

Report to: **Pension Committee**

Date: **8 February 2016**

By: **Chief Operating Officer**

Title: **Pension Fund Budget for 2016/17**

Purpose: **This report outlines the 2016/17 budget for the Council's statutory function as the administering authority of the East Sussex Pension Fund.**

RECOMMENDATIONS

The Committee is required to approve the revenue budget for 2016/17 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 2016/17 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 £2.6 billion of assets.

2. East Sussex Pension Fund (ESPF) Budget – 2016/17

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 2016/17 is attached as Appendix 1. A comparison of the 2015/16 budget with the 2016/17 budget is shown below:

| Description | 2015/16 | 2016/17 | |
|--------------------------|----------------|----------------|----------------|
| | Budget £000 | Budget £000 | Change £000 |
| Pension Administration | 1,620 | 1,250 | (370) |
| Oversight and governance | 590 | 680 | 90 |
| Investment Management | 9,010 | 8,850 | (160) |
| Total | 11,220 | 10,780 | (240) |

3. Analysis of Budget Movement

3.1 Pension Administration - The decrease in pension admin budget between 2015/16 and 2016/17 is primarily due a reduction in the GMP reconciliation work now due to take place in 2016/17.

3.2 Oversight and governance – The increase in the oversight and governance budget is due to the resources set aside for commissioning work re the ongoing LGPS investment pooling initiative.

3.3 Investment Management - The decrease in the Investment Strategy budget movement reflects the redistribution of the Lazard mandate to current managers, which attract slightly lower fees, and also the decrease 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.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ola Owolabi, Head of Accounts and Pensions
Tel. No. 01273 482017
Email: Ola.Owolabi@eastsussex.gov.uk

Local Member(s): All

BACKGROUND DOCUMENTS

none

2016/17 Pension Fund Revenue Budget

| Description | 2015/16 Budget £000 | 2016/17 Budget £000 | Change £000 | Narrative |
|--|---------------------------|---------------------------|----------------|--|
| Pension Administration | | | | |
| Orbis Finance Support Services | 50 | 40 | (10) | Staff time in monitoring the administration of the Fund |
| Orbis Business Operations Support Services | 770 | 770 | - | Cost of the joint administration service |
| Administration System | 300 | 340 | 40 | Contract for the hosting of the Administration software |
| Guaranteed Minimum Pension | 500 | 100 | (400) | GMP Reconciliation work now due to take place in 2016/17 |
| Administration total | 1,620 | 1,250 | (370) | |
| Oversight and governance costs | | | | |
| Orbis Finance Support Services | 240 | 200 | (40) | Staff time spent on oversight and governance |
| Subscriptions | 40 | 35 | 5 | CIPFA Pension Network, LAPFF, Club Vita, LGPC etc. |
| Actuarial Fees | 102 | 186 | 84 | Outsource to contractors |
| Investment Consultancy | 143 | 135 | (8) | Outsource to contractors |
| Investment Pooling | - | 50 | 50 | Commissioning work for expert advice on investment pooling |
| External Audit Fee | 29 | 29 | - | External audit of the Annual Report |
| Internal Audit Fee | 18 | 17 | (1) | Control work performed by the Council's internal audit team |
| Legal Fees | 9 | 10 | 1 | Legal work commissioned for the fund |
| Performance Measurement Services | 19 | 18 | (1) | Investment performance monitoring service |
| Specific Actuarial Work* | 160 | 180 | 20 | Work performed by the actuary on the behalf of specific employers which is recharged to them |
| Other Income | (170) | (180) | (10) | Recovery of work provided by the actuary |
| Oversight and governance total | 590 | 680 | 90 | |
| Investment Management | | | | |
| Investment Manager Fees | 9,010 | 8,850 | (160) | Fees paid to the investment managers |
| Investment Management Total | 9,010 | 8,850 | (160) | |
| Total PF Budget | 11,220 | 10,780 | (440) | |

*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.