

Report to: **Pension Board**

Date: **16 November 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 2 for the East Sussex Pension Fund.**

RECOMMENDATION – The Board is recommended to

- 1. note the revised forecast outturn position;**
 - 2. note the update on deliverables from the Business Plan in Appendix 1**
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1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council (the Council) is required to maintain a pension fund for its employees and other 'scheduled bodies' as defined in the Regulations known as the East Sussex Pension Fund (the Fund). 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 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 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. In addition, the Fund has not received a quotation for pension administration costs for this financial year for approval by the Pension Committee.

2. 2020/20 Investment and Administration Expenses Outturn Report

2.1 The forecast outturn for 2020/21 is £4.741M, against a budget of £3.730M resulting in an overspend of £1.011M, an increase of £1.039M from the outturn position reported at the last meeting in September 2020.

2.2 The overspend mainly relates to the expected change to the invoiced investment manager fees after the transitions set out in below in Para. 2.3 to 2.5.

2.3 Since the last report the decision was taken to change the equity structure of the Fund and to appoint 4 new managers. This is a move away of circa £880M of assets from our current passive provider (UBS) into 2 active impact managers (£400M in total), 1 smart beta passive like manager (£400M) and 1 infrastructure equity manager (£80M). It has been calculated on the fees set out by the managers during the selection process that this will add a further £0.967M to manager fees, assuming the asset values stay the same for the remainder of the year from the initial budget of £1.2M.

2.4 The Custodian forecast has been reduced to be in line with the activity that they currently do for the Fund and anticipated increased costs based on the new equity structure. The underspend on this item is £50K from an initial budget of £150K.

2.5 The investment consultant costs have been increased to cover the additional costs the Fund has incurred as part of the equity manager restructure. This overspend on this item is £80k for an initial budget of £120K.

2.6 The cost of providing Democratic Services support to the Fund is an addition this quarter, to ensure the Fund is picking up all costs incurred by ESCC for the Fund; as a result, this is showing an overspend of £18K.

2.7 Arrangements around the Pension Administration Service provided by Orbis Business Operations are not included in the revised budget and forecast outturn position as there is still uncertainty around these activities. The delivery of this service is currently undergoing a review, the project Turnaround board advised at their meeting on 28 October that the final position for costs will not be known until the end of the year when this has been concluded.

2.8 The 2020/21 outturn against line items is shown at Table 1 in Para. 3 below. The table also shows the budgeted expenditure and variance in forecast from the September Committee.

3. Table 1 2020/21 Outturn Report Q2

2019/20 Outturn £000	Item	2020/21 Budget £000	2020/21 Actuals to September £000	2020/21 Forecast September Committee £000	2020/21 Forecast Outturn November £000	Variance to last reported Forecast £000
	<u>Pension Fund Oversight and Governance</u>					
345	Actuarial Fund Work	250	75	250	250	-
97	Actuarial Employer Work	150	8	150	150	-
(97)	Employer reimbursement	-150	-3	-150	-150	-
88	Good Governance Program	47	25	47	47	-
75	Data Improvement Program	100	40	40	40	-
8	Independent Pension Board Chair	5	4	5	13	8
307	Fund Officers*	385	33**	385	392	7
30	External Audit – Grant Thornton	26	-7	30	30	-
0	Democratic Services Support *	-	-	-	18	18
17	Internal Audit*	19	-	37	37	-
119	Legal Fees	115	84	115	115	-
11	Subscriptions and other Expenses	70	50	70	70	-
1,000	Sub Total	1,017	309	979	1,012	33
	Investment activities					
114	Investment Consultant	120	123	120	200	80
-	PIRC ESG Report	11	-	11	11	-
-	EIRIS Carbon Report	24	25	24	25	1
11	Independent Advisor Basic	12	3	12	12	-
5	Independent Advisor Project work	8	4	8	16	8
54	Custodian	150	15	150	100	-50
3,003	Investment Manager Fee Invoices	1,200	421	1,200	2,167	967

3,187	Sub Total	1,525	591	1,525	2,531	1,006
	ACCESS					
67	ACCESS Support Unit	98	35	98	98	-
(3)	Fund Officer Time Rebates	-20	-2	-10	-10	-
64	Sub Total	78	33	88	88	-
	Pension Board/Committee Training:					
-	Training Costs	30	1	30	30	-
-	Sub Total	30	1	30	30	-
1,106	Pension Administration*:	1,080	34	1,080	1,080	-
5,357		3,730	968	3,702	4,741	1,039

* 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. Conclusion and reasons for recommendation

4.1 The Business Plan set at the beginning of the year 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. **Appendix 1** shows actions taken during the year in relation to key deliverables in the Business Plan.

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