

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	BUDGET OUT-TURN 2017/18 AND BUDGET FINANCIAL YEAR 2018/19
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION	NO

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 2017/18.
- The finalised budget for the financial year 2018/19.

1.2 The actual out-turn for 2017/18 is £18.0m, lower than the original budget approved 17 July 2017 of £20.9m and lower than the projected out-turn of £18.7m as reported at Pensions Committee on 22 January 2018.

1.3 The 2018/19 budget reported in January has been updated to reflect agreed pay rise of 2%, along with revised salary overheads, premises and departmental & central support charges; the finalised 2018/19 budget is £22.0m as reported in January 2018.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee, at its meeting on 22 January 2018, received an estimate of the out-turn for 2017/18 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 2017/18 is lower than the projected out-turn reported in January 2018, due to the number of estimates required for the January report.

2.2 Pensions Committee at its meeting on 22 January 2018 agreed the budget for 2018/19 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 premises budget following office relocations.
- Updated Custodian budget to reflect additional services take up.
- Updated estimate for central establishment charges.

- 2.4 Previously, Pensions Committee has approved a 3 year budget for inclusion in the Fund's annual report to follow a best practice document produced by Cipfa. Due to the onset of pooling anticipated during the next three years, a three year budget will not be included within this year's annual report, this will be subject to review when there is more visibility on future arrangements.
- 2.5 At the Investment Monitoring Working Party on 14 June 2018, CEM presented the most recent benchmarking report on MPF's investment costs to Members which analysed the Fund's investment costs in the context of risk and return, and relative to other LGPS funds and private pension funds internationally. The information is used by the Fund and the Northern Pool to ensure the effectiveness of the Fund's expenditure in this key area.

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 were reviewed during 2017/18.

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 £22.0m including £14.2m of investment management charges to external managers represent a cost of £160.26 per member of the scheme. Taken separately the investment management costs of £14.2m are £103.54 per member of the scheme and 0.17% 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 2017/18.

12.2 Members approve the finalised budget for 2018/19.

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 2018/19 including the out-turn for 2017/18 is attached as appendix 1 to this report.

The original appendix as reported to Members on 22 January 2018 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	22 January 2018
Pension Fund Budget	16 July 2017

Pension Fund Budget

23 January 2017

Pension Fund Budget

4 July 2016

Pension Fund Budget

25 January 2016

Pension Fund Budget

22 June 2015

Appendix 1

Value of the Fund	£8.6bn	31/03/2018
Investment income Received	£206m	<i>Projected 2018/19</i>
Pensions Paid	£323m	<i>Projected 2018/19</i>
Contributions Received (see note 1)	£207m	<i>Projected 2018/19</i>
Active Contributing members	49,151	31 March 2018
Deferred members	38,176	31 March 2018
Pensioners	50,160	31 March 2018
Total Members	137,487	31 March 2018

	Budget 2017/18 (£)	Actual Out-Turn 2017/18	Budget 2018/19 (£)
Employees			
Pay, NI and Pension	3,102,337	2,499,504	3,339,555
Training	20,000	8,535	20,000
Other Staffing Costs	265,896	210,320	270,758
	3,388,233	2,718,359	3,630,313
Premises			
Rents	279,886	279,886	190,608
	279,886	279,886	190,608
Transport			
Public Transport Expenses	49,534	33,898	53,733
Car Allowances	1,360	893	1,630
	50,894	34,791	55,363
Supplies			
Furniture and Office Equipment	14,000	1,835	14,000

Printing and Stationery	47,000	12,625	32,000
Computer Development and Hardware	507,500	443,870	643,000
Postages and Telephones	106,250	52,037	97,250
External Audit	41,000	39,062	41,000
Services and Consultants			
Fees	998,767	716,495	1,588,350
Conferences and Subsistence	36,499	23,557	47,893
Subscriptions	143,139	129,744	147,360
Other	61,000	44,746	65,835
	1,955,155	1,463,971	2,676,688
Third Party			
Medical Fees	5,500	2,603	3,500
Bank Charges	20,000	14,926	20,000
Investment Management Fees	14,130,828	12,608,820	14,235,600
Custodian Fees	260,000	166,383	300,000
Actuarial Fees (net)	280,000	204,055	280,000
Other Hired and Contracted Services	144,755	188,380	277,033
	14,841,083	13,185,167	15,116,133
Departmental & Central Support Charges	349,757	335,653	363,879
	349,757	335,653	363,879
Total Expenditure	20,865,008	18,017,827	22,032,984

Note 1 The estimated contributions for 2018/19 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

Appendix 2

Value of the Fund	£8.5bn	30/09/2017
Investment income Received	£190m	Projected 2018/19
Pensions Paid	£294m	Projected 2018/19
Contributions Received (see note 1)	£230m	Projected 2018/19
Active Contributing members	47,206	31 March 2017
Deferred members	38,368	31 March 2017
Pensioners	48,765	31 March 2017
Total Members	134,339	31 March 2017

	Budget 2017/18 (£)	Probable Out-Turn 2017/18	Budget 2018/19 (£)
Employees			
Pay, NI and Pension	3,102,337	2,525,355	3,331,558
Training	20,000	11,950	20,000
Other Staffing Costs	265,896	316,280	288,126
	3,388,233	2,853,585	3,639,684
Premises			
Rents	279,886	279,886	247,056
	279,886	279,886	247,056
Transport			
Public Transport Expenses	49,534	35,131	53,733
Car Allowances	1,360	1,007	1,630
	50,894	36,138	55,363
Supplies			
Furniture and Office Equipment	14,000	12,550	14,000

Printing and Stationery	47,000	17,229	32,000
Computer Development and Hardware	507,500	517,351	643,000
Postages and Telephones	106,250	73,016	97,250
External Audit	41,000	41,000	41,000
Services and Consultants			
Fees	998,767	742,910	1,588,350
Conferences and Subsistence	36,499	25,830	47,893
Subscriptions	143,139	136,220	147,360
Other	61,000	53,084	65,835
	1,955,155	1,619,190	2,676,688
Third Party			
Medical Fees	5,500	2,356	3,500
Bank Charges	20,000	13,352	20,000
Investment Management Fees	14,130,828	13,034,169	14,235,600
Custodian Fees	260,000	154,803	260,000
Actuarial Fees	280,000	280,000	280,000
Other Hired and Contracted Services	144,755	120,112	277,033
	14,841,083	13,604,792	15,076,133
Departmental & Central Support Charges	349,757	349,757	349,757
	349,757	349,757	349,757
Total Expenditure	20,865,008	18,743,348	22,044,681

Note 1 The estimated contributions for 2018/19 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.