

Pensions Board

2 July 2019

Report title	Annual Report and Accounts 2018/19	
Originating service	Pension Services	
Accountable employee(s)	Jill Davys Tel Email	Assistant Director, Investments and Finance 01902 550555 jill.davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The draft accounts have been prepared and certified by the Section 151 Officers as required by regulations.
2. The draft accounts for West Midlands Pension Fund were approved by Pensions Committee on 19 June 2019 and are now subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion to be reported to the Committee in September.
3. The audit of the accounts for the West Midlands Integrated Transport Authority Pension Fund (WMITAPF) is nearing completion and the auditors anticipate issuing an unqualified opinion.

1.0 Purpose

- 1.1 The purpose of this report is to update the Local Pensions Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019 and the latter's publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. These must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report) respectively.
- 2.2 In preparing their Annual Report and accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19' (CIPFA) ('the Code');
 - for the Annual Report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council or West Midlands Combined Authority). It is important to note that the transactions and balances of the Funds are completely separate and not combined with those of the Administering Authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 31 May following the year-end. This certification was given by the City of Wolverhampton Council's Director of Finance on 31 May 2019 for the WMPF main accounts and by the Combined Authority's Interim Finance Director on 20 May 2019 for the WMITAPF
- 2.5 The Pensions Committee will receive a further report in September which will present the final version of the Statement of Accounts for publication along with the Annual Report and the findings of the external auditor's work including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited Statement of Accounts rests with its Audit Committee; this does not apply to the other parts of the Annual Report which will be presented to Pensions Committee for approval.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite challenging deadlines and a number of conflicting pressures, the Fund has succeeded in preparing its draft Statement of Accounts within the statutory deadline. This is due to careful planning, resource management and close monitoring.
- 3.2 A combined Annual Report is being prepared which contains the report and accounts for both WMPF and the WMITAPF in the same document. This will be available for the September meeting of the Pensions Committee.

4.0 Draft Annual Report 2018/19

4.1 The finalised Annual Report will be made available on the Fund's website in September, <http://www.wmpfonline.com/annualreports>. The Fund will prepare a single Annual Report that includes both the WMPF and the WMITAPF. The contents of the Annual Report will be as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

5.0 Draft Statement of Accounts 2018/19

5.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves as at the year end. There are two primary statements; the Fund Account, which is concerned with transactions during the year, and the Net Assets Statement, which reports balances at the year end. These statements are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.

5.2 During 2018/19, the main Fund grew in value by £294 million. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Net gains in the value of investment assets	445
Investment income receivable	237
Bulk transfer into the Fund	14
Sub total Net Increases	696
Net contributions receivable/benefits payable	(307)
Management expenses charged to the Fund	(87)
Net transfer of members out of the Fund	(8)
Sub total Net Decreases	(402)
Total Increase in the Fund	294

- 5.3 It is worth noting that the balance of contributions and benefits was negative in 2018/19 – the £307 million shown in the table above – due to a number of employers having pre-paid three years Future Service and Past Service Deficit contributions in the prior financial year 2017/18. The figure for contributions receivable also includes £24.2 million paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.
- 5.4 Net assets of the main Fund at 31 March 2019 stood at £15.7 billion, up from £15.4 billion at 31 March 2018. This comprised investment assets of £15.6 billion and working balances of £139 million.
- 5.5 The Fund has taken the option under the CIPFA Code to disclose the present value of all fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £22.4 billion at 31 March 2019. This is a slight increase on the 31 March 2018 figure of £22.1 billion due to adjustments to the actuarial assumptions.
- 5.6 The WMITAPF decreased in value by £0.3 million. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Investment Income	17.2
Sub Total Net Increases	17.2
Net contributions receivable/pensions payable	(16.1)
Management expenses charged to the Fund	(1.0)
Net decrease in the value of investment assets	(0.4)
Sub Total Net Decreases	(17.5)
Total decrease in the Fund	(0.3)

- 5.7 Benefits payable exceeded contributions receivable by a significant margin reflecting the greater maturity of the WMITAPF and the fact that it is a closed fund.
- 5.8 Net assets of the WMITAPF at 31 March 2019 stood at £491.7 million down slightly from £492 million at 31 March 2018. This comprised investment assets of £488 million and working balances of £3.7 million.

6.0 Financial implications

- 6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

- 7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

8.0 Equalities implications

- 8.1 This report has no equalities implications.

9.0 Environmental implications

- 9.1 This report has no environmental implications.

10.0 Human resources implications

- 10.1 This report has no human resources implications.

11.0 Corporate landlord implications

- 11.1 This report has no corporate landlord implications.

12.0 Schedule of Background Papers

- 12.1 None

13.0 Schedule of Appendices

- 13.1 None