

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
15 March 2018

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### **WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2018-19**

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

1. This report seeks Members' approval for the 2018-19 Administration Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. Actual costs for 2016-17 are also shown, together with the original budget for 2017-18.
2. As last year, the Appendix also shows indicative budgets for the following two years 2019-20 and 2020-21. 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 2018-19 is £11.703m, an increase of £1,534k (+15.1%) from 2017-18 (see Appendix). The largest proportion of the budget (£9.279m) 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 £634,000 per year from April 2018. 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. There are several headings that were previously met directly by the Pension Fund. These are now part of the BPP fee so there are some offsetting changes discussed below.
7. The Local Pension Board meets on the afternoon of the day of this meeting. Normally they would approve their budget prior to the approval of the overall budget by the full Pension Fund Committee. A budget of £27,414 is included for 2018-19 in the attached appendix for the Local Pension Board – the same figure as for 2017-18. This figure will be recommended to the Board this afternoon. 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) is £2.424m, which is a £152k (6.7%) net increase. This reasons for this increase are:
- a) A restructure of the Administrative team of Wiltshire Pension Fund has added 3.5 FTE staff. The costs of the new posts plus the effect of pay awards, reintroduction of increments and increasing superannuation contributions adds approximately £201k to costs in 2018-19. New posts include the Investment Manager, Fund Governance & Performance Manager and a new Senior Pensions Officer post.
  - b) Against this, as the new budget includes just a 1% allowance for vacancies, we have removed the separate provision of £62k for Agency staff which was set to back-fill staff working on the Brunel project.
  - c) The costs of Performance fees (£37k), Custodian Fees (£43k) and Voting services (£32k) are all covered within the BPP fee so these can be removed from the "controllable" budget lines – a total reduction of £112k.
  - d) Development costs of the new Brunel Pensions Partnership should have largely dropped out of the budget with the new arrangements going live from April 2018. We have assumed a saving of £65k from this.
  - e) New developments in the Pensions administration systems provided by Altair. This is anticipated to initially add circa £168k to system costs in 2018-19 and a further £100k thereafter for years 2019-20 onwards.
  - f) The system developments are however, expected to generate savings in terms of Payroll recharges. We have used an indicative figure of £78k per year from 2019-2020.
  - g) A provision was made of £29k to fund DA Archive back-scanning during 2017-18. This is expected to be completed by 2018-19 and so this sum can be removed for that year and subsequent years.
  - h) An additional provision of £50k is made for actuarial costs following the experience of the last few years. Growing costs have been seen each year due to increasing employer numbers, additional complexity and fund developments (e.g. the implementation of employer investment strategies).
  - i) Additional provision of £74k is made for 2019-20 for the cost of the triennial actuarial valuation of the fund as at April 2019.

### **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 £28.30 per member for 2017-18. The proposed budget will take these costs to £32.95 per member (0.08% of the market value of the Fund's assets).
- 11. In terms of investment costs, the budget indicates spend of 36p per £1,000 (0.36% of market value) on managing its assets for 2018-19, 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 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 2018-19 shown in the Appendix totalling £11.703m;
- b) Note the indicative budget allocations for 2019-20 and 2020-21; and

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

Report Author: Chris Ashton, Pension Fund Accountant (Maternity)

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

# APPENDIX

## Wiltshire Pension Fund Administration Budget 2018-21

2016-17		2017-18	Changes	2018-19	2019-20	2020-21	
Actual £		Budget £	£	Budget £	Annual Change £	Annual Change £	
	<b>Fund Investment</b>						
<u>8,617,551</u>	INVESTMENT MANAGEMENT FEES	<u>7,897,000</u>	<u>1,382,000</u>	17.5% <u>9,279,000</u>	<u>716,000</u>	<u>1,193,000</u>	Mgmt fees depend on mkt conditions - Also include inv mgmt fees from Brunel
111,385	Investment Administration Recharge	119,700	15,300	135,000	5,100	3,400	Team restructure - increased establishment
- 303,742	Investment Custodial & Related Services	23,000	- 43,000	- 20,000	-	-	Custodian charges now come via Brunel fees
222,770	Investment Professional Fees	149,350	- 65,050	84,300	12,500	- 12,500	BPP set up costs come out as goes live April 2018
37,819	Corporate Governance Services	40,300	- 32,000	8,300	-	-	Voting services now come via Brunel fees
31,034	Performance Measurement	36,500	- 36,500	-	-	-	Performance Measurement now come via Brunel fees
<u>99,266</u>	INVESTMENT ADMINISTRATION COSTS	<u>368,850</u>	<u>- 161,250</u>	-43.7% <u>207,600</u>	<u>17,600</u>	<u>- 9,100</u>	
	<b>Scheme Administration</b>						
1,604,874	Pension Scheme Administration Recharge	1,632,131	262,869	1,895,000	65,950	27,000	New Altair developments and Team restructure - increased establishment, less reduced Payroll recharge
319,216	Actuarial Services	123,000	50,000	173,000	74,000	- 74,000	Triennial valuation allowed for April 2019
32,904	Audit	33,300	-	33,300	-	-	
8,454	Legal Fees	20,000	-	20,000	-	-	
62,963	Committee and Governance Recharge	94,969	-	94,969	1,000	1,000	
<u>2,028,412</u>	SCHEME ADMINISTRATION COSTS	<u>1,903,400</u>	<u>312,869</u>	16.4% <u>2,216,269</u>	<u>140,950</u>	<u>- 46,000</u>	
<u>2,127,677</u>	GRAND TOTAL (EXC INVEST MAN FEES)	<u>2,272,250</u>	<u>151,619</u>	6.7% <u>2,423,869</u>	<u>158,550</u>	<u>- 55,100</u>	
<u>10,745,228</u>	GRAND TOTAL (INC INVEST MAN FEES)	<u>10,169,250</u>	<u>1,533,619</u>	15.1% <u>11,702,869</u>	<u>874,550</u>	<u>1,137,900</u>	