

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
23 March 2017

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### **WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2017-18**

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

1. This report seeks Members' approval of the 2017-18 Administration Budget for the Wiltshire Pension Fund, as shown in the Appendix. Actual costs for 2015-16 are also shown, together with the original budget for 2016-17, the 2016-17 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 2018-19 and 2019-20. 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. 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 2017-18 budget**

5. The indicative budget presented last year for 2017-18 was £10.969m an increase of £768k (7.5%). This included estimated increases in investment management fees offset by the savings from there being no need to cover any cost of Triennial Valuation in 2017/18.
6. The budget now proposed for 2017-18 is £10.169m, a decrease of £32k (-0.3%) from 2016-17 (see Appendix). The largest proportion of the budget (£7.897m) 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 £2.272m, which is a £26k (1.2%) increase. This reasons for this increase are:
  - a) Increase development costs arising from the Fund's involvement in the Brunel Pension Partnership (£65k). As outlined in the Full Business Case approved by Council in February, long term this should lead to a lowering of investment manager fees.

- b) Increase in the net budget provision to cover cost of consultancy (£62k) which is providing additional support to backfill existing roles due to maternity leave of the Benefits Manager and the demands of the Brunel Pooling Project. This assumption assumes the officer returns in September and further agency staff aren't required to backfill other posts.
  - c) Increase in the budget for printing and postage of an additional newsletters for deferred members and for the increased use of mortality screening services to assist in cleansing data (£12k)
8. These increases are largely offset from reductions in the following areas:
- a) A £25k reduction in the budget for external audit fees payable to KPMG in line with planned fees for 2016/17.
  - b) A reduction in the budget to reflect the removal of the triennial valuation in 2017/18 (£75k)
  - c) A £6k reduction in the training budget of the Local Pension Board based on current estimates of spends on this area.
9. The Local Pension Board at its meeting on 25 January 2017, where it reviewed and recommended its budget to the Wiltshire Pension Board recommended the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting. On review of the Terms of Reference for the Local Pension Board, this power already exists for the Treasurer to the Pension Fund.

### ***Summary***

10. 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.
11. The Wiltshire Pension Fund administration costs are currently £29.62 per member in 2016-17. The proposed budget will takes these costs to £29.42 per member (0.09% of the market value of the Fund's assets).
12. In terms of investment costs, the budget indicates spend of 36p per £1,000 (0.36% of market value) on managing it assets for 2017-18, 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**

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

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

14. There are no known implications at this time.

## **Risk Assessment**

15. 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.
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 represents 0.11% of the total Fund value.
17. 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**

18. 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**

19. The Committee is asked to:
  - a) Approve the Pension Fund Administration Budget for 2017-18 shown in the Appendix totalling £10.169m;
  - b) Note the indicative budget allocations for 2018-19 and 2019-20; 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.

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 2017-20

<u>2015-16</u>		<u>2016-17</u>		<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</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>	
	<b>Fund Investment</b>						
<u>7,477,893</u>	INVESTMENT MANAGEMENT FEES	<u>7,955,000</u>	<u>-58,000</u>	<u>7,897,000</u>	<u>676,700</u>	<u>749,400</u>	
105,198	Investment Administration Recharge	112,235	7,465	119,700	-3,000	1,600	
21,616	Investment Custodial & Related Services	30,000	-7,000	23,000	2,000	2,000	Budget reduced for lower custodian costs from more pooled funds
106,695	Investment Professional Fees	107,400	41,950	149,350	219,470	-280,220	Reduction in costs for 2017/18 offset by development costs from Brunel Pension Partnership which will increase over the next two years until implementation
38,545	Corporate Governance Services	40,300	0	40,300	0	0	
40,317	Performance Measurement	40,100	-3,600	36,500	0	0	
<u>312,371</u>	INVESTMENT ADMINISTRATION COSTS	<u>330,035</u>	<u>38,815</u>	<u>368,850</u>	<u>218,470</u>	<u>-276,620</u>	
	<b>Scheme Administration</b>						
1,275,039	Pension Scheme Administration Recharge	1,555,495	76,635	1,632,130	34,335	14,890	Increased use of consultancy to cover vacancies in 2017/18, additional costs for newsletters for deferred members and increased use of mortality screening
193,882	Actuarial Services	185,000	-62,000	123,000	0	74,000	No provision required for triennial valuation in 2017/18
10,214	Audit	58,300	-25,000	33,300	0	0	Provision for external audit fees reduced by £25k in line with planned fees for 2016/17
19,384	Legal Fees	20,000	0	20,000	0	0	
62,461	Committee and Governance Recharge	97,483	-2,513	94,970	770	370	Small reduction from reduced Local Pension Board costs
<u>1,560,980</u>	SCHEME ADMINISTRATION COSTS	<u>1,916,278</u>	<u>-12,878</u>	<u>1,903,400</u>	<u>35,105</u>	<u>89,260</u>	
<u>1,873,351</u>	<b>GRAND TOTAL (EXC INVEST MAN FEES)</b>	<u>2,246,313</u>	<u>25,937</u>	<u>2,272,250</u>	<u>253,575</u>	<u>-187,360</u>	
<u>9,351,244</u>	<b>GRAND TOTAL (INC INVEST MAN FEES)</b>	<u>10,201,313</u>	<u>-32,063</u>	<u>10,169,250</u>	<u>930,275</u>	<u>562,040</u>	