

**WIRRAL COUNCIL**  
**PENSIONS COMMITTEE**  
**17 JANUARY 2012**

<b>SUBJECT:</b>	<b>MERSEYSIDE PENSION FUND BUDGET 2012/2013</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>KEY DECISION</b>	NO

**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to request that Members approve the budget for 2012/13.
- 1.2 During 2012/13, I estimate that MPF will pay £262.3m in pensions and receive £251.4m in contributions from employers and employees. The Fund had a value of £4,693m at 30 September 2011. The proposed administration costs of £15.7m including £10.3m of investment management charges to external managers represent a cost of £129.46 per member of the scheme. The investment management costs are approximately 0.22% of total assets.

**2.0 RECOMMENDATION**

- 2.1 That Members approve the budget for 2012/13.

**3.0 REASON FOR RECOMMENDATION**

- 3.1 The approval of the budget for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Statement of Investment Principles on 16 November 2010.

**4.0 BACKGROUND AND KEY ISSUES**

- 4.1 The method used to compile estimates of expenditure for 2012/13 is as follows:

Staffing	Current structure to be fully staffed throughout year
Investment Management Fees	Estimate based on normal market conditions with 50% of investment mandates achieving performance targets.
Rent	Agreed as a charge based on market rates (MPF owns building)
Transport Conferences and Subsistence	Estimated requirements for current year
Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	RPI 5.2% as at September 2011
Investment Performance	4% bonds, 8% equities 50% of performance targets met for active management

- 4.2. The major item of expenditure is on investment management fees. These are mostly charged on an ad-valorem basis with, on some occasions, a performance fee. This means that when the Fund investments rise in value and outperform, than the fees can rise substantially. This is a benefit to the Fund. However in 2011 investment markets performed poorly meaning that the out turn for investment management expenses will be lower than estimated for 2011/12 and that the budget for 2012/13 is lower than the budget for 2011/12.
- 4.3 The expenditure estimated for 2012/13 is lower for most items than that estimated for 2011/12. Managers are mindful of the need for efficient use of resources in this difficult climate.

## **5.0 RELEVANT RISKS**

- 5.1 MPF has recently reviewed the Risk Register and identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the Fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements are continually subject to review and there was a comprehensive review of staffing arrangements last year as part of the EVR exercise.

## **7.0 CONSULTATION**

- 7.1 Not relevant for this report

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are no implications arising directly from this report.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 The costs of the Pension Fund are covered by investment income and employee and employer contributions. The costs are estimated to be £129.46 per member. (including active contributors deferred and pensioners). The costs per member at Merseyside Pension Fund are lower than most other pension funds of similar size in both the public and private sector.
- 9.2 The budget outlined in the appendix involves reductions from previous years in staffing costs and other expenditure.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 There are no implications arising directly from this report.

## 11.0 EQUALITIES IMPLICATIONS

11.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

## 12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

## 13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no planning or community safety implications arising from this report.

FNCE/9/12

**REPORT AUTHOR:** **Paddy Dowdall**  
Investment Manager  
telephone: 0151 2421310  
[paddydowdall@wirral.gov.uk](mailto:paddydowdall@wirral.gov.uk)

## APPENDICES

*The budget for 2012/13 is attached as appendix 1 to this report.*

## REFERENCE MATERIAL

Internal working papers were used in the production of this report.

## SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee :</b>	
<b>Pension Fund Budget</b>	<b>11 January 2011</b>
<b>Pension Fund Budget</b>	<b>13 January 2010</b>
<b>Pension Fund Budget</b>	<b>14 January 2009</b>

## Appendix 1

<b>Value of the Fund</b>	£4,700,000,000	<i>30 September 2011</i>
<b>Investment income Received</b>	£93,100,000	<i>Projected 2012/13</i>
<b>Pensions Paid</b>	£262,000,000	<i>Projected 2012/13</i>
<b>Contributions Received</b>	£251,400,000	<i>Projected 2012/13</i>
<b>Active Contributing members</b>	48,323	<i>31 March 2011</i>
<b>Deferred members</b>	30,946	<i>31 March 2011</i>
<b>Pensioners</b>	42,454	<i>31 March 2011</i>
<b>Total Members</b>	121,723	<i>31 March 2011</i>
	<b>Estimate</b>	<b>Estimate</b>
	<b>2011/12</b>	<b>2012/13</b>
	£	£
<b>Employees</b>		
Pay NI and Pension	2,665,100	2,534,400
Training	41,000	40,000
Other Staffing Costs	182,000	82,200
	<u>2,888,100</u>	<u>2,656,600</u>
<b>Premises</b>		
Rents	<u>114,700</u>	<u>114,700</u>
<b>Transport</b>		
Public Transport Expenses	38,600	31,450
Car Allowances	1,600	2,000
	<u>40,200</u>	<u>33,450</u>
<b>Supplies</b>		
Furniture and office equipment	41,500	40,000
Printing, stationery	158,500	197,500
Computer Development, Hardware	55,000	55,000
Postages and telephones	138,800	138,500
External Audit	52,700	59,200
Services Consultants Fees	217,800	200,000
Conferences and Subsistence	48,800	40,520
Subscriptions	274,700	230,000
Other	16,500	0
	<u>1,004,300</u>	<u>960,720</u>
<b>Third Party</b>		
Medical Fees	9,000	10,000
Bank Charges	18,400	15,000
Investment Management Fees	10,908,300	10,300,000
Custodian Fees	510,000	450,000
Actuarial Fees	151,000	150,000
Other hired & Contracted Services	224,700	235,000
	<u>11,821,400</u>	<u>11,160,000</u>
<b>Transfers</b>		
Payments for devolved administration	<u>184,900</u>	<u>199,200</u>

**Departmental & Central Support Charges**

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623,000	719,300
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**Total Expenditure**

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<b>16,676,600</b>	<b>15,843,790</b>
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**Income**

Fire Service Administration

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(74,700)	(85,500)
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**Total net Expenditure**

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16,601,900	15,758,470
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