

## Committee: London Borough of Merton Pension Committee

**Date:** 23 September 2021

Wards: All

### **Subject: Merton Pension Fund – 2020/21 statement of accounts and the Annual Report**

Lead officer: Caroline Holland - Director of Corporate Services

Lead member: Councillor- Tobin Byers.

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) Merton Pension Fund Financial Statements and Annual Report 2020/21- Appendix 1.
- (2) Note the External Auditor's Report as set out in Appendix 2.
- (3) Note the Letter of Representation as set out in Appendix 3.

#### **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 2021.

#### **2 DETAILS**

- 2.1. The Council's external auditors Ernst & Young (EY) have completed the 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.
- 2.2. The audit report was presented by EY at the Pension Committee on the 23 September 2021 with the objective to sign on or before the statutory deadline of 30 Sept 2021.
- 2.3. The Auditors attended and presented the Pension Fund Audit report along with the Council's audit report at the 21 Sept 2021 Standard and General Purpose Committee.
- 2.4. The Pension Fund Annual Report will be published on the Councils website following the audit sign off along with the audit opinion .The statutory deadline to publish the Annual Report is 01 December 2021.
- 2.5. The Statement of Accounts has been prepared in accordance with The 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and CIPFA guidance on Accounting for Local Government Pension Scheme.

- 2.6. 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.
- 2.7. 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
- 2.8. Due to the impact of the COVID-19 pandemic the Fund Net asset value dropped significantly in March 2020. However, the market and the investments adapted quickly and started to recover from April 2020. This recovery alongside with the Fund's diversified investment strategy helped to account for the £211m increase in the Net asset value in 2020/21 which showed a net asset value of £900.3m as at March 2021, (March 2020 £689m).
- 2.9. In 2020/21, the Fund recorded a total income of £35.9m. From which, £26.5m was from dealings with members and £9.4m 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 £21.2m.
- 2.10. In 2020/21 the Fund's total expenditure was £38m, with the major expenditure being benefit payments to the members of £31.7m.
- 2.11. Overall, Fund membership increased marginally. As at 31 March 2021, the Fund has 4,359 active members, 5,949 deferred and 4,087 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 £16,100.00 plus a maximum additional charge of £11,500.00 for going concern/Post balance sheet events assessments, disclosures including EY consultations and IAS19 work enhanced testing.
- 6.2. The Auditors remain in discussion with Public Sector Audit Appointments about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. In EY's view the scale fee for the Merton Pension Fund audit should be increased by £28,290.00

### **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

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