

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

22 JUNE 2015

<b>SUBJECT:</b>	<b>BUDGET FINANCIAL YEAR 2015/16 BUDGET OUT-TURN 2014/15 AND ANNUAL REPORT 2014/15</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES</b>
<b>KEY DECISION</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

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

- The out-turn for the financial year 2014/15.
- The finalised budget for the financial year 2015/16.
- The 3 year budget for MPF as required for the annual report.

1.2 The actual out-turn for 2014/15 is £17.3m, lower than the original budget approved 1 July 2014 and September 2014 of £19.1m and higher than the projected out-turn of £16.5m as reported at Pensions Committee on 19 January 2015.

1.3 The finalised 2015/16 budget is £19.5m.

### 2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee, at its meeting on 19 January 2015, received an estimate of the out-turn for 2014/15 and it was also agreed that I would report back on the final out-turn. The finalised out-turn is included in appendix 1. The previously reported issues of coding and classification in supplies and third party payments, as well as the need to use estimates have been resolved and expenditure in these areas is now in line with the budget set. The actual out-turn for 2014/15 is higher than the projected out-turn reported in January 2015, due to the number of estimates required for the January report. The main changes are as follows:

- Pension related recharges have now been included within other staffing costs.
- The actual out-turn for supplies are higher than the projection, largely due to computer development & hardware, and services & consultant fees expenditure in the final quarter; although this area is still below budget.
- The actual out-turn for third party payments is higher than the projection. The main reason is the investment management fees projected came in

above that projection, however, below the original budget. Third party payments overall are lower than the budget set.

- Reduction in central establishment charges from estimated to actual.

2.2 Pensions Committee at its meeting on 19 January 2015 agreed the budget for 2015/16 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.

2.3 The finalised budget is included in this report in appendix 1, the variances from that reported in January are:

- Staffing now reflects pension deficit recovery charges.
- Updated estimate for central establishment charges.
- Updated investment management fees and actuary fees.
- Updated to reflect known costs for local pension board and national scheme advisory board costs.

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 detailed in the table below:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Employees	£3,140,376	£3,171,780	£3,203,498
Premises	£252,187	£255,213	£258,276
Transport	£41,100	£41,593	£42,092
Investment fees	£13,379,890	£14,316,482	£15,318,636
Other Supplies and Services	£1,522,003	£1,540,267	£1,558,750
Third Party	£618,885	£626,312	£633,827
Recharges	£500,600	£500,600	£500,600
<b>Total</b>	<b>£19,455,041</b>	<b>£20,452,247</b>	<b>£21,515,679</b>

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 1% 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 notional 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	CPI 1.2% as at September 2014.
Investment Performance	This has been derived from the long-term return assumptions for MPF by the Actuary.

### **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 and a national consultation on "LGPS: Opportunities for collaboration, cost savings and efficiencies is ongoing. Staffing arrangements remain under review.

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 a 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 note the out turn for 2014/15.

12.2 Members approve the finalised budget for 2015/16.

12.3 Members approve other issues for inclusion in the 2014/15 Annual Report including 3 year financial estimates.

## **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 2015/16 including the out-turn for 2014/15 is attached as appendix 1 to this report.*

*The original appendix as reported to Members on 19 January 2015 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)**

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee :</b>	
<b>Pension Fund Budget</b>	<b>19 January 2015</b>
<b>Pension Fund Budget</b>	<b>1 July 2014</b>
<b>Pension Fund Budget</b>	<b>20 January 2014</b>
<b>Pension Fund Budget</b>	<b>24 June 2013</b>
<b>Pension Fund Budget</b>	<b>15 January 2013</b>
<b>Pension Fund Budget</b>	<b>17 January 2012</b>

## Appendix 1

<b>Value of the Fund</b>	£6.9bn	31/03/2015
<b>Investment income Received</b>	£128m	Projected 2015/16
<b>Pensions Paid</b>	£295m	Projected 2015/16
<b>Contributions Received</b>	£192m	Projected 2015/16
<b>Active Contributing members</b>	45,583	31 <sup>st</sup> March 2015
<b>Deferred members</b>	35,786	31 <sup>st</sup> March 2015
<b>Pensioners</b>	45,819	31 <sup>st</sup> March 2015
<b>Total Members</b>	127,188	31 <sup>st</sup> March 2015

	<b>Budget 2014/15 £</b>	<b>Actual Out-Turn 2014/15</b>	<b>Budget 2015/16 £</b>
<b>Employees</b>			
Pay, NI and Pension	2,644,322	2,296,253	2,744,181
Training	20,000	8,292	20,000
Other Staffing Costs	439,700	254,446	376,195
	<b>3,104,022</b>	<b>2,558,991</b>	<b>3,140,376</b>
<b>Premises</b>			
Rents	214,638	214,637	252,187
	<b>214,638</b>	<b>214,637</b>	<b>252,187</b>
<b>Transport</b>			
Public Transport Expenses	29,530	23,696	39,900
Car Allowances	0	968	1,200
	<b>29,530</b>	<b>24,664</b>	<b>41,100</b>
<b>Supplies</b>			
Furniture and Office Equipment	20,000	2,376	20,000
Printing and Stationery	90,000	27,643	90,000
Computer Development and Hardware	390,000	263,787	432,000

Postages and Telephones	105,600	70,200	109,000
External Audit	41,000	38,792	41,000
Services and Consultants			
Fees	695,784	742,525	545,980
Conferences and Subsistence	41,320	21,245	67,170
Subscriptions	121,012	87,010	138,353
Other	79,000	73,942	78,500
	<b>1,583,716</b>	<b>1,327,520</b>	<b>1,522,003</b>
<b>Third Party</b>			
Medical Fees	8,500	3,866	8,500
Bank Charges	5,000	9,221	15,000
Investment Management Fees	13,153,617	12,300,538	13,379,890
Custodian Fees	200,000	247,393	250,000
Actuarial Fees	160,000	103,335	203,950
Other Hired and Contracted Services	96,183	68,489	141,435
	<b>13,623,300</b>	<b>12,732,842</b>	<b>13,998,775</b>
<b>Departmental &amp; Central Support Charges</b>	615,000	564,767	500,600
	<b>615,000</b>	<b>564,767</b>	<b>500,600</b>
<b>Total Expenditure</b>	<b>19,170,206</b>	<b>17,423,421</b>	<b>19,455,041</b>
<b>Income</b>			
Fire Service Administration	88,500	106,332	0
	<b>88,500</b>	<b>106,332</b>	<b>0</b>
<b>Total Net Expenditure</b>	<b>19,081,706</b>	<b>17,317,089</b>	<b>19,455,041</b>

## Appendix 2 As reported on 19 January 2015

<b>Value of the Fund</b>	£6.4bn	30/09/2014
<b>Investment income Received</b>	£111.3m	Projected 2015/16
<b>Pensions Paid</b>	£267m	Projected 2015/16
<b>Contributions Received</b>	£184m	Projected 2015/16
<b>Active Contributing members</b>	45,583	31 <sup>st</sup> March 2014
<b>Deferred members</b>	35,786	31 <sup>st</sup> March 2014
<b>Pensioners</b>	45,819	31 <sup>st</sup> March 2014
<b>Total Members</b>	127,188	31 <sup>st</sup> March 2014

	Budget 2014/15 £	Probable Out-Turn 2014/15 £	Budget 2015/16 £
<b>Employees</b>			
Pay, NI and Pension	2,644,322	2,250,424	2,744,181
Training	20,000	10,564	20,000
Other Staffing Costs	439,700	239,598	379,895
	<b>3,104,022</b>	<b>2,655,586</b>	<b>3,144,076</b>
<b>Premises</b>			
Rents	214,638	214,638	252,187
	<b>214,638</b>	<b>214,638</b>	<b>252,187</b>
<b>Transport</b>			
Public Transport Expenses	29,530	2,880	39,900
Car Allowances	0	1,080	1,200
	<b>29,530</b>	<b>3,960</b>	<b>41,100</b>
<b>Supplies</b>			
Furniture and Office Equipment	20,000	1,889	20,000
Printing and Stationery	90,000	55,443	90,000

Computer Development and Hardware	390,000	172,472	432,000
Postages and Telephones	105,600	121,629	109,000
External Audit	41,000	39,062	41,000
Services and Consultants			
Fees	695,784	608,938	545,980
Conferences and Subsistence	41,320	35,770	53,880
Subscriptions	121,012	115,427	138,353
Other	79,000	14,285	78,500
	<b>1,583,716</b>	<b>1,164,915</b>	<b>1,508,713</b>

### Third Party

Medical Fees	8,500	2,784	8,500
Bank Charges	5,000	6,206	15,000
Investment Management Fees	13,153,617	11,505,685	11,229,890
Custodian Fees	200,000	242,930	250,000
Actuarial Fees	160,000	113,901	160,000
Other Hired and Contracted Services	96,183	73,307	112,000
	<b>13,623,300</b>	<b>11,944,812</b>	<b>11,775,390</b>

### Transfers

Payments for Devolved Administration

<b>Departmental &amp; Central Support Charges</b>	615,000	615,000	615,000
	<b>615,000</b>	<b>615,000</b>	<b>615,000</b>

<b>Total Expenditure</b>	<b>19,170,206</b>	<b>16,598,911</b>	<b>17,336,466</b>
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### Income

Fire Service Administration	88,500	95,318	88,500
	<b>88,500</b>	<b>95,318</b>	<b>88,500</b>

<b>Total Net Expenditure</b>	<b>19,081,706</b>	<b>16,500,593</b>	<b>17,247,966</b>
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