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Report to: **Pension Committee**

Date: **27 February 2017**

By: **Interim Chief Finance Officer**

Title of report: **Pension Fund Budget for 2017/18**

Purpose of report: **This report outlines the 2017/18 budget for the Council's statutory function as the administering authority of the East Sussex Pension Fund.**

RECOMMENDATIONS

The Committee is recommended to approve the revenue budget for 2017/18 attached as Appendix 1 to this report.

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Regulations also empower the Fund to admit employees of other 'defined' (e.g. other public bodies) bodies into the Fund.

1.2 The proposed 2017/18 budget for the Pension Fund has been put together to assist in the management of the Fund, so that the Council is able to perform its role as the administering authority in a structured way. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund. Therefore it is appropriate that the Committee formally adopts an annual budget to assist with the discharge of its duties.

1.3 Expenditure for the Investment Management, Strategy & Pension Governance teams is included in the Business Services Department (BSD) budget and actual costs are invoiced to the Pension Fund at the end of the financial year. These expenses are a charge on the Pension Fund, and there is no direct charge to local authorities or other employer bodies for the costs detailed in this report.

1.4 The estimates do not incorporate any provision for investment fees earned by the alternative fund managers, and provision has been built into the budget for manager fees on £3.0 billion of assets.

2. East Sussex Pension Fund (ESPF) Budget – 2017/18

2.1 The budget outlined in this report will assist the Council in monitoring expenditure of the Fund's revenue budget in accordance with its requirement to manage resources effectively. The detail ESPF budget for 2017/18 is attached as Appendix 1. A comparison of the 2016/17 budget with the 2017/18 budget is shown below:

Description	2016/17	2017/18	Change
	Budget	Budget	
	£000	£000	£000
Pension Administration	1,250	1,270	20
Oversight and governance	680	660	(20)
Investment Management	8,850	8,850	-
Total	10,780	10,780	-

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3. Analysis of Budget Movement

3.1 Pension Administration - The slight increase in pension admin budget between 2016/17 and 2017/18 is primarily due an increase in the GMP reconciliation work now due to take place in 2017/18.

3.2 Oversight and governance – The changes in the oversight and governance budget is due to the resources set aside for commissioning work re the ongoing LGPS investment pooling initiative and a reduction in the investment consultant budget on the expectation that less work will be commissioned.

3.3 Investment Management - The Investment Strategy budget reflects potential for a fees reduction from current managers, and the increase in the value of the fund since 31 March due to the current market fluctuation. It is not possible to accurately estimate the fund investment management annual fees because they are linked to the market values of the assets being managed, which continually fluctuate.

4. Budget Monitoring

4.1 The budget will be monitored by officers with a quarterly report to the Pension Board throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit. As in previous years, the Pension Fund will participate in a number of benchmarking exercises during the year, which will provide a useful cost comparator with other LGPS funds.

5. Conclusion and recommendations

5.1 Pension Fund expenditure on investment and administration are a charge to the Pension Fund. There is no direct charge to local authorities or other employer bodies for the costs detailed in this report.

5.2 The Committee is recommended to approve the revenue budget for 2017/18 attached as Appendix 1 to this report.

PHIL HALL

Interim Chief Finance Officer

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Local Member(s): All

BACKGROUND DOCUMENTS

none

2017/18 Pension Fund Revenue Budget

Description	2016/17 Budget £000	2017/18 Budget £000	Change £000	Narrative
Pension Administration				
Orbis Finance Support Services	40	40	-	Staff time in monitoring the administration of the Fund
Orbis Business Operations Support Services	770	1,110	340	Cost of the joint administration service, and reflects hosting the system by Business Operations
Administration System	340	-	(340)	Budget moved into the Orbis Business Operations Support Services
Guaranteed Minimum Pension	100	120	20	GMP Reconciliation work now due to take place in 2017/18
Administration total	1,250	1,270	20	
Oversight and governance costs				
Orbis Finance Support Services	200	200	-	Staff time spent on oversight and governance
Subscriptions	35	40	5	CIPFA Pension Network, LAPFF, Club Vita, LGPC etc.
Actuarial Fees	186	120	(66)	Outsource to contractors
Investment Consultancy	135	135	(8)	Outsource to contractors
Investment Pooling	50	100	50	Commissioning work for expert advice on investment pooling
External Audit Fee	29	29	-	External audit of the Annual Report
Internal Audit Fee	17	17	-	Control work performed by the Council's internal audit team
Legal Fees	10	10	-	Legal work commissioned for the fund
Performance Measurement Services	18	24	6	Investment performance monitoring service
Specific Actuarial Work*	180	150	(30)	Work performed by the actuary on the behalf of specific employers which is recharged to them
Other Income	(180)	(150)	30	Recovery of work provided by the actuary
Oversight and governance total	680	660	(20)	
Investment Management				
Investment Manager Fees	8,850	8,850	-	Fees paid to the investment managers
Investment Management Total	8,850	8,850	-	
Total PF Budget	10,780	10,780	-	

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**Note – The fund occasional request specific work to be carried out the actuary on the behalf of specific employers, of which the full costs are recoverable from employers.*