

## **Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 25 July 2019.**

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### **Subject:**

West Yorkshire Pension Fund (WYPF) Administration Outturn 31 March 2019

### **Summary statement:**

This report summarises WYPF total costs of administering pensions and investments for 2018/19.

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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 2018/19 is £10.0m (2017/18 £10.4m)

## 2 BACKGROUND

2.1 The total management costs of operations charged to WYPF account for 2018/19 is £10.0m (2017/18 £10.4m) against a revised budget of £11.6m, resulting in underspend of £1.6m for the year. Cost of services provided to other organisations using our shared services is £1.8m. In addition WYPF provide dispute resolution to other pension funds, and other services generating total income of £0.2m.

<b>TABLE 1:</b>	<b>2018/19</b>		
<b>TOTAL WYPF MANAGEMENT COSTS</b>	Revised Estimates	Outturn	Var (Rvsd Est 2018/19 less Outturn 2018/19)
	£	£	£
WYPF PENSIONS ADMINISTRATION	4,372,300	4,423,314	51,014
WYPF INVESTMENTS MANAGEMENT	6,462,000	4,800,316	-1,661,684
WYPF OVERSIGHT & GOVERNANCE	691,850	782,269	90,419
<b>CHARGED TO WYPF FUND ACCOUNT</b>	<b>11,526,150</b>	<b>10,005,899</b>	<b>-1,520,251</b>
<b>CHARGED TO SHARED SERVICES</b>	£1,985,000	1,793,066	-191,934
<b>MISCELLANEOUS CHARGES</b>	£125,000	£195,701	70,701
<b>TOTAL COSTS</b>	<b>13,636,150</b>	<b>11,994,666</b>	<b>-1,641,484</b>

2.2 The total revenue cost of £11.9m is paid for by:

- a.) Charge of £10.0m to WYPF account
- b.) Income of £1.8m from shared services partners – LPF and 14 fire authorities
- c.) Miscellaneous income of £0.2m

## WYPF Reports and Accounts 2018/19 - Note 11

	2017/18	2016/17
	£000	£000
Administrative costs	-4,424	-3,992
Investment management		
Expenses	-4,800	-5,820
Oversight & Governance	-782	-547
<b>Total</b>	<b>-10,006</b>	<b>-10,359</b>

2.3 The table above shows the total management costs in WYPF account for 2018/19, this is the net figure after charging for services provided to other organisations.

### Shared services partners in 2018/19

2.4 During 2018/19 more fire and rescue authorities, London Borough of Hounslow Pension Fund joined our pension administration shared services. As of 31/03/2019 there are 16 pension administration shared service partners:

1. Lincolnshire Pension Fund
2. Lincolnshire Fire Services and Rescue Services
3. London Borough of Hounslow Pension Fund
4. West Yorkshire Fire and Rescue Services
5. North Yorkshire Fire and Rescue Services
6. South Yorkshire Fire and Rescue Services
7. Humberside Fire and Rescue Services
8. Royal Berkshire Fire and Rescue Services
9. Buckinghamshire and Milton Keynes Fire and Rescue Services
10. Northumberland Fire and Rescue Service
11. Devon and Somerset Fire and Rescue Service
12. Dorset and Wiltshire Fire and Rescue Service
13. Tyne and Wear Fire and Rescue Service
14. Norfolk Fire and Rescue Service
15. Staffordshire Fire and Rescue Service
16. Hereford and Worcester Fire and Rescue Service

## Major underspend and overspend in 2018/19

2.5 Table below analyses WYPF total cost of operations for 2018/19, showing variance between 2018/19 revised budget and costs.

TOTAL WYPF MANAGEMENT COSTS	2018/19		
	Revised Estimates	Outturn	Var (Rvsd Est 2018/19 less Outturn 2018/19)
<b>Expenditure</b>	£	£	£
Accommodation	293,200	£337,061	43,861
Actuarial Costs	100,000	£249,096	149,096
Computer Costs	754,000	£755,103	1,103
Employee Costs	8,233,200	£7,061,802	-1,171,398
Recharges from Bradford	410,100	£451,749	41,649
Other Running Costs	3,396,200	£2,587,478	-808,722
Printing and Postage	449,450	£552,377	102,927
<b>CHARGED TO WYPF FUND ACCOUNT</b>	<b>13,636,150</b>	<b>11,994,666</b>	<b>-1,641,484</b>
<b>Paid for</b>			
WYPF	-11,526,150	-10,005,899	1,520,251
Shared Cost Service Partners	-1,985,000	-1,793,066	191,934
Other Clients	-125,000	-195,701	-70,701
<b>TOTAL COSTS</b>	<b>-13,636,150</b>	<b>-11,994,666</b>	<b>1,641,484</b>

2.6 Underspend of £1.6m for 2018/19 is mainly due to delayed conclusion of WYPF restructure and staffing vacancies, further details:

- £44k overspend on accommodation is mainly due to mechanical repairs to the cooling system for Aldermanbury House.
- £149k overspend on actuary services is due to increased covenant work and general technical work to improve actuarial services for WYPF and fund employers.
- Employee costs £1.2m underspent against budget is mainly to delayed restructure costs and a small number of staff vacancies.
- Internal recharges from Bradford Council to West Yorkshire Pension Fund overspend by £41k, due to increased take up of services from Bradford support services.

- Other running costs £808k is due to investment transaction cost underspend.
- 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 and employers number**

- 2.7 Our membership increased from 286,471 in March 2018 to 291,514 by March 2019, an increase of 2%. This is a modest increase compared to previous years, this further confirming that the impact of auto enrolment is now minimal.
- 2.8 The number of employers as at 31 March 2018 is 473, a reduction of 2 as a result of academy mergers.

### **2017/18 Administration cost per member**

- 2.9 Our pension administration cost is the 7th lowest amongst LGPS fund in England & Wales for 2017/18, cost of £14.05 per member, the lowest cost is £ 8.83 and the highest is £60.98.

### **2017/18 Investment management cost per member**

- 2.10 We have the lowest cost per member for investment management at £20.48, the highest cost is £566.69. The reason for this our low cost operations using directly employed staff to manage our investments, and using the same back office to support both investment and pension administration.

### **2017/18 Oversight and governance cost per member**

- 2.11 On oversight and governance we have the 5th lowest cost at £1.92. The lowest is £0 (this is impossible) and the highest is £96.00.

### **2017/18 Total cost per member**

- 2.12 We have the lowest total cost per members (administration, investment and oversight & governance) at £36.45, the national average for LGPS in 2016/17 is £205.24 and the highest is £634.93.

Cost per member 2017/18	Position	West Yorkshire Pension Fund	LGPS Lowest	LGPS Highest
Admin cost per member	7th	£14.05	£8.83	£60.98
Investment cost per member	1st	£20.48	£20.48	£566.69
Oversight & Governance	5th	£1.92	£0.00	£96.00
Total cost per member	1st	£36.45	£36.45	£634.93

### **2018/19 Cost per member**

- 2.13 The 2018/19 annual cost of administering the West Yorkshire Pension Fund per member is £15.01, investment management £16.47, oversight and governance £2.68, giving a total management cost per member of £34.16. 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 2018/19, 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 on or before 31 July 2019.

## **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