

WIRRAL COUNCIL

PENSIONS COMMITTEE

14 JANUARY 2009

REPORT OF THE DIRECTOR OF FINANCE

PENSION FUND BUDGET 2009-2010

1. EXECUTIVE SUMMARY

- 1.1. This report and its appendix outline the proposed Pension Fund budget incorporating the administration and investment costs for 2009-10, and also show a revised budget for 2008-09. The Committee is requested to approve the budget.

2. PROBABLE OUTTURN 2008-2009

- 2.1 The Probable Outturn for 2008-09 shows a projected underspending of £1.8m on a budget of £11m. The main influence is a projected underspending on investment management expenses of £1.6m. This reflects two factors, a larger percentage of the Fund being under passive management in pooled vehicles during the current year plus the lower value of the Fund, upon which fee levels are based, due to the current stock market conditions.
- 2.2 Staffing budgets are expected to underspend by £300k, due in part to vacancies at the start of the financial year.
- 2.3 The budget for computer development and hardware will be fully spent. However, as indicated in paragraph 3.3, and in a separate report on this agenda, the proposed acquisition of a new IT software system for pensions administration requires a new server, for which the Pensions Committee agreed to bring forward financial provision of £30,000 from the 2007-08 underspending into the current financial year.

3 BUDGET 2009-2010

- 3.1 The proposed budget is shown as the appendix to this report, and totals £11,689,300. It reflects decisions previously taken by the Pensions Committee.
- 3.2 The broad financial implications of the revised Asset Allocation agreed at the meeting of the Pensions Committee on 26 November 2007 were already reflected in the 2008-09 budget. These have now been fine-tuned in the light of the detailed arrangements for the new actively managed UK and European mandates agreed by Committee on 17 November 2008. These have a significant impact in the following budget headings:

- (a) There is an increase in the budget for investment management expenses, which are estimated to total £6,176,700 in 2009-10. This is due to the increase in the number of mandates, together with moves towards an active rather than passive investment style, which involves higher fees for expected market out-performance. However, the fall in market values since the 2008-09 budget was set has to a large extent countered this increase.
- (b) Custodian fees will increase. From February 2009 the number of segregated portfolios, which are more costly to run than pooled funds, will increase and generate higher custodianship, transaction and accounting costs
- 3.3 The financial implication of two reports which constitute exempt information, the Pensions Administration IT System, and the Independent Advisers' contracts, are taken into account in these budget proposals.
- 3.4 The budget for Consultancy Fees includes the costs of performance monitoring. Part of the increase shown reflects the proposed contract for manager selection specialist services.
- 3.5 The increase in the budget for Subscriptions relates primarily to additional corporate governance services commissioned from PIRC, Analytics and the European Corporate Governance Service.

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 pensions service 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 Pensions Committee approves the estimates for 2009-2010.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/09/09