

## **Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 July 2020.**

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### **Subject:**

West Yorkshire Pension Fund (WYPF) Administration Outturn 31 March 2020

### **Summary statement:**

This report summarises WYPF total costs of administering pensions and investments for 2019/20.

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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 2019/20 is £12.3m (2018/19 £10.0m)

## 2 BACKGROUND

2.1 The total management costs of operations charged to WYPF account for 2019/20 is £12.3m (2018/19 £10.0m) against a revised budget of £12.6m, resulting in underspend of £0.3m for the year. Cost of services provided to other organisations using our shared services is £2.0m. In addition WYPF provide dispute resolution to other pension funds, and other services generating total income of £0.3m.

| <b>WYPF ALL SERVICES</b>             | <b>2018/19<br/>OUTTURN</b> | <b>2019/20<br/>BUDGET</b> | <b>2019/20<br/>OUTTURN</b> | <b>2019/20<br/>VARIANCE<br/>from BUDGET<br/>FAV (-ADV)<br/>£000</b> |
|--------------------------------------|----------------------------|---------------------------|----------------------------|---|
|                                      | <b>£000</b>                | <b>£000</b>               | <b>£000</b>                | <b>£000</b>   |
| WYPF PENSION ADMIN                   | £3,854                     | £5,440                    | £4,763                     | £677  |
| WYPF INVEST MANAGEMENT               | £5,370                     | £6,218                    | £6,699                     | −£481   |
| WYPF OVERSIGHT                       | £782                       | £906                      | £844                       | £62   |
| <b>TOTAL CHARGED TO WYPF ACCOUNT</b> | <b>£10,006</b>             | <b>£12,564</b>            | <b>£12,306</b>             | <b>£258</b>   |
| CHARGE TO SHARED SERVICE             | £1,825                     | £1,943                    | £1,958                     | −£15  |
| OTHER INCOME                         | £163                       | £126                      | £310                       | −£184   |
| <b>TOTAL EXPENDITURE</b>             | <b>£11,994</b>             | <b>£14,633</b>            | <b>£14,574</b>             | <b>£59</b>  |

2.2 The total revenue cost of £14.6m is paid for by:

- a.) Charge of £12.3m to WYPF account
- b.) Income of £2.0m from shared services partners – Lincolnshire Pension Fund, Hounslow Pension Fund and 15 fire authorities
- c.) Miscellaneous income of £0.3m

## WYPF Reports and Accounts 2019/20 - Note 11

| <b>2018-19</b> | <b>Management expenses</b>           | <b>2019-20</b> |
|----------------|--------------------------------------|----------------|
| <b>£000</b>    |                                      | <b>£000</b>    |
| -4,424         | Administration costs                 | -4,763         |
| -4,800         | Investment Management expenses       | -6,698         |
| -782           | Oversight and Governance             | -£845          |
| <b>-10,006</b> | <b>Total administrative expenses</b> | <b>-12,306</b> |

- 2.3 The table above shows the total management costs in WYPF account for 2019/20, this is the net figure after charging for services provided to other organisations. The largest increase in cost is due to a an exceptionally low comparator, as investment transaction costs in relation to the FirstBus West Yorkshire transfer were recharged in 2018/19.

### Shared services partners in 2019/20

- 2.4 During 2019/20 more fire and rescue authorities joined; as of 31/03/2020 there are 17 pension administration shared service partners:

|     | Service type | Shared service partners                |
|-----|--------------|--|
| 1.  | LGPS         | Lincolnshire LGPS                      |
| 2.  | LGPS         | LB Hounslow LGPS                       |
| 3.  | FIRE         | West Yorkshire Fire                    |
| 4.  | FIRE         | South Yorkshire Fire                   |
| 5.  | FIRE         | North Yorkshire Fire                   |
| 6.  | FIRE         | Humberside Fire Authority              |
| 7.  | FIRE         | Lincolnshire Fire                      |
| 8.  | FIRE         | Royal Berkshire Fire                   |
| 9.  | FIRE         | Buckinghamshire and Milton Keynes Fire |
| 10. | FIRE         | Devon and Somerset Fire                |
| 11. | FIRE         | Dorset and Wiltshire Fire              |
| 12. | FIRE         | Tyne and Wear Fire                     |
| 13. | FIRE         | Northumberland Fire                    |
| 14. | FIRE         | Norfolk Fire                           |
| 15. | FIRE         | Staffordshire Fire                     |
| 16. | FIRE         | Hereford and Worcester Fire            |
| 17. | FIRE         | Durham and Darlington Fire             |

## Major underspend and overspend in 2019/20

2.5 Table below analyses WYPF total cost of operations for 2019/20, showing variance between 2019/20 revised budget and costs.

| WYPF ALL SERVICES        | 2019/20 BUDGET  | 2019/20 OUTTURN | 2019/20 VARIANCE from BUDGET FAV (-ADV) |
|--------------------------|-----------------|-----------------|---|
|                          | £000            | £000            | £000                                    |
| Accommodation            | £302            | £422            | -£120                                   |
| Actuary                  | £200            | £533            | -£333                                   |
| IT                       | £770            | £991            | -£221                                   |
| Contingency              | £866            | £0              | £866                                    |
| Employees                | £7,785          | £7,713          | £72                                     |
| Internal Recharge        | £412            | £454            | -£42                                    |
| Other Running Costs      | £1,198          | £1,174          | £24                                     |
| Transaction Costs        | £2,500          | £2,770          | -£270                                   |
| Printing & stationery    | £600            | £518            | £82                                     |
| <b>TOTAL EXPENDITURE</b> | <b>£14,633</b>  | <b>£14,575</b>  | <b>£58</b>                              |
| WYPF Income              | -£12,564        | -£12,307        | -£257                                   |
| Other Income             | -£126           | -£310           | £184                                    |
| Shared Service Income    | -£1,943         | -£1,958         | £15                                     |
| <b>TOTAL INCOME</b>      | <b>-£14,633</b> | <b>-£14,575</b> | <b>-£58</b>                             |

2.6 In 2019/20 total expenditure was £14,575k against a budget of £14,633k, net underspend of £58k. Main overspend and underspend are:

- £120k overspend on accommodation is mainly due to a number of building improvements, mechanical and security improvements.
- £300k overspend on actuarial services is due to increased regulatory, covenant and general technical work to improve actuarial services for WYPF and fund employers.
- Employee costs £72k underspent against budget, estimated cost of new structure was charged to 2019/20, this reduced underspend for the year.
- Internal recharges from Bradford Council to West Yorkshire Pension Fund overspend by £42k, due to service change requests.
- Other running costs £24k small underspend.
- Increased volume of investment transactions resulted in £270k overspend on investment transaction cost.

- Income net variance as a result of the increase in shared partners. All charges to our shared service partners are based on actual cost and member number at the year end for each service partner.

## Cost performance

### Membership and employers number

- 2.7 Our membership increased from 291,514 in March 2019 to 294,447 by March 2020, an increase of 1%.
- 2.8 The number of employers as at 31 March 2020 was 451, 471 for 2019, a net reduction of 20 as a result of employers leaving – contractual changes and academy mergers.

### 2018/19 Administration cost per member

- 2.9 Based on the latest available data our pension administration cost is the 6th lowest amongst LGPS fund in England & Wales for 2018/19, cost of £15.23 per member, the lowest cost is £1.61 and the highest is £81.51.

| Cost per member              | West Yorkshire Pension Fund | Position               | West Yorkshire Pension Fund | LGPS lowest            | LGPS highest           | Average LGPS           |
|------------------------------|-----------------------------|------------------------|-----------------------------|------------------------|------------------------|------------------------|
|                              | 2019/20 Financial Statement | 2018/19 Gov't data SF3 | 2018/19 Gov't data SF3      | 2018/19 Gov't data SF3 | 2018/19 Gov't data SF3 | 2018/19 Gov't data SF3 |
| Admin cost per member        | £15.87                      | 6th                    | £15.23                      | £1.61                  | £81.51                 | £22.28                 |
| Investment cost per member   | £22.75                      | 1st                    | £16.53                      | £16.53                 | £553.02                | £189.59                |
| Oversight and governance     | £2.87                       | 8th                    | £2.69                       | £0.00                  | £43.50                 | £10.39                 |
| <b>Total cost per member</b> | <b>£41.49</b>               | <b>1st</b>             | <b>£34.45</b>               | <b>£18.14</b>          | <b>£678.03</b>         | <b>£222.26</b>         |

### 2018/19 Investment management cost per member

- 2.10 We have the lowest cost per member for investment management at £16.53, the highest cost is £553.02. The main reason for our low cost is due to directly employed staff to manage our investments and in addition using the same back office to support both investment and pension administration.

### 2018/19 Oversight and governance cost per member

- 2.11 On oversight and governance, we have the 8th lowest cost at £2.69. The lowest is £0 (this seems impossible) and the highest is £43.50.

### **2018/19 Total cost per member**

- 2.12 We have the lowest total cost per members (administration, investment and oversight & governance) at £34.45. Our performance is structured on high quality, low cost and efficiency. The national average for LGPS in 2018/19 is £222.26 and the highest cost is £678.03.

### **2019/20 Cost per member**

- 2.13 The 2019/20 annual cost of administering the West Yorkshire Pension Fund per member is £15.87, investment management £22.75, oversight and governance £2.87 giving a total management cost per member of £41.49. 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 2019/20, the final accounts for the year are currently being audited by Mazars. The result of the audit will be presented at the next meeting.

## **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

