

Report title	Annual Report and Accounts 2019/20	
Originating service	Pension Services	
Accountable employee	Darshan Singh	Head of Finance
	Tel	01902 55 5768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Pension Board is recommended to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2020 was audited and completed by this year's statutory deadline of 30 November 2020.
2. The 2019/20 Statement of Accounts incorporates the merger with the West Midlands ITA Pension Fund (WMITA).
3. Grant Thornton's Audit Findings Report for West Midlands Pension Fund.
4. The draft Annual Report for WMPF was considered by Pensions Committee on 30 September and is now subject to audit by the Fund's external auditors, Grant Thornton.

1.0 Purpose

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2020 and the latter's publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are ordinarily required by law to produce a Statement of Accounts and an Annual Report. Normally, these must be subject to external audit and published no later than 31 July (Accounts) and 1 December (Annual report) respectively.

With effect from 30 April 2020 and applicable to the financial year ended 31 March 2020 only, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the publication deadline for the Statement of Accounts to 30 November 2020.

- 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 2019/20' (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). It is important to note that the transactions and balances of the Fund remain completely separate and are not combined with those of the respective Administering Authority.

- 2.4 This year, the draft accounts were required to be certified by the Section 151 Officer on or before 31 August following the year end. The certification was provided by the City of Wolverhampton Council's Director of Finance and the draft Statement of Accounts was then published on 22 June 2020.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite extraordinarily challenging circumstances this year which have created new and unanticipated conflicting pressures, the Fund succeeded in preparing its draft Statement of Accounts (incorporating merger with the WMITA Pension Fund) in time to allow the external audit to follow as much as possible, the timetable outlined in Grant Thornton's Audit Plan as presented to Committee in March.

3.2 An Annual Report has been prepared which includes the finalised version of the Statement of Accounts.

4.0 Draft Annual Report 2019/20

4.1 The draft Annual Report has been issued to all Local Pensions Board and Pensions Committee members. The contents of the Annual Report are 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

4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes some particular successes including:

- Maintaining the cost of administration, oversight and governance per member within budget (£26.75 versus £31.67).
- The conclusion of the triennial actuarial valuation which highlighted, following a period of strong investment performance, an improved funding level of 94% at 31 March 2019 (compared to 81% in 2016).
- Transitioning a further £370m worth of assets to pooled funds launched by the LGPS Central investment pool and taking the total in purpose-built funds to £6.4bn (c40% of the Fund's assets).
- The Fund's response to Covid-19, in identifying and responding early to risks and enabling 98% of employees to continue to perform their roles during lockdown; retaining services including customer services fully and safely open off site.
- Playing a key role through both the Local Authority Pension Fund Forum (LAPFF) and the United Nations Principles for Responsible Investment (PRI) in advancing the responsible investment agenda.

5.0 Statement of Accounts 2019/20

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 as 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 2019/20, the market value of the Fund as reported in its Accounts fell by £426 million. The reasons for this were:

	Increase/(Decrease) in Fund £m
Investment income receivable	178
Net assets of WMITA transferred into the Fund	492
Sub-total net increases	670
Net falls in the value of investments	(724)
Net contributions receivable/benefits payable	(271)
Management expenses charged to the Fund	(92)
Net transfers of members out of the Fund	(9)
Sub-total net decreases	(1,096)
Total decrease in the Fund value	(426)

- 5.3 It is worth noting that the balance of contributions and benefits is negative in 2019/20 – the £271 million shown in the table above – this is because most of the Council bodies had already paid three years Future Service and Past Service Deficit contributions in advance in 2017/18. The balance between the two is likely to be positive in 2020/21 as in April 2020, Councils have again paid significant amounts of contributions in advance following the results of the March 2019 triennial Actuarial Valuation.

The figure for contributions receivable also includes £19.2 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 Fund at 31 March 2020 stood at £15.3 billion, down from £15.7 billion at 31 March 2019. This comprised investment assets of £14.9 billion, an insurance contract valued at £229m and working balances of £122 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 £23.1 billion at 31 March 2020. This is an increase on the 31 March 2019 figure of £22.4 billion as it includes WMITA liabilities of £0.5 billion and the net impact of adjustments to the actuarial assumptions was to increase liabilities.
- 5.6 Following the conclusion of all audit work, Grant Thornton issued an unqualified audit opinion for the Fund with the Statement of Accounts having been completed well before the revised statutory deadline of 30 November.

5.7 Grant Thornton's audit findings for WMPF are summarised in their "Report to those charged with governance" (ISA 260 report) a copy of which is attached at Appendix A.

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 direct equalities implications.

9.0 Environmental implications

9.1 This report has no direct environmental implications.

10.0 Human resources implications

10.1 The report has no direct human resources implications.

11.0 Corporate landlord implications

11.1 This report has no direct corporate landlord implications.

12.0 Schedule of background papers

12.1 None.

13.0 Schedule of Appendices

13.1 Appendix A: Grant Thornton Audit Findings Report, WMPF