City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 June 2021.

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Subject: WYPF 2020/21 revised estimates and 2021/22 original estimates.

Summary statement:

The latest spend forecast for 2020/21 is £12.24m against a budget of £14.85m, net underspend of £2.61m. Whilst, the underspend is welcome, as expected Covid-19 impacted on all activities. Our business continuity plan was tested to the limit. I am pleased to report that we were able to rapidly move staff out of our offices to work from home, with full home and mobile working equipment. As a result, our IT cost went up, but reduced our office running costs. I can report that during this ongoing pandemic we are managing to deliver all our services and to expand some services.

Our cost per member for 2020/21 is to be £33.53 (latest government data 2019/20 £41.94). Compared to 2019/20 the largest cost savings are: a reduction in investment custody charges, unused provision for backdated pay awards and stalled recruitment activities due to Covid-19. The 2nd lowest LGPS fund, Nottinghamshire, is £60.93. The 2020/21 WYPF cost per member of £33.53 is £27.40 (43%) below Nottinghamshire, therefore WYPF should maintain the lowest LGPS cost.

The proposed budget for 2021/22 is based on zero base cost analysis, the base budget, before income is £15.42m. Projected shared services income is £2.5m and miscellaneous income £0.23m. Net charge to WYPF is £12.69m. Budget pressures in 2021/22 are McCloud, home working, digital services, cyber security and pension scams. This budget will support over £16 billion pension fund asset, 494,000 members, 900 employers and 22 pension administration services across the UK.

Recommendation:

1. That the projected outturn of £12.68m against budget of £14.85m for 2020/21 be noted.
2. That a budget of £15.42m for 2021/22 be noted.
3. That the Government SF3 data - total pension cost per member of £41.94 for 2019/20 making WYPF the lowest cost LGPS scheme for 2019/20 be noted.

Rodney Barton
Director WYPF

Portfolio:

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Overview & Scrutiny Area:

SUMMARY

In accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to the pension fund accounts and not to local authorities' general fund accounts. The cost of services reported in this report will be charged to WYPF accounts. The budget proposals in this report will deliver pension administration services to both LGPS and fire services pension scheme members and employers across the UK and will be used to manage over £16bn WYPF investment assets. Our service strategy is to maintain our service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance.

1. BACKGROUND

2020/21 Revised Estimate

1.1 The latest spend forecast for 2020/21 is £12.24m, against a budget of £14.85m, resulting in underspend of £2.61m. Significant elements of this underspend are:

a) £0.5m - Savings from investment custody charges, in early 2020 we moved our investment assets from HSBC to Northern Trust, this is a direct benefit of working with the Northern LGPS.
b) £0.4m - In 2019/20 we made a provision for backdated pay award, the pay settlement was £0.4m lower than the provision.
c) £1.3m - We were unable to fill a number of vacant post due to the pandemic.
d) (£0.5m) - We spent £0.5m more on IT equipment and services due to the pandemic.

WYPF ALL SERVICES	2019/20 OUTTURN PD13 £000	2020/21 BUDGET £000	2020/21 OUTTURN PD13 £000	2020/21 VAR BGT - PD13 FAV (ADV) £000	2021/22 BUDGET £000
WYPF PENSION ADMIN	4,763	3,775	4,002	-227	4,199
WYPF INVEST MANAGEMENT	6,698	7,507	5,129	2,378	7,439
WYPF OVERSIGHT	845	1,082	871	211	1,047
TOTAL CHARGED TO WYPF ACCOUNT	**12,306**	**12,364**	**10,002**	**2,362**	**12,685**
CHARGE TO SHARED SERVICE	1,958	2,300	2,017	283	2,500
OTHER INCOME	309	186	224	-38	233
TOTAL EXPENDITURE	**14,573**	**14,850**	**12,243**	**2,607**	**15,418**

1.2 The total cost of managing Pension Administration Shared Service, WYPF Investment Management and WYPF Oversight and Governance cost is paid for by a charge to WYPF Fund Account and recharges to our three LGPS service partners and the Fire & Rescue services we administer. Shared cost service income latest estimate is £2.02m in 2020/21 and £2.5m in 2021/22.

1.3 We buy a number of services from CBMDC this is estimated at £0.46m for 2020/21 and 2021/22. In return we provide treasury support to CBMDC and for this we charge a small fee of £0.03m. We also provide dispute resolution to a number of pension funds across the UK, income from this is projected to be £0.08m.

1.4 The budget estimates in Table 1 were prepared using cost forecasts and calculations to project the likely outturn for both 2020/21 and 2021/22. The forecast for 2020/21 is based on current staffing costs and career progressions. For 2021/22 no pay award is provided, when approved we will look at contingency provisions to fund this. Other costs are based on detailed cost of services, contract prices and projected efficiency savings.

2021/22 Budget

1.5 A budget of £15.42m was approved for 2020/21, an increase of £0.57m on 2020/21 budget, this is largely funded from increased income of £0.48m. The Joint Advisory Group recommended an additional budget £50k for ESG work in 2021/22, this amount is included in this report. There are a number service pressure points as a result of government legislation, the largest cost impact is from the McCloud remedy. We are still working through the impact of Covid-19 and the resources needed to balance home working with a safe office environment, and support needed to keep staff and service users safe. The need to minimise personal contact and face to face services is also focusing management's attention on the urgency for improved digital service solutions for members, employers, our staff and shared service clients.

1.6 The 2021/22 budget is also scoped to maintain the current growth of pension administration shared service, investment pooling, increased service capacity, improved quality, strengthened regulatory compliance and improved data governance.

2. WYPF VALUE FOR MONEY

2.1 Total cost per member of £33.53 is projected for 2020/21 against a budget of £41.99, savings of £8.46 per member. This reflects a total net savings for WYPF of £2.53m.

WYPF COST PER MEMBER	2019/20 OUTTURN PD13	2020/21 BUDGET	2020/21 OUTTURN PD13	2020/21 VAR BGT - PD13 FAV (ADV)	2021/22 BUDGET
MEMBER NUMBER	**SF3**	**294,447**	**298,307**		**298,307**
WYPF PENSION ADMIN	16.23	12.82	13.42	-0.60	14.08
WYPF INVEST MANAGEMENT	22.83	25.50	17.19	8.30	24.94
WYPF OVERSIGHT	2.88	3.67	2.92	0.75	3.51
TOTAL COST PER MEMBER	41.94	41.99	33.53	8.46	42.52

2.2 The shared service pension administration cost per member for 2020/21 is £13.42. The significant drop in cost per member is due to increased shared service member numbers and partner organisations and backdated pay being lower than provisions made in the accounts. The total cost per member for 2020/21 is £33.53.

WYPF total savings 5 years, 2016/17 to 2020/21 is £4.82m.

WYPF SAVINGS	Budget £000	Outturn £000	Savings £000
2016/17	9,600	9,132	468
2017/18	12,051	12,007	44
2018/19	13,636	11,995	1,641
2019/20	14,633	14,573	60
2020/21	14,850	12,243	2,607
5 years	64,770	59,950	4,820

Relative cost of service

2.3 Our performance within LGPS, using comparative data for local government pension schemes collected by MHCLG is shown below. The data shows that for 2019/20 WYPF total cost of £41.94 and is the lowest total cost within LGPS funds in England and Wales. The average cost for all funds went up by £23.14 from £222.27 to £245.41 between 2018/19 and 2019/20, our cost went up by £7.48 from £34.46 to £41.94.

	2019/20							
TABLE 3: Local Authority (RANK 1 TO 10) TOTAL NUMBER OF LGPS 86	Insvt Exp per Mbr	Rank	Admin Exp per Mbr	Rank	O&G Exp per Mbr	Rank	Tot Exp per Mbr	Rank
West Yorkshire Pension Fund	**£22.83**	**2**	**£16.23**	**7**	**£2.88**	**5**	**£41.94**	**1**
Nottinghamshire	**£35.26**	**3**	**£15.36**	**6**	**£10.31**	**33**	**£60.93**	**2**
East Riding of Yorkshire UA	**£37.69**	**4**	**£19.89**	**21**	**£5.48**	**14**	**£63.07**	**3**
Tameside	**£71.58**	**7**	**£14.74**	**4**	**£4.10**	**11**	**£90.43**	**4**
Middlesbrough UA	**£20.68**	**1**	**£30.53**	**50**	**£52.64**	**86**	**£103.85**	**5**
Lambeth	**£47.25**	**5**	**£67.06**	**85**	**£0.00**	**1**	**£114.26**	**6**
Bedfordshire	**£88.63**	**8**	**£19.42**	**18**	**£13.16**	**44**	**£121.21**	**7**
Somerset	**£92.37**	**9**	**£19.06**	**14**	**£9.82**	**30**	**£121.25**	**8**
Surrey	**£95.49**	**11**	**£20.62**	**25**	**£17.43**	**61**	**£133.54**	**9**
Lewisham	**£93.55**	**10**	**£26.20**	**45**	**£15.13**	**53**	**£134.88**	**10**
England & Wales AVERAGE	**£209.71**		**£23.50**		**£12.21**		**£245.41**	

3. FINANCIAL PLAN FOR 2021/22

3.1 In order to increase service capacity, we have increase staff resource across WYPF, however we need to keep this under review to maintain capacity and headroom of at least 5% for service improvements.

3.2 For invest to save activities a contingent provision of £120k is set aside for 2021/22 and earmarked for increased system automation, resolve pension auto calculation issues, additional facilities for MyPension and EmployerWeb.

4. OTHER CONSIDERATIONS

None

5. FINANCIAL & RESOURCE APPRAISAL

Expenditure and income summarised in this report will be charged to the WYPF pension fund account. This report is used to determine the financial resources available to the fund to deliver operational services for the 2020/21 and 2021/22 financial years. As the lowest cost LGPS fund, the level of resources requested will maintain value for money, service standards and quality.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

Budget monitoring is key element of our risk management and control, this report allows management to report financial activities, planned expenditure and income; and our overall strategy for cost control and performance to the Joint Advisory Group.

7. LEGAL APPRAISAL

There are no other legal issues.

8. OTHER IMPLICATIONS

None

9. NOT FOR PUBLICATION DOCUMENTS

None

10. OPTIONS

The Local Pension Board should note the budget for 2021/22, note the outturn for 2020/21, and may make recommendations to management on any part of the report.

11. RECOMMENDATIONS

11.1 That the outturn of £12.24m against budget of £14.85m be noted for 2020/21.

11.2 That budget of £15.42m for 2021/22 be noted.

11.3 That the Government SF3 data - total pension cost per member of £41.94 for 2019/20 making WYPF the lowest cost LGPS scheme for 2019/20 be noted.

12. APPENDICES

None