

**PENSION FUND COMMITTEE – 11 SEPTEMBER 2020**

**PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR  
ENDED 31 MARCH 2020.**

**Report by the Director of Finance**

**RECOMMENDATIONS**

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

**Introduction**

1. In March 2019 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2019/20 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 outturn figures against the budget and shows the variations for each budget line. The overall outturn position was an underspend of £270,000. The reasons for any material variations are explained below.

**Scheme Administration Expenses**

3. **Administrative Employee Costs** were underspent by a total of £390,000 which reflects the number of vacancies across the team during the year.
4. Other administrative expenses were overspent by £260,000 due to an overspend on ICT as a result of software licencing costs to be paid at time of contract renewal. This is offset by underspends of £37,000 on printing and stationery as the team move to more online communications; £142,000 on Advisory and Consultancy Fees as a result of delays to the GMP project, and Other Costs of £48,000, which is largely a saving on postage costs.

**Investment Management Expenses**

5. **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 2019/20 were £283,000 below the budgeted amount. Part of the reason for the underspend was linked to the sharp falls in global markets

as a result of the COVID-19 pandemic which meant any fees based on assets under management were lower than originally forecast. Part of the underspend also reflects fee savings on transition to the new pooled vehicles managed by Brunel.

6. 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 into the price of units in the pooled fund.
7. No budget was included for **Custody Fees** in the 2019/20 budget as these were initially planned to be paid by Brunel and included in their invoices to the Fund. It was subsequently decided that Funds would continue to pay custody fees to the custodian direct.
8. Brunel costs were £121,000 higher than budget. The reason for this was that Brunel issued a cost adjustment invoice for £119,000 during the year relating to the 2018/19 financial year. The cost was a result of Brunel applying the Pricing Policy agreed by Client Funds during 2018/19 to costs already charged to clients. The Pricing Policy set out how different cost should be apportioned between clients, the overall amount paid by clients as a whole was not affected, only the allocation of costs between clients.

**LORNA BAXTER**  
Director of Finance

Background Papers:           None

Contact Officers:               Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2020

**Pension Fund Budget Outturn for the Financial Year ended 31 March 2020**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Administrative Expenses</b>			
Administrative Employee Costs	1,576	1,186	-390
Support Services Including ICT	634	1,121	487
Printing & Stationary	72	35	-37
Advisory & Consultancy Fees	160	18	-142
Other	60	12	-48
<b>Total Administrative Expenses</b>	<b>2,502</b>	<b>2,372</b>	<b>-130</b>
<b>Investment Management Expenses</b>			
Management Fees	8,484	8,201	-283
Custody Fees	0	38	38
Brunel Contract Costs	1,043	1,164	121
<b>Total Investment Management Expenses</b>	<b>9,527</b>	<b>9,403</b>	<b>-124</b>
<b>Oversight &amp; Governance</b>			
Investment Employee Costs	254	251	-3
Support Services Including ICT	11	18	7
Actuarial Fees	160	163	3
External Audit Fees	35	19	-16
Internal Audit Fees	15	14	-1
Advisory & Consultancy Fees	95	83	-12
Committee and Board Costs	49	51	2
Subscriptions and Memberships	50	59	9
<b>Total Oversight &amp; Governance Expenses</b>	<b>669</b>	<b>653</b>	<b>-16</b>
<b>Total Pension Fund Budget</b>	<b>12,698</b>	<b>12,428</b>	<b>-270</b>