

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JUNE 2022

REPORT TITLE:	MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2021/22 AND FINAL BUDGET 2022/23
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 2021/22.
- The finalised budget for the financial year 2022/23.

The actual out-turn for 2021/22 is £24.8m, lower than the original budget approved 22 June 2021 of £25.5m. The underspend is largely due to planned projects and areas of work being deferred to 2022/23 as a result of the pandemic, and the assumptions used for staffing. The actual out-turn is higher than the projected out-turn reported at Pensions Committee on 23 February 2022.

The 2022/23 budget reported in February has been reviewed with departmental & central charges and actuary fees updated, the finalised 2021/22 budget is £25.0m.

The budget for 2022/23 is lower at £25.0m than £25.5m in 2021/22 primarily due to lower investment management fees being forecast.

RECOMMENDATIONS

Members note the out-turn for 2021/22.

Members approve the finalised budget for 2022/23.

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 February 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. For all other expenditure there has been a careful review process with senior management culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

3.0 BACKGROUND INFORMATION

- 3.1 The headline figures are that, during the financial year 2022/23, it is estimated that MPF will pay £382m in pensions and receive £164m in contributions from employers and employees. The Fund has a value of £11.0bn at 31 March 2022. The proposed administration costs of £25.0m including £16.5m of investment management charges to external managers represent a cost of £173.29 per member of the scheme or 0.23% of assets under management. Taken separately the external investment management costs are approximately £113.92 per member or 0.15% of assets under management.
- 3.2 Pensions Committee, at its meeting on 23 February 2022, received an estimate of the out-turn for 2021/22 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 2021/22 is higher than the projected out-turn reported in February 2022, due to the number of estimates required for the February report with investment management fees actual spend higher than projected. The overall underspend is largely due to budgeted projects and areas of work being deferred to 2022/23 as a result of the pandemic and the assumptions used for staffing, as reported in the February report.
- 3.3 Pensions Committee at its meeting on 23 February 2022 agreed the budget for 2022/23 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, the budget has been reviewed, with departmental & central recharges and actuary fees updated. As reported in February the budget for 2022/23 is lower at £25.0m, compared to 2021/22, primarily due to lower investment management fees being forecast.

- 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 2021/22 when available, will be reported to a future working party.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report includes actual outturn for 2021/22 and the budget changes to that approved in February for 2022/23 and therefore the financial implications are included within this report.
- 4.2 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 £173.29 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.
- 4.3 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, over the medium term.

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 no additional resource implications arising directly from this report.

7.0 RELEVANT RISKS

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

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 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 The content and/or recommendation contained within the report have no direct implications for equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The budget for 2022/23 including the out-turn for 2021/22 is attached as appendix 1 to this report.

The original appendix as reported to Members on 23 February 2022 is attached as appendix 2 to this report for information.

BACKGROUND PAPERS

CIPFA – Service Reporting Code of Practice for Local Authorities

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee:	23 February 2022
Pension Fund Budget	22 June 2021
	29 March 2021
	3 February 2020