

Report to: **Pension Committee**

Date: **21 September 2020**

By: **Chief Financial Officer**

Title of report: **2020/21 Pension Fund Business Plan and Budget**

Purpose of report: **This report updates the 2020/21 business plan at Quarter 1 for the East Sussex Pension Fund.**

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**RECOMMENDATION – The Pension Committee is recommended to**

- 1. note the updated business plan;**
  - 2. note the forecast outturn position;**
  - 3. consider the report of the actuary on ill Health Management (Appendix 2) and the Legal & General Illustration (Appendix 3).**
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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 business plan and budget 2020/21 (Appendix 1) sets out the direction of travel, objectives and targets to be achieved 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.

1.3 As reported at the last meeting the budget estimates do not incorporate any provision for investment fees earned by the alternative fund managers since these are deducted at source by asset managers, however the Fund will begin from September 2020 to monitor fees. In addition, the Fund has not received a quotation for pension administration costs for this financial year for approval by Pension Committee. This will be explored with the Chief Operating Officer with a view to presenting a budget for approval in November 2020.

**2. 2020/20 Investment and Administration Expenses Outturn Report**

2.1 In June 2020 the Pension Committee agreed to the revised down budget of £3.730M from £3.795M agreed in March (2019/20: £4.857M) due to budget adjustments in respect of the Data Improvement Plan, and Environmental, Social Governance (ESG) suppliers, PIRC and EIRIS.

2.2 The forecast outturn for 2020/21 is £3.702M, against a budget of £3.730M resulting in an underspend of £0.028M.

2.3 The attribution of the underspend, in the main relates to ending of the data improvement programme. These are set out below in paragraphs 2.4 to 2.6.

2.4 Since the last report the decision was taken to end the data improvement programme as the benefits of the project were substantially met. The original budget to complete all aspects of the original scope was £100k for 2020/21 when the project ended costs of £40k had been incurred leaving an underspend on this item of £60k.

2.5 The Internal Audit forecast has been increased to be in line with the increased activity that internal audit is required to do for the Fund based on the findings in previous internal audit reports. The overspend on this item is £18K from an initial budget of £19K.

2.6 The income expected on Fund officer rebates has been reduced as the work time that officers have been able to provide ACCESS has reduced during the Covid 19 Pandemic. This income has been reduced by £10K for an initial budget of £20K.

2.7 Two items are not included in the revised budget and forecast outturn position as there is still uncertainty around these activities. They are detailed below in paragraphs 2.8 and 2.9.

2.8 A restructure of the Pension Fund Team was launched in August and the estimated budget requirement for 2021/22 to fully resource the proposed structure will be £687K. An increase of £302K on the agreed budget of £385k for 2020/21. It is expected that recruitment to these posts will begin in September. When appointments are made to the new structure it will be possible to update the forecast outturn figure.

2.9 Arrangements around the Pension Administration Service provided by Orbis Business Operations. The delivery of this service is currently undergoing a review and the final position will not be known until later in the year when this has been concluded.

2.10 The 2020/21 outturn against line items is shown at Table 1 in paragraph 3 below. The table also shows the budgeted expenditure and the budgetary performance to Quarter 1.

### 3. Table 1 2020/21 Outturn Report

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to July £000	2020/21 Forecast Outturn £000
	<b><u>Pension Fund Oversight and Governance</u></b>			
345	Actuarial Fund Work	250	56	250
97	Actuarial Employer Work	150	8	150
(97)	Employer reimbursement	(150)	(3)	(150)
88	Good Governance Program	47	25	47
75	Data Improvement Program	100	40	40
8	Independent Pension Board Chair	5	4	5
307	Fund Officers*	385	13**	385
30	External Audit – Grant Thornton	26	(7)	30
17	Internal Audit*	19	-	37
119	Legal Fees	115	19	115
11	Subscriptions and other Expenses	70	40	70
<b>1,000</b>	<b>Sub Total</b>	<b>1,017</b>	<b>195</b>	<b>979</b>
	<b>Investment activities</b>			
114	Investment Consultant	120	29	120
-	PIRC ESG Report	11	-	11
-	EIRIS Carbon Report	24	25	24
11	Independent Advisor Basic	12	-	12
5	Independent Advisor Project work	8	4	8
54	Custodian	150	-	150
3,003	Investment Manager Fee Invoices	1,200	104	1,200
<b>3,187</b>	<b>Sub Total</b>	<b>1,525</b>	<b>162</b>	<b>1,525</b>
	<b>ACCESS</b>			
67	ACCESS Support Unit	98	35	98
(3)	Fund Officer Time Rebates	(20)	(2)	(10)
<b>64</b>	<b>Sub Total</b>	<b>78</b>	<b>33</b>	<b>88</b>
	<b>Pension Board/Committee Training:</b>			
-	Training Costs	30	1	30
-	<b>Sub Total</b>	<b>30</b>	<b>1</b>	<b>30</b>
<b>1,106</b>	<b>Pension Administration*:</b>	<b>1,080</b>	<b>-</b>	<b>1,080</b>
<b>5,357</b>		<b>3,730</b>	<b>390</b>	<b>3,702</b>

\* These costs are invoiced to the Fund from ESCC and Orbis currently this is done annually but we are working with the finance officer for ESCC and Orbis to do this quarterly going forward.

\*\* These are costs for temporary staff paid directly by the Fund

#### **4. III Health Risk Management**

- 4.1 The ill health risk management workstream was added to the Fund's 2020/21 business plan as part of the June Board and Pension Committee meetings. This has since been progressed by Officers working alongside the Fund Actuary to investigate the potential risk management options (including obtaining a range of indicative insurance quotes from Legal & General). For your consideration, this information is set out in the paper prepared by the Actuary within Appendix 2 and Appendix 3. The Pension Committee is asked to consider its preferred option for officers to progress with the Fund's actuary.

#### **5. Conclusion and reasons for recommendation**

- 5.1 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 and considerations associated with delivering the Funds Business Plan.

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