

Report of the Director, West Yorkshire Pension Fund, to the meeting of Governance and Audit Committee to be held on 23 September 2020.

J

Subject:

West Yorkshire Pension Fund (WYPF) Audited Report and Accounts for 31 March 2021.

Summary statement:

This is the latest version of the report currently going through audit for West Yorkshire Pension Fund. The report provides the financial activities and financial performance for the year 2020/21 (attached as Appendix 1). The value of the Fund as at 31 March 2021 is £16.33 billion, a net increase of £3.11 billion, an increase of 23.5% from £13.21 billion as at 31 March 2020. The increase in value confirms that we have recovered the value wiped off our financial assets as a result of the financial impact of the Covid-19 pandemic. The pandemic remains and this makes the future more uncertain, however our performance in this uncertain time is reassuring.

The latest actuarial valuation update as at 31 March 2019 determined that WYPF funding level was 106%, an improvement of 12% from the 2016 valuation of 94%. The latest actuarial funding update for March 2021 shows funding level of 108.0% (2020 105.6%), this is good news for the fund, employers and members.

As a result of statutory changes to local authorities account deadlines for 2020/21 and 2021/22 financial year, Bradford Council's 2020/21 audited accounts have to be published by 30 September 2021. A version of the WYPF accounts are included within Bradford Council's accounts.

The deadline for publication of WYPF's accounts is 1 December 2021. Our work on the accounts is impacted by Covid-19 and home working arrangements, however we are confident that we will deliver WYPF final audited accounts by the deadline of 1 December 2021.

Rodney Barton
Director WYPF
Report Contact: Ola Ajala
Financial Controller WYPF
Phone: (01274) 434 534
E-mail: ola.ajala@wypf.org.uk

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 2020/21 Reports and Accounts was presented to the Joint Advisory Group and the Local Pension Board to note.

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 2021. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- 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 2020/21

1.3 Bradford external auditor Mazars LLP are still carrying out their audit work and will be updating the Committee on their progress.

2 BACKGROUND

Initial value of assets

2.1 The value of the Fund as at 31 March 2021 is £16.33 billion, a net increase of £3.11 billion (23.54%) from 31 March 2020. The table below list assets values for the last ten years including 2020/21:

<u>Year</u> <u>to 31</u> <u>March</u>	<u>Net</u> <u>Asset</u> <u>£billion</u>	<u>Increase</u> <u>(Decrease)</u> <u>£billion</u>	<u>Increase</u> <u>(Decrease)</u> <u>%</u>
2021	16.33	3.11	23.54%
2020	13.21	-1.15	-8.01%
2019	14.36	0.8	5.90%
2018	13.57	-0.07	-0.51%
2017	13.63	2.42	21.59%
2016	11.21	-0.11	-0.97%
2015	11.32	0.95	9.16%
2014	10.37	0.43	4.33%
2013	9.94	1.16	13.21%
2012	8.78	0.13	1.55%

Change in net assets during the year

- 2.2 The increase in net assets of £3.11 billion between 31 March 2020 and 31 March 2021 is mainly due to the positive turnaround of financial markets after the immediate financial impact of the Covid-19 pandemic.

Return on investment

- 2.3 The total return on investment in 2020/21 is £3.19 billion (2019/20 -£1.04 billion). This is made up of £2.83 billion (2019/20 - £1.50 billion) gains in market value and net investment income of £0.36 billion (2019/20 £0.46 billion) from dividends, interest, and stock lending commission, less taxes on income.

Net cashflow

- 2.4 WYPF continues to have a positive net cashflow, in 2020/21 net cash was £0.30 billion (2019/20 £0.37 billion).

Investment performance

- 2.5 In 2020/21 we recovered the losses of 2019/20 and investment performance in 2020/21 is 23.4%. This is 2.1% above our benchmark. The long term track record is also positive, as shown in the table below, and over five and ten years WYPF's performance outperformed the benchmark by more than 0.5% per annum. Investment returns against benchmark are as follows:

<u>31-Mar-21</u>	<u>Annualised Return</u>	<u>Fund Specific Benchmark</u>	<u>Over /(Under)</u>
	<u>%</u>	<u>%</u>	<u>%</u>
One Year	23.2	21.1	2.1
Three Years	6.8	6.2	0.6
Five Years	9.2	8.2	1.0
Ten Years	7.7	7.2	0.5

Membership numbers

- 2.6 Our membership increased from 294,447 in 31 March 2020 to 298,307 in 31 March 2021, an increase of 1.3%.

Number of employers

- 2.7 The number of employers as at 31 March 2021 was 423, at 31 March 2020 it was 451, a net reduction of 28, is the result of employers leaving due to contractual changes and academy mergers.

Key performance indicators

2.8 The table below shows our 2020/21 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
	2020/21	2020/21	2020/21	2020/21	2020/21	2019/20
				%	%	%
1 Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,899,096	Paid on due days	1,899,096	100	100.00	100.00
2 Change of address	3,844	10	3,682	85	95.79	94.70
3 Change to bank details	1,313	10	1,241	85	94.52	87.30
4 Death grant nomination	9,134	20	9,113	85	99.77	99.40
5 Death grant payments	2,980	5	2,773	85	93.05	96.90
6 Death in retirement	251	10	223	85	88.84	93.90
7 Deferred benefits	3,742	35	3,617	85	96.66	97.20
8 Deferred Benefits Into Payment Actual	3,209	5	2,832	90	88.25	80.80
9 Divorce quote	463	20	423	85	91.36	96.20
10 Life certificate received	148	10	119	85	80.41	96.70
11 Monthly posting	5,091	10	4,866	95	95.58	96.80
12 Payroll changes	1,990	10	1,965	85	98.74	87.30
13 Pension estimate	4,653	10	4,481	75	96.30	83.40
14 Refund payment	1,909	10	1,875	95	98.22	98.60
15 Refund quote	2,464	35	2,449	85	99.39	97.00
16 Retirement actual	3,157	3	2,927	90	92.71	92.90
17 Transfer out payment	217	35	195	85	89.86	92.20
18 Transfer-in payment	548	35	520	85	94.89	96.50
19 Transfer-in quote	801	35	798	85	99.63	99.70
20 Transfer-out quote	1,435	20	1,093	85	76.17	92.90

Cost performance

2020/21 WYPF Cost per member

2.9 The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.42, investment management £17.19, oversight and governance £2.92, results in a total management cost per member of £33.53. These figures compare favourably with the average cost for authorities in the Ministry of Housing Communities & Local Government (MHCLG) – SF3 data collection results for the previous year shown in the table below.

Cost per member	West Yorkshire Pension Fund 2020/21 Financial Statement	Position 2019/20 Gov't data SF3	West Yorkshire Pension Fund 2019/20 Gov't data SF3	LGPS lowest 2019/20 Gov't data SF3	LGPS highest 2019/20 Gov't data SF3	Average LGPS 2019/20 Gov't data SF3
Admin cost per member	£13.42	7th	£16.23	£0.74	£118.78	£23.50
Investment cost per member	£17.19	1st	£22.83	£20.68	£774.27	£278.76
Oversight and governance	£2.92	5th	£2.88	£0.00	£52.64	£12.21
Total cost per member	£33.53	1st	£41.94			
Lowest / Highest / Average (not a sum of figures in the rows above)				£41.94	£829.30	£245.41

2019/20 Administration cost per member

- 2.10 From the latest data provided by government WYPF pension administration cost is the 7th lowest amongst LGPS fund in England & Wales for 2019/20, cost of £16.23 per member, the lowest cost is £ 0.74 and the highest is £118.78.

2019/20 Investment management cost per member

- 2.11 WYPF investment management cost is the second lowest cost per member in the latest result at £22.83, the lowest is £20.68 and the highest cost is £553.02. The reason for this low cost is because WYPF use directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

2019/20 Oversight and governance cost per member

- 2.12 On oversight and governance, WYPF cost is the 5th lowest cost at £2.92. The lowest is £0 and the highest is £52.64.

2019/20 Total cost per member

- 2.13 WYPF has the lowest total cost per member (administration, investment and oversight & governance) at £41.94, the national average for LGPS in 2019/20 is £245.41 and the highest is £829.30.

3 OTHER CONSIDERATIONS

The financial accounts for Bradford will be approved by the Governance and Audit Committee later in 2021.

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 deadline for approving the Council's

2020/21 audited accounts is 30 September 2021. In addition, WYPF must publish a separate audited report and accounts by 1 December 2021, 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 30 September. There are no other legal issues.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

- That the WYPF audited report and accounts for 2020/21 be considered and approved.

9 APPENDICES

Appendix 1 – WYPF Report and Accounts 2020/21.