

**Report to:** Pension Committee

**Date of meeting:** 17 June 2022

**By:** Chief Finance Officer

**Title:** East Sussex Pension Fund (ESPF) 2021/22 Outturn report

**Purpose:** This report provides the 2021/22 Financial Outturn report

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## **RECOMMENDATION**

**The Pension Committee is recommended to note the report**

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### **1. Background**

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund, known as East Sussex Pension Fund (ESPF or the Fund), for its employees and other scheme employers.

1.2 The business plan and budget sets out the direction of travel, objectives and targets to be achieved in the management of the Fund, and for the Council to 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.

### **2. 2021/22 Final Outturn Position**

2.1 The budget requirement for 2021/22 was significantly increased from 2020/21 due to the insourcing of the Pensions Administration team, which has consequently provided a better understanding of ongoing costs. In addition, some investments were moved from Fund Managers, who deducted fees at source from the asset valuation, into new Fund Managers who will be invoicing fees directly to the Fund, increasing the reportable costs through budget monitoring compared to 2020/21.

2.2 The final outturn position of 2021/22 is £6,099m, an increase of £0.201m from the last reported position. The 2021/22 outturn against budget line items is shown at Table 2 below. The overspend mostly relates to the revised manager fees and analysis of the Consultancy and Services providers – Benefits costs. The main movements to the budget are set out in Table 1 below and movements detailed in Paragraphs 2.3 to 2.5.

**Table 1**

	2021/22 Q3 Forecast Outturn	2021/22 Q4 Actual Outturn	Variance from last reported position
Investment Manager Fee Invoices para 2.3	2,874	3,210	336
East Sussex County Council charges (Oversight and Governance)	243	279	36
East Sussex County Council charges (Administration)	203	150	(53)
<b>East Sussex County Council charges Total (para 2.4)</b>	<b>446</b>	<b>429</b>	<b>(17)</b>
Consultancy & Service Providers – Benefits para 2.5	234	156	(78)
Other Minor movements	2,344	2,304	(40)
<b>Total</b>	<b>5,898</b>	<b>6,099</b>	<b>201</b>

2.3 An increase of £336,000 is being reported in the outturn for 2021/22 the rationale for this increase is due to rebates for an investment manager fee that is deducted at source being included in the previous quarters data. As we do not include in this report the fees deducted at source these fee rebates have now been removed from the investment management fees shown in the report. With this adjustment the investment management fees are still £103,000 less than the original budget and the reason for this underpayment is to do with the market volatility created by the increase in inflation and the war in Ukraine which has lowered the value of the assets. Investment manager fees are linked to the underlying value of the assets so when the value of our assets go down the fees payable to managers decreases.

2.4 The Charge to Fund for East Sussex County Council charges (in total) was £17,000 lower than the previous forecast, however the split between Oversight and Governance administration has changed more significantly (£36,000 greater charge to oversight and Governance a reduction of £53,000 to the Administration charge). This was due to a review of the charges once we had received all the information from the Council and these were subsequently reallocated.

2.5 The outturn for the consultancy and service providers - benefits line consists of several projects that span financial year end periods. The forecast outturn position provided at the last meeting contained the total projected costs for these projects and not the solely the costs associated with the current financial year. This has resulted in a £78,000 underspend on this item some of these projects are the annual allowance, GMP, Mortality and McCloud. These costs are included in the projects budget for 2022/23.

Table 2 2021/22 Outturn Report

2020/21 Outturn £000	Item	2021/22 Budget £000	2021/22 Actual Outturn Q4 £000	2021/22 Forecast Outturn Q3 £000	Variance to Q3 Forecast Outturn £000
	<b>Pension Fund Staff Costs</b>				
592	Fund Officers	1,756	1,234	1,234	-
53	Recruitment costs	12	2	2	-
<b>645</b>	<b>Sub Total</b>	<b>1,768</b>	<b>1,236</b>	<b>1,236</b>	<b>-</b>
	<b>Pension Fund Oversight and Governance</b>				
341	Actuarial Fund Work	250	55	52	3
87	Actuarial Employer Work	100	57	79	(22)
(64)	Employer reimbursement	-100	(38)	(66)	28
2	Training Costs	10	8	15	(7)
40	External Audit – Grant Thornton	30	47	35	12
190	East Sussex County Council charges	286	279	243	36
285	Legal Fees	165	56	65	(9)
157	Subscriptions and Other Expenses	72	70	79	(9)
<b>1,038</b>	<b>Sub Total</b>	<b>813</b>	<b>534</b>	<b>502</b>	<b>32</b>
	<b>Investment activities</b>				
221	Investment Advice	192	216	195	21
37	ESG Advice	25	21	25	(4)
61	Custodian	75	139	151	(12)
80	ACCESS	93	110	103	7
2,365	Investment Manager Fee Invoices	3,313	3,210	2,874	336
<b>2,764</b>	<b>Sub Total</b>	<b>3,698</b>	<b>3,696</b>	<b>3,349</b>	<b>347</b>
	<b>Pension Administration</b>				
894	Orbis Business Operations Support Services				
-	East Sussex County Council charges A	237	150	203	(53)
282	System Services and License	346	98	89	9
90	Consultancy & Service Providers - Benefits	100	156	234	(78)
-	Admin operational support services	225	218	244	(26)
183	Other Expenses	18	14	46	(32)
-	Other Income	-	(3)	(5)	2
<b>1,449</b>	<b>Sub Total</b>	<b>926</b>	<b>633</b>	<b>812</b>	<b>(179)</b>
<b>5,896</b>	<b>Total</b>	<b>7,205</b>	<b>6,099</b>	<b>5,898</b>	<b>201</b>

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

3.1 The Committee is recommended to note the Final 2021/22 outturn position.

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