

Report to: **Pension Board**

Date: **7 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.**

RECOMMENDATION – The Board is recommended to

- 1. note the updated business plan;**
 - 2. note the Forecast outturn position;**
 - 3. note the report of the actuary on ill Health Management and the Legal & General Illustration**
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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 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 in below in Para. 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 that 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 Para 2.8 and 2.9.

2.8 A restructure of the Pension Fund Team was launched in August 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 we will 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 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 Para. 3 below. The table also shows the budgeted expenditure 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 |
|----------------------------|-----------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|
| | <u>Pension Fund Oversight and Governance</u> | | | |
| 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 |
| 1,000 | Sub Total | 1,017 | 195 | 1,341 |
| | Investment activities | | | |
| 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 |
| 3,187 | Sub Total | 1,525 | 162 | 1,525 |
| | ACCESS | | | |
| 67 | ACCESS Support Unit | 98 | 35 | 98 |
| (3) | Fund Officer Time Rebates | (20) | (2) | (10) |
| 64 | Sub Total | 78 | 33 | 88 |
| | Pension Board/Committee Training: | | | |
| - | Training Costs | 30 | 1 | 30 |
| - | Sub Total | 30 | 1 | 30 |
| 1,106 | Pension Administration*: | 1,080 | - | 1,080 |
| 5,357 | | 3,730 | 390 | 4,064 |

* 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 Board is asked to consider its preferred option for passing to the Pension Committee.

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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