

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JUNE 2021

REPORT TITLE:	MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2020/21 AND FINANCIAL YEAR 2021/22
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

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

- The out-turn for the financial year 2020/21.
- The finalised budget for the financial year 2021/22.

The actual out-turn for 2020/21 is £21.5m, lower than the original budget approved 3 February 2020 of £23.0m and lower than the projected out-turn of £22.0m as reported at Pensions Committee on 29 March 2021. The underspend is largely due to planned projects and areas of work being deferred to 2021/22 as a result of the pandemic, and the assumptions used for staffing.

The 2021/22 budget reported in March has been reviewed and remains the same as reported and approved in March, the finalised 2021/22 budget is £25.5m.

The budget for 2021/22 is higher at £25.5m than £23.0 in 2020/21 primarily due to higher investment management fees, principally, as a consequence of outperformance by external investment managers during the pandemic induced market volatility.

RECOMMENDATIONS

Members note the out-turn for 2020/21.

Members approve the finalised budget for 2021/22.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 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.

2.0 OTHER OPTIONS CONSIDERED

2.1 This has not changed since the report in January as below.

- 2.2 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements are subject to ongoing review with additional scrutiny from the NLGPS Joint Committee

3.0 BACKGROUND INFORMATION

- 3.1 The headline figures are that, during the financial year 2021/22, it is estimated that MPF will pay £368m in pensions and receive £172m in contributions from employers and employees. The Fund had a value of £9.9bn at 31 March 2021. The proposed administration costs of £25.5m including £17.4m of investment management charges to external managers represent a cost of £182.35 per member of the scheme or 0.26% of assets under management. Taken separately the external investment management costs are approximately £123.95 per member or 0.18% of assets under management.
- 3.2 Pensions Committee, at its meeting on 29 March 2021, received an estimate of the out-turn for 2020/21 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 2020/21 is lower than the projected out-turn reported in March 2021, due to the number of estimates required for the March report. As reported in March, the underspend is largely due to budgeted projects and areas of work being deferred to 2021/22 as a result of the pandemic and the assumptions used for staffing.
- 3.3 Pensions Committee at its meeting on 29 March 2021 agreed the budget for 2021/22 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.
- 3.4 The finalised budget is included in this report in appendix 1, there are no changes to that reported and approved at Pensions Committee in March. As reported in March the budget for 2021/22 is higher at £25.5m, compared to 2020/21, primarily due to higher investment management fees, principally, as a consequence of outperformance by external investment managers during the pandemic induced market volatility.
- 3.5 Reduced costs and excellent value for money is a pooling criterion and Investment management fees are a significant element of the Fund's costs. The Fund and Northern LGPS use CEM to benchmark investment management fees and analyse these 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 LGPS to ensure the effectiveness of the Fund's expenditure in this key area. The CEM benchmarking report for 2020/21 when available, will be reported to a future working party.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment performance, investment income and employee and employer contributions, the full costs are estimated to be £182.35 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 particularly when analysed net of investment performance.

- 4.2 The Fund is undertaking a number of initiatives to increase efficiencies and deliver savings, particularly from pooling and increasing the proportion of internally managed assets.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 This has not changed since the report in March.

The Chair of the CIPFA Pensions Panel has previously written to all administering authorities reminding them of their responsibilities regarding the resourcing requirement of LGPS funds. The Fund regularly reviews its requirements and updates its Risk Register to reflect 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. It is believed this budget provides adequate resources for these two core functions.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Not relevant for this report.

9.0 EQUALITY 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 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

The budget for 2021/22 including the out-turn for 2020/21 is attached as appendix 1 to this report.

The original appendix as reported to Members on 29 March 2021 is attached as appendix 2 to this report for information.

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee:	29 March 2021 3 February 2020
Pension Fund Budget	16 July 2019 21 January 2019