

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

WILTSHIRE PENSION FUND OUTTURN 2019-20

Purpose of the Report

1. The purpose of this report is to present the Fund's financial outturn for 2019-20.

Background

2. This report sets out the final Pension Fund outturn results for 2019-20 as at 31 March 2020. As in previous years, the appendix presents the outturn against the main budget areas of the Fund. The figures for the Local Pension Board are reported separately in the appendix.

Key variances against 2019-20 budget

3. There was a net underspend £40k (1.5%) against the Fund's controllable budget. This comprises a £54k net underspend against the Pension Fund Administration budget partially offset by a £4k overspend against the Investment Administration budget and £11k overspend against the new Oversight and Governance budget (using the realigned categories which have been retrospectively applied).
4. The key variances that contributed towards the net underspend against Pension Fund Administration budget were:
 - a) Out of the one-off additional budget of £103k was approved by Committee for use in 2019/20, to cover additional external resource that was required to manage backlogs within the Administration team and resolution of a staffing matter, only around half was spent (on the resolution of the staffing matter), leaving £52k of this additional budget unspent at the end of the financial year. Alternative options on how to tackle the backlog are to be explored during 2020/21.
5. The key variances that contributed towards the net overspend against the Oversight and Governance budget were:
 - a) £59k overspend against staffing costs on the Oversight and Governance budget. This is the cost of consultancy fees to provide interim staffing cover which related to 2018/19 which was allocated to 2019/20 because of the timing of when it was paid.
 - b) A £25k overspend against the Advisory budget that relates to higher than anticipated use of our investment advisor, Mercer, during 2019/20. Of these additional costs, £21k related to pieces of work approved in advance by the Committee (£4k to review the emerging market multi asset portfolio, £5.5k to review protection assets, £6.5k training on private equity and private debt, £4k review on actions needed in the face of RPI reform, £1k on increasing the allocation to global property). The remaining overspend related to additional work done on the Brunel property offering, and on options for low carbon investing.

- c) A £36k underspend against the legal fees budget. Legal costs were lower than expected during 2019/20 as most of the work was done via the Internal Legal team at lower hourly cost than external legal and because volumes were lower than expected.
 - d) A small net under-spend (£19k) against Actuarial Services owing to lower than expected activity during the year.
 - e) £18k underspend against other areas within this budget (see appendix).
6. There was an £80k overspend against the custodial fees budget in 2019/20. Custodian fees are charged via Brunel but the Fund also pays for some costs directly. This arrangement was not initially clear, and the Fund had to pay charges to State Street going back to 2018 within the current year. This budget has been increased from 2020/21 to be more reflective of the ongoing situation.
 7. Securities lending income earned during the year was lower than expected (£55k) due to the transition of funds previously invested with Baillie Gifford into the Global High Alpha Fund in the Brunel pool, through which stock lending is not currently possible. The budget has been reduced back to pre-2019/20 levels from 2020/21.
 8. Costs of pooling rose significantly during the year leading to a £341k (62%) overspend against the pooling budget. This was due to the Brunel budget being increased, as agreed by shareholders. The 2020/21 budget is now reflective of this increase. More detail on these costs was presented to the Committee at the 26 March 2020 meeting.
 9. The base rate was 0.75% for most of the year to 31 March 2020, and slightly higher cash balances were held throughout the year, which led to higher than expected bank interest (£42k) being earned in 2019/20.
 10. Investment fees (which includes transition costs) was higher than anticipated in 2019/20. This is partially due to a £10m performance fee which was owed to Baillie Gifford on termination of their mandate, when it was transitioned into Brunel. Baillie Gifford agreed that the Fund can pay the amount owing in four equal annual instalments commencing from 2019/20. The first instalment has now been paid. Outturn includes investment management fees and transaction costs not paid directly by the Fund, but which are accounted for using the more detailed cost transparency reporting. The outturn also includes £2m costs of transition into the Brunel Pool. This area is difficult to budget for since it depends on market movements and asset values, and also the volume of transactions made by the managers, and is included for information of an indicative spend rather than a strict budget.

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Risk Assessment

13. 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.
14. In line with good governance practice, officers will be bringing budget monitoring reports back to Committee each quarter.

Proposals

15. The Committee is asked to note the outturn for 2019/20 and figures in the attached Appendix.

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

APPENDIX

Wiltshire Pension Fund Budget 2019-20 - Final Outturn

	2019-20			Explanations	2020-21
	Budget £'000	Outturn £'000	Variance £'000		Budget £'000
Fund Investment					
INVESTMENT MANAGEMENT FEES	8,907	33,164	24,257	272.3%	14,214
Custodian's Fees	113	193	80	70.8%	143
Securities Lending Income	-	300	-	-18.4%	-
Brunel Cost of Pooling	547	888	341	62.3%	963
Bank Interest/ charges	-	18	-	230.7%	-
TOTAL NET COSTS OF INVESTMENT MANAGEMEN	9,249	33,940	24,691	267.0%	15,247
Investment Administration Staffing & related Co:	123	127	4	3.2%	127
INVESTMENT ADMINISTRATION COSTS	123	127	4	3.2%	127
Scheme Administration					
Pension Scheme Administration Staffing Costs	1,047	996	-52	-4.9%	1,072
<i>*Including £103k additional budget agreed for 2019/20 only</i>					0
Staff Training	18	19	1	6.8%	32
Corporate charges	311	311	0	0.0%	311
Pension Administration systems and data cleansii	319	310	-8	-2.6%	354
Other Administration Costs	97	102	5	4.7%	79
SCHEME ADMINISTRATION COSTS	1,792	1,738	-54	-3.0%	1,848
Oversight and Governance					
Staffing and Related	168	227	59	34.8%	182
Training and Conferences	10	10	0	-1.6%	8
Subscriptions, memberships and levies	43	34	-9	-20.0%	45
Actuarial Services	225	206	-19	-8.6%	156
Audit - Internal and external	27	19	-9	-31.8%	27
Legal Fees - Internal and external	59	23	-36	-61.8%	58
Advisory Fees (Investment and Independent Advisor)	117	142	25	21.3%	170
Corporate Charges & other costs	146	146	0	0.0%	146
OVERSIGHT AND GOVERNANCE COSTS	796	807	11	1.4%	792
GRAND TOTAL (exc. Inv mgt' fees & securities lending income)	2,711	2,671	-40	-1.5%	2,767
GRAND TOTAL (Inc. Inv mgt' fees & securities lending income)	11,960	36,611	24,651	206.1%	18,014
LOCAL PENSION BOARD COSTS	27	14	-14	-49.3%	27

* Figures including additional £103k budget agreed at Committee on 18th July 2019 to cover additional staffing costs in 2019-20