

## **Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 26 July 2018.**

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### **Subject:**

West Yorkshire Pension Fund (WYPF) Administration Outturn 31 March 2018

### **Summary statement:**

This report summarises WYPF total costs of administering pensions and investments in 2017/18.

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### **Portfolio:**

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### **Overview & Scrutiny Area:**

## 1 SUMMARY

1.1 The cost of LGPS pension administration and investment management is disclosed in the accounts over three main headings:

- a.) Pensions administration – cost of managing members and pensioners.
- b.) Investment management – costs directly related to managing each investment asset, and internal investment management costs.
- c.) Oversight and governance – cost of statutory compliance, legal, auditors, actuary, investment advisers, investment accounting systems, pension committees – Local Board – Investment Panel – Joint Advisory Group.

The total WYPF cost for 2017/18 is £10.36m

## 2 BACKGROUND

2.1 The total management costs of operations chargeable to WYPF accounts for 2017/18 is £10.36m against a revised budget of £10.65m, resulting in underspend of £0.29m for the year. Cost of services provided to other organisations using our shared services is £1.37m and £0.18m for dispute resolution services for other funds, a total spend of £1.65m on services to third parties against revised budget of £1.40m. The increased spend was due to cost recharged to third parties for implementation projects for new clients that joined in 2017/18 and those joining in 2018/19. The total £1.65m cost was charged to third party organisations, meaning we generated income of £1.65m from providing services to other organisations.

TOTAL WYPF MANAGEMENT COSTS	2017/18		
	Revised Estimates	Outturn	Var (Rvsd Est 2017/18 less Outturn 2017/18)
	£	£	£
WYPF PENSIONS ADMINISTRATION	4,278,590	3,991,772	286,818
WYPF INVESTMENTS MANAGEMENT	5,617,400	5,820,485	-203,085
WYPF OVERSIGHT & GOVERNANCE	751,720	547,037	204,683
<b>CHARGED TO WYPF FUND ACCOUNT</b>	<b>10,647,710</b>	<b>10,359,294</b>	<b>288,416</b>
<b>CHARGED TO SHARED SERVICES</b>	1,240,000	1,365,931	-125,931
<b>MISCELLANEOUS CHARGES</b>	163,600	281,482	-117,882
<b>TOTAL COST RECHARGED – OTHER ORGANISATIONS</b>	<b>1,403,600</b>	<b>1,647,413</b>	<b>-243,813</b>
<b>TOTAL COSTS</b>	<b>12,051,310</b>	<b>12,006,707</b>	<b>44,603</b>

- 2.2 The total revenue cost of £11.9m is paid for by:
- a.) Charge of £10.6m to WYPF account
  - b.) Income of £1.37m from shared services partners – LPF and eight fire authorities
  - c.) Miscellaneous income of £0.281m

### **WYPF Reports and Accounts 2017/18 - Note 11**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Administrative costs	-3,992	-3,879
Investment management Expenses	-5,820	-5,562
Oversight & Governance	-547	-837
<b>Total</b>	<b>-10,359</b>	<b>-10,278</b>

- 2.3 The table above shows the total management costs in WYPF account for 2017/18, this is the net figure after charging for services provided to other organisations.

### **Shared services partners in 2017/18**

- 2.4 During 2017/18 one fire and rescue authority joined our pension administration shared service operation. Our pension administration partners are:
1. Lincolnshire Pension Fund
  2. Lincolnshire Fire Services and Rescue Services
  3. West Yorkshire Fire and Rescue Services
  4. North Yorkshire Fire and Rescue Services
  5. South Yorkshire Fire and Rescue Services
  6. Humberside Fire and Rescue Services
  7. Royal Berkshire Fire and Rescue Services
  8. Buckinghamshire and Milton Keynes Fire and Rescue Services
  9. Northumberland Fire and Rescue Service

### Major underspend and overspend in 2017/18

2.5 Table below analyses WYPF total cost of operations for 2017/18, showing variance between 2017/18 revised budget and costs.

	2017/18		
	Revised Estimates	Outturn	Var (Rvsd Est 2017/18 less Outturn 2017/18)
	£	£	£
ACCOMMODATION	£291,000	£299,881	-£8,881
ACTUARY	£200,000	£78,325	£121,675
COMPUTER	£818,000	£719,604	£98,396
EMPLOYEES	£6,584,000	£6,234,752	£349,248
INTERNAL RECHARGE	£350,000	£421,866	-£71,866
OTHER RUNNING COSTS	£3,427,110	£3,844,416	-£417,306
PRINTING & STATIONERY	£381,200	£407,863	-£26,663
<b>TOTAL EXPENDITURE</b>	<b>£12,051,310</b>	<b>£12,006,707</b>	<b>£44,603</b>
WYPF ACCOUNT	-£10,647,710	-£10,359,294	-£288,416
SHARED SERVICES	-£1,240,000	-£1,365,931	£125,931
WYPF INCOME	-£163,600	-£281,482	£117,882
<b>TOTAL INCOME</b>	<b>-£12,051,310</b>	<b>-£12,006,707</b>	<b>-£44,603</b>

2.6 The £45k favourable variance between the estimate and outturn figure for 2017/18 is mainly as a result of the following activities:

- Employee costs £349k underspent against budget is due mainly to staff vacancies and continuous operational improvements.
- Computer costs £98k underspend, reduction in system costs.
- Internal recharges from Bradford Council to West Yorkshire Pension Fund overspend by £71k, due to increased take up of services from Bradford support services.
- Other running costs £417k overspend due to increased investment transactional costs.

- Income net variance as a result of reduced costs, all charges to our shared service partners are based on actual number of members at the year end for each service partner.

### **Membership number**

- 2.7 Our membership increased from 284,820 in March 2017 to 286,471 by March 2018, an increase of 0.6%, this is the smallest increase in recent years. Impact of auto enrolment is now minimal. The number of employers went up from 422 in March 2017 to 443 by March 2018, increase of 21 (5%), most resulting from academies and outsourced services.

### **2016/17 Administration cost per member**

- 2.8 For administration we have the 7th lowest cost at £14.35 per member, the lowest cost is £ 10.92, while the highest is £86.43.

### **2016/17 Investment management cost per member**

- 2.9 For investments we have the lowest cost per member at £20.58, while the highest is £476.36. This low cost is mainly the result of our internal management of assets, and using the same back office to support both investment and pension administration.

### **2016/17 Oversight and governance cost per member**

- 2.10 On oversight and governance we have the 9th lowest cost at £3.10. The lowest is £0 (this is impossible) and the highest is £78.62.

### **2016/17 Total cost per member**

- 2.11 We have the lowest total cost per members (administration, investment and oversight & governance) at £38.03, the national average for LGPS in 2016/17 is £214.87 and the highest is £531.84.

Cost per member 2016/17	Position	West Yorkshire Pension Fund	LGPS Lowest	LGPS Highest
Admin cost per member	7th	£14.35	£10.92	£86.43
Investment cost per member	1st	£20.58	£20.58	£476.36
Oversight & Governance	9th	£3.10	£0.00	£78.62
Total cost per member	1st	£38.03	£38.03	£531.84

### **2017/18 Cost per member**

- 2.12 The 2017/18 annual cost of administering the West Yorkshire Pension Fund per member is £14.35, investment management £21.11, oversight and governance £1.91, giving a total management cost per member of £37.37. 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**

- 3.1 This is the latest update on cost of administering West Yorkshire Pension Fund for 2017/18, the final account for the year is currently being audited by Mazars. The result of the audit is part of the agenda for this meeting. The financial accounts for the Council will be approved by the Governance and Audit Committee by 31 July 2018.

### **4 FINANCIAL & RESOURCE APPRAISAL**

This report is a key financial document and there no additional resource implications for the Council.

### **5 RISK MANAGEMENT AND GOVERNANCE ISSUES**

This report is a key financial and risk management document, within the governance process for WYPF.

### **6 LEGAL APPRAISAL**

There are no legal implications resulting from the report.

### **7 OTHER IMPLICATIONS**

None

### **8 RECOMMENDATION**

- That this report is noted