

**WIRRAL COUNCIL**  
**PENSIONS COMMITTEE**  
**4 JULY 2016**

<b>SUBJECT:</b>	<b>BUDGET FINANCIAL YEAR 2016/17 BUDGET OUT-TURN 2015/16 AND ANNUAL REPORT 2015/16</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 2015/16.
- The finalised budget for the financial year 2016/17.
- The 3 year budget for MPF as required for the annual report.

1.2 The actual out-turn for 2015/16 is £17.7m, lower than the original budget approved 22 June 2015 of £19.5m and higher than the projected out-turn of £17.2m as reported at Pensions Committee on 25 January 2016.

1.3 There are no significant changes from the original 2016/17 budget reported in January; the finalised 2016/17 budget is £19.2m.

**2.0 BACKGROUND AND KEY ISSUES**

2.1 Pensions Committee, at its meeting on 25 January 2016, received an estimate of the out-turn for 2015/16 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 actual out-turn for 2015/16 is higher than the projected out-turn reported in January 2016, due to the number of estimates required for the January report. The main changes are as follows:

- Actual salary related recharges have now been included within other staffing costs.
- The actual out-turn for third party payments is higher than the projection. The main reason is the actual expenditure for investment management fees is above that projected, 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 25 January 2016 agreed the budget for 2016/17 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 updated salary and salary related recharges.
- Updated estimate for central establishment charges.
- Updated investment performance measurement fees and a budget allocation for costs associated with pooling.

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>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Employees	£3,326,033	£3,359,293	£3,392,886
Premises	£284,042	£287,735	£291,475
Transport	£52,914	£53,602	£54,299
Investment fees	£12,611,442	£13,481,631	£14,411,864
Other Supplies and Services	£1,783,972	£1,807,164	£1,830,657
Third Party	£658,255	£666,812	£675,481
Recharges	£529,700	£529,700	£529,700
<b>Total</b>	<b>£19,246,358</b>	<b>£20,185,937</b>	<b>£21,186,362</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	RPI 1.3% as at April 2016.
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 the Fund is part of the "Northern Pool" working on proposals for pooling LGPS investments to deliver reduced costs. Staffing arrangements remain under review.

### **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 proposed costs of £19.2m including £12.6m of investment management charges to external managers represent a cost of £146.83 per member of the scheme. Taken separately the investment management costs of £12.6m are £96.21 per member of the scheme and 0.19% of total assets under management.

### **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 2015/16.

12.2 Members approve the finalised budget for 2016/17.

12.3 Members approve other issues for inclusion in the 2015/16 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 2016/17 including the out-turn for 2015/16 is attached as appendix 1 to this report.*

*The original appendix as reported to Members on 25 January 2016 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>25 January 2016</b>
<b>Pension Fund Budget</b>	<b>22 June 2015</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>

## Appendix 1

<b>Value of the Fund</b>	£6.8bn	31/03/2016
<b>Investment income Received</b>	£135m	<i>Projected 2016/17</i>
<b>Pensions Paid</b>	£272m	<i>Projected 2016/17</i>
<b>Contributions Received</b>	£196m	<i>Projected 2016/17</i>
<b>Active Contributing members</b>	46,221	<i>31<sup>st</sup> March 2016</i>
<b>Deferred members</b>	37,136	<i>31<sup>st</sup> March 2016</i>
<b>Pensioners</b>	47,724	<i>31<sup>st</sup> March 2016</i>
<b>Total Members</b>	131,081	<i>31<sup>st</sup> March 2016</i>

	<b>Budget 2015/16 £</b>	<b>Actual Out-Turn 2015/16</b>	<b>Budget 2016/17 £</b>
<b>Employees</b>			
Pay, NI and Pension	2,744,181	2,419,911	3,007,867
Training	20,000	2,049	20,000
Other Staffing Costs	376,195	249,180	298,166
	<b>3,140,376</b>	<b>2,671,140</b>	<b>3,326,033</b>
<b>Premises</b>			
Rents	252,187	252,187	284,042
	<b>252,187</b>	<b>252,187</b>	<b>284,042</b>
<b>Transport</b>			
Public Transport Expenses	39,900	26,122	51,614
Car Allowances	1,200	1,137	1,300
	<b>41,100</b>	<b>27,259</b>	<b>52,914</b>
<b>Supplies</b>			
Furniture and Office Equipment	20,000	985	18,000
Printing and Stationery	90,000	29,668	67,000
Computer Development and Hardware	432,000	229,400	532,500

Postages and Telephones	109,000	77,191	109,250
External Audit	41,000	39,634	41,000
Services and Consultants			
Fees	545,980	635,804	742,564
Conferences and Subsistence	67,170	27,949	41,165
Subscriptions	138,353	144,833	153,993
Other	78,500	50,288	78,500
	<b>1,522,003</b>	<b>1,235,752</b>	<b>1,783,972</b>
<b>Third Party</b>			
Medical Fees	8,500	3,611	5,500
Bank Charges	15,000	13,179	15,000
Investment Management Fees	13,379,890	12,560,172	12,611,442
Custodian Fees	250,000	245,947	250,000
Actuarial Fees	203,950	92,529	260,000
Other Hired and Contracted Services	141,435	172,623	127,755
	<b>13,998,775</b>	<b>13,088,061</b>	<b>13,269,697</b>
<b>Departmental &amp; Central Support Charges</b>	500,600	460,684	529,700
	<b>500,600</b>	<b>460,684</b>	<b>529,700</b>
<b>Total Expenditure</b>	<b>19,455,041</b>	<b>17,735,083</b>	<b>19,246,358</b>

## Appendix 2 As reported on 25 January 2016

<b>Value of the Fund</b>	£6.5bn	30/09/2015
<b>Investment income Received</b>	£135m	Projected 2016/17
<b>Pensions Paid</b>	£272m	Projected 2016/17
<b>Contributions Received</b>	£196m	Projected 2016/17
<b>Active Contributing members</b>	45,417	31 <sup>st</sup> March 2015
<b>Deferred members</b>	36,237	31 <sup>st</sup> March 2015
<b>Pensioners</b>	46,600	31 <sup>st</sup> March 2015
<b>Total Members</b>	128,254	31 <sup>st</sup> March 2015

	<b>Budget 2015/16 £</b>	<b>Probable Out-Turn 2015/16 £</b>	<b>Budget 2016/17 £</b>
<b>Employees</b>			
Pay, NI and Pension	2,744,181	2,433,727	2,964,015
Training	20,000	5,000	20,000
Other Staffing Costs	376,195	335,216	325,966
	<b>3,140,376</b>	<b>2,773,943</b>	<b>3,309,981</b>
<b>Premises</b>			
Rents	252,187	252,187	284,042
	<b>252,187</b>	<b>252,187</b>	<b>284,042</b>
<b>Transport</b>			
Public Transport Expenses	39,900	20,003	48,614
Car Allowances	1,200	1,054	1,300
	<b>41,100</b>	<b>21,057</b>	<b>49,914</b>
<b>Supplies</b>			
Furniture and Office Equipment	20,000	134	18,000
Printing and Stationery	90,000	25,858	67,000

Computer Development and Hardware	432,000	268,114	532,500
Postages and Telephones	109,000	112,632	109,250
External Audit	41,000	39,170	41,000
Services and Consultants			
Fees	545,980	576,049	600,814
Conferences and Subsistence	67,170	31,500	41,525
Subscriptions	138,353	119,260	153,993
Other	78,500	27,623	78,500
	<b>1,522,003</b>	<b>1,200,340</b>	<b>1,642,582</b>

**Third Party**

Medical Fees	8,500	3,798	5,500
Bank Charges	15,000	13,628	15,000
Investment Management Fees	13,379,890	11,920,494	12,611,442
Custodian Fees	250,000	256,049	250,000
Actuarial Fees	203,950	171,268	260,000
Other Hired and Contracted Services	141,435	91,214	127,755
	<b>13,998,775</b>	<b>12,456,451</b>	<b>13,269,697</b>

**Departmental & Central Support Charges**

	500,600	500,600	500,600
	<b>500,600</b>	<b>500,600</b>	<b>500,600</b>

**Total Expenditure**

	<b>19,455,041</b>	<b>17,204,578</b>	<b>19,056,816</b>
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