

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 28 January 2021.

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Subject:

West Yorkshire Pension Fund audited Report and Accounts for 31 March 2020.

Summary statement:

This is the latest report and account for West Yorkshire Pension Fund, summarising financial activities and financial performance for the year 2019/20, the audited report is available on our website page:

https://www.wypf.org.uk/media/3018/2019_20-wypf-audited-report-and-accounts.pdf

The value of the Fund as at 31 March 2020 is £13,214.3m, a net reduction of £1,148.7m (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 subsequent quarters.

The 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 three years to 31 March 2019.

Due to Covid-19 the Secretary of State for Housing, Communities and Local Government (MHCLG) extended the publication of final accounts for local authorities from 31 July 2020 to 30 November 2020. The deadline for local government pension funds was 1 December 2020. I am pleased to report that the accounts were signed and delivered on 11 December 2020, a short delay considering the impact of Covid-19.

Recommendation:

- That the audited report and accounts for 2019/20 be considered and 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. The draft 2019/20 Reports and Accounts was presented to the Joint Advisory Group on 30 July 2020. This report was presented to Bradford Council Governance and Audit Committee for approval on 26 November 2020.
- 1.2 The Report and Accounts is 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 Bradford external auditor Mazars LLP completed their work on the WYPF accounts in late October 2020 and presented their findings to Bradford Council Governance and Audit Committee. The work on the Bradford accounts continued until early December 2020, the delay mainly due to all the operational work around for Covid-19.

2 BACKGROUND

Initial value of assets

- 2.1 The value of the Fund as at 31 March 2020 was £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 -£1,497.06m (2018/19 £476.25m) loss 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 was -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 2020</u>	<u>Annualised Return</u> %	<u>Fund Specific Benchmark</u> %	<u>Over /(Under)</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 7th lowest amongst LGPS fund in England & Wales for 2018/19 at £16.23 per member, the lowest cost is £0.74 and the highest is £118.78.

Cost per member	GOVERNMENT DATA					
	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS	
	2019/20 Financial Statement	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3
Admin cost per member	£15.87	7th	£16.23	0.74	118.78	23.50
Investment cost per member	£22.75	2st	£22.83	20.68	774.27	209.71
Oversight and governance	£2.87	5th	£2.88	£0.00	52.64	12.21
Total cost per member	*£41.49	1st	*£41.94	£21.42	£945.69	£245.41

*£41.94 shown on Government report, due to the fact that audit was completed after the deadline for the Government return.

2019/20								
Local Authority (RANK 1 TO 10) TOTAL NUMBER OF LGPS 86	Insvt Exp per Mbr	Rank	Admin Exp per Mbr	Rank	O&G Exp per Mbr	Rank	Tot Exp per Mbr	Rank
West Yorkshire Pension Fund	£22.83	2	£16.23	7	£2.88	5	£41.94	1
Nottinghamshire	£35.26	3	£15.36	6	£10.31	33	£60.93	2
East Riding of Yorkshire UA	£37.69	4	£19.89	21	£5.48	14	£63.07	3
Tameside	£71.58	7	£14.74	4	£4.10	11	£90.43	4
**Middlesbrough UA	£20.68	1	£30.53	50	£52.64	86	£103.85	5
Lambeth	£47.25	5	£67.06	85	£0.00	1	£114.26	6
Bedfordshire	£88.63	8	£19.42	18	£13.16	44	£121.21	7
Somerset	£92.37	9	£19.06	14	£9.82	30	£121.25	8
Surrey	£95.49	11	£20.62	25	£17.43	61	£133.54	9
Lewisham	£93.55	10	£26.20	45	£15.13	53	£134.88	10
England & Wales AVERAGE	£209.71		£23.50		£12.21		£245.41	

**Middlesbrough - investment costs seems to have moved to oversight.

2019/20 Investment management cost per member

- 2.10 We have the second lowest cost per member for investment management at £22.83, the highest cost is £774.27. 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.

2019/20 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.

2019/20 Total cost per member

- 2.12 We have the lowest total cost per members (administration, investment and oversight & governance) at £41.94. Our performance is structured on high quality, efficiency, low cost and strategic shared service development of spreading our cost with other pension funds across the UK. The national average for LGPS in 2019/20 is £245.41 and the highest cost is £829.30.

3 OTHER CONSIDERATIONS

The unaudited WYPF report and accounts was presented to the WYPF Joint Advisory Group (JAG) in July 2020. The audited WYPF report and account was presented to Bradford Governance and Audit Committee on 26 November 2020.

4 FINANCIAL & RESOURCE APPRAISAL

The Council is required by law to produce audited financial accounts annually for WYPF within the Council's financial statements. The audited accounts for the Council were completed and approved on 11 December 2020, shortly after the extended statutory deadline of 30 November 2020 for 2019/20 accounts. WYPF report and accounts was approved on the same day, 11 December 2020. The report and accounts was 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 Council's accounts were approved and signed by the Chair of Governance and Audit Committee on 11 December 2020, due to Covid-19 impacts, shortly after the extended deadline of 30 November 2020. This was reported to the relevant authorities. There are no legal penalties or issues.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

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

9 APPENDICES

The 2019/20 audited report and accounts is available on our website page:

https://www.wypf.org.uk/media/3018/2019_20-wypf-audited-report-and-accounts.pdf