

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 March 2016

WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2015-16

Purpose of the Report

1. This report seeks Members' approval of the 2016-17 Administration Budget for the Wiltshire Pension Fund, as shown in the Appendix. Actual costs for 2014-15 are also shown, together with the original budget for 2015-16, the 2015-16 forecast outturn is on the same agenda as this report.
2. As last year, the Appendix also shows indicative budgets for the following two years 2017-18 and 2018-19. These budgets incorporate the actions outlined in the Wiltshire Pension Fund Business Plan.

Background

3. To ensure good governance budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The setting of a budget for the forthcoming financial year along with spending proposals for the following two years sets out how the Fund will achieve this.
4. A number of services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Committee has ultimate responsibility for the procurement and monitoring of these services. It should be noted, however, that Wiltshire Council, which is one of the employer bodies whose interests the Committee is responsible for, is at present also the provider of a number of these services.

Key features of the proposed 2016-17 budget

5. The indicative budget presented last year for 2016-17 was £10.236m an increase of £752k (7.9%). This included estimated increases in investment management fees and the cost of the 2016 Triennial Valuation.
6. The budget now proposed for 2016-17 is £10.201m, an increase of £692k (7.3%) from 2015-16 (see Appendix). The largest proportion of the budget (£7.955m) is investment managers' fees that largely depend on the value of assets being managed, and the investment return performance which depends on market conditions.
7. The Fund's "controllable" budget (i.e. excluding investment management fees) is £2.246m, which is a £115k (5.4%) increase. This reasons for this increase are:
 - a) Increase in actuary fees for the cost of the 2016 Triennial Valuation (£74k)
 - b) Increase in Pension Administration Recharge reflecting growth in staffing levels (£33k), additional salary costs arising mainly from the additional National Insurance Contributions from 1 April 2016 due to the end of contracting out

(£43k), and additional software costs for assisting the GMP reconciliation work and the implementation of a more robust Unitisation model (£20k).

- c) Increase for the additional funding of the Local Pension Board for their on-going training requirements and delivery of proposed work plan (£16k).
8. These increases are offset from a reduction of £72k from the Investment Administration costs as support for the custodian review and assistance with other mandates is not required (£-45k) along with a reduction in custodian fees (£-26k).

Summary

9. The budget attempts to maintain service standards, fulfil statutory requirements while developing areas in response to the scheme changes. Comparability of data is difficult between funds nationally due to different methodology of reporting costs; however the Government's own data can provide a guide.
10. The Wiltshire Pension Fund administration costs are currently £27.49 per member in 2015-16. The proposed budget will take these costs to £30.45 per member as the Fund attempts to keep these costs within an envelope (between £27-£30 p.m.) although costs will inevitably increase across all schemes resulting from the 2016 valuation and the implementation work of investment pooling.
11. In terms of investment costs, the budget indicates spend of 40p per £1,000 (0.40% of market value) on managing its assets for 2016-17, including all pooled mandate costs. The national data for a scheme between £1-£1.5bn shows investment costs of 0.36% although this may not account for pooled costs which are usually netted off the units held. The CEM Benchmarking report commissioned by Hymans Robertson indicated that the total investment cost for an LGPS fund was on average 0.65% and the budget being proposed ensures the Fund remains well below this figure.

Environmental Impact of the Proposal

12. There are no known environmental impacts from these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no known implications at this time.

Risk Assessment

14. The Committee is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Council's control. They may go up or down, depending on market conditions.
15. The approval of this budget is essential to continue the good governance of the Fund. When viewed in relation to the overall value of assets, these 'controllable' costs represents 0.12% of the total Fund value.
16. In line with good governance practice, officers are bringing budget monitoring reports back to Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Treasurer to the Pension Fund will approve variations to the budget and report these to the Committee retrospectively for ratification.

Reasons for Proposals

17. The submission of the proposed budget to this Committee is in line with best practice and assists in mitigating a number of the risks outlined in the Risk Register elsewhere on this agenda.

Proposals

18. The Committee is asked to:

- a) Approve the Pension Fund Administration Budget for 2016-17 shown in the Appendix totalling £10.201m.
- b) Note the indicative budget allocations for 2017-18 and 2018-19.

MICHAEL HUDSON
Treasurer to the Pension Fund

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Unpublished documents relied upon in the production of this report: NONE

APPENDIX

Wiltshire Pension Fund Administration Budget 2016-17

<u>2014-15</u>		<u>2015-16</u>		<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	
<u>Actual</u>		<u>Budget</u>	<u>Changes</u>	<u>Budget</u>	<u>Annual Change</u>	<u>Annual Change</u>	
<u>£</u>		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
	Fund Investment						
<u>6,095,932</u>	INVESTMENT MANAGEMENT FEES	<u>7,378,000</u>	<u>577,000</u>	7.8%	<u>7,955,000</u>	<u>835,000</u>	<u>728,000</u>
105,225	Investment Administration Recharge	107,500	4,735		112,235	1,880	1,378
13,385	Investment Custodial & Related Services	56,000	-26,000		30,000	2,000	3,000 <i>Reduced custodian fees from more pooled funds</i>
122,125	Investment Professional Fees	152,800	-45,400		107,400	1,850	14,470 <i>Custody review costs not required in 2016-17</i>
38,250	Corporate Governance Services	39,300	1,000		40,300	1,000	
40,383	Performance Measurement	46,200	-6,100		40,100	0	0
<u>319,368</u>	INVESTMENT ADMINISTRATION COSTS	<u>401,800</u>	<u>-71,765</u>	-17.9%	<u>330,035</u>	<u>6,730</u>	<u>19,848</u>
	Scheme Administration						
1,249,504	Pension Scheme Administration Recharge	1,458,250	97,245		1,555,495	-410	-8,599 <i>Increase in staff salaries and software costs</i>
64,402	Actuarial Services	111,000	74,000		185,000	-74,000	0 <i>Increased costs for the 2016 Triennial Valuation</i>
54,302	Audit	58,300	0		58,300	0	0
28,056	Legal Fees	20,000	0		20,000	0	0
40,900	Committee and Governance Recharge	82,400	15,083		97,483	773	163 <i>Increased costs for Local Pension Boards Work Plan and training</i>
<u>1,437,164</u>	SCHEME ADMINISTRATION COSTS	<u>1,729,950</u>	<u>186,328</u>	10.8%	<u>1,916,278</u>	<u>-73,637</u>	<u>-8,436</u>
<u>1,756,532</u>	GRAND TOTAL (EXC INVEST MAN FEES)	<u>2,131,750</u>	<u>114,563</u>	5.4%	<u>2,246,313</u>	<u>-66,907</u>	<u>11,412</u>
<u>7,852,464</u>	GRAND TOTAL (INC INVEST MAN FEES)	<u>9,509,750</u>	<u>691,563</u>	7.3%	<u>10,201,313</u>	<u>768,093</u>	<u>739,412</u>