

**Report to:** Pension Committee

**Date:** 25 February 2019

**By:** Chief Finance Officer

**Title:** Pension Fund Budget Monitoring and 2019/20 Budget

**Purpose:** This report covers 2018/19 Budget Monitoring and outlines the 2019/20 budget for the East Sussex Pension Fund

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## **RECOMMENDATION-**

**The Committee is recommended to:**

- 1) note the 2018/19 projected outturn; and**
  - 2) approve the revenue budget for 2019/20.**
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## **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 2019/20 budget for the Pension Fund has been put together to assist in the management of the Fund, and the Council will be 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 The estimates do not incorporate any provision for investment fees earned by the alternative fund managers.

## **2. 2018/19 Budget Monitoring**

2.1 In February 2018 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2018/19 financial year. Appendix 1 (below) provides analysis of the Pension Fund expenditure to date and the projected outturn.

	<b>2018/19 Budget £000</b>	<b>2018/19 Projected Outturn £000</b>	<b>Change £000</b>
<b>Description</b>			
Pension Administration	1,086	940	146
Oversight and governance	733	709	24
Investment Management	4,650	5,100	(450)
<b>Total</b>	<b>6,469</b>	<b>6,749</b>	<b>(280)</b>

2.2 The projected overspend is mainly due to the re-risking transition costs re. movement of assets from the passive manager to the absolute managers, which have resulted in a fees of around £200k along with delays in moving managers into the ACS which has increased the

expected fees to be invoiced to the Fund by around £250k. Officers will continue to have ongoing dialog with other fund managers (currently outside ACS) in relation to our fee arrangements.

### **3. East Sussex Pension Fund (ESPF) Budget – 2019/20**

3.1 The budget outlined in this report will assist the Council in monitoring the Fund's expenditure in accordance with its requirement to manage resources effectively. The detail ESPF budget for 2019/20 is attached as Appendix 2. A comparison of the 2018/19 budget with the 2019/20 budget is shown below:

<b>Description</b>	<b>2018/19 Budget £000</b>	<b>2019/20 Budget £000</b>	<b>Change £000</b>
Pension Administration	1,086	1,081	5
Oversight and governance	733	776	(43)
Investment Management (invoiced fees)	4,650	3,000	1,650
<b>Total</b>	<b>6,469</b>	<b>4,857</b>	<b>1,612</b>

#### **Analysis of Budget Movement**

3.2 Pension Administration - The budget assumes no change from previous year pending the outcome of ongoing restructure within Business Operations, which might result in efficiencies within the administration service. The budget regarding the on-going GMP reconciliation and data cleansing work is currently being determined, therefore, previous year budget has been assumed.

3.3 Oversight and governance – The changes in the oversight and governance budget are due to the additional resources set aside for the forthcoming valuation, where increases to actuarial costs are expected.

3.4 Investment Management - The Investment Strategy budget allows for potential fee reductions from the Fund's current managers and also mirrors the increase in the value of the fund since 31 March 2018. The budget reflects the renegotiated fee arrangements with investment managers and the subsequent fee savings for the Fund. However, the fund expect invoiced fees to reduce due to pooling and asset pooling will continue to change the way in which fees will be paid as a result of assets being transferred into the ACCESS pool.

### **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 will be detailed within the Pension Fund Annual Report, which are subject to external audit. As in previous years, the Pension Fund will participate in a number of national LGPS benchmarking exercises during the year, which will provide a useful cost comparator with other LGPS funds.

### **5. Conclusion and recommendations**

5.1 Pension Fund expenditures on investment and administration will be charged to the Pension Fund, and there is no direct charge to local authorities or other employer bodies for the costs detailed in this report.

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## Appendix 1

### 2018/19 Pension Fund Revenue - Projected Outturn

Description	2018/19 Budget £000	2018/19 Projected outturn £000	Change £000	Narrative
<b>Pension Administration</b>				
Orbis Finance Support Services	51	45	6	Staff time in monitoring the administration of the Fund
Orbis Business Operations Support Services	935	854	81	Cost of the joint administration service, and reflects hosting the system by Business Operations
Guaranteed Minimum Pension	100	41	59	GMP Reconciliation work
<b>Administration total</b>	<b>1,086</b>	<b>940</b>	<b>146</b>	
<b>Oversight and governance costs</b>				
Orbis Finance Support Services	263	234	29	Staff time spent on oversight and governance
Subscriptions	36	40	(4)	CIPFA Pension Network, LAPFF, Club Vita, LGPC etc.
Actuarial Fees	90	96	(6)	Outsource to contractors
Investment Consultancy	100	101	(1)	Outsource to contractors
Investment Pooling	120	132	(12)	ACCESS Pool costs shared equitably between the member funds.
External Audit Fee	26	27	(1)	External audit of the Annual Report
Internal Audit Fee	19	17	2	Control work performed by the Council's internal audit team
Legal Fees	45	35	10	Legal work commissioned for the fund
Performance Measurement Services	24	20	4	Investment performance monitoring service
Other Expense	10	7	3	Conferences, travel, etc.
Specific Actuarial Work*	150	130	20	Work performed by the actuary on the behalf of specific employers which is recharged to them
Other Income	(150)	-130	(20)	Recovery of work provided by the actuary
<b>Oversight and governance total</b>	<b>733</b>	<b>709</b>	<b>24</b>	
<b>Investment Manager Fees</b>	4,650	5,100	(450)	Fees paid to the investment managers, de-risking transition fees and delays in moving managers into the ACS.
<b>Investment Management Total</b>	<b>4,650</b>	<b>5,100</b>	<b>(450)</b>	
<b>Total PF Budget</b>	<b>6,469</b>	<b>6,749</b>	<b>(280)</b>	

*\*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.*

## Appendix 2

### 2019/20 Pension Fund Revenue Budget

Description	2018/19 Budget £000	2019/20 Budget £000	Change £000	Narrative
<b>Pension Administration</b>				
Orbis Finance Support Services	51	46	5	Staff time in monitoring the administration of the Fund
Orbis Business Operations Support Services	935	935	-	Administration service, and reflects hosting the system by Business Operations
Guaranteed Minimum Pension	100	100	-	Ongoing GMP Reconciliation/Data Cleansing work
<b>Administration total</b>	<b>1,086</b>	<b>1,081</b>	<b>5</b>	
<b>Oversight and governance costs</b>				
Orbis Finance Support Services	263	238	25	Staff time spent on oversight and governance
Subscriptions	36	44	(8)	CIPFA Pension Network, LAPFF, Club Vita, LGPC etc.
Actuarial Fees	90	150	(60)	Outsource to contractors including expected valuation actuarial cost
Investment Consultancy	100	100	-	Outsource to contractors
Investment Pooling	120	120	-	ACCESS Pool costs shared equitably between the member funds.
External Audit Fee	26	26	-	External audit of the Annual Report
Internal Audit Fee	19	19	-	Control work performed by the Council's internal audit team
Legal Fees	45	45	-	Legal work commissioned for the fund
Performance Measurement Services	24	24	-	Investment performance monitoring service
Other Expense	10	10	-	Conferences, travel, etc.
Specific Actuarial Work*	150	170	(20)	Work performed by the actuary on the behalf of specific employers which is recharged to them
Other Income	(150)	-170	20	Recovery of work provided by the actuary
<b>Oversight and governance total</b>	<b>733</b>	<b>776</b>	<b>(43)</b>	
<b>Investment Management</b>				
Investment Manager Fees	4,650	3,000	1,650	Fees paid to the investment managers and expecting invoiced fees to reduce due to assets pooling assumptions.
<b>Total</b>	<b>4,650</b>	<b>3,000</b>	<b>1,650</b>	
<b>Total Pension Fund Budget</b>	<b>6,469</b>	<b>4,857</b>	<b>1,612</b>	

*\*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.*