

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

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Subject:

West Yorkshire Pension Fund (WYPF) unaudited Report and Accounts for 31 March 2020.

Summary statement:

This is the unaudited report on West Yorkshire Pension Fund financial activities and financial performance for the year 2019/20 (attached as Appendix 1). The value of the Fund as at 31 March 2020 is £13,214.3m, a net reduction of £1,148.7m, reduction of 8% from £14,363.0m as at 31 March 2019. The reduction in value was the result of the immediate market impact of COVID-19 in the quarter to March 2020, although we have seen a remarkable recovery in asset values in the subsequent quarter.

The latest actuarial valuation at 31 March 2019 determined that WYPF funding level was 106%, an improvement of 12% from the 2016 valuation, driven by positive markets in those three years.

Rodney Barton
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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. The 2019/20 Reports and Accounts is presented to the Joint Advisory Group to note, before being presented to Bradford Council Governance and Audit Committee later in the year for approval.
- 1.2 The Report and Accounts provide a summary of West Yorkshire Pension Fund's financial position at the end of the year and key financial activities during the year ended 31 March 2020. The accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
 - CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
 - Latest Pensions Statement of Recommended Practice
 - International Financial Reporting Standards (IFRS), as amended for the UK public sector

External Auditor work 2019/20

- 1.3 Our auditors Mazars will be present at the meeting of the Joint Advisory Group on 30 July 2020.

2 BACKGROUND

Initial value of assets

- 2.1 The value of the Fund as at 31 March 2020 is £13,214.30m, a net reduction of £1,148.74m, - 8% from 31 March 2019. The table below gives assets values for the last ten years including 2019/20:

<u>Year to 31 March</u>	<u>Net Asset</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
	<u>£m</u>	<u>£m</u>	
2020	13,214.30	-1,148.74	-8.00%
2019	14,363.04	796.41	5.87%
2018	13,566.63	-65.7	-0.48%
2017	13,632.33	2,421.35	21.59%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.4	9.17%
2014	10,368.80	428.5	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%

Reduction in net assets during the year

- 2.2 The reduction in net assets of £1,148.74m between 31 March 2019 and 31 March 2020 is mainly due to the negative market impact of Covid-19.

Return on investment

- 2.3 The total return on investment in 2019/20 is a negative figure of -£1,038.78m (2018/19 positive £909.89m). This is made up of -£1,476.06m (2018/19 £476.25m) losses in market value and net investment income of £458.27m (2018/19 £433.63m) from dividends, interest, and stock lending commission, less taxes on income.

Net cashflow

- 2.4 WYPF continues to have a positive net cashflow, in 2019/20 net cash was £357.03m (2018/19 £328.39m).

Investment performance

- 2.5 In 2019/20 due to the impact of Covid-19 investment performance dropped by -7.4%. This is 0.5% below our benchmark. The long term track record, however, remains positive, as shown in the table below, and over five and ten years has achieved the target of outperforming the benchmark by 0.5% per annum. Investment returns against benchmark are as follows:

<u>31 March</u> <u>2020</u>	<u>Annualised</u> <u>Return</u> <u>%</u>	<u>Fund Specific</u> <u>Benchmark</u> <u>%</u>	<u>Over</u> <u>/(Under)</u> <u>%</u>
One Year	-7.4	-6.9	-0.5
Three Years	0.8	0.6	0.2
Five Years	4.7	4.2	0.5
Ten Years	6.5	6.0	0.5

Membership numbers

- 2.6 Our membership increased from 291,514 in March 2019 to 294,447 by March 2020, an increase of 1%.

Number of employers

- 2.7 The number of employers as at 31 March 2020 was 451, 2019 was 471, a net reduction of 20 as a result of employers leaving due to contractual changes and academy mergers.

Key performance indicators

2.8 The table below shows our 2019/20 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	Actual KPI
	2019/20	2019/20	2019/20	2019/20	2019/20	2018/19
				%	%	%
1. Payment to pensioners	2,595,736	Paid on due days	2,595,736	100	100	100
2. Change of address	4,197	5	3,976	85	94.7	95.35
3. Change to bank details	2,220	5	1,937	85	87.3	87.63
4. Death grant nomination	11,553	20	11,479	85	99.4	87.71
5. Death grant payments	551	5	534	85	96.9	92.42
6. Death in retirement	2,807	5	2,636	85	93.9	92.68
7. Deferred benefits	5,998	35	5,827	85	97.2	93.6
8. Deferred Benefits Into Payment Actual	4,773	5	4,661	90	97.7	89.39
9. Divorce quote	545	20	524	85	96.2	94.94
10. Life certificate received	5,891	10	5,697	85	96.7	96.91
11. Monthly posting	5,826	10	5,642	95	96.8	90.86
12. Payroll changes	2,220	5	1,937	85	87.3	95.83
13. Pension estimate	3,497	10	2,916	75	83.4	92.61
14. Refund payment	3,368	10	3,319	95	98.6	98.49
15. Refund quote	4,786	35	4,640	85	97.0	96.92
16. Retirement actual	2,993	3	2,779	90	92.9	95.07
17. Transfer out payment	320	35	295	85	92.2	88.29
18. Transfer-in payment	835	35	806	85	96.5	86.18
19. Transfer-in quote	1,030	35	1,027	85	99.7	99.42
20. Transfer-out quote	1,704	20	1,583	85	92.9	89.3

Cost performance

2018/19 Administration cost per member

2.9 Based on the latest available data our pension administration cost is the 6th lowest amongst LGPS fund in England & Wales for 2018/19, cost of £15.23 per member, the lowest cost is £1.61 and the highest is £81.51.

Cost per member	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS
	2019/20 Financial Statement	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3
Admin cost per member	£15.87	6th	£15.23	£1.61	£81.51	£22.28
Investment cost per member	£22.75	1st	£16.53	£16.53	£553.02	£189.59
Oversight and governance	£2.87	8th	£2.69	£0.00	£43.50	£10.39
Total cost per member	£41.49	1st	£34.45	£18.14	£678.03	£222.26

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 main reason for our low cost is due to directly employed staff to manage our investments and in addition using the same back office to support both investment and pension administration.

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 (this seems impossible) and the highest is £43.50.

2018/19 Total cost per member

- 2.12 We have the lowest total cost per members (administration, investment and oversight & governance) at £34.45. Our performance is structured on high quality, low cost and efficiency. The national average for LGPS in 2018/19 is £222.26 and the highest cost is £678.03.

2019/20 Cost per member

- 2.13 The 2019/20 annual cost of administering the West Yorkshire Pension Fund per member is £15.87, investment management £22.75, oversight and governance £2.87 giving a total management cost per member of £41.49. 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

The financial accounts for the Council will be approved by the Governance and Audit Committee in August 2020 and an update will be provided at JAG's next meeting.

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 and approved by the extended statutory deadline of 31 August 2020 for 2019/20 accounts. In addition WYPF must publish a separate audited report and accounts by 1 December 2020, this report must be prepared in accordance with accounting standards and comply with statutory requirements.

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 governance, and provides evidence of risk management and governance processes in operation during the financial year.

6 LEGAL APPRAISAL

In order to meet statutory deadlines, the report and accounts have to be approved and signed by the Chair of Governance and Audit Committee on or before 31 August 2020. There are no other legal issues.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

- That the unaudited report and accounts for 2019/20 be considered and noted.

9 APPENDICES

Appendix 1 – WYPF Unaudited Report and Accounts 2019/20