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PENSIONS BOARD
7 JUNE 2022

PENSION FUND UNAUDITED ANNUAL ACCOUNTS 2021/22

Recommendation

1. **The Chief Financial Officer recommends that the Pension Board notes and comments on the unaudited Pension Fund Annual Accounts 2021/22 (Appendix 1).**

Background

2. The annual report is a key communications channel between the fund and a wide variety of stakeholders and will be available at the Board in September 2022. The report contains information relating to the Pension funds unaudited annual accounts (which are part of the Annual Report) including the fund investments, administration, governance, valuations, accounts and membership.

Legislative Requirements and Guidance

3. 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.

4. CIPFA published updated guidance in January 2022 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.

5. 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.

Some Key Highlights are as follows:

6. The key points to note on the accounts are as follows (figures in brackets relate to the equivalent 2020/21 position).

- The Fund had a revenue deficit of £8.4m before the net return on investments (surplus £87.9m). This is mainly due to several organisations prepaying their 3-year (2020/21 to 2022/23) employer deficit recovery contributions and 90% of their normal contributions in 2020/21 up to the next triennial valuation due to take effect from the 1 April 2023.

- Employers' contributions into the fund were £90.7m (£201.2m).

- Benefit payments increased by £3.0m (2.7%) to £115.6m (£112.6m) mainly due to an increase in pension payments reflecting the rise in the number of pensioners and an increase in lump sum payments.

- Management Expenses (which include fees pay to external investment managers) have increased from £18.2m to £21.6m. The £3.4m increase reflects the 2019 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. Also, the Funds asset valuation increased which results in increased management fees.

- The Payments to and on account of leavers increased by £0.5m year on year to £10.0m (£9.5m). 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 £36.1m (29.1m) increased mainly due to increased dividends paid as a result of the recovery from the impact of Covid-19.

- The Fund incurred a surplus of £227.0m on investment returns compared to the surplus of £602.8m in 2020.21 which is a result of the continuing market rally following the major impact of Covid-19 on investment returns in 2019.20.

- The value of net assets as at 31 March 2022 is £3.583.4bn from £3.364.8bn in 2020/21. This represents an increase of £0.218.6bn.

7. As in the previous year's accounts, the Fund has included an estimate to reflect the possible impact of 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 2022, based on the individual member data as supplied to them for the 2019 actuarial valuation and this results in an additional liability for past service liabilities of broadly £29 million and an increase in the Primary Contribution rate of 0.6% of Pensionable Pay per annum.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix – Unaudited Pension Fund Accounts 2020/21 (To follow)

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.