



AGENDA ITEM

6

Pension Fund Budget 2017/18

FALKIRK COUNCIL

Subject: Pension Fund Budget 2017/18

Meeting: Joint Meeting of Pensions Committee and Pension Board

Date: 16 March 2017

Submitted by: Director of Corporate and Housing Services

1. Purpose of Report

- 1.1 This report provides the Pensions Committee and Pension Board with details of the proposed Fund budget for 2017/18.

2. Recommendations

- 2.1 **The Pensions Committee and Pension Board are asked to note the draft Pension Fund budget for 2017/18.**

- 2.2 **The Pensions Committee is asked to approve the budget for 2017/18.**

3. Background

- 3.1 The draft Pension Fund budget for 2017/18 is attached at Appendix 1 of the report.
- 3.2 The half year performance against budget for 2016/17 was reported to the December joint meeting. The full year position will be reported to the joint meeting of Committee and Board scheduled for 21 August 2017.

4. Draft Budget for 2017/18

Investment Management Costs

- 4.1 The investment management fee budget for 2017/18 is £414k higher than in 2016/17. This is the result of the Fund's assets being valued at a higher level (circa £2.1bn) than ever before. As fees are calculated as a percentage of assets under management then higher asset values lead to higher fees. Similarly, the increase in custody fees is related to the increase in asset values.

- 4.2 It is recognised that managing some of the Fund's assets internally could lead to a reduction in the investment management fees. This links with the Fund's developing partnership with the Lothian Fund.
- 4.3 Committee and Board members are asked to note that due to the inherent volatility in the value of the Fund's assets, it is inevitable that the actual spend on fees will vary from the budgeted figures.

Oversight and Governance Costs

- 4.4 Oversight and Governance costs have been budgeted to increase by £97k. This includes provision for:
- the recruitment of a 0.6 (fte) Accountancy Assistant
 - additional actuarial costs relating to the 2017 valuation exercise
 - increased governance activity involving the Lothian Fund

Benefits Administration Costs

- 4.5 Benefits administration costs have been budgeted to increase by £147k. This includes provision for:
- the recruitment of a Pensions Officer (permanent) and 2 Pensions Assistant posts (temporary)
 - consultancy work relating to the reconciliation of scheme records with State contracting out records (known as GMP Reconciliation)
 - consultancy work arising from the recently announced requirement of the Government Actuary to split all Fund costs between those relating to Final Salary benefits and those relating to Career average benefits
- 4.6 The staffing increase above is to support succession planning within the Pensions Section as well as initiatives such as the timeous production of Annual Benefit Statements, Member Self Service and i-connect.
- 4.7 A contributory factor to the budgeted increase has been the loss in annual income of £53k from the Pension Section previously administering the Police and Fire Pension Schemes on behalf of Central Scotland Police and Central Scotland Fire Brigade.
- 4.8 Based on membership levels, the projected administration cost is £26 per member. For a Fund of Falkirk's size, this is an average cost figure.
- 4.9 Performance against the 2017/18 budget will be reported at half year and again at year end.

5. Implications

Financial

- 5.1 The proposed 2017/18 budget for the Pension Fund is £7.8 million of which 81% (£6.4m) relates to investment management costs.

Resources

- 5.2 The report reflects the recruitment of additional administration and accounting staff to meet workload demand.

Legal

- 5.3 There is a statutory requirement for the Council to ensure that financial management of the Fund is adequate and effective. Maintaining a Fund budget is an important element towards achieving this.

Risk

- 5.4 The production of a budget for the Pension Fund is consistent with good stewardship of the Fund and is a standing recommendation of Audit Scotland.

Equalities

- 5.5 There are no equality issues arising from this report.

Sustainability/Environmental Impact

- 5.6 There are no sustainability/environmental issues arising from this report.

Director of Corporate & Housing Services

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Date: 8 March 2017

Appendices

Appendix 1 – Draft Pension Fund Budget

List of Background Papers:

None

Falkirk Council Pension Fund
Draft Budget 2017/18

Appendix 1

Accounting Category	Budget	%
Investment Management Costs	£6,364,000	81.38%
Oversight and Governance Costs	£655,760	8.39%
Benefits Administration Costs	£800,000	10.23%
	<u>£7,819,760</u>	<u>100.00%</u>

	Budget 16-17		Budget 17-18	Movement
Investment Management Costs				
Managers Fees	5,655,000		6,069,000	414,000
Custodian Costs	120,000		140,000	20,000
Aborted Deal Costs	150,000		150,000	0
Other	0		5,000	5,000
Investment Management Total	£5,925,000		£6,364,000	£439,000
Oversight and Governance Costs				
Employee expenses	106,730		130,420	23,690
Lothian Collaboration	130,000		168,000	38,000
Actuarial Fees	80,000		100,000	20,000
Tax Advice and Legal Fees	113,150		113,150	0
Investment Advisory	90,000		70,000	-20,000
Performance Measurement	18,000		20,000	2,000
Other	20,950		54,190	33,240
Oversight & Governance Total	£558,830		£655,760	£96,930
Benefits Administration Costs				
Employee expenses	325,460		435,710	110,250
IT Costs	277,650		261,830	-15,820
Other	50,020		102,460	52,440
Benefits Administration Total	£653,130		£800,000	£146,870
Pension Fund Total	£7,136,960		£7,819,760	£682,800

Pensions Section
 March, 2017