

Report of the Director, West Yorkshire Pension Fund, to the meeting of the Pension Board to be held on 19 November 2015.

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Subject: Audited Annual Report and Accounts 2014/15**Summary statement:**

This report presents the Pension Board with the audited annual report and accounts and the audit completion report for 2014/15. The unaudited version of the report was presented to the Joint Advisory Panel in July 2015. In the financial year the WYPF fund value increased in net asset value by £0.95 billion, from £10.37 billion to £11.32 billion. Our investment activities made a return on asset invested of 11.8%, 1.1% above our benchmark of 10.7%. The average for all local government pension funds is 13.2%. This placed us in the 73rd percentile for all local government pension funds. Our long-term performance continues to be very good. WYPF is 96% funded based on our last actuarial valuation, this is one of the best funding levels within LGPS.

Based on figures published by DCLG for 2013/14 our total administration cost of £27.80 for pension management is the lowest within local government in England and Wales for 2012/13. The latest figures for 2014/15 indicates, we are in a strong position to retain this performance when DCLG SF3 pension data collection results are published.

This is another year where we improved on financial services, received unqualified audit opinion and our work with external auditors was described as first class by our external auditor's Senior Audit Partner.

Recommendations

It is recommended that Pension Board note this report.

Rodney Barton
Director

Portfolio:
Leader of Council & Strategic Regeneration

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Overview & Scrutiny Area: N/A



1. BACKGROUND

- 1.1** The audited Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2015. The accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15
 - 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
- 1.2** The value of the Fund as at 31 March 2015 is £11,319.2m, a net increase of £950.42m, percentage increase of 9.17%. This compares with the closing net assets of the Fund over the previous five years as follows:

<u>Year</u>	<u>Net Asset</u>	<u>Increase on Previous Year</u>	<u>Increase on Previous Year</u>
	<u>£m</u>	<u>£m</u>	<u>%</u>
31 st March 2014	10,368.80	428.50	4.31%
31 st March 2013	9,940.30	1,155.89	13.16%
31 st March 2012	8,784.41	134.11	1.55%
31 st March 2011	8,650.30	710.80	8.95%
31 st March 2010	7,939.50	2,008.10	33.86%

- 1.3** The increase in net assets of £950.42m between 31 March 2015 and 31 March 2014 is the result of positive net return on investments of £1,192.41m and pensions contributions from employers and employees of £407.56m less pensions costs of £642.36m (payment to pensioners of £460.89m, payments to leavers £181.49m, and management expenses of £7.20m).
- 1.4** The net return on investments of £1.192.41m is mainly due to increase in market value of investments of £896.45m; net investment income, stock lending less taxes on investment income amounted to £295.96m.
- 1.5** The Fund had a positive net cash flow during 2014/15 of £53.96m, comprising of investment income of £295.96m less £242.00m net payments from dealing with members. The significant reduction in net cash flow in 2014/15 compared to



2013/14 is the result of a transfer of £171m cash for Probation Services - Ministry of Justice pensions - to Greater Manchester Pension Fund.

- 1.6** The return on investments in 2014/15 was 11.8%. This performance is above our Fund specific benchmark of 10.7%. However, the 11.8% performance is below the average return for all local authority pension funds of 13.2%, placing the Fund in the 73rd percentile of all local authority funds. Our long-term performance continues to be good, the annualised averages for the medium and long term are provided below.

	<u>WYPF</u>	<u>L.A Rank</u> <u>out of 88</u> <u>funds</u>	<u>L.A Average</u>
	% p.a.		% p.a.
3 Years	10.1	80th	11.0
5 Years	8.3	69th	8.7
10 Years	8.3	27th	7.9
20 Years	8.3	11th	7.8
25 Years	8.8	15th	8.4

- 1.7** During the 2014/15 financial year active membership increased from 94,056 to 97,548, an increase of 3,492 members, 3.7%. Total membership rose by 12,219, an increase of 4.8% from 256,561 to 268,780.
- 1.8** During 2014/15 408 employers paid pension contributions into the Fund. However, a number of employer organisations combined to form a single trust resulting in the number of employers reducing from 408 to 383 at the end of the financial year, a net increase of 16 compared to 367 employers at 31 March 2014.
- 1.9** On quality management, we achieved most of our Key Performance Indicator targets, however a number of targets were missed due to late delivery of technical guidance from the Department for Communities and Local Government for the 2014 Scheme, and the consequent late delivery of IT processes for these regulatory changes. The table below shows our performance on 14 of our key work areas, this performance reflects the commitment of officers, managers and our services partners in delivering services to all our clients.



WORKTYPE	TOTAL CASES	TARGET DAYS	TARGET MET CASES	KPI TARGET	ACTUAL KPI
1. Payment of pensions (pensioners + beneficiaries)	82,148	Due days	82,148	100%	100%
2. Pension Set Up – Payment of Lump Sum	2,661	3	2,551	85%	96%
3. Deferred Benefits Into Payment – Payment of Lump Sum	25	3	24	85%	96%
4. Death in Service – Payment of Death Grant	24	5	23	85%	96%
5. Death of a Pensioner – Payment of Death Grant after receipt of all necessary information	74	5	60	85%	81%
6. Payment of Beneficiary Pension	686	5	646	85%	94%
7. Initial letter acknowledging death of active, deferred or pensioner member	2,232	5	2,119	85%	95%
8. Refund Payment	619	5	573	85%	93%
9. New starter set up	1,781	5	1,591	85%	89%
10. Divorce Quote, within legislative timescales	315	40 days used as a general average	291	85%	92%
11. Transfer In Quote	426	10	349	85%	82%
12. Employer satisfaction with the service provided by the Pensions Administration section	n/a	n/a	n/a	83%	83%
13. The percentage of visitors waiting less than seven minutes at a reception point.	n/a	n/a	n/a	100%	100%
14. The percentage of phone calls answered within 20 seconds.	n/a	n/a	n/a	94%	97%

1.10 Based on the 2014/15 outturn, total average cost per member is estimated at £26.78 (pensions administration £15.34 and investments £11.44). Based on DCLG published figures for 2013/14 our cost was £27.80 (pensions administration £18.66 and investments £9.14), we expect our cost to compare favourably to other funds when figures are published later in the year. In terms of cost performance we still expect WYPF to have the lowest total cost in LGPS.

1.11 On Data governance WYPF implemented a new system for collecting members' data and contribution payment details from all employers who participated in the fund during the financial reporting period. Employers are now required to submit monthly returns for their staff members. The returns provide the Fund with detailed member data which allows member records to be updated on a monthly basis and



the reconciliation of all payments received from employers. This has improved efficiency and removed the need for year end reconciliation projects. Data governance within the fund has improved significantly.

Monthly Returns Performance Data	2014/15	
Number of returns expected in the year from all employers.	4,812	100.00%
Number of returns received during month.	4,699	97.65%
Number of returns received by 19 April 2015.	4,449	92.46%
Number of returns not received by 31 May 2015.	113	2.35%
Returns processed within 10 working days.	3,917	83.36%
Number of records on return.	1,093,953	100.00%
Number of new member records set up using monthly return.	16,526	1.51%
Number of leavers advise processed using monthly return.	6,933	0.63%

2. OTHER CONSIDERATIONS

This is the WYPF Audited Report and Accounts 2014/15. The Report and Accounts for 2014/15 final audit was completed by our external auditor Mazars LLP. Mazars LLP officers will be attending this meeting to report on the audit. The audited Report and Accounts is now published on WYPF website:

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

3. RECOMMENDATION:

The Audited Annual Report and Accounts 2014/15 is noted by the Pension Board.



4. APPENDICES

Appendix 1

WEST YORKSHIRE PENSION FUND –
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

Appendix 2

AUDIT COMPLETION REPORT 2014/15 – WEST YORKSHIRE PENSION FUND

