

PENSIONS COMMITTEE**30 JULY 2024**

REPORT TITLE:	MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2023/24 AND FINAL BUDGET 2024/25
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 2023/24.
- The finalised budget for the financial year 2024/25.

The actual out-turn for 2023/24 is £19.1m, lower than the original budget approved 11 July 2023 of £21.3m. The underspend is largely due to lower investment management fees, planned projects and areas of work being deferred to 2024/25, and the assumptions used for staffing. The actual out-turn is in line with the projected out-turn reported at Pensions Committee on 19 March 2024.

The 2024/25 budget reported in March has been reviewed with departmental & central charges, external audit fees and lease and rent reviews updated; the finalised 2024/25 budget is £22.7m.

As reported in March, the budget for 2024/25 is higher at £22.7m than £21.3m in 2023/24 primarily due to higher investment management fees and increased staffing costs being forecast.

RECOMMENDATIONS

That Pensions Committee be recommended to

1. note the out-turn for 2023/24.
2. approve the finalised budget for 2024/25.

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 March as below.
- 2.2 Not relevant for this report as the budget setting process and its approval are an essential part of the Fund's governance arrangements. The Local Government Pension Scheme (LGPS) Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements.
- 2.3 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 Northern LGPS 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 2024/25, it is estimated that MPF will pay £442m in pensions and receive £235m in contributions from employers and employees. The Fund has a value of £10.8bn at 31 March 2024. The proposed administration costs of £22.7m including £11.8m of investment management charges to external managers represent a cost of £148 per member of the scheme or 0.21% of assets under management. Taken separately, external investment management costs are approximately £83 per member or 0.12% of assets under management.
- 3.2 Pensions Committee, at its meeting on 19 March 2024, received an estimate of the out-turn for 2023/24 and it was also agreed that the Director of Pensions would report back on the final out-turn. The finalised out-turn is included in appendix 1. The actual out-turn for 2023/24 is slightly higher, but in line with the projected out-turn reported in March 2024, due to the number of estimates required for the March report with investment management fees actual spend higher than projected. The overall underspend is largely due to lower investment management fees, budgeted projects and areas of work being deferred to 2024/25 and the assumptions used for staffing, as reported in the March report.

- 3.3 Pensions Committee at its meeting on 19 March 2024 agreed the budget for 2024/25 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 external audit fees, lease and rent review fees and departmental & central recharges updated. As reported in March, the budget for 2024/25 is higher at £22.7m, compared to 2023/24, primarily due to higher investment management fees and increased staffing costs 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 2023/24 when available, will be reported to Members.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report includes actual outturn for 2023/24 and the budget changes to that approved in March for 2024/25; consequently 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 contributions; the full costs are estimated to be £148 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 The LGPS Scheme Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements.

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.

7.2 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. 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. The Fund's business plan which identifies our priorities, objectives and resource requirements, has been presented to elected members. 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 2024/25 including the out-turn for 2023/24 is attached as appendix 1 to this report.

The original appendix as reported to Members on 19 March 2024 is attached as appendix 2 to this report for information.

BACKGROUND PAPERS

CIPFA – Service Reporting Code of Practice for Local Authorities.

TERMS OF REFERENCE

The Pensions Committee is responsible for exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Merseyside Pension Fund.

In particular, the Committee is charged by full Council:

- (a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee:	19 March 2024
Pension Fund Budget	11 July 2023
	21 February 2023
	22 June 2022
	23 February 2022