



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 24th November 2020

Committee: West Mercia Supplies Pensions Joint Committee

Date: Wednesday, 2 December 2020

Time: 10.00 am

Venue: THIS IS A VIRTUAL MEETING - PLEASE USE THE LINK ON THE AGENDA TO LISTEN TO THE MEETING

Members of the public will be able to listen to this meeting by clicking on this link

<https://www.shropshire.gov.uk/westmerciasuppliespensionjointcommittee2december2020/>

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Claire Porter

Director of Legal and Democratic Services

Members of West Mercia Supplies Pensions Joint Committee

Herefordshire Council

L Harvey
G Davies

Shropshire Council

P Nutting
R Macey

Telford & Wrekin Council

L Carter
R Evans

Worcestershire County Council

J Smith
A Hardman

Your Committee Officer is:

Emily Marshall Committee Officer

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Email: emily.marshall@shropshire.gov.uk

AGENDA

1 Election of Chairman

To elect a Chairman for the ensuing year.

2 Apologies for Absence

To receive apologies for absence.

3 Appointment of Vice-Chairman

To appoint a Vice-Chairman for the ensuing year.

4 Public Questions

To receive any questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 10.00 a.m. on 30th November 2020.

5 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a disclosable pecuniary interest and should leave the room prior to the commencement of the debate.

6 Policy Decisions 2020/2021 (Pages 1 - 8)

Report of the Treasurer
Contact: James Walton (01743 258915)

7 Pension Liability Charges 2020/2021 (Pages 9 - 16)

Report of the Treasurer
Contact: James Walton (01743 258915)

8 Scheme of Delegations to Treasurer (Pages 17 - 20)

Report of the Treasurer
Contact: James Walton (01743 258915)

9 Joint Agreement

10 Date of next meeting

The next meeting will be held in September 2021, date to be confirmed.

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<u>Committee and Date</u>
WMS Pension Joint Committee
2 December 2020

<u>Item</u>
6
Public

Policy Decisions 2021/22

Responsible Officer James Walton – Treasurer

e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

- 1.1. From 1 April 2020 the Executives of the four Member Authorities of West Mercia Energy (and the former stationery supplies business called West Mercia Supplies) authorised the pension liability relating to former West Mercia Supplies (WMS) employees to be managed by the WMS Pension Joint Committee.
- 1.2. The WMS Pension Joint Committee has delegated authority to make arrangements for the payment of the liabilities of the Member Authorities in respect of the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) which are allocated to the WMS Pension employer within the Shropshire County Pension Fund. In order to establish such arrangements and determine the amounts payable by each Member Authority, each year the WMS Joint Committee is required to approve two key documents; a Policy Decisions Report and a Pension Liability Charges Report.
- 1.3. The meeting of 2 December 2020 represents the first meeting of the WMS Pension Joint Committee and as such, it is necessary at this inaugural meeting to approve arrangements and policies for the calculation of the WMS Pension Liability Charges for the forthcoming 2021/22 Financial Year.

2. Recommendations

- 2.1. It is recommended that the Joint Committee;
 - a) Consider the three options in respect of policy arrangements for the payment of Deficit Recovery Payments for 2021/22 as set out in section 7.1 below and agree which Option should be used.
 - b) Approve the policy under which Compensatory Added Years, Lead Authority Costs and Other Costs are calculated and charged as set out in sections 7.2, 7.3 and 7.4 respectively of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The necessary approvals have been given by each of the Member Authorities for the creation and administration of WMS Pension Joint Committee. The Member Authorities have a Joint Agreement to provide the governance framework, principles for the calculation and sharing of the WMS Pension liabilities and details of delegations to the Joint Committee. This framework and the development and approval of policies around payment of the deficits due to the Pension Fund set out in this report manage the risks associated with the operation of the Joint Committee and the financial risk of any decisions taken.
- 3.2. The methodology for valuation and calculation of Pension Fund liabilities is undertaken by an independent actuary and this approach remains unchanged, other than to now separately identify liabilities due to WMS Pension.
- 3.3. The purpose of the WMS Pension Joint Agreement is to ensure that no transfer of risk is made, to or between the Member Authorities and Lead Authority, in amending the arrangements previously in place for the treatment of Pension Liabilities for former WMS employees.

4. Financial Implications

- 4.1. The decisions taken by the Joint Committee as a result of this report seek to ensure basic parity between the Member Authorities and with previous arrangements in respect of the shared liability for the pension deficit relating to the former WMS employees. Payment dates and mechanisms aim to ensure cashflow implications are managed equitably across the four authorities as far as possible.
- 4.2. Any decisions that create financial implications for the Member Authorities are set out within the relevant section of the report. This is limited to section 7.1 of this report. There are three options for consideration in section 7.1 each with a different financial implication for the Member Authorities.

5. Climate Change Implications

- 5.1. Energy and fuel consumption: No effect
- 5.2. Renewable energy generation: No effect
- 5.3. Carbon offsetting or mitigation: No effect
- 5.4. Climate Change adaptation: No effect

6. Background

- 6.1. Between 26th March and 30th April 2020 the Executives of the four Member Authorities of West Mercia Energy agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to former WMS employees (including Compensatory Added Years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020 and to allocate the pension deficit liability to a new employer within the Shropshire County Pension Fund called 'WMS Pension'. This is to enable any pension deficit to be separately identified, separately valued and monitored.
- 6.2. The four Member authorities agreed to transfer this function to a new joint committee established pursuant to section 101(5) of the Local Government Act 1972, known as the WMS Pension Joint Committee and delegate their responsibilities relating to the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) allocated to the WMS Pension Employer to that Joint Committee with effect from 1 April 2020. Management by the Joint Committee enables the pension deficit to remain the joint liability of the four Member Authorities in a reasonably cost-effective way without the transfer of risk between any of the parties.
- 6.3. The WMS Pension Joint Committee is responsible for the administration and approval of the WMS Pension Liability Charges. This is defined as the total annual charge relating to all financial transactions, payments and charges relating to WMS Pension and will include the following as a minimum:
- A. Deficit Recovery Payments
 - B. Compensatory Added Years Benefits plus a 1% handling fee of the total recharge of compensation being paid on behalf of WMS Pension.
 - C. Costs incurred by the Lead Authority for the administration of the payment mechanism, production of WMS Pension Joint Committee accounts, facilitation of the WMS Pension Joint Committee and any other relevant costs.
 - D. Any other charges and costs specifically relating to WMS Pension or WMS Employees that may be incurred from time to time

7. Payments and Charges included in the WMS Pension Liability Charge payable by the Member Authorities

7.1. A. Deficit Recovery Payments:

- 7.1.1. Deficit Recovery Payments relate to pension fund deficits from former employees that are agreed to be repaid over a period of years (a deficit recovery period).

- 7.1.2. Every three years, or other such period as determined by statute, an actuarial valuation will be undertaken for the Shropshire County Pension Fund. Deficit recovery payments for former WMS employees are currently determined every three years following an actuarial valuation undertaken by the Shropshire County Pension Fund Actuary (presently Mercer). The current Valuation Results for West Mercia Supplies are as at March 2019, and the period covered by this valuation's rates and adjustment certificate is the three-year period from financial years 2020/21 to 2022/23.
- 7.1.3. The amount due to the Pension Fund from WMS Pension will be determined annually based upon the latest valuation results and this will be the overall WMS Pension Deficit Recovery Payment figure for the year.
- 7.1.4. The WMS Joint Committee is responsible for determining the overall policy within which Deficit Recovery Payments will be made. The options here are:
Option 1: Pay equal monthly instalments to Shropshire County Pension Fund for the annual figure due (this is the default option).
Option 2: Pay the full annual figure due at the beginning of the financial year, resulting in a reduction in the amount payable for that year
Option 3: Pay the aggregate of the three year's valuations at the beginning of the first financial year, thereby resulting in a reduction in the amount payable; this being a greater reduction than paying each single year in advance.
- 7.1.5. The Treasurer is to have delegated authority for signing the Employer Agreement, in line with the any policy approved by the Joint Committee, following each Triennial Actuarial Valuation on behalf of WMS Pension. As the WMS Joint Committee was not operational in April 2020, the Treasurer provided for the default option of paying equal monthly instalments to Shropshire County Pension Fund for the annual figure due for the 2020/21 Financial Year.
- 7.1.6. For 2021/22 financial year, the WMS Joint Committee shall determine the policy within which Deficit Recovery Payments will be made. The options here are:
Option 1: Pay equal monthly instalments to Shropshire County Pension Fund for the annual figure due (i.e. this will continue the default option).
Option 2: Pay the full annual figure due at the beginning of the financial year, resulting in a reduction in the amount payable for that year
Option 3: Pay the aggregate of the two remaining year's valuations at the beginning of 2021/22 financial year, thereby resulting in a reduction in the amount payable; this being a greater reduction than paying each single year in advance.
- 7.1.7. Options 2 and 3 have respective cashflow costs for Shropshire Council as the Lead Authority making the payments in the first instance (and subsequent saving for the other Member Authorities), which is not apparent within the

arrangements for Option 1 and is compensated for within the example calculations for each as set out below.

Option	Annual Cost Estimate (£)	Compensation for Shropshire Council Cashflow (April to October) (£)	Share payable by each Owning authority (25%) (£)
1	181,900.00	0.00	45,475.00
2	178,152.86	1,000.00	44,788.22
3	355,718.36	2,100.00	89,454.59 (equivalent to 44,727.30 per annum)

- 7.1.8. To provide equity and transparency, each year any estimated compensation payment incurred from the previous year will be adjusted to reflect the actual position based on the Lead Authority's average investment rate.
- 7.1.9. To reduce administration and complexity, it is necessary for the Joint Committee to approve a single option for the payments to be made on behalf of WMS Pension. The Joint Committee have delegated authority under the Joint Agreement to agree the approach to be taken on behalf of each Member Authority. In the absence of a consensus as to which of the options to use, it is recommended that the Joint Committee revert to the default payment arrangements under Option 1.
- 7.1.10. The estimated costs for this element for 2020/21 are set out within the WMS Pension Liability Charges paper on the agenda.
- 7.2. **B. Compensatory Added Years Benefits:**
- 7.2.1. Compensatory Added Years (CAY) Benefits relate to early retirement costs for former WMS employees.
- 7.2.2. CAY Benefits were awarded under the Local Government (Early termination of Employment) (Discretionary Compensation) (England and Wales) Regulations or previously under The Local Government (Discretionary Payments) Regulations. The amount of CAY Payment was determined at the time of retirement by the WMS Employees employer. This liability is paid on a monthly basis for as long as the former employee (or their dependant on their death) draws the pension.

- 7.2.3. The amount due is determined annually, adjusted for inflation and other such requirements. Monthly payments (plus a 1% handling fee) will be adjusted for any CAYs that have ended throughout the year. Beyond the first year, each year's CAYs figure will be adjusted for any in-year adjustments arising from the previous years or other such amendments or corrections identified at that time.
- 7.2.4. Payments will be based on the overall WMS Pension CAYs figure for the year.
- 7.2.5. The Treasurer is to have delegated authority for confirming acceptance of the CAYs liability for the year on behalf of WMS Pension and the onward communication of the liability to the WMS Pension Joint Committee and Member Authorities.
- 7.2.6. The payments for CAYs are made on a monthly basis by Shropshire Council as the Lead Authority and the appropriate charge for each Member Authority's share will be included in the Member Authority Liability Charge.
- 7.2.7. The estimated costs for this element for 2020/21 are set out within the WMS Pension Liability Charges paper on the agenda.
- 7.3. **C. Lead Authority Costs:**
- 7.3.1. Lead Authority costs include, but are not limited to:
1. Annual determination and administration of WMS Pension Payment Mechanism
 2. Drawing up of annual WMS Pension Joint Committee Accounts
 3. Administration of WMS Pension Joint Committee Meetings (minimum of one per annum)
 4. Administration and approval for triennial actuarial valuation
- 7.3.2. Costs relating to this area will be determined using the standard recharge rates including overheads for work on behalf of external bodies for all staff and resources incurred for the estimated time requirement.
- 7.3.3. The amount due will be determined annually based on a review of previous years requirements, any adjustment for previous years under or over charges, and an estimate of requirements for the current financial year.
- 7.3.4. The payment of Lead Authority Costs will be incurred throughout the year by Shropshire Council as the Lead Authority. An appropriate charge for each Member Authority's share will be included in the Member Authority Liability Charge.
- 7.3.5. The WMS Pension Joint Committee is responsible for approving the Lead Authority Costs for the year on behalf of WMS Pension, which will be calculated in accordance with the above provisions. A report detailing the costs for

financial year 2021/22 will be presented to the next annual meeting of the Joint Committee for approval as part of the WMS Pension Liability Charges. For information the estimated costs for this element for 2020/21 are set out within the WMS Pension Liability Charges paper on the agenda.

7.4. D. Other Costs:

7.4.1. Any other costs not identified above, but reasonably incurred on behalf of WMS Pension will be identified within this area. Other costs include, but are not limited to:

1. Actuary Costs
2. External Audit Costs

7.4.2. The basis for charging will be determined based upon the nature of the cost identified.

7.4.3. Any amount due will be determined annually based on a review of previous years requirements, any adjustment for previous years under or over charges, and an estimate of requirements for the current financial year.

7.4.4. The payment of Other Costs will be incurred throughout the year by Shropshire Council as the Lead Authority. An appropriate charge for each Owning Authority's share will be included in the Member Authority Liability Charge.

7.4.5. The WMS Pension Joint Committee is responsible for approving the Other Costs for the year on behalf of WMS Pension, which will be calculated in accordance with the above provisions. A report detailing the costs for financial year 2021/22 will be presented to the next annual meeting of the Joint Committee for approval as part of the WMS Pension Liability Charges. For information the estimated costs for this element are set out within the WMS Pension Liability Charges paper on the agenda.

8. Payment Mechanism:

8.1. Following any necessary approvals for the WMS Pension Liability Charges by the WMS Pension Joint Committee, the Treasurer will be responsible for confirming or signing off estimated annual WMS Pension Liability Charges for the coming Financial Year prior to the commencement of the Financial Year..

8.2. To balance cashflow and risk, and reduce administration, the Lead Authority will incur all WMS Pension Liability Charges in the first instance and then seek to recover the Member Authority Liability Charges as single annual payments approximately half way through the relevant financial year. Once confirmed the annual WMS Pension Liability Charges for the current financial year will be

ordinarily notified to the Owing Authorities' representatives and WMS Pension Joint Committee no later than 30 September within the current financial year.

- 8.3. An invoice will be raised following the WMS Pension Joint Committee each year for their Member Authority Liability Charge for the current financial year.
- 8.4. All Member Authority Liability Charges due for each financial year must be received by the Lead Authority no later than 31 October within that financial year. For 2020/21 only, this date will be amended to 15 January 2021.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Member Chair of the WMS Pension Joint Committee
Appendices None



<u>Committee and Date</u>
WMS Pension Joint Committee
2 December 2020

<u>Item</u>
7
<u>Public</u>

Pension Liability Charges 2020/21

Responsible Officer James Walton – Treasurer

e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

- 1.1. From 1 April 2020, the Executives of the four Member Authorities of West Mercia Energy (and the former stationery supplies business called West Mercia Supplies) authorised the pension liability relating to former West Mercia Supplies employees to be managed by a newly established WMS Pension Joint Committee.
- 1.2. The WMS Pension Joint Committee has delegated authority to make arrangements for the payment of the liabilities of the Member Authorities in respect of the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) which are allocated to the WMS Pension employer within the Shropshire County Pension Fund. In order to establish such arrangements and determine the amounts payable by each Member Authority, each year the WMS Joint Committee is required to approve two key documents; a Policy Decisions Report and a Pension Liability Charges Report.
- 1.3. The meeting of 2 December 2020 represents the first meeting of the WMS Pension Joint Committee and it is necessary at this inaugural meeting to consider this first Pension Liability Charges Report to approve arrangements and the amounts payable for the 2020/21 Financial Year.

2. Recommendations

It is recommended that the Joint Committee:

- 2.1. approve the policy approach taken in their calculation and the payment of the WMS Pension Liability Charges for 2020/21 as set out in section 7 of the report below; and
- 2.2. approve the amounts due to be paid by each Member Authority in respect of the Member Authority Liability Charges set out in section 8 below

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The necessary approvals have been given by each of the Member Authorities for the creation and administration of WMS Pension Joint Committee. The Member Authorities have a Joint Agreement to provide the governance framework, principles for the calculation and sharing of the WMS Pension liabilities and details of delegations to the Joint Committee. This framework manages the risks associated with the operation of the Joint Committee and the financial risk of any decisions taken.
- 3.2. The methodology for valuation and calculation of Pension Fund liabilities is undertaken by an independent actuary and this approach remains unchanged, other than to now separately identify liabilities due to WMS Pension.
- 3.3. The purpose of the WMS Pension Joint Agreement is to ensure that no transfer of risk is made, to or between the Member Authorities and Lead Authority, in amending the arrangements previously in place for the treatment of Pension Liabilities for former WMS employees.

4. Financial Implications

- 4.1. The decisions taken by the Joint Committee as a result of this report seek to ensure basic parity between the Member Authorities and with previous arrangements in respect of the shared liability for the pension deficit relating to the former WMS employees. Payment dates and mechanisms aim to ensure cashflow implications are managed equitably across the four authorities as far as possible.
- 4.2. Any decisions that create financial implications for the Member Authorities are set out within the relevant section of the report. Payments and charges included in the WMS Pension Liability Charge payable by the Member Authorities are set out in Section 7 of this report and specifically within Tables 1 to 4.
- 4.3. For each Member Authority, the specific amount payable in respect of the Member Authority Liability Charge is set out in Section 8.

5. Climate Change Implications

- 5.1. Energy and fuel consumption: No effect
- 5.2. Renewable energy generation: No effect
- 5.3. Carbon offsetting or mitigation: No effect
- 5.4. Climate Change adaptation: No effect

6. **Background**

- 6.1. Between 26th March and 30th April 2020 the Executives of the four Member Authorities of West Mercia Energy agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to former WMS employees (including Compensatory Added Years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020 and to allocate the pension deficit liability to a new employer within the Shropshire County Pension Fund called 'WMS Pension'. This is to enable any pension deficit to be separately identified, separately valued and monitored.
- 6.2. The four Member authorities agreed to transfer this function to a new joint committee established pursuant to section 101(5) of the Local Government Act 1972, known as the WMS Pension Joint Committee and delegate their responsibilities relating to the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) allocated to the WMS Pension Employer to that Joint Committee with effect from 1 April 2020. Management by the Joint Committee enables the pension deficit to remain the joint liability of the four Member Authorities in a reasonably cost-effective way without the transfer of risk between any of the parties.
- 6.3. The WMS Pension Joint Committee is responsible for the administration and approval of the WMS Pension Liability Charges. This is defined as the total annual charge relating to all financial transactions, payments and charges relating to WMS Pension and will include the following as a minimum:
- A. Deficit Recovery Payments
 - B. Compensatory Added Years Benefits plus a 1% handling fee of the total recharge of compensation being paid on behalf of WMS Pension.
 - C. Costs incurred by the Lead Authority for the administration of the payment mechanism, production of WMS Pension Joint Committee accounts, facilitation of the WMS Pension Joint Committee and any other relevant costs.
 - D. Any other charges and costs specifically relating to WMS Pension or WMS Employees that may be incurred from time to time
- 6.4 The WMS Pension Joint Committee is also responsible for the approval of the Member Authority Liability Charges, which is the proportion of the WMS Pension Liability Charge payable by each Member Authority.
7. **Payments and Charges included in the WMS Pension Liability Charge payable by the Member Authorities**

- 7.1. **A. Deficit Recovery Payments:**

- 7.1.1. The policy within which the Deficit Recovery Payments due to the Pension Fund are made for each relevant financial year is determined via a policy approved by the WMS Pension Joint Committee in the previous financial year for the relevant financial year.
- 7.1.2. For 2020/21 only, it has not been possible for the WMS Pension Joint Committee to amend the Pension Fund default policy as the inaugural meeting of the WMS Pension Joint Committee was not held until 2 December 2020. As such, the arrangements for the Deficit Recovery Payments for financial year 2020/21 are set out in Table 1 below. In addition, there is no reconciliation for under or over payment for the previous year, nor other adjustments, although provision is made for this, in the table below, for future years.

Table 1

Deficit Recovery Payments	Total Charge	Charge for each Member Authority
Adjustment for under/overpayment of previous year	n/a	£0.00
Estimated charges for 2020/21	£175,100.04	£43,775.01
Other adjustments	£0	£0.00
Total Deficit Recovery Payments Charge for 2020/21	£175,100.04	£43,775.01

7.2. B. Compensatory Added Years Benefits:

- 7.2.1. Compensatory Added Years (CAY) Benefits relate to early retirement costs for former WMS employees. The policy within which Compensatory Added Years Benefits Payments due to the Pension Fund are made for each relevant financial year is determined via a policy approved by the WMS Pension Joint Committee in the previous financial year for the relevant financial year.
- 7.2.2. The payments for CAYs are being made on a monthly basis for 2020/21 by Shropshire Council, as the Lead Authority. These payments are included in the table below.
- 7.2.3. For the reasons set out in paragraph 7.1.2 above, any specific approach by the WMS Pension Joint Committee has not been determined. For 2020/21 only, there is no reconciliation for under or over payment for the previous year, nor other adjustments, although provision is made for this, in the table below, for future years.

Table 2

Compensatory Added Years Benefits	Total Charge	Charge for each Member Authority
Adjustment for under/overpayment of previous year	n/a	£0.00
Estimated charges for 2020/21	£32,057.37	£8,014.34
Other adjustments	£0.00	£0.00
Total Deficit Recovery Payments Charge for 2020/21	£32,057.37	£8,014.34

7.3. **C. Lead Authority Costs:**

7.3.1. Lead Authority costs include, but are not limited to:

1. Annual determination and administration of WMS Pension Payment Mechanism
2. Drawing up of annual WMS Pension Joint Committee Accounts
3. Administration of WMS Pension Joint Committee Meetings (minimum of one per annum)
4. Administration and approval for triennial actuarial valuation

7.3.2. Costs relating to this area are determined using the standard recharge rates including overheads for work on behalf of external bodies for all staff and resources incurred for the estimated time requirement.

7.3.3. For 2020/21 only, the initial set up costs for the Joint Committee have been identified and will be included within the Lead Authority Costs calculation.

7.3.4. Details of the 2020/21 Lead Authority Costs are set out in the tables below and the total Lead Authority Costs for 2020/21 are set out in Table 4 below.

Table 3

Breakdown of Lead Authority Costs	Total Charge
One-off Costs relating to 2020/21:	
Drawing up of reports, agreements and associated documentation for the creation of WMS Pension Joint Cttee	£2,500.00
Regular costs commencing from 2020/21:	
Annual determination and administration of WMS Pension Payment Mechanism	£900.00

Drawing up of annual WMS Pension Joint Committee Accounts (charges will commence in 2021/22)	£700.00
Administration of WMS Pension Joint Committee Meetings (minimum of one per annum)	£500.00
Administration and approval for triennial actuarial valuation	£550.00
Total	£5,150.00

- 7.3.5. For 2020/21 only, there is no reconciliation for under or over payment for the previous year, nor other adjustments, although provision is made for this, in the table below, for future years.

Table 4

Lead Authority Costs	Total Charge	Charge for each Member Authority
Adjustment for under/overpayment of previous year	n/a	£0.00
Estimated charges for 2020/21	£5,150.00	£1,287.50
Other adjustments	£0.00	£0.00
Total Deficit Recovery Payments Charge for 2020/21	£5,150.00	£1,287.50

7.4. **D. Other Costs:**

- 7.4.1. These are any other costs not identified above, but reasonably incurred on behalf of WMS Pension. Such costs can include, but are not limited to:
1. Actuary Costs
 2. External Audit Costs
- 7.4.2. The basis for charging will be determined based upon the nature of the cost identified.
- 7.4.3. Any amount due will be determined annually based on a review of previous years requirements, any adjustment for previous years under or over charges, and an estimate of requirements for the current financial year.
- 7.4.4. The payment of Other Costs will be incurred throughout the year by Shropshire Council as Lead Authority.
- 7.4.5. Details of the Other Costs for 2020/21 are set out in the table below.

Table 5

Breakdown of Other Costs	Total Charge	Charge for each Member Authority
One-off Costs relating to 2020/21:		
Actuary Costs (additional to charges already picked up by WME in previous years).	£4,865.00	£1,216.25
Regular costs commencing from 2020/21:		
Actuary Costs	£1,150.00	£287.50
External Audit Costs (charges will commence in 2021/22)	£0.00	£0.00
Total Other Costs	£6,015.00	£1,503.75

7.5. **WMS Pension Liability Charges**

- 7.5.1 As calculated above, the total WMS Pension Liability Charges for 2020/21 is £218,322.41 as detailed in the table below. This figure is inclusive of £7,365.00 one-off costs, from the Actuary and Lead Authority, in setting out the initial arrangements and documentation for WMS Pension.

Table 6

WMS Pension Liability Charges	Total Charge	Charge for each Owning Authority
Deficit Recovery Payments (Table 1)	£175,100.04	£43,775.01
Compensatory Added Years Benefits (Table 2)	£32,057.37	£8,014.34
Lead Authority Costs (Table 4)	£5,150.00	£1,287.50
Other Costs (Table 5)	£6,015.00	£1,503.75
Total Pension Liability Charges 2020/21	£218,322.41	£54,580.60

8. **Member Authority Liability Charge for 2020/21**

- 8.1. As set out in the Joint Agreement between the Member Authorities, the calculation of liability of each Member Authority is made on a simple even split

between each authority (i.e. 25% based on four Member Authorities) of the total WMS Pension Liability Charge for the relevant financial year.

- 8.2. Subject to the Joint Committee's approval of the WMS Pension Liability Charge for 2020/21, the Member Authority Liability Charge for 2020/21 shall be 54,580.60 (inclusive of £1,841.25 one-off costs for 2020/21 only).

9. Payment Mechanism:

- 9.1. To balance cashflow and risk, and reduce administration, the Lead Authority will incur all WMS Pension Liability Charges in the first instance and then seek to recover the Member Authority Liability Charges as single annual payments approximately half way through the relevant financial year. Once the annual WMS Pension Liability Charges for the current financial year are approved they will notified to the Member Authorities' representatives.
- 9.2. It is intended that in future years the WMS Pension Liability Charges and the Member Authority Liability Charges will be presented to the WMS Pension Joint Committee for approval no later than 30 September within the relevant financial year to which they apply. As the inaugural meeting of the WMS Pension Joint Committee was unable to be scheduled until 2 December 2020, arrangements for the 2020/21 Financial Year have been amended accordingly.
- 9.3. An invoice will be raised following the WMS Pension Joint Committee each year for the Member Authority Liability Charge for the current financial year. For 2020/21 only, this invoice will be raised in December 2020.
- 9.4. All Member Authority Liability Charges due for each financial year must be received by the Lead Authority no later than 31 October within that financial year. For 2020/21 only, this date will be amended to 15 January 2021.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)	
Member	
Chair of the WMS Pension Joint Committee	
Appendices	
None	



<u>Committee and Date</u>
WMS Pension Joint Committee
2 December 2020

<u>Item</u>
8
<u>Public</u>

Scheme of Delegations to the Treasurer

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1. Summary

- 1.1. From 1 April 2020 the Executives of the four Member Authorities of West Mercia Energy (and the former stationery supplies business called West Mercia Supplies) authorised the pension liability relating to former West Mercia Supplies (WMS) employees to be managed by the WMS Pension Joint Committee.
- 1.2. The WMS Pension Joint Committee has delegated authority to make arrangements for the payment of the liabilities of the Member Authorities in respect of the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) which are allocated to the WMS Pension employer within the Shropshire County Pension Fund.
- 1.3. The Joint agreement between the four Member Authorities establishes a Lead Authority of which the Section 151 Officer acts as the Treasurer for WMS Pension. The WMS Pension Joint Committee has the authorisation to delegate authority in respect of the matters set out in Appendix A to the Treasurer appointed further to the Joint Agreement between the Member Authorities of the Joint Committee.

2. Recommendations

- 2.1. It is recommended that the Joint Committee;
 - a) Approve the scheme of Delegations attached at Appendix A.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The necessary approvals have been given by each of the Member Authorities for the creation and administration of WMS Pension Joint Committee. The Member Authorities have a Joint Agreement to provide the governance framework, principles for the calculation and sharing of the WMS Pension liabilities and details of delegations to the Joint Committee and representative offers. This framework and the development and approval of policies around payment of the deficits due to the Pension Fund set out in this report manage the risks associated with the operation of the Joint Committee and the financial risk of any decisions taken.
- 3.2. The creation of WMS Pension as an employer within the Shropshire County Pension Fund reduces the financial risk placed on West Mercia Energy (WME). WME Risk Register identified a potential risk in bidding for future contracts while carrying the WMS Pension Liability on its balance sheet.
- 3.3. The purpose of the WMS Pension Joint Agreement is to ensure that no transfer of risk is made, to or between the Member Authorities and Lead Authority, in amending the arrangements previously in place for the treatment of Pension Liabilities for former WMS employees.

4. Financial Implications

- 4.1. The decisions taken by the Joint Committee as a result of this report seek to ensure basic parity between the Member Authorities and with previous arrangements in respect of the shared liability for the pension deficit relating to the former WMS employees. Payment dates and mechanisms aim to ensure cashflow implications are managed equitably across the four authorities as far as possible.

5. Climate Change Implications

- 5.1. Energy and fuel consumption: No effect
- 5.2. Renewable energy generation: No effect
- 5.3. Carbon offsetting or mitigation: No effect
- 5.4. Climate Change adaptation: No effect

6. Background

- 6.1. Between 26th March and 30th April 2020 the Executives of the four Member Authorities of West Mercia Energy agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to

former WMS employees (including Compensatory Added Years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020 and to allocate the pension deficit liability to a new employer within the Shropshire County Pension Fund called 'WMS Pension'. This is to enable any pension deficit to be separately identified, separately valued and monitored.

- 6.2. The four Member authorities agreed to transfer this function to a new joint committee established pursuant to section 101(5) of the Local Government Act 1972, known as the WMS Pension Joint Committee and delegate their responsibilities relating to the pension deficit liability from former WMS employees (including Compensatory Added Years Benefits) allocated to the WMS Pension Employer to that Joint Committee with effect from 1 April 2020. Management by the Joint Committee enables the pension deficit to remain the joint liability of the four Member Authorities in a reasonably cost-effective way without the transfer of risk between any of the parties.
- 6.3. The WMS Pension Joint Committee delegates authority in respect of the matters set out in Appendix A to the Treasurer appointed further to the Joint Agreement between the Member Authorities of the Joint Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Member Chair of the WMS Pension Joint Committee
Appendices Appendix A: Scheme of Delegations to the Joint Committee

**WMS PENSION JOINT COMMITTEE
SCHEME OF DELEGATIONS TO THE TREASURER**

The WMS Pension Joint Committee delegates authority in respect of the following matters to the Treasurer appointed further to the Joint Agreement between the Member Authorities of the Joint Committee (capitalised terms are as defined in the Joint Agreement):

1. To agree the amounts and make any payments required to Shropshire County Pension Fund in respect of the liabilities of the employer in the fund known as WMS Pension (including the Deficit Recovery Payments and the Compensatory Added Years Benefits Payments), such payments to be made in accordance with any relevant policies approved by the WMS Pension Joint Committee;
2. To sign the Employer's Agreement on behalf of WMS Pension with the Shropshire County Pension Fund following each Triennial Actuarial Valuation where such Employer's Agreement is in accordance with the current agreed policies of the WMS Pension Joint Committee;
3. To sign any documents on behalf of WMS Pension with the Shropshire County Pension Fund or enter into any arrangements on behalf of WMS Pension with relevant third parties in order to implement any decision or policies of the WMS Pension Joint Committee in order to further its objectives or to properly undertake the responsibilities of the Treasurer as set out in the Joint Agreement;
4. To calculate the amounts due in accordance with the agreed policies and invoice the Member Authorities in respect of the Member Authority Liability Charges where such amounts are agreed by the WMS Pension Joint Committee for the relevant Financial Year;
5. The Treasurer may make such onward delegation of his powers and responsibilities to officers of the Lead Authority as he/she shall deem appropriate and any such delegation shall be recorded in writing stating the date upon which it shall take effect. The Treasurer may revoke such delegations at any time.