

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2013.

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. In March 2012 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2012/13 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.
2. Annex 1 compares the Investment Management and Scheme Administration outturn figures against the budget and shows the variations against each budget head. The reasons for any material variations are explained below.

Investment Management Expenses

3. **Fund Management Fees.** Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2012/13 was £58,000 above the budget forecast. In addition to variations in mandate values, management fees for the fixed income portfolio were higher than estimated due to the transition of corporate bonds to the Core Plus fund.
4. The **Global Custody Fee** is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was exceeded by £16,000 during 2012/13, largely as a result of a new fee schedule applied from August.
5. The **IFA** and **Consultancy Fees** budgets include allowances for project expenses which were not required during this financial year. Consultancy fees in relation to the global custodian procurement exercise were also lower than anticipated as a result of a joint consultancy appointment with Hampshire Pension Fund.
6. **Pensions Investment Team and Other Support Services** costs were lower than forecast due to temporary vacancies within the Pensions Investment Team.

7. The income derived from **Stock Lending** was lower than forecast, in part due to the lower level of stock available for lending during the transition of the global equity mandate.

Scheme Administration Expenses

8. Overall there was an under spend on the administration budget of £276,000. The largest part of this variance was in the budget for **Financial Services Recharges** which was underspent by £89,000. The key elements of this figure are: -
 - a. An under spend of £51,000 on staffing costs as a result of unpaid maternity leave and returning to work on a part time basis.
 - b. Provision had been made for continued staff training, which was then put on hold pending new regulations.
 - c. The costs of using the in-house legal team has been more cost effective than envisaged, therefore the budget for legal fees was overstated.
9. The **Software Support and Licensing** budget provision included the cost of implementation for new software, on a hosted basis. This was £61,000 less than estimated due to delaying the implementation of two modules until after the valuation work is completed.
10. **Actuarial Fees** were underspent by £73,000 since the budget, mistakenly, included additional provision for valuation work.
11. The budget for **other recharges** was underspent by £30,000. This budget included provision for advertising, subscriptions and project work which were not used / underspent.

RECOMMENDATION

The Committee is RECOMMENDED to receive the report and note the out-turn position.

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Background Papers: None

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August 2013

Pension Fund Budget Outturn for the Financial Year ended 31 March 2013

	Budget	Actual	Variation
	£000	£000	£000
<u>Investment Management</u>			
Fund Management Fees	2,800	2,858	58
Global Custody Fee	60	76	16
Independent Financial Adviser	58	50	-8
Consultancy Fees	60	19	-41
Performance Measurement Service	13	13	
Member Training	12	1	-11
Pensions Investment Team and Other Support Services	242	228	-14
Other	5	0	-5
	3,250	3,245	-5
LESS: Stock lending fees	-100	-32	68
Total Investment Management	3,150	3,213	63
<u>Scheme Administration</u>			
Pensions Admin Team and Other Support Services	883	794	-89
Printing & Stationery	40	35	-5
Postage	8	3	-5
Software Support & Licensing	293	232	-61
Actuary Fees	90	17	-73
External Audit Fees	57	55	-2
Appointed Person Fees	3	0	-3
Other	71	40	-31
	1,445	1,176	-269
LESS: Income (e.g. Fire & Teacher Admin)	-29	-36	-7
Total Scheme Administration	1,416	1,140	-276
Total Investment Management and Scheme Administration	4,566	4,353	-213