



| <u>Committee and Date</u> | <u>Item</u> |
|---------------------------|-------------|
| Pensions Committee        | 8           |
| 17 September 2021         | Public      |
| 10.00am                   |             |

## **PENSION FUND ANNUAL ACCOUNTS 2020/21**

**Responsible  
Officer**

James Walton

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### **1. Summary**

- 1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2020/21 and an update on the annual audit. Grant Thornton has completed its annual audit and an unqualified opinion has been given.

### **2. Recommendations**

- 2.1 The Committee is asked to approve the Pension Fund Annual Report 2020/21.
- 2.2 The Committee is asked to approve that the Chair and Executive Director of Resources sign the letter or representation for Grant Thornton.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 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.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.4 The Annual Report 2020/21 will be published on the Scheme's website.

### **4. Financial Implications**

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

## 5. Climate Change Appraisal

- 5.1 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, BMO 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.

## 6. Background

- 6.1 Following the end of the financial year officers compiled the Pension Fund accounts for 2020/21. The annual report has been produced which outlines the accounts and details the activities of the Fund during the last year (**Appendix A**).
- 6.2 Grant Thornton have completed the audit of the accounts for the Shropshire County Pension Fund and an opinion and certificate is included within the annual report. An unqualified opinion has been given on the accounts.

## 6. Annual Accounts

- 6.1 In the year to the end of March 2021 the Fund increased in value by £363 million to £2.194 billion.
- 6.2 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) used in the final accounts is based on September quarterly capital statements adjusted for cashflows to 31<sup>st</sup> March 21 as these are the latest statements available at that time. During the audit, the 31<sup>st</sup> March 21 capital statements became available in mid July, and it was noted that the value of the private equity fund had increased significantly compared the value stated in the draft accounts sent to Grant Thornton. Due to materiality of the figure involved (£45m), the Pension Fund accounts have been amended. The revised Pension Fund accounts were included in the Council's accounts prior to the 31<sup>st</sup> July 21 deadline before being signed off by the Executive Director of Resources.
- 6.3 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).
- 6.4 During the year the Fund received £16.5 million in contributions from employees and £70.0 million in contributions from scheme employers.

- 6.5 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 0.6% to 50,144 during the year.
- 6.6 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 £20.0 million in transfer payments for staff leaving employment. This figure is significantly higher than the previous year as it includes bulk transfer payments out of all employee accumulated benefits for two employers. Conversely, new employees have the ability to transfer in accumulated benefits from previous employment. The Fund received £5.3 million in transfer payments from new employees during the financial year.
- 6.7 In 2020/21 the Fund paid pensions totalling £64.8 million, an increase of £2.5 million on the previous year. This is due to an increase in the number of pensioners during the year.
- 6.8 Management expenses in 2020/21 totalled £17.8 million, an increase of £0.1 million from the previous year.
- 6.9 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 completed by the end of August 2021.
- 6.10 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 2020/21.