

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
30 March 2021

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### **WILTSHIRE PENSION FUND BUDGET 2021/22**

#### **Purpose of the Report**

1. This report seeks Members' approval for the 2021/22 Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. The report also includes a forecast for 2020/21.

#### **Background**

2. 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 deliver the service.
3. A number of internal and external services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Committee has ultimate responsibility for 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 some services which are paid for by way of an annually reviewed corporate recharge (for example, IT, HR, payroll etc)

#### **Key features of the proposed 2021/22 budget**

4. The following table shows a summary of the 2020/21 budget, and how this has been developed to arrive at the 2021/22 budget. The full budget is shown in Appendix 1.

Budget for 2020/21	2,809,653	
Add: Staffing increases in the investment team	97,941	Recent recruitment of 2 new team members
Add: Backlog support (agency)	129,776	Approved by Committee in December 2020
<b>Comparable budget for 2020/21</b>	<b>3,037,370</b>	
<i>Changes for 2021/22:</i>		
Add: Other minor staffing differences	33,835	Increments, and also the cost of living increase was under-budgeted last year, so this now needs to be reflected in the salaries for this year
Add: Advisory fees – responsible investment	70,000	As agreed by Committee in December 2020, officers have obtained quotes for advice on the Fund's path to net zero (£65k) and gap analysis on the annual report to enable compliance with the Stewardship Code 2020 (£5k)
Less: Net savings in other areas	-16,066	Other areas of the budget show a net saving
<b>Budget for 2021/22</b>	<b>3,125,139</b>	<b>Increase of 2.9% on the comparable budget for 2020/21</b>

5. The main changes from last year's budget, as approved by Committee are as follows:

### **Staffing**

- a) The investments team will now include 2 FTE members of staff (0.8 FTE previously), following a restructure. The matter of a vacancy in the team has been discussed with both the Committee and the LPB at previous meetings. The Chair of the Committee was consulted as part of the decision to appoint two new members of staff. The new team members have different skills and experience which will be a huge benefit to the team. Since the initial restructure, there have been several developments in terms of the team's workload, specifically the following:
  - I. Identification of issues affecting both teams (i.e. admin and investments/accounting), which are tricky to resolve, and would benefit from a more joined up approach;
  - II. Significantly increased governance burden – both as a result of regulations and disclosures, but also from managing the relationship with the Brunel pool;
  - III. Responsible investment work – climate change risk, modelling and reporting, member engagement, Stewardship Code 2020, and other strategic issues;
  - IV. Commitments to Brunel's private markets portfolios, which will require significant administration and monitoring.
- b) In December 2020, the Wiltshire Pension Fund Committee approved agency support to help with the administration backlogs. The amount approved was £129,776. This was approved in December so that recruitment could begin, even though the costs will not be incurred until 2021/22.
- c) Other minor staffing differences – this is due to the figure estimated for cost of living increases in 2020/21 being lower than what was actually eventually agreed. Also, some staff have earned increments, as well as some other minor changes such as change of hours etc.

### **Advisory fees**

- d) In December 2020, the Committee approved that officers should obtain a quote from Mercer for assisting with designing a pathway to net zero for the Fund's investments. If this is agreed as part of the amended Investment Strategy Statement, this work with Mercer will help set a practical course for the Fund to achieve its strategic goals. The quote is £65,000. The Committee also agreed that the Fund should sign up to the Stewardship Code 2020 during 2021. A quote for gap analysis on the Fund's annual report is also included, for £5,000.

### **Local Pension Board**

- 6. The Local Pension Board reviewed and endorsed their budget at their meeting on 18 February 2021. A budget of £25,209 is included for 2021/22, which is a reduction on the 2020/21 budget (£27,400). Any small differences in the Local Pension Board budget can be accommodated using delegated authority with this Committee being informed accordingly.

## Investment management fees and related costs

7. The fees and costs for managing the investment portfolios are reported separately, following the year end (i.e. in the next cycle of Committee meetings). These costs are dependent on asset values and so are difficult to predict and budget. The costs and savings of pooling are monitored regularly and reporting to the Investment Sub-Committee on a quarterly basis.
8. The costs of implementing investment pooling are set out in the Brunel Pension Partnership budget. This budget developed in consultation with clients, reviewed by the Brunel Oversight Board, and then formally approved by a Special Reserve Matter (requiring signature by all 10 shareholder funds). More detail on the Brunel budget can be found elsewhere on this agenda.

## Summary

9. The budget aims to improve service standards, fulfil statutory requirements while developing areas in response and anticipation of scheme changes. It aims to Fund long-term improvements to the Fund.
10. A comparison of the 2020/21 and 2021/22 budgets on a cost per member basis is shown below:

	2020/21	2021/22
Administration	£21.88	£24.11
Oversight and Governance	£10.26	£10.85
Investment administration	£1.65	£2.63

## Budget Monitoring 2020/21

11. As at 31 December 2020, a net underspend of £26k was being projected against the budget. However, this figure includes an additional £15k of spend on a review of Brunel's portfolios by Mercer, which was commissioned by the Committee. Taking this into account, the projected underspend is £11k, or 0.4%.
12. The key variances that contributed towards the net underspend against budget were:
  - a) Lower than expected spend on external legal advice year to date, which is unlikely to occur later in the year;
  - b) The additional £15k on the Mercer review of the Brunel portfolios, as mentioned above, and some additional Mercer support on ongoing investment issues;
  - c) Lower than budgeted spend against the local pension board budget;
  - d) Higher postage and printing (within other administration costs), which is a result of higher than anticipated use of Docmail (remote printing organisation), due to home working;
  - e) Higher than anticipated actuarial costs due to some additional projects, such as advice on reviewing the arrangements around the ill-health insurance. These costs can be hard to plan exactly, so the final position is still not quite certain.
  - f) Some changes in staffing as a result of a team restructure.
13. Detailed information on budget monitoring for 2020/21 is shown in Appendix 2.

### **Environmental Impact of the Proposal**

14. There are no direct, known environmental impacts from these proposals.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

15. There are no known implications at this time.

### **Risk Assessment**

16. 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 0.10% of the total Fund value.

17. In line with good governance practice, officers will bring budget monitoring reports back to Committee quarterly.

### **Reasons for Proposals**

18. 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**

19. The Committee is asked to approve the Pension Fund Administration, Investment and Governance budget for 2021/22 shown in the Appendix totalling £3.125m (0.1% of total fund value).

ANDY BROWN  
Treasurer to the Pension Fund

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

## Appendix 1

### Wiltshire Pension Fund Budget 2021/22

	2019/20	2020/21	2021/22	Variance between 20/21 and 21/22 budgets	
	Actuals £	Budget £	Budget £	£	
<b><i>Investment Administration</i></b>					
Investment Administration Staffing Costs	119,299	123,364	209,768	86,404	
Investment Administration Travel/Conferences/Training Costs	7,480	3,600	7,500	3,900	
<b>INVESTMENT ADMINISTRATION COSTS</b>	<b>126,779</b>	<b>126,964</b>	<b>217,268</b>	<b>90,304</b>	41.6%
<b><i>Scheme Administration</i></b>					
Pension Scheme Administration Staffing Costs	995,688	1,071,844	1,207,549	135,705	11.2%
Staff Training	18,689	32,200	22,960	-9,240	-40.2%
Corporate charges	311,450	311,450	311,450	0	0.0%
Pension Administration systems and data cleansing	310,093	353,600	357,405	3,805	1.1%
Other Administration Costs	101,749	79,000	88,750	9,750	11.0%
<b>SCHEME ADMINISTRATION COSTS</b>	<b>1,737,669</b>	<b>1,848,094</b>	<b>1,988,114</b>	<b>140,020</b>	7.0%
<b><i>Oversight and Governance</i></b>					
Staffing and Related	168,360	181,945	221,388	39,443	17.8%
Training and Conferences	9,942	8,000	23,000	15,000	65.2%
Subscriptions, memberships and levies	33,906	44,950	42,200	-2,750	-6.5%
Actuarial Services	205,546	156,000	152,785	-3,215	-2.1%
Audit	10,309	27,300	27,300	0	0.0%
Legal Fees	12,530	58,250	48,250	-10,000	-20.7%
Advisory Fees (Investment and Independent Advisor)	142,277	184,500	233,375	48,875	20.9%
Corporate Charges & other costs	146,250	146,250	146,250	0	0.0%
<b>OVERSIGHT AND GOVERNANCE COSTS</b>	<b>729,120</b>	<b>807,195</b>	<b>894,548</b>	<b>87,353</b>	9.8%
<b>LOCAL PENSION BOARD COSTS</b>	<b>13,901</b>	<b>27,400</b>	<b>25,209</b>	<b>-2,191</b>	-8.7%
<b>GRAND TOTAL</b>	<b>2,607,469</b>	<b>2,809,653</b>	<b>3,125,139</b>	<b>315,486</b>	10.1%

## Appendix 2 – Budget Monitoring 2020/21

### Wiltshire Pension Fund Budget 2020/21

	2020/21	2020/21		
	Budget	Forecast as at Dec-20	Variance	Comment
	£	£	£	
<b><i>Investment Administration</i></b>				
Investment Administration Staffing Costs	123,364	122,267	1,097	
Investment Administration Travel/Conferences/Training	3,600	1,000	2,600	
<b>INVESTMENT ADMINISTRATION COSTS</b>	<b>126,964</b>	<b>123,267</b>	<b>3,697</b>	2.9%
<b><i>Scheme Administration</i></b>				
Pension Scheme Administration Staffing Costs	1,071,844	1,043,301	28,543	2.7% There have been some changes in staffing as a result of a team restructure
Staff Training	32,200	32,200	0	0.0%
Corporate charges	311,450	311,450	0	0.0%
Pension Administration systems and data cleansing	353,600	336,319	17,281	4.9%
Other Administration Costs	79,000	86,624	-7,624	-9.7% Higher than anticipated use of Docmail, due to remote working
<b>SCHEME ADMINISTRATION COSTS</b>	<b>1,848,094</b>	<b>1,809,894</b>	<b>38,200</b>	2.1%
<b><i>Oversight and Governance</i></b>				
Staffing and Related	181,945	190,573	-8,628	-4.7%
Training and Conferences	8,000	3,500	4,500	56.3%
Subscriptions, memberships and levies	44,950	43,450	1,500	3.3%
Actuarial Services	156,000	192,443	-36,443	-23.4% Spend can be variable, this year has included advice on ill-health insurance and some other project work
Audit	27,300	27,300	0	0.0%
Legal Fees	58,250	24,000	34,250	58.8% Lower than budgeted spend on external advice in the first quarter of the year
Advisory Fees (Investment and Independent Advisor)	169,500	191,159	-21,659	-12.8% An additional £15k of spend on a review of Brunel's portfolios was commissioned by the Committee post setting of the budget
Corporate Charges & other costs	146,250	146,250	0	0.0%
<b>OVERSIGHT AND GOVERNANCE COSTS</b>	<b>792,195</b>	<b>818,675</b>	<b>-26,480</b>	-3.3%
<b>LOCAL PENSION BOARD COSTS</b>	<b>27,400</b>	<b>17,000</b>	<b>10,400</b>	38.0% Lower than budgeted spend on consultancy support
<b>GRAND TOTAL</b>	<b>2,794,653</b>	<b>2,768,836</b>	<b>25,817</b>	0.9%