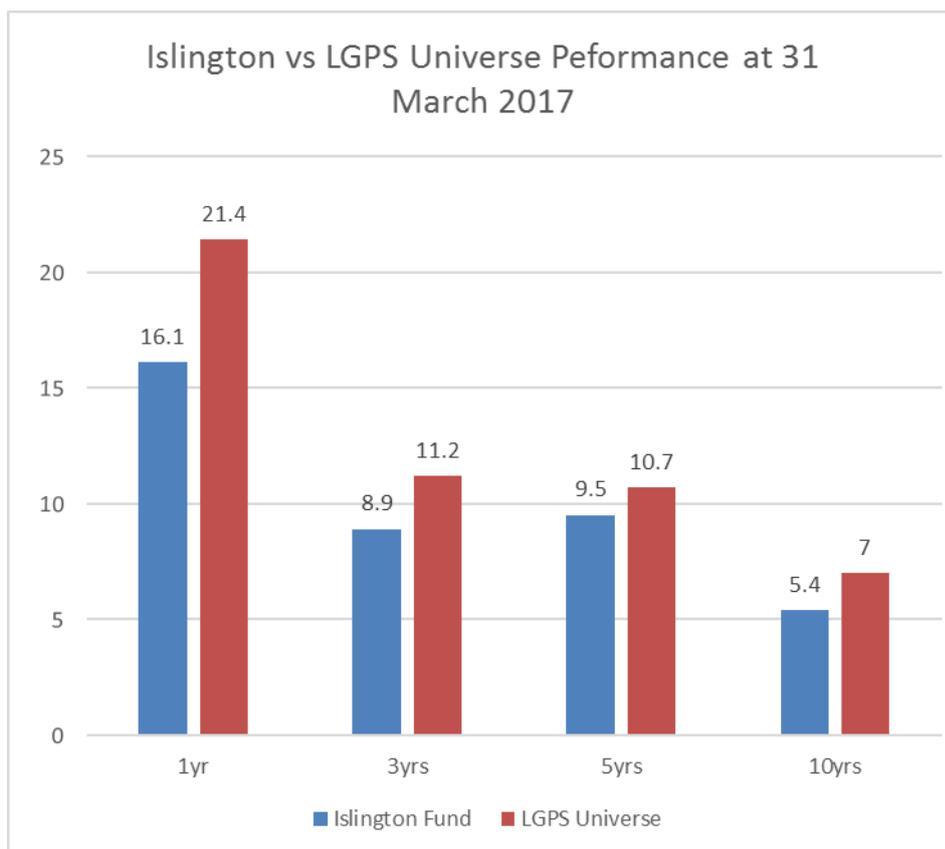
(1) BNY Mellon hedge overseas equities holdings

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	1 year	3 year	5 year
Fund return per annum %	16.1	8.9	9.5
Benchmark%	16.2	8.9	9.5

Over the 20- year period the fund has returned 6.7% 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 1, 3, 5 and 10 year periods.



Our funds relatively low exposure to equities 55% compared to the average 62% and the high exposure to property which was one of the worst performing assets explains our below average performance.

1.3 The 15 Top Holdings in our segregated equity accounts are listed in the table below as at 31 March 2017.

INSTITUTION	MARKET VALUE £'000
ROYAL DUTCH SHELL PLC	20,874
HSBC HOLDINGS PLC	15,725
BRITISH AMER ICA	12,365
BP	10,289
GLAXOSMITH	10,050
MICROSOFT COM	9,156
ASTRAZENECA PLC	7,752
APPLE INC	7,484
DIAGEO PLC	7,197
VODAFONE GROUP PLC	6,870
ALPHABET INC	6,720
RECKITT BENCKISER GROUP PLC	5,995
UNILEVER PLC	5,987
PRUDENTIAL	5,389
CITI GROUP	5,088

2: Business plan

The Myners principles and compliance forms part of Islington Pension Fund's published Statement of Investment Principles. The Pensions Sub Committee agreed a four-year business plan to March 2019 in compliance with Myners Principle 1, 'Effective decision-making through a forward looking business plan'.

2.1 The key objectives of the four- year business plan, last reviewed in May 2017 are:

- ◆ 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
- ◆ To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members.
- ◆ To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability.
- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities
- ◆ To develop collaboration opportunities with other funds for sharing of services and pooling

2.2 Actions taken over the year include:

- ◆ 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
- 2016 Actuarial Valuation was consulted on and signed off 31/3/17
- Members after consulting with the London CIV are now to agree a tendering plan on infrastructure
- An equities emerging market manager was appointed in September 2016 and was seeded in May'17
- BNY Mellon contract was reviewed and updated to conform to new regulations and combine all services including performance monitoring
- The Investment Strategy Statement that replaces SIP was drafted, consulted and published by 1 April 2017
- 2016 Funding Strategy Statement was also consulted on and published by 1 April 2017

- ◆ To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members.
 - Pension Board on reviewing resources have recommended extra resources in order to deliver a high standard of services
 - Deferred benefit statements were sent out in July 2017
 - 2016 Annual benefit statement were sent out in October 2016
 - Communications policy was reviewed by the Pension Board in September 2016
 - AGM chaired by the Pension Board Chair person was held in October 2016 and copies of the Pension Annual Report for 2015/16 were distributed.

- ◆ To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability
 - Work with LAPFF and IIGCC continues
 - Members continue to attend AGMs of companies as shareholders to exercise our voting rights and speak to company directors
 - Members reviewed the carbon footprint of its equities portfolio and after a series of training and presentations agreed to lower its existing footprint by restructuring its passive equities to low carbon benchmarks. Implementation should complete by July with an up a 50% reduction.
 - Low carbon alternatives on property and bonds are now being explored

- ◆ To actively monitor and challenge poor performance in managers and to pursue new investment opportunities
 - A key man change triggered a review of our property manager Hearthstone mandate.
 - Joint training sessions are now scheduled with the Local Islington Pension Board to keep both members abreast with investment issues
 - Active Frontier and emerging market manager has been seeded to replace a passive emerging market manager
 - Training sessions before and during and committee meetings continue.

- ◆ To develop collaboration opportunities with other funds for sharing of services and pooling
 - The Fund as an active member of the London CIV continues to work on policy and investment issues
 - The passive LGIM mandates where pooled under a CIV negotiated lower fee even though it sits off the platform
 - Newton mandate was transition to Newton London CIV platform in May 2017
 - Another 5 new global equities sub funds have been appointed unto the London CIV platform to offer boroughs alternative investment managers.

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. 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

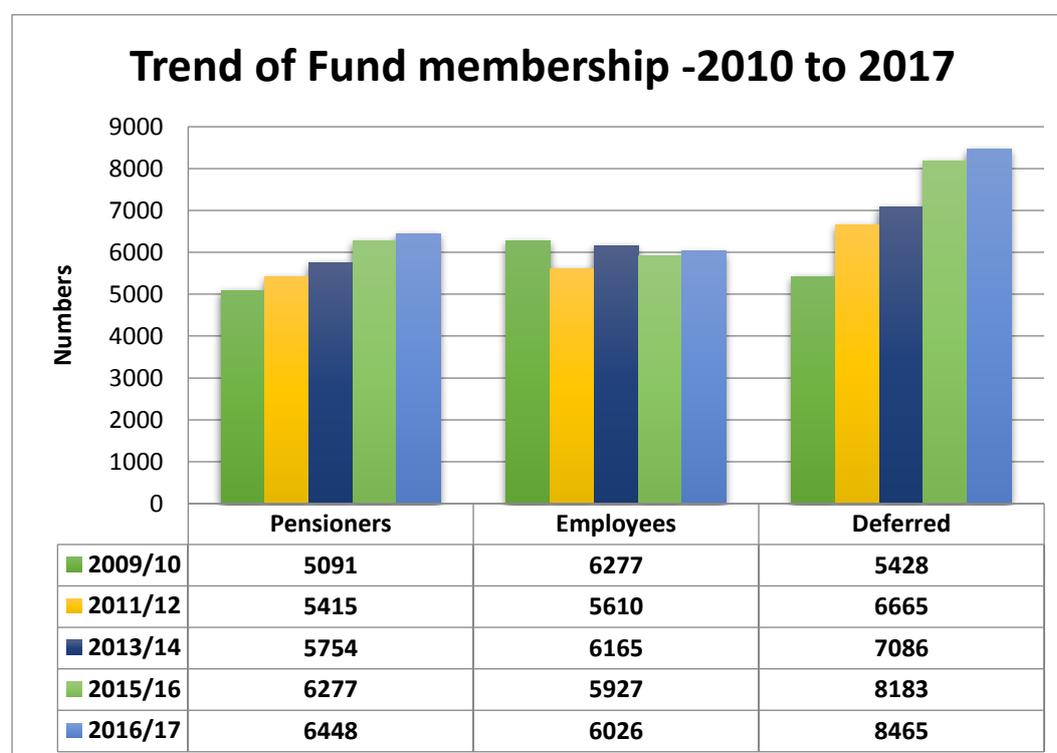
3.2 The table below lists the voting record by region at company annual meetings for the quarter ending 31 March 2017

Region	For	Abstain	Oppose	Total
UK & British Overseas	389	44	96	529
Europe & Global EU	51	5	11	67
USA & Canada	27	1	29	57
Japan	14	0	0	14
Total	481	50	136	667

4: The local government pension scheme

4.1. 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 2010 to 2017 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

4.2 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', which means that the Council is required to maintain a separate pension fund comprising investments, from which benefits are paid. These investments provide the growth and income with which to pay the benefits.

The "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).

4.2.1 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 £21,201.00 to £34,400.00 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, depending on the annual salary band, is shown below.

Annual pay range	Employee contribution rate (%)
Up to £13,700	5.5
£13,701 to £21,400	5.8
£21,401 to £34,700	6.5
£34,701 to £43,900	6.8
£43,901 to £61,300	8.5
£61,301 to £86,800	9.9
£86,801 to £102,200	10.5
£102,201 to £153,300	11.4
More than £153,300	12.5

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 which is the date of entitlement to State Pension. The State Pension age is being changed for women so that before the end of the decade there will be a common age of 65 for both men and women, and rising thereafter to age 66 and beyond. To find out your own state pension age please see the following link: www.gov.uk/calculate-state-pension

4.3 Keeping up to date

Information regarding the LGPS provisions is provided on the Council's internal 'Izzi' site, and also on the external website for those who do not have access to the intranet site.

There are full details on the website regarding the LGPS.

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. Any person who had opted out of the scheme before 1st April 2013 is being 're-enrolled' on 1st October 2017.

4.4 Pension administration performance

The table below gives the data for the average performance for the year to 31 March 2017, in respect of the main procedures.

Process	Target days to complete	Volume	Target % Achievement	% Achieved within target days	Actual average days
Deaths	5	94	95%	91.49%	4.31
Retirement benefits	5	248	95%	83.87%	4.05
Pension estimates	10	432	95%	86.11%	8.43
Preserved benefit calculations	15	240	95%	86.87%	14.64
Transfer-in quotation	10	21	95%	85.71%	10.57
Transfer-in actual	10	37	95%	83.78%	5.43
Transfer out quotation	15	48	95%	81.25%	14.19
Transfer out actual	12.5	35	95%	88.57%	4.91

Over the period, 88.29% of the 1,998 processes undertaken by the Pensions Administration team were completed within the target days.

4.5 Contacts

4.5.1 Retired Members' Representative

Thelma Harvey and Marion Oliver share the role as your Representative.

They are not able to settle any difficulty you may experience regarding matters such as benefits claims or income tax problems, but they may be able to give some guidance or point you in the right direction to obtain guidance.

For problems not related to your Islington Pension telephone contact can be made as follows:

Thelma Harvey - Email contact thelma8a@gmail.com

Marion Oliver – Email contact marionoliverislington@outlook.com

4.5.2 Contacts - Pension benefits office

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

Pensions section, 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:

<u>Surname range</u>	<u>Telephone enquiries</u>	<u>Email enquiries</u>
A – CARS	020 7527 2993	sarah.watts@islington.gov.uk
CART – GOP	020 7527 2409	algie.theodoric@islington.gov.uk
GOR – MACH	020 7527 4492	kelly.thompson@islington.gov.uk
MACK – Q	020 7527 2165	patricia.assam@islington.gov.uk
R – SO	020 7257 2167	kelly.thompson@islington.gov.uk
SP – Z	020 7527 2800	daljit.bhangal@islington.gov.uk

4.6 Frequently asked questions

4.6.1 A frequently asked question and answers has been prepared below for all scheme members. There are separate sections for current employers, deferred members and those in receipt of pensions:

4.6.2 Questions for current members of the Local Government Pension Scheme ('LGPS')

1. Why should I be a member of the LGPS?

An employee who has been member of the scheme for at least two years is guaranteed a pension based on salary and length of service, and it is not affected by ups and downs in the stock market. Also from the first date of membership there is a lump sum of 3 times annual salary payable upon death, whilst you remain in employment.

2. Do I get income tax relief on my pension deductions?

Yes, the pension contribution reduces the pay upon which income tax is assessed. As a consequence you get 20% tax relief if a standard tax rate payer, or 40% if you are a higher rate payer.

3. Will the amount I pay into the pension change?

The level of contributions you pay will depend upon your salary. The percentage contribution ranges from 5.5% to 12.5% (if salary exceeds £153,301.00 a year). The average rate is 6.5%.

4. If my pay rises will the pension rise?

Yes, the pension you earn each year is the salary for the particular year divided by 49. Also at the end of each year the value of the pension changes in accordance with the Consumer Prices Index.

5. Is any of my pension based on salary over the final year of employment?

Yes, any LGPS membership before 1st April 2014 provides a pension based on the final salary.

6. What happens if I leave employment with Islington Council before age 55?

If you leave with less than 2 years LGPS membership and are not going to another Local Government job you could choose to have a refund of pension contributions (minus an adjustment for the income tax relief), or you could transfer the value of your LGPS pension to another pension arrangement.

If you leave and have at least 2 years LGPS membership and are not going to another Local Government job, there is entitlement to a deferred pension. As an alternative you could transfer the value of your LGPS pension to another pension arrangement.

7. What happens if I move to a lower paid grade, will it affect my pension?

If you joined the LGPS from 1 April 2014 and you move to a lower paid post your pay will reduce therefore the pension you build up will be less. Your pay in each Scheme year (April to March) is used in the calculation of your retirement benefits.

If you joined the LGPS before 1 April 2014 and you move to a lower paid post there are options available regarding your pension benefits to protect your final year pensionable pay. Your final salary pensionable pay when you leave the Scheme is used in the calculation of your retirement benefits up to 31 March 2014. For part-time workers it is the pensionable pay they would have earned if they worked full-time. If you would like further information please contact Islington Council's Pension's Office.

8. What if I leave employment with Islington Council having reached the age of 55?

If you have at least 2 years LGPS membership and are not going to another Local Government job, you have the choice of a deferred pension or immediate payment of a reduced pension.

If you are redundant at age 55 or over you will receive an immediate unreduced pension.

9. What is flexible retirement?

For a person who is aged 55 or over with at least 2 years LGPS membership, your Service Head could agree for a reduced pension to be paid whilst you remain employed by the Council on fewer working hours or on a lower grade. Working hours would have to go down by at least 30% (for example full time 35 hours a week would need to reduce to no more than 24.5 hours), or your pay must reduce by at least 2 grades.

10. Can I take any of the pension money at age 55 if I remain in the job and have not been granted flexible retirement?

No, the provision which you may have seen advertised in the media only applies to persons who have a private pension arrangement via an Insurance company etc. These private schemes are for persons who do not have a job related pension arrangement such as employees in Local Government, Civil Service, Police, and National Health Service.

11. Can I stay in my job beyond State Pension Age?

Yes, and you can remain a member up until 2 days before your 75th birthday. For a late retirement the pension is enhanced by a percentage which rises for each day you remain in the LGPS beyond normal retirement age.

12. What happens to my pension if I die while I am still in the job?

There will be a Lump Sum payable to your 'Estate' to the value of three times your annual pay. If you have been a member of the LGPS for at least 2 years there is also a pension for life to your spouse (or partner if you have lived together for at least 2 years and are not married to anyone else). A pension may also be payable to any children still in full time education (but not once age 23 has been reached).

4.6.3 Questions for persons who are no longer current members of the Local Government Pension but have deferred pension rights

1. If I keep my deferred pension with Islington Council, when will it be paid to me?

At State Pension Age, but you will be able to take the pension at age 60 if you want or even from age 55 (if you left your Islington Council employment at any time from 1st April 2014). If you choose to receive the pension before reaching State Pension Age it is likely to be lower.

2. Does the deferred pension increase in value?

Yes, for each year there is a rise in the Consumer Prices Index the deferred pension increases. When the pension comes into payment it will have risen by the cumulative increases from your last day of service up until the payment date.

3. What happens to the pension if I die before it comes into payment?

A one-off Lump Sum becomes payable. The current value of the 'Death Grant' lump sum is shown on the deferred pension benefits Statement which is sent to you each year. Also there may be a pension payable for life to your spouse (or partner), and to your children if they are still in full time education.

4. If I get a new job in Local Government in the future what happens to the deferred pension?

The value of the deferred pension will be transferred to the administering body for the new Local Government employer. Please note that you could opt to keep the deferred pension with Islington Council (for example if any of your Islington pension was based on final salary for membership before 1st April 2014 and the new Local Government job was lower paid).

5. If I have reached age 55 can the value of my deferred pension benefits be transferred to an Insurance pension arrangement?

Yes. You will be free to do so, and the Insurance provider would be able to pay out an annuity and a lump sum before age 60 if you wished. Independent financial advice should be sought before accepting a transfer to a private insurance arrangement.

6. Can I still pay into my deferred pension?

No, contributions to the scheme cease when you leave membership of the LGPS. Also a transfer from another pension arrangement cannot be made after you leave, unless the transfer was already in process before leaving.

4.6.4 Questions for persons who are in receipt of a Local Government Pension from Islington Council

1. Does my pension increase every year?

Yes, for each year when there is a rise in the Consumer Prices Index your pension will increase.

2. Why is Income Tax deducted from the pension I receive from Islington Council?

Every person has a tax-free amount of income before tax is assessed, but if your Pension exceeds the tax free amount then the excess is taxed. In the tax year from April 2017 to April 2018 the tax free amount is £11,500.00, so you are taxed on income above £11,500.00.

3. The Pension I receive from Islington Council is less than the tax-free amount, so why do I have Income Tax deducted from the pension?

If you get the State Pension (the 'Old Age' Pension), then the annual amount is deducted from your tax-free amount so that the State Pension is taxed via your Islington Council Pension. For example, if your Islington Pension is £7,000.00 a year and your State Pension is £5,000.00, the total is £12,000.00. This exceeds the tax-free amount by £500.00 a year, so your tax code would be changed by HM Revenue & Customs in order to collect income tax on the £500 from the Islington Pension.

4. What happens if I get a job after my Islington Pension has started?

Your Pension would continue in payment, regardless of who is your employer (i.e. whether the job is in local government or outside). Tell the new employer that you have a Pension from Islington and so do not have a P45 tax document. It would be advisable for you to contact HM Revenue & Customs to ensure that the correct income tax is deducted from the Pension and the job.

5. What happens when I die?

Your Pension is payable for life. In the event of your death and you are survived by a spouse or partner they should inform the Council's Pension Team who will advise regarding spouse or partner's pension. The spouse or partner's pension would also be payable for life. If you still had children in full time education there would be pension provision for them as well (up until the age of 23 usually).

5: Democratic arrangements

5.1 Pension Sub-Committee

For 2016/17 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

Cllr Richard Greening (Chair)
Cllr Andy Hull (Vice Chair)
Cllr Paul Smith
Cllr Michael O'Sullivan

Substitutes

Cllr Mouna Hamitouche MBE
Cllr Angela Picknell
Cllr Robert Khan
Cllr Jenny Kay

Other Representatives:

[Four trade union observers](#)

Pensioner representative Marion Oliver / Thelma Harvey
Observer from Volunteering Matters (An 'admitted body')

Fund Investment Advisors:

Mercer
Allenbridge Investment Advisers

Fund Actuary:

Mercer

Fund Custodian:

BNY Mellon

Performance Monitoring:

BNY Mellon to 31 March 2017

Corporate Governance Research and Voting Advice Service:

Pension Investments Research Consultants

5.2. Islington Council Local Pension Board

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

5.2.1 The membership of the board is as follows:

Councillor David Poyser	Employer representative- Chair
Maggie Elliot - Chair of Governors at Montem Primary School	Employer representative-Vice Chair
George Sharky, GMB	Member representative
Mike Calvert, Unison	Member representative
Marion Oliver(substitute is Thelma Harvey)	Retired members representative
-	Employer representative
David Bennett-	Independent member

5.2.2 The Board's terms of reference specify that the Board shall meet bi-annually 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.

For the municipal year 2016/17, the Board met on 21 September 2016 and 13 March 2017. Members receive copies of agenda and reports of the pension sub-committee and vice versa.

5.3 Activities of the Board

(i) The Board agreed a work plan for 2016/17 to focus on

- Its own training, knowledge and understanding
- Reviewing fund risks and internal systems and controls
- Employer and member communications
- Reporting regulatory breaches
- Key performance indicators for administration of the Fund

(ii) They reviewed the pension abatement policy and recommended the current policy cease.

(iii) They reviewed and approved pension communication strategy policy and recommended extra full time post to assist the pension admin team to improve service performance targets.

(iv) As part of the actuarial valuation review process the Fund actuary provided a joint training session with the Pensions Sub- Committee

Copies of minutes and agenda items can be found on the council external website <http://democracy.islington.gov.uk>

6. Funding of the pension scheme

6.1 Accounts for the year ended 31 March 2017 - Statement by the Consulting Actuary

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 2017 (the 31 March 2016 assumptions are included for comparison):

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.75% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

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 31 March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year -end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year- end has also changed to allow for short-term public sector pay restraint, together with a lower assumed level of "real" pay growth above CPI inflation, both of which serve to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £1,612 million. Interest over the year increased the liabilities by c£58 million. Net benefits accrued/paid over the period made no difference (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then an increase in liabilities of £431 million

made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £2,101 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
August 2017

7: Summary of financial report

7.1. Lists of the scheduled and admitted bodies to the fund are detailed below:

Organisation	Employer
Islington Council	Administering Authority
St Mary Magdalene	Scheduled Body
City of London Academy	Scheduled Body
William Tyndale School	Scheduled Body
New North Community School	Scheduled Body
The Courtyard School	Scheduled Body
Tech City(formerly Stem 6th)	Scheduled Body
Elliot Foundation Academy	Scheduled Body
Family School Academy	Scheduled Body
The Bridge Free School	Scheduled Body
Volunteering Matters (formerly CSV)	Admitted Body
Circle Anglia	Admitted Body
Camden & Islington NHS Foundation Trust	Admitted Body
SSE Contraction Ltd (Islington Lighting)	Admitted Body
Southern Housing Group	Admitted Body
Braithwaite	Admitted Body
Pleydell	Admitted Body
Kier Support Services	Admitted Body
Engie Services Ltd(Cofely Workplace Ltd)	Admitted Body
Caterlink	Admitted Body
NCP Services (Islington South)	Admitted Body
RM Education	Admitted Body
Breyer Group	Admitted Body
Mears Ltd	Admitted Body
Greenwich Leisure Ltd	Admitted Body
W J Catering	Admitted Body
Isledon Arts CIC	Admitted Body

There are also thirteen other admitted bodies that do not currently have any active members. These are:

London Property Maintenance

FSST

St Lukes

Association of London Authorities (ALA)

Family Services Unit (FSU)

Redbrick

Brunswick
Cushman & Wakefield
Kier Islington
Mouchel Parkman
Cambridge Education Associates (CEA)
Notting Hill Housing Trust
Aquaterra

7.2 Income and expenditure

The net assets of the scheme were worth £1,255 million. This is an increase of 16% compared to last year.

Employees' contributions totalled £11.6 million, increase of £0.4 million over 2015/16

Employers' contributions amounted to 35.9 million compared to the £34.9 million in the previous year. The 2.9% increase was mainly attributable to pension increase order and pay awards.

Pensions paid totalled £42.3 million compared to £40.5million in 2015/16, a rise of 4.4%.

As at 31 March 2017 the total income into the fund was £60.7.million against an expenditure of £57.6 million. This means that the fund was able to meet all its commitments from contributions.

The detailed reporting of the pension fund accounts for 2016/17 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.

8. More information and comments

More information about the pension fund is on izzi at My Employment> Pay and conditions> Pensions

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

The complete 2016/17 pension annual report is available online at www.islington.gov.uk/pensions