

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 31 January 2019.

AA

Subject: Project Magpie – Transfer of First West Yorkshire to GMPF

Summary statement:

This report updates the Panel on progress we have made in transferring assets for First WY Group to GMPF. We have made payments of £375m out of estimated payment of £450m pending final certification by our actuary, Aon. The final estimated payment £75.m is scheduled for 22 March 2019, this will be adjusted for final certified value up or down. If the final certified value to be transferred to GMPF is not agreed between our actuary, Aon, and GMPF actuary, Hymans, and received from Aon by the end of February 2019 the estimated value will be paid. Then adjustments will be made for additional payments to be made by WYPF or repayment of any overpaid amount will be made by GMPF at a later date to WYPF.

The estimated transfer value was based on First WY Bus share of asset as at 31 March 2017. The transfer impacted on 3,714 members.

We are still waiting for one key decision to be made by the West Yorkshire Combined Authority on how to discharge its liability to fund pension increases for First West Yorkshire pensioners. This decision may increase the value of asset transferred.

RECOMMENDATION

- That this report is noted
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Rodney Barton
Director WYPF

Portfolio:

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Overview & Scrutiny Area:

1. BACKGROUND

The transfer impacted on 3,714 members, and all affected were transferred to GMPF in October 2017. To support these members and reduce AVC administration cost for the members, we made a decision to liaise with AVC providers, if needed by GMPF.

First WY Members	Numbers
Actives	359
Deferred	642
Pensioners	2,713
Total	3,714

2. PAYMENT SCHEDULE TO GMPF

Financial Year	Month paid	Scheduled	Paid	Outstanding
		£m	£m	£m
2017/18	Dec-17	75	75	0
2017/18	Mar-18	75	75	0
2018/19	Jun-18	75	75	0
2018/19	Sep-18	75	75	0
2018/19	Dec-18	75	75	0
2018/19	Mar-19	75.032	0	75.032
Total	Notional transfer value	450.032	375	75.032

Please note the notional transfer value is based on the last triennial valuation for First WY Group of £366.177m adjusted for estimated investment performance from 31/03/2016 to 23/10/2017. The final figure will be provided by our actuary Aon, after detailed work with Hymans - on liabilities, assets and payments received from First WY group and pension payments made to First WY Group members. In addition cost incurred by WYPF as a result of this transfer will be deducted from the final certified asset value.

3. FUNDING OF PENSION INCREASE BY WYCA

- 3.1 The transfer also include an agreement with the West Yorkshire Combined Authority (WYCA) to fund pension increases for First WY pensioners. This is due to an agreement in 1986 between First WY and the West Yorkshire Passenger Transport Executive – whose functions passed to the WYCA in April 2014.
- 3.2 There have been protracted discussions on this aspect of the transfer with WYCA, First WY, GMPF and our actuaries - and no decision has been received. With the final asset transfer deadline of 31 March 2019 approaching, WYPF contacted the Sectary of State for clarity on this aspect of the transfer.
- 3.3 WYPF current view is that since WYCA, has been paying this increase via monthly contribution and there was also a deficit in their account with WYPF, the same arrangement for monthly contribution payments should continue with GMPF. The WYCA pension account should not be made worse by transferring any part of their assets to satisfy their liability to First Group for pension increase funding.
- 3.4 Please note the payment schedule above does not include asset transfer value for funding pension increase by WYCA for First WY.

4. OTHER CONSIDERATIONS

None

5. FINANCIAL & RESOURCE APPRAISAL

This report is a financial report and there are no additional resource implications.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

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

7. LEGAL APPRAISAL

There are no legal implications resulting from the report.

8. OTHER IMPLICATIONS

None

9. RECOMMENDATION

- That this report is noted