



| <u>Committee and Date</u> | <u>Item</u> |
|---------------------------|-------------|
| Pensions Committee        | <b>7</b>    |
| 15 September 2023         | Public      |
| 10.00 a.m.                |             |

## **PENSION FUND ANNUAL ACCOUNTS 2022/23**

**Responsible  
Officer**

James Walton

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### **1. Synopsis**

- 1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2022/23 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 2023 the Fund decreased in value by £95 million to £2.244 billion.
- 2.2 Draft accounts were produced before the end of May to fit in with the Council's closedown timetable.
- 2.3 Grant Thornton have substantially completed the audit 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 2022/23 and delegate authority to officers to make any minor changes required.
- 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 2022/23 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 as has a Climate Change Strategy in place committing to net zero by 2050 or before in line with the Paris accord on climate change adopted in 2015.
- 6.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote were applicable 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) which undertakes engagements on behalf of all LGPS members.
- 6.3 Shropshire County Pension Fund was confirmed as a signatory to the UK stewardship code in August 2023.
- 6.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The last report was issued in December 2022 and an updated report is expected in December 2023.

## **7. Background**

- 7.1 Following the end of the financial year officers compiled the Pension Fund accounts for 2022/23. 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 2023 the Fund decreased in value by £95 million to £2.244 billion.
- 8.2 Due to the tight deadlines involved in producing the draft accounts before the end of May in line with the Council's closedown timetable, the property debt & private debt portfolio valuations (managed by DRC & LGPS Central respectively), private equity portfolio valuations (managed by HarbourVest & LGPS Central) & infrastructure portfolio valuations (managed by Global Infrastructure Partners & LGPS Central) used in the final accounts are based on either, September or December quarterly capital statements, adjusted for cashflows to 31<sup>st</sup> March 23 as these are the latest statements available at that time. During the audit, the majority of the 31<sup>st</sup> March 2023 capital statements became available (in late July/early August), and it was noted that the combined value of the private equity, infrastructure, property debt & private debt funds had increased slightly 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 around 0.5% of the total Fund value. This is consistent with previous years when the amount is below materiality.
- 8.3 During the year the Fund received £19.2 million in contributions from employees and £57.1 million in contributions from scheme employers. Contributions from scheme employers are significantly higher than in 2021/22 as this year's figures include normal employer contributions for Telford & Wrekin Council but last year's figures excluded them as they chose to pay 2021/22 normal employer contributions upfront in 2020/21.
- 8.4 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 2.5% to 52,197 during the year.
- 8.5 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 £8.1 million in transfer payments for staff leaving employment. This figure is higher than the previous year as it includes a bulk transfer payment out of all employees accumulated benefits for one employer. New employees can request a transfer in of accumulated benefits from previous employment. The Fund received £9.5 million in transfer payments from new employees during the financial year.
- 8.6 In 2022/23 the Fund paid pensions totalling £70.9 million, an increase of £4.4 million on the previous year.
- 8.7 Management expenses in 2022/23 totalled £18.8 million, an increase of £1.3 million from the previous year.

- 8.8 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 2023.
- 8.9 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 2022/23.