



**WEST MERCIA SUPPLIES (Pensions)
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS
FOR THE YEAR
ENDING 31ST MARCH 2021**

WEST MERCIA SUPPLIES (Pensions) JOINT COMMITTEE

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WEST MERCIA SUPPLIES (Pensions) JOINT COMMITTEE

FINANCIAL SUMMARY **FOR THE YEAR 2020/21**

Introduction

This document is the Statement of Accounts for West Mercia Supplies (Pensions) Joint Committee. It covers the financial year 1 April 2020 to 31 March 2021 and shows the organisation's financial position at the year end together with the trading income and expenditure figures.

The Statements

Narrative Report

This provides an effective guide to the most significant matters reported in the accounts, including an explanation of the financial position and details the performance during the financial year.

Statement of Responsibilities and Joint Committee Approval

This section deals with the financial responsibilities of the Joint Committee and the Treasurer to the Joint Committee and confirms the date when the Joint Committee approved the accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee.

Comprehensive Income and Expenditure Statement

This account summarises the annual income and expenditure of the trading operations to show the organisation's net surplus for the year.

Balance Sheet

This sets out the financial position of the Joint Committee as at the year end 31 March 2021.

Narrative report 2020/21

West Mercia Supplies (Pensions) Joint Committee was set up from 1st April 2020 by the Executives of the four Member Authorities, Herefordshire Council, Shropshire Council, Telford & Wrekin Council and Worcestershire County Council.

Between 26th March and 30th April 2020 the Executives of the four Member Authorities of West Mercia Energy (WME) agreed to allocate the pension deficit liability in relation to former WMS employees to a new employer within the Shropshire County Pension Fund called West Mercia Supplies (Pensions). This is to enable any pension deficit to be separately identified, separately valued and monitored.

Management by the Joint Committee enables the pensions deficit to remain the joint responsibility of the four Member Authorities in a reasonably cost-effective way without the transfer of risk between any parties.

The West Mercia Supplies (Pensions) Joint Committee is responsible for the administration and approval of the West Mercia Supplies (Pensions) liability charges. This is defined as the total annual charge relating to all financial transactions, payments and charges relating to West Mercia Supplies (Pensions).

The Pension liability transferred at 1st April 2020 was £6.928m, Shropshire County Pension Fund actuary, Mercer Ltd advised that the balance at 31st March 2021 was £7.426m, which is an increase of £0.498m during 2020/21.

Further Information

For further information about the Joint Committee's Statement of Accounts, please contact:

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STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Supplies (Pensions) Joint Committee

West Mercia Supplies (Pensions) Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Treasurer to the Joint Committee. Day to day financial management is the responsibility of the Director. The Director is also responsible for:
 - i. keeping proper accounting records, which are up to date.
 - ii. taking reasonable steps for the prevention and detection of fraud and other irregularities.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- to approve the Statement of Accounts.

Responsibilities of the Treasurer to the Joint Committee

The Treasurer to the Joint Committee is responsible for the preparation of West Mercia Supplies (Pensions) Joint Committee Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31 March 2021.

In preparing this Statement of Accounts the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- applied the concept of 'going concern' by assuming that Joint Committee's services will continue to operate for the foreseeable future.

The Treasurer to the Joint Committee has also to:

- ensure proper accounting records are kept, which are up to date;
- take reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE STATEMENT OF ACCOUNTS

Treasurer to the Joint Committee

I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the West Mercia Supplies (Pensions) Joint Committee at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

James Walton

**Executive Director of Resources for Shropshire Council
Treasurer to West Mercia Supplies (Pensions) Joint Committee**

Joint Committee Approval

I certify that the West Mercia Supplies (Pensions) Joint Committee approved the Statement of Accounts for the year ended 31 March 2021.

Adrian Hardman

Chairman of West Mercia Supplies (Pensions) Joint Committee

Date:

Movements in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee. The gain or (loss) for the year shows the true economic cost of the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2021			
	General fund	Pensions reserve Note 10	Total reserves
	£000	£000	£000
Balance at 31 March 2020	-	-	-
Total comprehensive income & expenditure	7,426	-	7,426
Transfer to/from Reserves	(7,426)	7,426	-
Increase/decrease in year	-	7,426	7,426
Balance at 31 March 2021	-	7,426	7,426

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2020			
	General fund	Pensions reserve Note 10	Total reserves
	£000	£000	£000
Balance at 31 March 2019	-	-	-
Total comprehensive income & expenditure	-	-	-
Transfer to/from Reserves	-	-	-
Increase/decrease in year	-	-	-
Balance at 31 March 2020	-	-	-

Pensions Reserve

This statement shows the movement in the year on the different reserves held by the Joint Committee. The gain or (loss) for the year shows the true economic cost of the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

STATEMENT OF COMPREHENSIVE INCOME & EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2020			
	2020/21	2020/21	2019/20
		£	£
INCOME			
Pension costs recharges	(207,157)		-
Admin Charges	(9,432)		-
Total Income		(216,589)	
OPERATING EXPENSES			
Pension Employer Costs	175,100		
Pension Fund Compensation	32,057		
Less Employer Costs	(207,000)		
	<u>157</u>		
Actuary Costs	4,485		
Pension Admin Costs	4,947		
Pension -Business Combination	6,928,000		
Total Operating Expenses		6,937,589	-
(SURPLUS) /DEFICIT ON SERVICES		6,721,000	-
Financing and investment income and expenditure		164,000	-
NET OPERATING (SURPLUS)/DEFICIT		6,885,000	-
Remeasurement		541,000	
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		7,426,000	-

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020				
31 March 2020		31 March 2021		Notes
£		£	£	
	- Debtors	109,161		
	- Current assets		109,161	6
	- Creditors	(109,161)		
	- Current liabilities		(109,161)	7
	- Net current assets		-	
	<u>Other long term liabilities</u>			
	- Pensions Liabilities		(7,426,000)	8
	- Net liabilities		(7,426,000)	
	<u>Financed by:</u>			
	- Pension reserve		7,426,000	10
	- Total reserves		7,426,000	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2020/21 summarises the Joint Committee's transactions for the 2020/21 financial year and its position at 31 March 2021. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to the Joint Committee, supported by International Financial Reporting Standards (IFRS). The only departure relates to the Comprehensive Income and Expenditure Statement layout which shows the income first and then all the expenditure grouped by type of expense. This differs from Local Authority Accounting, but this layout does allow a reader to interpret the statement in relation to the industry-the Joint Committee operates in.

1.2 Concepts

The Statement of Accounts has been prepared in accordance with all prevailing concepts of accrual and going concern together with relevance, reliability and comparability. The going concern concept assumes that the organisation will continue in operational existence for the foreseeable future.

1.3 Legislation

Where specific legislative requirements regarding accounting treatment conflict with the Joint Committee's own accounting policies, legislative requirements shall apply.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information about the effect of transactions, other events and conditions on the organisation's financial position or financial performance.

Where a change is made it is made retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

1.5 Accruals of Expenditure and Income

Revenue and capital transactions are accounted for on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Sums owed to the Joint Committee as at 31 March are included as debtors. Sums still owed by the Joint Committee at 31 March are included as creditors.

1.6 Debtors and Creditors

Revenue and capital transactions are accounted for on an accruals basis and where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the obligations in the contract or transfer of economic benefits.

1.7 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at;

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Joint Committee's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Joint Committee's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Fair Value through Profit and Loss

These are financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost.

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

Instruments with quoted market prices – the market price.

Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Joint Committee recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Joint Committee.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses

1.8 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

1.9 Reserves**General Fund Balance**

The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for the Joint Committee carried forward to 2021/22.

Pensions Reserve

The Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

1.10 Employee Benefits

The accounting policy relating to the treatment of benefits payable during employment and post-employment benefits is consistent with IAS 19 Employee Benefits.

Benefits Payable During Employment

Where the accumulating short-term absences (e.g. annual leave and flexi time earned by employees but not taken at 31st March) are not material, these are not accrued for in the accounts.

Post-Employment Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement, but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme.

The liabilities of the Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the project unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected warnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds of appropriate duration).

The assets of Shropshire County Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service expenditure
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for West Mercia Supplies (Pensions) Joint Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, the General Fund Balance is to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

There were no other events after the Balance Sheet date which need to be considered.

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

Definition of a Business: Amendments to IFRS 3 Business Combinations

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS7

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.

3. Critical judgements in applying accounting policies

WMS have generally complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In instances where code is not relevant, we would make a critical judgement.

In applying the accounting policies set out in Note 1, the Joint Committee has had to consider certain judgements about complex transactions or those involving uncertainty about future events.

There are no critical judgements made in the Statement of Accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Joint Committee. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

The items in the Joint Committee's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £491,000. However the assumptions interact in complex ways. During 2020/21 the actuaries advised that the net pensions liability had increased by £498,000

5. Financing and Investment Income and Expenditure

Interest and Investment Income

Interest is shown within the Pension actuary statement. Cash is nominally held by Shropshire Council

	2020/21	2019/20
	£	£
Pensions interest cost and expected return on pensions	164,000	-
Total	164,000	-

6. Debtors – Short term

	2020/21	2019/20
	£	£
Debtors – LA Authorities	109,161	-
Total	109,161	-

7. Creditors – Payable within one year

	2020/21	2019/20
	£	£
Creditors – LA Authorities	109,161	-
Total	109,161	-

8. Defined Benefits Pension Scheme

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Joint Committee has an obligation to make contributions where assets are insufficient to meet employee benefits. The Joint Committee and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. The Joint Committee recognises the cost of retirement benefits in the cost of employees when they are earned rather than when the benefits are paid as pensions.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The Court of Appeal ruling for Firefighters/Judges (Sargeant and McCloud cases)

The decisions of the Court of Appeal in the Sargeant/McCloud cases have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that the remedies relating to the McCloud judgement will need to be made in relation to all public service pension scheme, including the LPGS. However whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

There are other recent rulings that can in theory have an impact on the LGPS, but until further information is known there have not been any adjustments made.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2020/21.

	2020/21	2019/20
	£000	£000
Comprehensive Income & Expenditure Statement		
Operating Expense (Employees):		
• Current Service Cost	-	-
• Past Service Cost	-	-
• Administration Expenses	-	-
• Employers Contributions	(207)	-
• Settlements and Transfers	6,928	-
Pension Impact (IAS19)	6,721	-
Financing and Investment Income and Expenditure:		
• Net Interest Cost	164	-
Total Post-employment benefits contained within Net Operating Surplus	6,885	-
Other Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability comprising; Return on plan assets (excluding the amount included in the net interest expense)	(1,065)	-
Actuarial (gains) and losses arising on changes in Financial assumptions	1,606	-
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	541	-
Net charge to Comprehensive Income & Expenditure Statement	7,426	-

	2020/2	2019/20
	1	
	£000	£000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	(7,092)	--
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	207	-
Remeasurement of the net defined liabilities	(541)	-
Movement on Pension's Reserve	(7,426)	-

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Joint Committee's obligation in respect of its defined benefit plans is as follows;

	2020/21	2019/20
	£000	£000
Present Value of the defined benefit obligation	15,924	-
Fair Value of plan assets	(8,498)	-
Net liability arising from defined benefit obligation	7,426	-

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2020/21 £000	2019/20 £000
Opening fair value of scheme assets	-	-
Interest income	177	-
Remeasurement gain		
The return on Plan assets	1,065	-
Employer contributions	207	-
Contributions by scheme participants	-	-
Benefits paid	(449)	-
Administration Expenses	-	-
Business Combinations	7,498	-
At 31 March	8,498	-

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded 2020/21 £000	Liabilities 2019/20 £000
At 1 April	-	-
Current Service Cost	-	-
Interest cost	341	-
Contributions by scheme participants	-	-
Past service Cost (gain)	-	-
Remeasurement (Liabilities)		
• Experience (gain)/Loss	(364)	-
• Actuarial (gains)/losses on financial assumptions	1,970	-
• (Gain)/Loss on demographic assumptions	-	-
Benefits paid	(449)	-
Business Combinations	14,426	-
At 31 March	15,924	-

Pension transferred to West Mercia Supplies (Pensions) on 1st April 2020 so no opening balances in the above tables.

Pension Scheme Assets

	Fair value of Scheme Assets	
	2020/21	2019/20
	£000	£000
Cash & Cash Equivalents		
• Cash Accounts	<u>97</u>	=
Cash Total	97	-
Equity Instruments		
• UK Quoted	361	-
• Global quoted	<u>3,389</u>	=
Equity Instruments Total	3,750	-
Bonds		
• Overseas – Global Fixed Income	1,080	-
• Overseas – Global Dynamic	-	-
• Other Class 2 – Absolute return bonds	<u>592</u>	=
Bonds Total	1,672	-
Property		
• Property Funds	<u>322</u>	=
Property Total	322	-
Private Equity	<u>420</u>	=
Private Equity Total	420	=
Other Investment Funds		
• Infrastructure	270	-
• Hedge Funds	480	-
• BMO – LDI manager	255	-
• Property debt	112	-
• Insurance Linked Securities	<u>120</u>	=
Other Total	1,237	-
Total assets	7,498	-

All scheme assets have quoted prices in active markets.

COVID-19

Since February 2020 there have been substantial volatility in financial markets around the world in relation to COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike seen on the yields on AA rates corporate bonds reduce from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI

over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations.

Basis for Estimating Assets and Liabilities

The liabilities of the scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions including mortality rates and salary levels.

The Pension Fund liabilities have been assessed by Mercer Human Resource Consulting Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23	22.9
Women	25.1	25
Longevity at 65 for future pensioners (years):		
Men	24.3	24.2
Women	26.7	26.6
Rate of CPI Inflation	2.7%	2.1%
Rate of Increase in Salaries	3.95%	3.35%
Rate of Increase in Pensions	2.8%	2.2%
Rate for Discounting Scheme Liabilities	2.1%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme*	
	Increase in Assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	16,415	15,433
Rate of inflation (increase or decrease by 0.1%)	16,153	15,695
Rate of increase in salaries (increase or decrease by 0.1%)	15,924	15,924
Rate of increase in pensions (increase or decrease by 0.1%)	16,153	15,695
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	15,697	16,151

*The current Defined Benefit Obligation as at 31st March 2021 is £15.924 million

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Impact on the Joint Committee's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The employer has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2019 with the next one due to be completed as at 31 March 2022. Revised contribution rates from the 2019 actuarial valuation will take effect on 1st April 2020.

The Government announced in 2019 that the "McCloud judgment" needs to be remedied for all schemes including the LGPS. The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. West Mercia Supplies (Pensions) has chosen not to pay any additional contribution at this stage for the "McCloud judgment".

The Joint Committee anticipates to pay £214,000 expected contributions to the scheme in 2021/2022.

The weighted average duration of the defined benefit obligation for scheme members is 14 years, 2020/2021.

9. Reserves

An analysis of the reserves is shown below:

	Opening Balance	Contributions		Closing Balance
	1 st April 2020 £000	To £000	From £000	31 st March 2021 £000
General Fund	-	-	-	-
Pensions reserve	-	7,810	(384)	(7,426)
Total reserves	-	7,810	(384)	(7,426)


Comparative Analysis in 2019/20

	Opening Balance	Contributions		Closing Balance
	1 st April 2019 £000	To £000	From £000	31 st March 2020 £000
General Fund	-	-	-	-
Pensions reserve	-	-	-	-
Total reserves	-	-	-	-

10. Pension Reserves

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or pays any pension for which it is directly responsible. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

	2020/21	2019/20
	£000	£000
Opening Balance at 1 April	-	-
Remeasurement (Liabilities & Assets)	(541)	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(164)	-
Employer's pensions contributions & direct payments to pensioners payable in the year	207	-
Settlements	-	-
Business Combinations	(6,928)	-
Closing Balance at 31 March	(7,426)	-



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