



<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	7
16 September 2022	Public
10.00am	

PENSION FUND ANNUAL ACCOUNTS 2021/22

**Responsible
Officer**

James Walton

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1. Synopsis

- 1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2021/22 and an update on the annual audit. Grant Thornton has substantially completed its annual audit and it is expected an unqualified opinion will be given.

2. Executive Summary

- 2.1 In the year to the end of March 2022 the Fund increased in value by £145 million to £2.339 billion.
- 2.2 Draft accounts were produced by mid-June to fit in with the Council's closedown timetable.
- 2.3 Grant Thornton have substantially completed the audit in early September *and it is expected an unqualified opinion will be given on the accounts*

3. Recommendations

- 3.1 The Committee is asked to approve the Pension Fund Annual Report 2021/22.
- 3.2 The Committee is asked to approve that the Chair and Executive Director of Resources sign the letter or representation for Grant Thornton.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.

- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 4.4 The Annual Report 2021/22 will be published on the Scheme's website.

5. Financial Implications

- 5.1 There are no direct financial implications arising from this report.

6. Climate Change Appraisal

- 6.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the UK Stewardship Code.

7. Background

- 7.1 Following the end of the financial year officers compiled the Pension Fund accounts for 2021/22. The annual report has been produced which outlines the accounts and details the activities of the Fund during the last year (**Appendix A**).
- 7.2 Grant Thornton have substantially completed the audit of the accounts for the Shropshire County Pension Fund and an opinion and certificate will be included within the annual report when finalised. *An unqualified opinion is expected to be given on the accounts.*

8. Annual Accounts

- 8.1 In the year to the end of March 2022 the Fund increased in value by £145 million to £2.339 billion.
- 8.2 Due to the tight deadlines involved in producing the draft accounts by early June in line with the Council's closedown timetable, the private equity portfolio valuation (managed by HarbourVest) and global infrastructure portfolio valuation (managed by Global Infrastructure Partners) used in the final accounts is based on September and December quarterly capital statements respectively, adjusted for cashflows to 31st March 22 as these are the latest statements available at that time. During the audit, the 31st March 2022 capital statements became available in late July/early August, and it was noted that the value of the private equity and global

infrastructure funds had increased compared to the value stated in the draft accounts sent to Grant Thornton. The overall change was within Grant Thornton's materiality limit and the Pension Fund accounts have not been amended for these valuation increases as it amounts to less than 0.8% of the total Fund value. This is consistent with previous years when the amount is below materiality.

- 8.3 During the course of the audit, Grant Thornton reviewed in detail the fair value hierarchy of investments. Easier to value investments are classified as level 1 through to level 3 for harder to value investments and each of the Fund's investment manager classifications were reviewed in detail and the classifications agreed which are included within the accounts (see Annual Report note 14a).
- 8.4 During the year the Fund received £17.3 million in contributions from employees and £42.0 million in contributions from scheme employers. Contributions from scheme employers is significantly lower than in 2020/21 as last year's figure included upfront payment of 2021/22 normal contributions for Telford & Wrekin Council and upfront deficit payments covering three years for Shropshire Council.
- 8.5 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 1.5% to 50,905 during the year.
- 8.6 Local Government employees who leave employment have the option to transfer out their accumulated pension benefits. During the last financial year, the Fund paid out £4.9 million in transfer payments for staff leaving employment. This figure is significantly lower than the previous year which included bulk transfer payments out of all employees accumulated benefits for two employers. Conversely, new employees have the ability to transfer in accumulated benefits from previous employment. The Fund received £10.2 million in transfer payments from new employees during the financial year.
- 8.7 In 2021/22 the Fund paid pensions totalling £66.5 million, an increase of £1.7 million on the previous year.
- 8.8 Management expenses in 2021/22 totalled £17.5 million, a decrease of £0.3 million from the previous year.
- 8.9 A full analytical review of the Pension Fund Accounts was carried out by officers and passed to Grant Thornton in advance of their audit. The audit was substantially completed in early September 2022.
- 8.10 The Annual Report will be available to all scheme employers, investment managers, advisors and scheme members as it will be published on the pension fund website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

N/A

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Shropshire County Pension Fund Annual Report 2021/22.