

Report to: Pension Committee

Date of meeting: 16 March 2020

By: Chief Financial Officer

Title: 2020/21 Pension Fund Business Plan and Budget

Purpose: This report covers the 2020/21 business plan and outlines the budget for the East Sussex Pension Fund.

RECOMMENDATION

The Committee is recommended to approve the business plan and budget for 2020/21

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund – the East Sussex Pension Fund (the 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 2020/21 business plan and budget for the 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 Pension Committee formally adopts an annual business plan and 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. The Fund is seeking confirmation around the costs for Fund officers and pension administration that will be charged to the Fund in the run up to the year end.

2. 2019/20 Budget Monitoring

2.1 In February 2019 the Pension Committee agreed a budget in respect of the Pension Fund’s investment and administration expenses of £4.857m for the 2019/20 financial year.

Description	2019/20 Budget	2019/20 Projected Outturn	Change
	£000	£000	£000
Pension administration	1,081	952	129
Oversight and governance	776	1,167	(391)
Investment management (invoiced fees)	3,000	3,285	(285)
Total	4,857	5,404	(547)

2.2 The underspend on the pension administration costs is mostly due to Guaranteed Minimum Pension (GMP) Reconciliation costs for 2019/20 being lower than anticipated.

2.3 The projected overspend in oversight and governance is mainly due to work not budgeted for that has been requested by the Pension Committee these include but not limited to the Good Governance Project and Data Improvement Project. In addition to this a greater reliance has been put-on third-party providers due to vacancies in the Fund officer team.

2.4 The projected overspend within investment management is comprised of two components, higher than anticipated investment returns and delays in moving managers into the Authorised Contractual Scheme (ACS). As the investment manager fees are based on the assets under management when the managers increase the value of the assets, they are holding the fee increases. Some growth was factored into the calculations, but the Funds' performance has exceeded this. When the Funds Investments are moved into the ACCESS sub-funds the Fund loses its direct relationship to the sub-fund's investment manager. The budget was set in accordance with the onboarding plan agreed with Link. Due to some slippage around the transition of assets into the Pool East Sussex have received more invoices than anticipated.

3. Business Plan

3.1 It is anticipated that 2020/21 will see some key activities within the following themes:

- **Pension Fund Oversight and Governance activities:** Fund/Employer actuarial work, Fund external legal advice, Pension Fund Annual Report and Accounts, External/Internal audit work, Data Improvement and Cleansing, Achievement of the Statutory Annual Benefit Statement, Implementation of McCloud provisions, Revised Asset Liability Modelling and Good governance project. Public Sector Exit Payments, Review of Academies, Tier 3 Employers, Procurement of new contracts for fund actuaries and investment advisors.
- **Investment activities:** Review and implement new investment strategy, develop the Fund's ESG credentials, UK Stewardship Code 2020 Principals of Responsible Investment, review and implement agreed changes to the Fund's equity structure, assistance with annual accounts completion, Investment Governance, Investment Pooling, Cost Transparency, Cost Management, Strategic ESG Repositioning.
- **ACCESS activities:** ACCESS support unit (ASU), Actively managed listed assets, ACS sub fund construction, transition activity, alternative / non listed assets, passive assets, Governance.
- **Pension Board/Committee Training:** Provision of 3 joint Committee and Board Training days, Provision of 2 Investment Governance/Strategy days, Attendance at third party provided LGPS related training, Breaches, Good Governance.
- **Pension Administration:** Performance Management Group, Maintaining Member Data, Data Improvement Programme, ABS Compliance and Service Level Agreement Oversight, Orbis Service Improvement Programme and Employer Engagement Planning.

3.2 Each theme within the business plan includes milestones planned for the year. The strategic nature of East Sussex Pension Fund objectives means that a number of the 2020/21 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

3.3 A draft budget totalling **£3.795m** (£4.875m 2019/20) to support the business plan is set out in the Appendix 1. The budget excludes estimates for the Orbis Service Improvement Programme and the Good Governance Programmes, which will be considered by the Committee in June 2020. The Good Governance Programme is currently under consultation by the Good Governance Oversight Steering Group and which will report to the Pension Committee and Pension Board in June 2020. Similarly, the Orbis Service Improvement Programme will develop its plans to report to Pension Board and Committee to consider and approve.

3.4 The reduction in the budget between 2019/20 and 2020/21 is a result of a change of process with the payment of the investment management invoices. The Fund's investment managers that have now transferred into the ACCESS sub-funds are no longer contracted directly to the Fund. The Fund will therefore no longer pay the investment manager fees directly and these will be a charge within the sub-fund structure taken out of the assets of the sub-funds.

4. Conclusion and reasons for recommendation

4.1 The Pension Fund is required to maintain an annual business plan and budget to ensure that it can fulfil its duties in the management of the Fund. The Business Plan sets out the themes of work for the Fund and the work plan details specific areas of work required to meet these. The Budget sets out the costs associated with delivering the Fund's Business Plan.

4.2 The Committee is recommended to approve the 2020/21 Budget and Business Plan attached as appendix 1. An update to the budget will be presented to the Committee and Board in June 2020 in consideration of additional allocations to deliver the Good Governance Programme and the Orbis Service Improvement Programme.

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