

## **Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 28 September 2017.**

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### **Subject:**

West Yorkshire Pension Fund Report and Accounts for the year ended 31 March 2017.

### **Summary statement:**

This is the latest report on West Yorkshire Pension Fund financial activities and financial performance for the year 2016/17. The value of the Fund as at 31 March 2017 is £13,632.3m net increase of £2,421.35, 21.6%, compared to the asset value at 31 March 2016. The table below gives assets values for the last seven years including 2016/17

Based on our latest actuarial valuation 31 March 2016 the Fund is 94% funded, in comparison to the 31 March 2017 asset value the fund is 107% funded and theoretically in surplus by 7% as at 31 March 2017. However, since 2016/17 is not a valuation year the 7% funding surplus as at 31 March 2017 will not provide any immediate benefit to employers. If the market remains steady going forward to 31 March 2019 this may translate to real benefits for employers in reduced contributions, however markets may go up or down. WYPF 94% funding level for 31 March 2015/16 and the 107% for 2016/17 is one of the best funding levels within LGPS.

There is a new Cipfa guideline on cost classification for LGPS that has increased our investment management cost by £2.5m for transaction costs. Based on the 2016/17 outturn, excluding the adjustment of £2.5m our total cost per member is £27.38 (Pension Admin £13.70, Investment Management £10.74 and Oversight & Governance £2.94). In comparison to the 2015/16 SF3 report total cost per member of £28.38, this is a reduction of £1.00. By using the new Cipfa guideline on transaction costs our total cost will be £36.09 and our investment cost per member will be £19.53. If all pension funds report their transaction costs correctly for 2016/17 we would still have the lowest cost.

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Mr Rodney Barton  
Director WYPF

**Portfolio:**  
**Corporate**

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**Overview & Scrutiny Area:**  
**Corporate**

## 1. SUMMARY

The Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2017. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

## 2. BACKGROUND

2.1 The unaudited Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2017. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

2.2 The value of the Fund as at 31 March 2017 is £13,587.99m net increase of £2,377.01m, 21.2%, compared to the asset value at 31 March 2016. The table below gives assets values for the last seven years including 2016/17:

<u>Year</u> <u>to 31 March</u>	<u>Net Asset</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
2017	13,632.33	2,421.35	21.59%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.40	9.17%
2014	10,368.80	428.50	4.31%
2013	9,940.30	1,155.89	13.16%
2012	8,784.41	134.11	1.55%
2011	8,650.30	710.8	8.95%

- 2.3 The increase in net assets of £2,421.35m between 31 March 2016 and 31 March 2017 is the result of strong financial markets in 2016/17. The net increase in asset value is made up of strong return on investment of £2,519.04, plus pension contributions from employers and employees of £427.91m, being less than pension costs of £513.32m.
- 2.4 Total return on investment of £2,519.04m is made up of the increase in market value of investments of £2,180.57m and net investment income of £338.46m from dividends, interest, stock lending commission less taxes on investment income.
- 2.5 The Fund continues to have a positive net cash flow, during 2016/17 of £240.77m comprising of net investment income of £338.46m less £97.69m net payments from dealing with members.
- 2.6 In 2016/17 our investment activities delivered gross positive return 22.9%. This is good news, because this exceeded our specific benchmark of 20.4% by 2.5% for 2016/17. This also means our cumulative benchmark results for three and five years are exceeded by 1.0% and 0.75 respectively, this is an excellent result. The fund performance over 10 years is 0.4% per annum over the benchmark. Investment returns against benchmark are as follows:

<u>31-Mar-2017</u>	<u>Annualised Return</u>	<u>Fund Specific Benchmark</u>	<u>Over /(Under)</u>
	<u>%</u>	<u>%</u>	<u>%</u>
One Year	22.9	20.4	2.5
Three Years	11.1	10.1	1.0
Five Years	10.4	9.7	0.7
Ten Years	7.1	6.7	0.4

- 2.7 During 2016/17 our active membership was virtually the same as 2015/16, with a reduction of 46 active members, from 101,927 to 101,881. Total membership rose by 5,869 (2.1%) from 278,951 to 284,820.
- 2.8 During 2016/17 employer numbers increased from 408 to 456, an increase of 46 (11.8%). At the 31 March 2017 there were 422 active employers.

2.9 The table below shows our performance on 18 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

	<b>Work Type</b>	<b>Total cases</b>	<b>Target days</b>	<b>Target cases met</b>	<b>KPI Target</b>	<b>Actual KPI</b>
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,036,008	Due days	1,036,008	100	100
2	Transfer In Quote	618	35	596	85	96.44
3	Transfer In Payment Received	372	35	328	85	88.17
4	Divorce Quote	670	35	644	85	96.12
5	Refund Quote	2,690	35	2,418	85	89.89
6	Refund Payment	2,020	10	1,999	95	98.96
7	Transfer Out Quote	775	35	714	85	92.13
8	Transfer Out Payment	167	35	153	85	91.62
9	Pension Estimate	7,961	10	6,623	75	83.19
10	Retirement Actual	3,482	3	3,282	90	94.26
11	Deferred Benefits Into Payment Actual	2,582	5	2,402	90	93.03
12	Death Grant Single Payment	852	5	844	90	99.06
13	Change of Address	13,096	5	12,787	85	97.64
14	Life Certificate Received	20,995	20	20,675	85	98.48
15	Payroll Changes	3,634	5	3,553	90	97.77
16	Change to Bank Details	1,903	5	1,855	90	97.48
17	Death in Retirement	2,750	5	2,555	85	92.91
18	Retirement Quote	3,706	10	3,497	85	94.36

2.10 Based on the 2016/17 outturn, excluding the adjustment of £2.5m for investment transaction costs our total cost per member is £27.38 (Pension Admin £13.70, Investment Management £10.74 and Oversight & Governance £2.94). In comparison to the 2015/16 SF3 report total cost per member of £28.38, this is a reduction of £1. Including transaction costs our total cost will be £36.09 and our investment cost per member will be £19.53. If all pension funds report their transaction costs correctly for 2016/17 we would still have the lowest cost.

### **3. OTHER CONSIDERATIONS**

This is the latest update on the Report and Accounts for West Yorkshire Pension Fund 2016/17. The yearend accounts for 2016/17 are currently being audited by Mazars LLP. Once the final audit is completed the audited Report and Accounts will be presented to the Joint Advisory Group in January 2017.

[http://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx)

### **4. FINANCIAL & RESOURCE APPRAISAL**

All financial implications are addressed within the report and there are no direct financial implication for CBMDC from this report. Pension costs is a significant financial factor for all employers, therefore strong financial performance and governance of WYPF activities will have a positive financial impact on employers and members in the Fund.

### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

There are no significant risks arising out of the implementation of the proposed recommendations.

### **6. LEGAL APPRAISAL**

As the Administering Authority for WYPF CBMDC have legal responsibility for proper administration of the fund and this managed by a scheme of delegation to WYPF pension committees and the WYPF Director of Pension.

### **7. OTHER IMPLICATIONS**

None

#### **7.1 EQUALITY & DIVERSITY**

None

#### **7.2 SUSTAINABILITY IMPLICATIONS**

None

**7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

None

**7.4 COMMUNITY SAFETY IMPLICATIONS**

None

**7.5 HUMAN RIGHTS ACT**

None

**7.6 TRADE UNION**

None

**7.7 WARD IMPLICATIONS**

None

**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

**8. NOT FOR PUBLICATION DOCUMENTS**

None

**9. OPTIONS**

None

**10. RECOMMENDATIONS**

Recommended -

The 2016/17 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee

## **11. APPENDICES**

Appendix 1

WEST YORKSHIRE PENSION FUND –  
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

Appendix 2

WEST YORKSHIRE PENSION FUND –  
FUNDING UPDATE REPORT 31 MARCH 2017

## **12. BACKGROUND DOCUMENTS**

None