

WIRRAL COUNCIL

PENSIONS COMMITTEE

13 JANUARY 2010

REPORT OF THE DIRECTOR OF FINANCE

PENSION FUND BUDGET 2010-2011

1. EXECUTIVE SUMMARY

- 1.1. This report outlines the proposed Pension Fund budget incorporating the administration and investment costs for 2010-11, and also shows a revised budget for 2009-10. The Committee is requested to approve the budget.

2. PROBABLE OUTTURN 2009-2010

- 2.1 The Probable Outturn for 2009-10 shows a projected overspending of £670,000 on a budget of £11.7m, primarily reflecting the increased ad valorem fees payable to fund managers due to the significant increase in value of the Fund during the current financial year.
- 2.2 Staffing budgets expected to be marginally underspent.
- 2.3 The probable outturn figures also reflect the development of a new accounting system based on the Oracle platform.
- 2.4 There is a projected £64,000 underspending on supplies and services, including furniture (£25,200), and use of external services, including consultants (£20,000).

3 BUDGET 2010-2011

- 3.1 Final guidance from the Department for Communities and Local Government is still awaited regarding the content of Pension Fund Annual Reports. This may contain elements which relate to the content of annual budgets, particularly with regard to the payment of benefits, transfer values and contributions. Such elements have never previously featured in Pension Fund budgets. Their main impact is on an individual employer basis as part of the Triennial Valuation, which sets contribution rates for each employer. In the absence of this guidance the budget for 2010 – 2011 is being set, as previously, to reflect the administrative and investment management costs of the Pension Fund, and excludes benefits, transfer values and contributions.

- 3.2 The budget also excludes certain costs which are, or are expected to be, reflected in increases in the value of the Fund. This includes payments to tax advisers who are assisting with the pursuit of further recoveries of UK tax, European Withholding Tax and USA tax. Performance payments to managers to exceed their out-performance targets are deemed to be covered by the related change in Fund value, and hence are not explicitly budgeted for.
- 3.3 The proposed budget is shown as the appendix to this report, and totals £13,826,100. It reflects decisions previously taken by the Pensions Committee, and items elsewhere on this agenda, including the following:
- Custodian monitoring
 - Implementation of the new Pensions Administration System, which has a one- off additional cost of £163,000 in 2010-2011.
 - Manager selection costs for the Japanese, Far East and Emerging Markets mandates
 - Award of the property strategy manager and independent property valuer contracts.
 - A reduction in the budget for Independent Advisors.
- 3.4 Increases Linked to the Value of the Fund:-
- a. There is an increase in the budget for investment management expenses, which are estimated to total £7,918,500 in 2010-2011. These are ad valorem fees which vary according to the value of each portfolio. The increase reflects the increase in such values over the last twelve months, and assumes a further increase in the Fund during 2010- 2011.
- b. Custodian fees will also increase, as the basic custody element is also charged on an ad valorem basis.
- 3.5 The budget for rental charges for the use of Castle Chambers has increased as a result of the major refurbishment. The equivalent income is retained by the Fund.
- 3.6 There is an increase in budget for actuarial costs to reflect the work associated with the Triennial Valuation as at 31 March 2010. The budget is temporarily increased every three years to reflect this exercise.
- 3.7 Budget reductions are proposed in the following areas:
- Furniture and office equipment: £12,900 – as a result of the new contracts negotiated by the Procurement Team
 - Other supplies and services: £2,700

4. FINANCIAL IMPLICATIONS

- 4.1. The estimates cover the administrative costs of MPF together with the investment management costs. The totals of the actual, rather than estimated costs of administering the Pension Fund are recoverable from employers by inclusion in their contributions and currently amount to around 0.5% of the employer contribution rate. The next revision of contribution rates will follow the Triennial Valuation scheduled for March 2010, for implementation in April 2011.

5. STAFFING IMPLICATIONS

- 5.1. There are none arising from this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

- 7.1. There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

- 8.1. There are none arising directly from this report.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

- 9.1. There are none arising directly from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

- 10.1. There are no implications in this report.

11. PLANNING IMPLICATIONS

- 11.1. There are none arising directly from this report.

12. BACKGROUND PAPERS

- 12.1. None were used in the preparation of this report.

13. **RECOMMENDATION**

13.1. That Members approve the estimates for 2010-2011.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/358/09

	ESTIMATE 2009-10 £	PROBABLE 2009-10 £	APPENDIX ESTIMATE 2010-11 £
Employees			
Pay, NI and Pension	2,757,000	2,679,200	2,898,100
Training	38,000	38,000	41,000
Other staffing costs	17,200	90,200	17,200
	<u>2,812,200</u>	<u>2,807,400</u>	<u>2,956,300</u>
Premises			
Rents	107,200	107,200	130,300
	<u>107,200</u>	<u>107,200</u>	<u>130,300</u>
Transport			
Public transport	9,900	21,200	21,200
Car Allowances	3,500	2,100	2,200
	<u>13,400</u>	<u>23,300</u>	<u>23,400</u>
Supplies			
Furniture and office equipment	70,800	35,600	57,900
Printing, stationery literature and employer/ee liaison	153,500	158,000	158,500
Computer Development and hardware	130,700	101,000	76,000
Postages and telephones	138,100	138,100	141,800
External Audit - Stamp Duty	60,100	73,700	75,200
Consultants Fees	218,100	198,800	226,500
Conference and subsistence expenses	33,700	33,700	33,700
Subscriptions	208,600	213,200	254,500
Other	21,400	19,200	18,700
	<u>1,035,000</u>	<u>971,300</u>	<u>1,042,800</u>
Third Party			
Bank charges	18,400	18,400	18,400
Investment Management Fees	6,176,700	6,900,000	7,918,500
Custodian Fees	461,200	461,200	467,000
Actuarial Fees	136,400	136,400	166,000
Other Hired & Contracted Services	244,400	244,400	387,700
	<u>7,037,100</u>	<u>7,760,400</u>	<u>8,957,600</u>
Transfers			
Payments for devolved administration	<u>176,000</u>	<u>176,000</u>	<u>177,800</u>
Support			
Central Support - I T Charges	348,600	348,600	355,600
Central Support - Other Charges	253,500	253,500	258,600
	<u>602,100</u>	<u>602,100</u>	<u>614,200</u>
Total Expenditure	11,783,000	12,447,700	13,902,400
Income			
Fire and Rescue Service	<u>-75,500</u>	<u>-75,500</u>	<u>-76,300</u>
Total Income	<u>-75,500</u>	<u>-75,500</u>	<u>-76,300</u>
Net Expenditure	11,707,500	12,372,200	13,826,100