

## Committee: London Borough of Merton Pension Committee

**Date:** 17 November 2022

**Wards:** All

**Subject:** Merton Pension Fund – 2021/22 Annual Report and the Audit Result Report.

**Lead Officer:** Roger Kershaw - Interim Executive Director of Finance and Digital

**Lead member:** Cllr Billy Christie- Councillor Corporate services

**Contact Officer:** Nemashe Sivayogan- Head of Treasury and Pensions

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### **Recommendations:**

A. Members are asked to note the content of this report and approve the attached.

- (1) Note the External Auditor's Report as set out in Appendix 1.
  - (2) Merton Pension Fund Annual Report 2021/22 in Appendix 2.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1. This report presents to Committee the Merton Pension Fund's Annual Report and the Auditor Report for the year-ended 31 March 2022.

## **2 DETAILS**

2.1. The LGPS Merton Pension scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

2.2. The Fund is a defined benefit pension scheme administered by London Borough of Merton to provide pensions and other benefits for pensionable employees of Merton Council, and a range of other scheduled and admitted bodies within the borough.

2.3. The Fund's annual Statement of Accounts and the annual report has been prepared in accordance with The 2021/22 Code of Practice on Local Authority Accounting in the

United Kingdom (the Code) and CIPFA guidance on Accounting for Local Government Pension Scheme.

- 2.4. The Fund's Statement of Accounts reports the Fund's financial performance during the year and its financial position as of 31<sup>st</sup> March 2022. The Draft statement of accounts was published on the 29th of July along with the Council's main statement of accounts.
- 2.5. The accounts comprise two main statements with supporting notes. The main statements are:
  - Dealings with Members, Employers and Others, which is essentially the Fund's revenue account
  - The Net Assets Statement, which can be considered as the Fund's balance sheet
- 2.6. The Council's external auditors Ernst & Young (EY) have completed major part of their annual audit into the Pension Fund and are likely to provide an unqualified opinion dependent on the remaining testing being satisfactory and the completion of the main Council's audit on time.
- 2.7. The Appendix 2 details the audit scope and the auditors finding on to Merton pension Fund's 2021-22 statement of accounts and Annual report.
- 2.8. The audited Pension Fund Annual Report should be published on the on the Councils website by the 01 December 2022. However, there is a very high chance the Fund will not meet this deadline as the accounts and annual a report may not be signed before that. This is mainly due to statutory guidance yet to be published on the main Councils infrastructure assets and completion of the Council's audit.
- 2.9. The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance, and helps to demonstrate effective management of Fund assets.
- 2.10. Following the impact of Covid in March 2020 the Fund's assets value started to recover steadily, and the Funds showed 30% increase by March 2021 and continued to grow until the beginning of the Russian Ukraine war in Feb 2022. The assets value globally felt the impact of the war and the Merton Pension Fund's assets too started to see the impact.
- 2.11. As at 31 March 2022 The fund assets stood at £927m following a drop in value from the Q4 2021 as a result of the Russian Ukraine war.
- 2.12. As at March 2022 the net asset value of £927m, Showed a marginal increase of 3% from the previous year. The Fund's diversified investment strategy helped stabilise the Fund's net asset value.
- 2.13. In 2021/22, the Fund recorded a total income of £45.4m. From which, £28.6m was from dealings with members and £16.8m from investment income. The Council is the administrating authority and the major employer (92%) of the Fund and in the year made a total employer and employee contribution of £22.1m.

- 2.14. In 2021/22 the Fund's total expenditure was £51.5m, with the major expenditure being benefit payments to the members of £348.5m. this includes £18.5m South London Waste Partnership bulk transfer to Croydon Council.
- 2.15. Overall, Fund membership increased marginally. As at 31 March 2022, the Fund has 4,546 active members, 6,265 deferred and 4,214 pensioners.

### **3 ALTERNATIVE OPTIONS**

- 3.1. None

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. Not Applicable

### **5 TIMETABLE**

- 5.1. Audit timetable as published on the audit plan.

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. The standard audit fee of £16,170.00 plus Increased fee of £35,397 to meet regulatory and compliance audit requirements for 2021/22. In addition to this there is another additional fee £8,500 for the IAS19 assurance work on behalf of the admitted bodies. The IAS19 fee will be recharged to the employers.
- 6.2. The final audit fee for the 2020/21 audit was £40,248.00 and this was £24,078 above the fee agreed. The 2021/22 total estimated fee is £60,067.00. The Pension Fund audit fees will be paid by the Fund and not impact to the general fund.

### **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. None

### **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. None

### **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. None

### **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. None

### **11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- Draft Annual Report

- The Audit report from EY

## **12 BACKGROUND PAPERS**

12.1. None