

PENSION BOARD

22 NOVEMBER 2022

PENSION FUND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Recommendation

1. **The Board are asked to note and comment on the Pension Fund Annual Report for the year ended the 31 March 2022 as set out in the attached Appendix.**

Background

2. The Council and Pension Fund are required to prepare annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 (as amended), and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the Pension Fund, reflecting the Pension Fund net asset position
3. The statutory publication deadline for the Pension Fund annual report is December 2022. Our auditors have indicated that they are satisfied with the annual report and will provide a report giving a separate opinion for the Pension Fund annual report before the statutory deadline.
4. The Board received a report on the unaudited Pension Fund annual accounts for 2021/22 at the June 2022 meeting detailing some of the key highlights. The accounts have now been audited and were amended for a few minor points around presentation. The Pension audit findings report is due to go to the [Audit & Governance Committee](#) on the 30th November as part of Worcestershire County Council Accounts for approval.

Annual Report

5. The annual report is a key communications channel between the fund and a wide variety of stakeholders. The report contains information relating to the Pension funds audited annual accounts including the fund investments, administration, governance, valuations, accounts and membership. This is the final proposed annual report verified by External Audit.
6. The report provides details of:-
 - a. Chairs Foreword
 - b. Management & Financial Information
 - c. Risk Management
 - d. Financial Performance
 - e. Administration Report
 - f. Investment Policy & Governance
 - g. Governance Arrangements

- h. Governance Compliance Statement
- i. Local Pension Board Report
- j. Audited Statement of Accounts 2021/22
- k. Appendix A Funding Strategy Statement
- l. Appendix B Pension Admin Strategy
- m. Appendix C Investment Strategy Statement

7. The Chair's Foreword on page 4 of the annual report provides the most notable achievements during the 2021/22 financial year and some are listed below:

- Coping with COVID: we maintained a business-as-usual service despite having to work from home.
- Achieving signatory status to the UK Stewardship Code 2020.
- Delivering an ongoing funding position on 31 March 2022 of 100% thanks to investment returns for the year of 6.7% due to the continued market rally, but the start of the Ukraine/Russia conflict and worries regarding inflation did impact on market valuations towards the end of March 2022.
- Being one of the first funds to invest in forestry with our £50m commitment to Gresham House's Forest Growth & Sustainability LP in each of the next three years.
- Reviewing our pension administration resourcing.
- The Fund transitioned out of a very carbon intensive passive equity fund and invested £200m in a climate multi-factor fund in November 2021. This fund tilts away from companies that are carbon intensive or own fossil fuel reserves, and tilts towards companies that generate green revenues.
- The Fund also Invested £125m in November 2021 into an infrastructure funds with strategic objectives that combines return generation and a positive contribution to environmental and social challenges.
- The Funds 2nd Climate Risk Strategy Report showed that the Fund's Total Equities portfolio is 28.05% in 2021 (23.75% in 2020) more carbon efficient than the benchmark. This means that, on average, for every £m of economic output companies produce, the Fund's investee companies emit 28.05% fewer greenhouse gas emissions than the companies in the index

8. This also includes highlights of what was agreed by the Pensions Committee during the year and the Pension Board are asked to note and comment on the attached 2021/22 annual report as an Appendix.

Contact Points

Specific Contact Points for this report

Rob Wilson

Pensions, Investment, Treasury Management and capital strategy Manager

Tel: 01905 846908

Email: RWilson2@worcestershire.gov.uk

Supporting Information

- Appendix – Annual Report 2021/22

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.