

Division(s):

**PENSION FUND COMMITTEE – 06 SEPTEMBER 2019**  
**PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR**  
**ENDED 31 MARCH 2019**

Report of the Director of Finance

**RECOMMENDATION**

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

**Introduction**

2. In March 2018 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2018/19 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.
3. Annex 1 compares the outturn figures against that budget and shows the variations for each budget line. The overall outturn position was an underspend of £1,003,000. The reasons for any material variations are explained below.

**Scheme Administration Expenses**

4. **Administrative Employee Costs** were underspent by a total of £166,000 which reflects the number of vacancies across the team during the year.
5. Other administrative expenses were underspent by £32,000 due to underspends on **Advisory and Consultancy Fees** of £75,000, and **Other Costs** of £12,000, partly offset by an overspend on ICT of £14,000, arising from in year system changes to meet new regulatory reporting requirements, and an overspend of £41,000 on **Printing and Stationery** due to an increased number of bulk mailouts to scheme members for address tracing and signing up for member self-service. The underspend on Advisory and Consultancy Services is partially a result of the need to suspend a number of projects so that all available resources could be prioritised to meet our regulatory responsibilities and the expectations of the Pension Regulator.

**Investment Management Expenses**

6. **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. Management fees for 2018/19 were £966,000 below the budgeted amount. The underspend resulted from the transition of the UK and global passive equity, and active UK Equity portfolios to Brunel where lower fees had been obtained, as well as lower than anticipated fees on private market investments.

7. Budget and actuals for management fees are based on the CIPFA guidance and as such, include management fees that are borne by the fund but are not invoiced. The Pension Fund is invoiced for some management fees but for investments in pooled funds management fees are typically deducted at source so are factored in to the price of units in the pooled fund.
8. **Custody Fees** were underspent by £115,000 as the majority of these fees were paid by Brunel and included in the contract cost charged to clients.
9. **Brunel Contract Costs** were £35,000 over the budgeted sum as a result of a slight overspend against the initial Brunel budget.

### **Oversight & Governance Expenses**

10. **Actuarial Fees** were £173,000 above the budgeted figure. Just under £100,000 of this overspend reflects prior year costs which should have been recharged to individual scheme employers. The recharges were not actioned due to other pressures of work and staff vacancies and as such we now be charged to all employers as part of future valuation costs. The remainder of the overspend reflects advance work completed by Hymans Robertson for the 2019 Valuation which was not included within the budget figure for 2018/19.
11. There was an overspend of £47,000 on **Advisory & Consultancy Fees**. Unbudgeted work included a full review of the Fund's AVC offering and ongoing support from JLT for governance support on Brunel.

LORNA BAXTER  
Director of Finance

Background Papers:           None

Contact Officers:               Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2019

**Pension Fund Budget Outturn for the Financial Year ended 31 March 2019**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Administrative Expenses</b>			
Administrative Employee Costs	1,523	1,357	-166
Support Services Including ICT	608	622	14
Printing & Stationary	61	102	41
Advisory & Consultancy Fees	115	40	-75
Other	40	28	-12
<b>Total Administrative Expenses</b>	<b>2,347</b>	<b>2,149</b>	<b>-198</b>
<b>Investment Management Expenses</b>			
Management Fees	8,415	7,449	-966
Custody Fees	159	44	-115
Brunel Contract Costs	650	685	35
<b>Total Investment Management Expenses</b>	<b>9,224</b>	<b>8,178</b>	<b>-1,046</b>
<b>Oversight &amp; Governance</b>			
Investment Employee Costs	247	248	1
Support Services Including ICT	11	13	2
Actuarial Fees	40	213	173
External Audit Fees	24	30	6
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	65	112	47
Committee and Board Costs	39	51	12
<b>Total Oversight &amp; Governance Expenses</b>	<b>440</b>	<b>681</b>	<b>241</b>
<b>Total Pension Fund Budget</b>	<b>12,011</b>	<b>11,008</b>	<b>-1,003</b>