

Report of the Director, West Yorkshire Pension Fund, to the meeting of Governance and Audit Committee to be held on 22 September 2022.

O

Subject:

West Yorkshire Pension Fund (WYPF) 2021/22 Report and Account.

Summary statement:

This report presents the WYPF 2021/22 annual report and accounts (WYPF accounts). The Local Government Pension Scheme Regulations 2013 (LGPS Reg 2013), Regulation 57 specifies that - an annual report must be prepared each year ending 31 March and must be published by 1st December following the yearend.

The WYPF accounts forms part of the City of Bradford Metropolitan District Council (CBMDC) account, the WYPF accounts will be audited by the Council Auditor "Mazars LLP" and will be signed by Mazars as part of the City of Bradford accounts bundle. The audited WYPF accounts are also required by all West Yorkshire employers that are employer members of WYPF for their annual audit. The LGPS Reg 2013 Regulation 56 stipulates that WYPF must supply audited accounts to all its employers and WYPF complies with this regulation by publishing the audited annual report and account on the WYPF website. There are also a number of audit regulations requiring employers' auditors to gain assurance on pension liabilities and assets, by auditing our records.

The net asset value of the Fund as at 31 March 2022 is £17.96 billion, increase of £1.63 billion (10.1%) compared to 31 March 2021 figure of £16.33 billion.

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 report and accounts. The 2021/22 financial outturn, financial and service performance and the draft 2021/22 annual report and accounts (WYPF accounts) was presented to the Joint Advisory Group (JAG) on 28/07/22. The latest version of the report will be presented to Bradford Council Governance and Audit Committee on 22/09/22 for approval.

1.2 This report provides 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 2022. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
- 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

The annual report and accounts complies with all relevant regulations and best practice.

External Auditor's work 2021/22

1.3 The Council's auditor Mazars presented their approach to the final audit for WYPF, to JAG on 28 July. Mazars' plan will ensure that external audit work is completed to meet WYPF regulatory deadlines.

1.4 The WYPF Draft 2021/22 Report and Accounts is attached as Appendix 1 to this report.

2 BACKGROUND

Net value of assets

2.1 The net asset value of the Fund as at 31 March 2022 is £17,906.42m, a net increase of £1,579.22m (9.67%) from 31 March 2021. The table below gives net assets values for the last ten years including 2021/22.

<u>Year to 31 March</u>	<u>Net Asset</u>	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
2022	£17,961.87m	£1,634.67m	10.1%
2021	£16,327.20m	£3,112.90m	23.56%
2020	£13,214.30m	(£1,148.74)m	(8.00%)
2019	£14,363.04m	£796.41m	5.87%
2018	£13,566.63m	(£65.70)m	(0.48%)
2017	£13,632.33m	£2,421.35m	21.60%
2016	£11,210.98m	(£108.22)m	(0.96%)
2015	£11,319.20m	£950.40m	9.17%
2014	£10,368.80m	£428.50m	4.31%
2013	£9,940.30m	£1,155.89m	13.16%

Change in net assets during the year

- 2.2** The increase in net assets of £1,634.67m between 31 March 2021 and 31 March 2022 is mainly due to positive financial markets movements post the Covid-19 pandemic financial impact.

Return on investment

- 2.3** The total return on investment in 2021/22 is £1,748,95m (2020/21 £3,189.25m). This is made up of £1,330.99m (2020/21 £2,833.73m) gains in market value and net investment income of £425.22m (2020/21 £361.16m) from dividends, interest, and stock lending commission, less taxes on income £9.14m (2020/21 £7.92m).

Net cashflow

- 2.4** WYPF continues to have a positive net cashflow, in 2021/22 net cash was £323.27m (2020/21 £297.09m).

£000		£000
(£66,346)	Net additions/(withdrawals) from dealing with members	(£103,823)
£361,159	Investment income	£425,221
£2,278	Stock lending	£1,871
£297,091		£323,269

Investment performance

- 2.5** In 2021/22 financial assets / investment performance was 10.5%. This is 2.3% above our benchmark. The long term track record is also positive, as shown in the table below, over ten years WYPF has outperformed the benchmark by 0.9% per annum. Investment returns against benchmark are as follows:

31-Mar-22	Annualised	Fund Specific	Over
	Return	Benchmark	/(Under)
	%	%	%
One Year	10.5	8.2	2.3
Three Years	8.3	6.8	1.5
Five Years	7.1	5.9	1.2
Ten Years	8.7	7.8	0.9

2021/22 and 2022/23 cost performance

- 2.6** The 2021/22 annual cost of managing WYPF per member is £33.97 and forecast for 2022/23 is £47.03. These figures should place WYPF 1st in the LGPS cost per member league table.

WYPF COST PER MEMBER	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 FORECAST
MEMBER NUMBER	SF3	SF3	307,796	311,243
WYPF PENSION ADMIN	£16.23	£13.46	£13.73	£17.99
WYPF INVEST MANAGEMENT	£22.83	£17.25	£17.97	£26.62
WYPF OVERSIGHT	£2.88	£2.93	£2.27	£2.48
TOTAL COST PER MEMBER	£41.94	£33.64	£33.97	£47.02
INVESTMENT VALUE (000)	£13,180,582	£16,267,534	£17,961,000	£18,000,000
COST OF INVEST MANAGEMENT	£6,697	£5,129	£5,531	£8,588
COST OF INVEST MANAGEMENT IN BASIS POINTS (bps)	5.08	3.15	3.08	4.77

- 2.7 Using 2021/22 value of assets and investment management costs to calculate basis points (bps) WYPF investment management cost is 3.08bps of current investment asset value of £17.76 billion. WYPF is between 5bps and 3bps, based on the Investment Association survey for 2021/22 the average cost of investment management is 18bps, this is 500% more than WYPF. Similar to the LGPS table, this measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

LGPS top 10 funds with the lowest cost per member (latest result)

Local Authority SF3 2020/21 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 85	2020/21								2019/20		
	Total members	Invest mngmt pr mbr	Rank	Pension Admin pr mbr	Rank	Gov & Ovshd pr mbr	Rank	Total mngmt cost pr mbr	Rank	Total mngmt cost pr mbr	Rank
West Yorkshire Pension Fund	297,384	17.25	1	13.46	5	2.93	4	33.63	1	41.94	1
Nottinghamshire	145,647	30.00	2	18.48	13	12.39	40	60.87	2	60.93	2
East Riding of Yorkshire UA	100,050	51.71	4	20.64	21	8.64	28	80.99	3	63.07	3
Tameside	390,652	78.78	8	18.90	17	3.95	7	101.63	4	90.43	4
Middlesbrough UA	73,620	67.33	6	26.32	41	7.99	25	101.64	5	103.85	5
Lewisham	25,399	62.64	5	27.21	44	20.04	61	109.89	6	134.88	6
Surrey	111,800	68.14	7	26.20	40	22.26	66	116.60	7	133.54	9
Bedfordshire	72,124	94.49	9	20.83	22	13.32	47	128.64	8	121.21	8
Somerset	67,907	105.78	11	18.70	14	10.03	35	134.51	9	121.25	9
Islington	20,981	46.85	3	68.73	80	19.64	60	135.22	10	151.04	12
Lincolnshire	76,856	128.30	12	12.82	3	9.82	33	150.94	11	156.66	13
Hounslow	69,878	168.31	29	38.16	62	5.07	10	211.54	29	238.91	41
Merseyside Pension Fund	140,023	249.90	44	21.61	29	12.66	42	284.17	44	339.88	60
Barnet	26,803	350.60	63	38.91	65	32.38	80	421.89	63	342.52	62
England & Wales AVERAGE	6,128,702	238.43		24.16		11.74		274.34		245.41	0
								+12% on 19/20			

- 2.8 Based on government figures LGPS average cost was up by 12%, whereas WYPF went down by 20% between 2019/20 and 2020/21.

Membership numbers

- 2.9 Our membership increased from 298,317 in 31 March 2021 to 307,796 in 31 March 2022, an increase of 3.2% (2020/21 1.3%).

Number of employers

- 2.10 The number of employers as at 31 March 2021 was 423, at 31 March 2022 it was 463,

an increase of 40.

Pension admin service performance

2.11 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
		2021/22	2021/22	2021/22	2021/22	2021/22	2020/21
					%	%	%
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,984,308	Paid on due days	1,984,308	100	100.00	100.00
2	Change of address	3,266	10	3,128	85	95.79	95.79
3	Change to bank details	1,926	10	1,815	85	94.52	94.52
4	Death grant nomination	4,463	20	3,513	85	99.77	99.77
5	Death grant payments	2,682	10	2,461	85	93.05	93.05
6	Death in retirement	239	20	122	85	88.84	88.84
7	Deferred benefits	2,967	35	2,698	85	96.66	96.66
8	Deferred benefits into payment actual	2,350	5	2,240	90	88.25	88.25
9	Divorce quote	430	20	391	85	91.36	91.36
10	Life certificate received	5	10	4	85	80.41	80.41
11	Monthly posting	4,885	10	4,601	95	95.58	95.58
12	Payroll changes	1,986	10	1,940	85	98.74	98.74
13	Pension estimate	3,076	10	2,555	90	96.30	96.30
14	Refund payment	1,862	10	1,851	95	98.22	98.22
15	Refund quote	3,706	35	3,696	85	99.39	99.39
16	Retirement actual	3,318	3	3,225	90	92.71	92.71
17	Transfer out payment	215	35	187	85	89.86	89.86
18	Transfer-in payment	562	35	531	85	94.89	94.89
19	Transfer-in quote	844	35	838	85	99.63	99.63
20	Transfer-out quote	1,812	20	1,675	85	76.17	76.17

3 OTHER CONSIDERATIONS

The financial accounts for the Council will be presented for approval by the Governance and Audit Committee on 22/09/2022.

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.

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 the outcome of key financial controls in operation during the financial year.

6 LEGAL APPRAISAL

In order to meet statutory deadlines, the report and accounts must be approved and

signed by the Chair of Governance and Audit Committee on or before 1 December 2022. There are no other legal issues.

6.1 SUSTAINABILITY IMPLICATIONS

The services covered in this report are committed to mitigating climate change by using energy efficient supplies and services, avoid waste and where not possible minimise waste. Reuse materials and where facilities are available, recycle office waste.

6.2 GREENHOUSE GAS EMISSIONS IMPACTS

WYPF operates from a modern “Aldermanbury House”, the building was bought in 2014 and we have invested significant sums to improve the energy efficiency of the building, however there is still more to do. We are working with our property managers to further improve the energy efficiency of the building for staff, visitors and our commercial tenants. Electricity supplied to the building is sourced from renewable suppliers and there is programme to review water boilers and other equipment in the building.

In terms of our operations a significant number of our staff have always been able to work from home before the Covid-19 pandemic and since the start of the pandemic all staff that want to work from home have been able to work from home. This has reduced our staff daily journeys into work and also reduced our operational greenhouse gas emission significantly. When on business travel our staff are encouraged to use public transport, unless lower greenhouse gas emission alternatives are available.

In order to maintain a balance service, we have moved to a hybrid operation on a standard two days office working and three days home working each week. This approach is supported by the majority of staff.

6.3 COMMUNITY SAFETY IMPLICATIONS

None.

6.4 HUMAN RIGHTS ACT

None.

6.5 TRADE UNION

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

6.6 WARD IMPLICATIONS

None.

6.7 IMPLICATIONS FOR CORPORATE PARENTING

None.

6.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None.

7 NOT FOR PUBLICATION DOCUMENTS

No

8 OPTIONS

The Committee should approve the WYPF report and account, or could make recommendations to improve the report and account in order to approve it.

9 RECOMMENDATION

(1) That the annual report and account be approved

(2) That WYPF's lowest cost, and high quality LGPS services and financial performance be noted.

10 APPENDICES

Appendix 1 – WYPF Draft Report and Accounts 2021/22

11 BACKGROUND DOCUMENTS

None