

WIRRAL COUNCIL

PENSIONS COMMITTEE

24TH JUNE 2013

SUBJECT:	BUDGET FINANCIAL YEAR 2013/2014 BUDGET OUT TURN 2012/13 AND ANNUAL REPORT 2012/13
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members note and approve:

- The finalised budget for the financial year 2013/14.
- The out-turn for the financial year 2012/13.
- The 3 year budget for MPF as required for the annual report

1.2 There are no significant changes from the original report in January in terms of the out-turn for 2012/13 and for the budget for 2013/14.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee at its meeting on 15th January 2013, agreed the budget for 2013/14 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.

2.2 The finalised budget is included in this report as an appendix, the only variances from that reported in January is

- Staffing now reflects pension deficit recovery charges and some small changes.
- Some changes in supplies and services but not significantly affecting the net figure.
- Small reduction in central establishment charges.

2.3 Pensions Committee at its meeting on 15th January 2013 received an estimate of the out-turn for 2012/13, it was also agreed that I would report back on the final out turn. The finalised out-turn is included in appendix 1. There are no significant changes to the projected out turns. The changes are similar to the changes to the budget:

- Staffing now includes pension deficit recovery charges for the year and some small changes.
- Some changes in supplies and services but not significantly affecting the net figure.
- Reduction in central establishment charges from estimated to actual.

2.4 CIPFA have published a document outlining best practice for the contents of the annual reports of LGPS Funds, this includes financial performance including 3 year budgets

2.5 The projected 3 year budget for MPF is as detailed in the table below.

	2013/14	2014/15	2015/16
Employees	£2,627,638	£2,811,573	£2,867,804
Premises	188,193.08	£193,086	£198,106
Transport	£28,040	£28,769	£29,517
Investment fees	£11,555,999	£12,353,363	£13,205,745
Other Supplies and Services	£1,345,634	£1,380,621	£1,416,517
Third Party	£243,878	£250,218	£256,724
Transfers	£173,318	£177,824	£182,448
Recharges	£725,120	£725,120	£725,120
(Income)	-£87,800	-£90,083	-£92,425
Total	£16,800,020	£17,830,492	£18,789,556

2.6 The assumptions used in the preparation of these 3 years budgets are as follows

Staffing	Current Structure to be fully staffed throughout year 2% pay rises in subsequent years plus growth
Investment management Fees	Estimate based on normal market conditions and 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 2.6% as at September 2012
Investment Performance	4% bonds, 8% equities, 50% of performance targets met for active management This equates to 6.9% growth per annum

- 2.7 The 3 year budget also includes additional items of additional £100,000 for implementation of the 2014 scheme in terms of IT systems and a 5% growth in staff costs to meet these and other regulatory requirements from 2014 onwards.

3.0 RELEVANT RISKS

- 3.1 This has not changed since the report in January as below.
The Fund has recently reviewed its 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.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 This has not changed since the report in January as below.
The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements have recently been subject to review with another on-going and there was a comprehensive review of staffing arrangements in previous years as part of the EVR exercise. As described earlier, the administering authority is also undertaking a review of its back office services with an aim of reducing costs which should result in a decrease in charges to the Fund. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Head of Service approved the proposals for discretionary expenditure in this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be per member. (Including active contributors deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector.

8.0 LEGAL IMPLICATIONS

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

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

12.0 RECOMMENDATION/S

12.1 Members approve the finalised budget for 2013/14 with revised estimates for departmental & central support charges for 2013/14 and finalised salary costs.

12.2 Members approve other issues for inclusion in the 2012/13 Annual Report including 3 year financial estimates

12.3 Members note the out turn for 2012/13.

13.0 REASON FOR RECOMMENDATIONS

13.1 The approval of the budget and annual report for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

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APPENDICES

The budget for 2013/14 including the out-turn for 2012/13 is attached as appendix 1 to this report.

The original appendix as reported to Members on 15th January 2013 is attached as appendix 2 to this report for information

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee :	
Pension Fund Budget	15th January 2013
Pension Fund Budget	17th January 2012
Pension Fund Budget	11th January 2011
Pension Fund Budget	13th January 2010

Appendix 1

Value of the Fund	£5,149,000,000	30/09/2012
Investment income Received	£93.4m	Projected 2012/13
Pensions Paid	£258.9m	Projected 2012/13
Contributions Received	£247.9m	Projected 2012/13
Active Contributing members	45,521	31 st March 2012
Deferred members	32,912	31 st March 2012
Pensioners	37,314	31 st March 2012
Total Members	115,747	31 st March 2012

	Budget 2012/13	Actual Out-Turn 2012/2013	Budget 2013/2014
	£		£
Employees			
Pay, NI and Pension	2,534,400	2,438,298.83	2,522,638.16
Training	40,100	15,070.46	20,000.00
Other Staffing Costs	82,200	75,197.56	85,000.00
	2,656,700	2,528,566.85	2,627,638.16
Premises			
Rents	114,700	208,593.10	188,193.08
	114,700	208,593.10	188,193.08
Transport			
Public Transport Expenses	31,450	9,790.97	24,840.00
Car Allowances	2,000	1,715.80	3,200.00
	33,450	11,506.77	28,040.00
Supplies			
Furniture and Office Equipment	40,000	12,522.48	25,000.00

Printing and Stationery	197,500	75,003.89	75,000.00
Computer Development and Hardware	55,000	285,893.33	315,000.00
Postages and Telephones	138,500	109,216.05	104,500.00
External Audit	59,200	28,563.00	40,000.00
Services and Consultants			
Fees	200,000	345,983.81	590,397.00
Conferences and Subsistence	40,520	28,237.14	34,540.00
Subscriptions	230,000	45,676.25	96,197.36
Other	0	11,700.70	65,000.00
	960,720.00	942,796.65	1,345,634.36
Third Party			
Medical Fees	10,000	9,600.80	5,000.00
Bank Charges	15,000	14,636.49	15,000.00
Investment Management Fees	10,300,000	10,489,470.75	11,555,999.08
Custodian Fees	450,000	194,176.76	0.00
Actuarial Fees	150,000	290,380.25	163,877.56
Other Hired and Contracted Services	235,000	252,479.95	60,000.00
	11,160,000	11,250,745.00	11,799,876.64
Transfers			
Payments for Devolved Administration	199,200.00	173,317.87	173,317.87
	199,200.00	173,317.87	173,317.87
Departmental & Central Support Charges	719,300	739,779.90	725,120.00
	719,300.00	739,779.90	725,120.00
Total Expenditure	15,844,070.00	15,855,306.14	16,887,820.12
Income			
Fire Service Administration	85,500	85,290.89	87,800.00
	85,500	85,290.89	87,800.00
Total Net Expenditure	15,758,570	15,770,015.25	16,800,020.12

Appendix 2 As reported on 15th January 2013

Value of the Fund	£5,149,000,000	30/09/2012
Investment income Received	£93.4m	Projected 2012/13
Pensions Paid	£258.9m	Projected 2012/13
Contributions Received	£247.9m	Projected 2012/13
Active Contributing members	45,521	31 st March 2012
Deferred members	32,912	31 st March 2012
Pensioners	37,314	31 st March 2012
Total Members	115,747	31 st March 2012

	Budget 2012/13	Probable Out-Turn 2012/2013	Budget 2013/2014
	£	£	£
Employees			
Pay, NI and Pension	2,534,400	2,265,133.74	2,522,638.16
Training	40,100	10,220.00	20,000.00
Other Staffing Costs	82,200	76,597.56	85,000.00
	2,656,700	2,351,951.30	2,627,638.16
Premises			
Rents	114,700	208,593.08	188,193.08
	114,700	208,593.08	188,193.08
Transport			
Public Transport Expenses	31,450	13,826.12	24,840.00
Car Allowances	2,000	2,689.66	3,200.00
	33,450	16,515.78	28,040.00
Supplies			
Furniture and Office Equipment	40,000	16,668.34	25,000.00

Printing and Stationery	197,500	69,852.70	75,000.00
Computer Development and Hardware	55,000	295,106.98	315,000.00
Postages and Telephones	138,500	129,478.90	104,500.00
External Audit	59,200	40,000.00	40,000.00
Services and Consultants			
Fees	200,000	268,948.92	590,397.00
Conferences and Subsistence	40,520	14,024.88	34,540.00
Subscriptions	230,000	39,869.90	96,197.36
Other	0	10,955.96	65,000.00
	960,720.00	884,906.58	1,345,634.36
Third Party			
Medical Fees	10,000	5,778.80	8,500.00
Bank Charges	15,000	14,459.42	15,000.00
Investment Management Fees	10,300,000	10,258,077.24	11,555,999.08
Custodian Fees	450,000	240,000.00	0.00
Actuarial Fees	150,000	150,000.00	163,877.56
Other Hired and Contracted Services	235,000	509,454.33	60,000.00
	11,160,000	11,177,769.79	11,803,376.64
Transfers			
Payments for Devolved Administration	199,200.00	168,925.80	173,317.87
	199,200.00	168,925.80	173,317.87
Departmental & Central Support Charges	719,300	896,811.14	725,120.00
	719,300.00	896,811.14	725,120.00
Total Expenditure	15,844,070.00	15,705,473.47	16,891,320.12
Income			
Fire Service Administration	85,500	85,500.00	87,800.00
	85,500	85,500.00	87,800.00
Total Net Expenditure	15,758,570	15,619,973.47	16,803,520.12

