

**PENSIONS COMMITTEE**  
**16 OCTOBER 2019****PENSION FUND AUDITED ANNUAL REPORT AND**  
**ACCOUNTS 2018/19**

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**Recommendation**

1. **The Chief Financial Officer recommends that the audited Pension Fund Annual Report and Accounts 2018/19 be approved.**

**Background**

2. The Annual Report (**only available electronically**) is a key communications channel between the fund and a wide variety of stakeholders. The report contains information relating to fund investments, administration, governance, valuations, accounts and membership.
3. Improvements have been made to the presentation and style of the annual report to look at making this more user friendly and easier to read.

**Legislative Requirements and Guidance**

4. The requirement for and content requirements of LGPS pension fund annual reports in England and Wales was initially introduced under Regulation 34 of the LGPS (Administration) Regulations 2008. For reporting periods beginning 1 April 2014 and beyond, the statutory requirement in England and Wales can be found in Regulation 57 of The Local Government Pension Scheme Regulations 2013.
5. CIPFA published updated guidance in April 2019 that represents a general framework for pension fund administering authorities to meet their statutory obligation to prepare and publish an annual report for the pension fund. The Department for Communities and Local Government has adopted this guidance as statutory guidance for the purposes of regulation 57(3) in the 2013 Regulations.
6. The CIPFA guidance included the requirement for specific information to be published to assist the production of the scheme annual report compiled by the LGPS scheme advisory board.
7. The Audit Findings Report and audited Statement of Accounts were presented to the Audit and Governance Committee on the 29 July 2019
  - We have identified no material errors or adjustments to the financial statements that have resulted in a change to the Pension Fund's reported financial position for the year ended 31 March 2019. We have recommended a small number of adjustments to improve the presentation of the financial statements.

- The draft financial statements were presented for audit in accordance with the agreed timetable of the end of May 2019. The accounts were supported by working papers. The quality of the working papers has improved from last year, however there remain some areas where the clarity of the information could be enhanced.

### **Significant changes to disclosure requirements**

8. There were no significant changes to the CIPFA Code of Practice on Local Authority Accounting (the Code), the key change in International Financial Reporting Standards (IFRS) was the adoption of IFRS9 Accounting Standard for the 2018-19 accounts. IFRS9 requires the investment assets to be accounted for at fair value within the accounts

9. The adoption of IFRS9 had little impact on the accounts for pension funds as the investment assets were already held at fair value through profit and loss as directed by the Code. As a consequence, there was no requirement to change the measurement or classification of these assets.

10. In addition, some presentational changes have been made to the accounts in line with the updated CIPFA example accounts

- The analysis of debtors and creditors across public sector bodies has been removed.
- A long-term debtor has been created to reflect reimbursement arrangements put in place at many local authority pension funds for the lifetime tax allowance introduced in 2016.

11. The key points to note on the accounts are as follows (figures in brackets relate to the equivalent 2017-18 position):

- The Fund had a revenue deficit of £33.4m before the net return on investments (surplus £79.0m). The 2017-18 surplus was mainly due to several organisations prepaying their 3-year (2017/18 to 2019/20) employer deficit recovery contributions and 90% of their normal contributions in 2017/18 up to the next triennial valuation due to take effect from the 1st April 2020
- Employers' contributions into the fund were £81.8m (£185.2m), the £103.4m decrease was due to the payments received in 2017-18 as detailed above.
- Benefit payments increased by £8.3m (8.2%) to £106.3m (£98.0m) mainly due to an increase in pension payments reflecting the rise in the number of pensioners £4.2m and an increase in death benefit and lump sum payments of £4m.
- Management Expenses (which include fees pay to external investment managers) have increased from £9.0m to £12.0m. The £3m increase reflects the 2016 strategic asset allocation decision to disinvest from passive equity investments into property and infrastructure funds for which the management fees tend to be more expensive.
- The Payments to and on account of leavers decreased by £0.1m year on year to £8.7m (£8.8m). This figure varies each year due to a combination of the number of staff moving to employers outside the Fund and value of the pension these staff members have accrued, along with the impact of freedom and choice, which allows members to transfer to an external pension and access their benefits.

- Investment income of £51.7m (37.2m) increased mainly due to the reinvestment of the dividends paid as part of the Equity Protection mandate.
- The profit figure has decreased by £125.8m to £94.3m (£220.1m). In 2017-18 total fund investment returns were 36% less due mainly to a reduction in equity returns.
- The value of net assets as at 31 March 2019 is £2.795bn from £2.701bn in 2017-18. This represents an increase of £0.094bn.
- The Fund has included an estimate in the Accounts, to reflect the possible impact of recent court cases (the McCloud judgement) (Note 2) on the cost of paying LGPS benefits. The actuary has provided some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to them for the 2016 actuarial valuation and this results in an additional liability of £24 million.

## Contact Points

### County Council Contact Points

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### Specific Contact Points for this report

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## Supporting Information

- Appendix - Pension Fund Annual Report and Accounts 2018/19 (**available electronically only**)

## Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.