

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 January 2020.

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Subject: West Yorkshire Pension Fund audited Report and Accounts for 31 March 2019.

Summary statement:

The draft report and account was presented to JAG on the 25 July 2019, a few days before the 2018/19 final audited report and account was approved by CBMDC Governance and Audit Committee, after which it was signed by our auditor Mazars and CBMDC Director of Finance. The 2018/19 final audited accounts and report for West Yorkshire Pension Fund is available on our website.

The value of the Fund as at 31 March 2019 is £14,363.0m, a net increase of £796.4m (5.9%) on the asset value of £13,566.6m as at 31 March 2017. The increase in value is the result of positive market movements for the year. The final version of the report and account did not change from the version reported in July 2019, except for minor qualitative improvements in narratives and presentational improvements.

During the 2018/19 financial year we completed a large scale bulk transfer of assets for First Bus West Yorkshire of £492.1m (an estimate of £450m was used in the 2017/18 account). The increase in the value of the transfer was due to favourable investment performance.

The actuarial valuation at 31 March 2016 determined that WYPF funding level was 94%, one of the highest funding levels within LGPS in the last valuation. The latest update provided by Aon gives a funding level of 108%. This improvement is due to the strong financial markets since the 2016 valuation. As this is merely an updated funding level, it will not provide any cashflow benefit to employers. 2019 is a valuation year and work is in progress with Aon to provide the latest funding result for WYPF (see separate agenda item).

RECOMMENDATION

- That the audited report and accounts for 2018/19 be noted

Rodney Barton
Director WYPF

Portfolio:

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Overview & Scrutiny Area:

1 SUMMARY

- 1.1 In order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, WYPF must prepare an annual audited Report and Accounts.
- 1.2 The Reports and Accounts provide a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2019. The audited accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
 - 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

Key events in 2018/19

- 1.3 We completed the large scale bulk transfer of assets relating to First Bus West Yorkshire of £492.1m on the 22 March 2019. Favourable investment performance increased the value of assets certified by our actuary for transfer to £492.14 from the original estimate of £450m asset value at 31 March 2017.

	<u>Triennial Valuation</u>	<u>Estimates</u>	<u>Actual</u>
	31/03/2016	31/03/2017	31/03/2019
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Assets	366.18	450.00	492.14
Liabilities	409.20	482.20	482.20
-Deficit / surplus	-43.02	-32.17	9.94
Funded %	89.49%	93.32%	102.06%

2 BACKGROUND

Value of assets

- 2.1 The value of the Fund as at 31 March 2019 is £14,363.0m, a net increase of £796.4m, 5.9%, from 31 March 2018. The table below gives assets values for the last nine years including 2018/19:

<u>Year to 31 March</u>	<u>Net Asset</u> <u>£m</u>	<u>Increase</u> <u>(Decrease)</u> <u>£m</u>	<u>Increase</u> <u>(Decrease)</u>
2019	14,363.04	796.41	5.87%
2018	13,566.63	(65.70)	-0.48%
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	710.80	8.95%

Increase in net assets during the year

- 2.2 The increase in net assets of £796.41m between 31 March 2018 and 31 March 2019 is mainly due to positive market moves in the value of assets.

Return on investment

- 2.3 Total return on investment in 2018/19 of £909.88m (2017/18 £462.09m) is made up of £476.25m (2017/18 £74.57m) increase in market value and net investment income of £433.64m (2017/18 £387.59m) from dividends, interest, and stock lending commission, less taxes on income.

Net cashflow

- 2.4 WYPF continues to have a positive net cashflow, in 2018/19 net cash was £320.16m (2017/18 was £309.80m).

Investment performance

- 2.5 In 2018/19 our investment activities delivered a return of 7%. This is 0.8% above our benchmark. Investment returns against benchmark are as follows:

<u>31-Mar-19</u>	<u>Annualised</u> <u>Return</u> <u>%</u>	<u>Fund Specific</u> <u>Benchmark</u> <u>%</u>	<u>Over</u> <u>%</u>
One Year	7.0	6.2	0.8
Three Years	10.9	9.7	1.2
Five Years	8.7	7.9	0.8
Ten Years	10.4	10.0	0.4

Membership numbers

- 2.6 Our membership increased from 286,471 in March 2018 to 291,514 by March 2019, an increase of 2%. This is a modest increase compared to previous years, further confirming that the impact of auto enrolment is now minimal.

Number of employers

- 2.7 The number of employers as at 31 March 2018 is 473, a reduction of 2 as a result of academy mergers.

Key performance indicators

- 2.8 The table below shows our 2018/19 performance in 20 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

Work type	Total cases	Target days	Target cases met	KPI target %	Actual KPI 2018/19 %	Actual KPI 2017/18 %
1. Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,096,524	Due days	1,096,524	100.00	100.00	100.00
2. Transfer-in quote	684	35	680	85.00	99.42	99.29
3. Transfer-in payment received	427	35	368	85.00	86.18	93.77
4. Divorce quote	613	20	582	85.00	94.94	96.71
5. Refund quote	4,813	35	4,665	85.00	96.92	98.53
6. Refund payment	2,718	10	2,677	95.00	98.49	98.19
7. Transfer-out quote	1701	20	1519	85.00	89.30	94.03
8. Transfer out payment	222	35	196	85.00	88.29	94.69
9. Pension estimate	6,414	10	5,940	75.00	92.61	76.24
10. Retirement actual	2,778	3	2,641	90.00	95.07	91.69
11. Deferred benefits into payment actual	3,345	5	2,990	90.00	89.39	88.89
12. Death grant payments	2679	5	2476	85.00	92.42	90.47
13. Change of address	3,164	5	3,017	85.00	95.35	96.73
14. Life certificate received	5,378	10	5,212	85.00	96.91	96.63
15. Payroll changes	1,893	5	1,814	85.00	95.83	96.14
16. Change to bank details	1,697	5	1,487	85.00	87.63	88.00
17. Death in retirement	2,459	5	2,279	85.00	92.68	91.32
18. Death Grant Nomination Form Received	10,158	20	8,910	85.00	87.71	99.63
19. Deferred Benefits Set Up on Leaving	11,810	20	11,054	85.00	93.60	96.68
20. Monthly Posting	6,015	10	5,465	95.00	90.86	82.10

2018/19 Administration cost per member

- 2.9 Our pension administration cost is the 6th lowest amongst LGPS fund in England & Wales for 2017/18, £15.23 per member. The lowest cost is £1.61 for Worcestershire , this figure is highly unlikely, however this is based on published government data. The highest is £81.51 for Southwark London Borough. Average is £22.28.

2018/19 Investment management cost per member

- 2.10 We have the lowest cost per member for investment management at £16.53, the highest cost is £553.02. The reason for this is our low cost of internal operations using directly employed staff to manage our investments, and using the same back office to support both investment and pension administration. In second place for is Lambeth London Borough at £25.18 and average is £189.59.

2018/19 Oversight and governance cost per member

- 2.11 On oversight and governance we have the 8th lowest cost at £2.69. The lowest is £0.00 for Lambeth London Borough and the highest is £43.50 for Flintshire Unitary Authority. Average is £10.89.

2018/19 Total cost per member

- 2.12 We have the lowest total cost per member (administration, investment and oversight & governance) at £34.46, 2nd lowest LGPS fund is Nottinghamshire with £65.91, the national average for LGPS in 2018/19 is £222.27 and the highest is £597.46 for London Pensions Fund Authority. There is a gap of £31.45 between West Yorkshire Pension Fund and Nottinghamshire.

TABLE 2: Total number of funds 87	Cost per scheme member					
	WYPF				All Local authority Pension Funds	
	2018/19		2017/18		2018/19	2017/18
	Ran k	Cost per Member	Ran k	Cost per Member	Cost per Member Avg	Cost per Member Avg
Pensions Administration	6th	£15.23	7th	£14.05	£22.28	£20.85
Investment Management	1st	£16.53	1st	£20.48	£189.59	£175.44
Oversight & Governance	8th	£2.69	5th	£1.92	£10.39	£8.96
Total	1st	£34.46	1st	£36.45	£222.27	£205.25

2018/19 Cost per member

- 2.13 The 2018/19 annual cost of administering the West Yorkshire Pension Fund per member is £15.23, investment management £16.53, oversight and governance £2.69, giving a total management cost per member of £34.46. These figures compare favourably with the average cost for authorities in the MHCLG – SF3 results for the previous year shown in the table above.

3 OTHER CONSIDERATIONS

None

4 FINANCIAL & RESOURCE APPRAISAL

The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statements. The audited accounts for the Council must be completed by the specified statutory deadline of 31 July 2019. In addition WYPF must publish a separate audited report and accounts by 1 December 2019, the report and account must be prepared in accordance with accounting standards and comply with statutory requirements. All statutory deadlines were met by WYPF, CBMDC and Mazars.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

The WYPF report and accounts is a statutory financial document. It is a key element of financial risk management and a governance tool, and provides evidence of risk management and governance processes in operation during the financial year.

6 LEGAL APPRAISAL

Statutory deadlines were met, the report and accounts was approved and signed by the Chair of Governance and Audit Committee by 31 July 2019. There are no other legal issues.

7 OTHER IMPLICATIONS

None

8 NOT FOR PUBLICATION DOCUMENTS

None

9 OPTIONS

The Joint Advisory Group must consider and note the report and may make recommendations to management on any part of the report and account.

10 RECOMMENDATION

- That the audited report and accounts for 2018/19 be noted.

11 BACKGROUND DOCUMENTS

WYPF Reports and Accounts 2018/19 available on WYPF website

https://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx