

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
14 March 2019

WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2019-20

Purpose of the Report

1. This report seeks Members' approval for the 2019-20 Administration Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. Actual costs for 2017-18 are also shown, together with the original budget for 2018-19.
2. As last year, the Appendix also shows indicative budgets for the following two years 2020-21 and 2021-22. These budgets are indicative and 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.
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 2018-19 budget

5. The budget now proposed for 2019-20 is £11.884m, an increase of £182k (+1.6%) from 2018-19 (see Appendix). The largest proportion of the budget (£9.567m) is investment managers' fees that largely depend on the value of assets being managed, and the investment return performance which depends on market conditions.
6. The Investment Management Fees budget presented now also includes annual fees for the Brunel Partnership totalling £660k per year from April 2019. This is an increase of £26k to cover additional staffing resources that are needed to progress the project. BPP has advised that in time these fees will be more than offset by reductions in Investment Managers' fees. The expectation is that this will break even by 2023.
7. The Local Pension Board reviewed and approved their budget at their meeting on the 24th January 2019. A budget of £27,414 is included for 2019-20 in the attached appendix for the Local Pension Board – the same figure as for 2018-19. Any small differences in the Local Pension Board budget can be accommodated using delegated authority with this Committee being informed accordingly.
8. The Fund's "controllable" budget (i.e. excluding investment management fees and securities lending income) is £2.618m, which is a £174k (7.1%) net increase. This reasons for this increase are:

- a) A £48K net increase in the investment administration budget (excluding fees and securities lending income). This is mainly made up from an a £23k additional provision against investment advisor fees (following the recent appointment MJ Hudson); £12k provision to cover the cost of the Investment Strategy Review which is due to take place in 2019-20; and £7k to cover agency and £6k to cover part of an additional £100k recharge from Wiltshire Council to cover various internal services such as ICT, HR, Payroll and office accommodation. .
- b) An additional provision of £62k is made for actuarial costs following the experience of the last few years, in respect of the higher costs due in a triennial valuation year and other development costs such as the introduction of separate investment strategies for employers.
- c) The budget to cover external legal fees has been increased by £30k to reflect greater use of this service (in place of internal legal).
- d) Provision of £94k has been added to the admin budget to cover remaining part of the £100k recharge increase from Wiltshire Council (see point a) above) for 2019-20 following a recent review of the service by the Council. This has been split between Investment (£6k) and Admin (£94k) based on FTE in the budget workings.
- e) Against this, the budget for Other Professional Fees, which covers tracing and mortality screening costs, has been reduced by £8k to reflect the actual use of this budget over the last few years.
- f) The budget which covers the external audit fee has been reduced by £6k to reflect the planned charge for 2019-20.
- g) Bank interest rates on the overnight call-accounts has increased significantly and this has led to higher interest on these accounts. Budgeted bank interest receivable has been increased by £9k to reflect the additional interest we expect to receive.
- h) £65k additional provision has been added to the Pension Administration Recharge budget to cover planned changes to the staffing structure and additional costs resulting from the new pay and grading structure.
- i) The systems budget has been reduced by £102k to reflect planned expenditure in 2019-20.

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.
- 10. The budgeted Wiltshire Pension Fund administration costs are currently £30.31 per member for 2018-19. The proposed budget will take these costs to £31.23 per member (0.10% of the market value of the Fund's assets).
- 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 2019-20, including all pooled mandate costs.

We have previously compared this with the older CEM Benchmarking report which indicates that the total investment cost for an LGPS fund was on average 0.65%. 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 represent 0.09% of the total Fund value.

16. In line with good governance practice, officers will be 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 many 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 2019-20 shown in the Appendix totalling £11.884m;
- b) Note the indicative budget allocations for 2020-21 and 2021-22; and
- c) Approve 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.

BECKY HELLARD
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 2019-20

2017-18		2018-19	Changes	2019-20	2020-21	2021-22	
Actual		Budget	£	Budget	Annual Change	Annual Change	
£		£	£	£	£	£	
	Fund Investment						
9,127,886	INVESTMENT MANAGEMENT FEES	9,279,000	288,000	9,567,000	711,000	781,000	Management fees are dependent on market conditions (includes fees from Brunel)
-245,851	SECURITIES LENDING INCOME	-20,000	-280,000	-300,000	0	0	Uncertainty caused by 'Brexit' has led to increased selling of equities to short-sellers generating higher levels of securities lending income
118,782	Investment Administration Recharge	135,000	7,400	142,400	-4,400	1,100	Cost of agency in 2019-20
	Additional charge from Central Finance		6,000	6,000	0	0	Additional recharge from Wilts Council from 2019-20
116,339	Investment Professional Fees	84,300	33,500	117,800	-8,600	3,900	Cost of investment strategy review and new investment advisor
34,182	Corporate Governance Services	8,300	700	9,000	0	0	
39,513	Performance Measurement	0	0	0	0	0	
308,816	INVESTMENT ADMINISTRATION COSTS	227,600	47,600	275,200	-13,000	5,000	
	Scheme Administration						
1,573,490	Pension Scheme Administration Recharge	1,895,000	-48,350	1,846,650	21,800	25,400	Revision of systems budget offset by changes to staffing and cost of pay and grading restructure
	Additional charge from Central Finance		94,000	94,000	0	0	Additional recharge from Wilts Council from 2019-20
273,873	Actuarial Services	173,000	62,000	235,000	-114,500	0	Valuation year, this line includes includes £50k budgeted income from employers
27,917	Audit	33,300	-6,000	27,300	0	0	
37,855	Legal Fees	20,000	30,000	50,000	0	0	Increased use of external legal services
-25,632	Committee and Governance Recharge	94,969	-5,455	89,514	400	200	
1,887,503	SCHEME ADMINISTRATION COSTS	2,216,269	126,195	2,342,464	-92,300	25,600	
2,196,320	GRAND TOTAL (exc. Inv mgt' fees & securities lending income)	2,443,869	173,795	2,617,664	-105,300	30,600	
11,078,354	GRAND TOTAL (inc. Inv mgt' fees & securities lending income)	11,702,869	181,795	11,884,664	605,700	811,600	