

The background of the slide features a large, light blue watermark of the Coat of Arms of the City of Edinburgh. The crest includes a crown with four thistles, a shield divided into four quarters (top-left: a saltire, top-right: a stag's head, bottom-left: a ship, bottom-right: an eagle), and a motto scroll at the bottom with the text 'ANE FOR A'.

## **Agenda Item 8**

### **Pension Fund Budget 2018/19**

**FALKIRK COUNCIL**

**Subject: Pension Fund Budget 2018/19**

**Meeting: Joint Meeting of Pensions Committee and Pension Board**

**Date: 15 March 2018**

**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 2018/19.

**2. Recommendations**

- 2.1 The Pensions Committee and Pension Board are asked to note the pension fund budget for 2018/19.
- 2.2 The Pensions Committee is asked to approve the budget for 2018/19.

**3. Background**

- 3.1 The pension fund budget for 2018/19 is attached at Appendix 1 of the report.
- 3.2 Performance against budget for 2017/18 was reported to the December joint meeting. The full year position will be reported to the June 2018 joint meeting.

**4. Budget for 2018/19**

*Investment Management Costs*

- 4.1 These are the costs of the Fund's assets being managed by external Fund Managers and a Custodian.
- 4.2 Fees are set as a percentage of the assets being managed and therefore change as asset values rise and fall. This means that the actual spend on fees will inevitably vary from the budgeted figures.
- 4.3 The investment management budget of £6.1m for 2018/19 is £238k lower than the 2017/18 budgeted figure. This reflects a lower fee tariff negotiated with two of the managers, albeit offset by additional fees related to the rise in Fund asset values during 2017/18.

- 4.4 It is recognised that managing some of the fund's assets internally – through the relationship with the Lothian Fund - would lead to a reduction in investment management fees.

#### *Oversight and Governance Costs*

- 4.5 These relate to Fund stewardship and include the costs of supporting the Pensions Committee and Pension Board. They also encompass fees for professional services (e.g. actuarial and investment advice) as well as internal staff costs (non-benefits administration) and the costs associated with the Lothian secondment arrangement.
- 4.6 The oversight and governance budget has been increased by £66k. The main driver for this is an increased allocation to Performance Measurement. This includes the purchase of an enhanced monitoring tool for private market investments and provision for more extensive performance and risk analysis. This will enable the Falkirk Fund to produce the same investment metrics as the Lothian Fund and allow for more in depth portfolio monitoring.
- 4.7 The budgeted increase includes one-off set up fees for the new services.

#### *Benefits Administration Costs*

- 4.8 These are the costs relating to the calculation and processing of scheme benefits for the Fund's 30,000 members.
- 4.9 Benefits administration costs have been budgeted to increase by £28k. This is attributable to expected salary increases, being a combination of increments and annual pay round increases (projected to be 3%).
- 4.10 A figure of £50k has been retained in relation to the ongoing and UK wide GMP reconciliation exercise which involves the matching of scheme contracting out records (from 1978) with those held by HM Revenue. Further reference to this is made in the General Governance report.

## **5. Implications**

### **Financial**

- 5.1 The proposed 2018/19 budget for the Pension Fund is £7.7 million, a reduction of £145k from the 2017/18 budget.

### **Resources**

- 5.2 The budget has been set at a level to ensure that there are sufficient resources for the Fund to meet its obligations during 2018/19.

## **Legal**

- 5.3 There is a statutory requirement for the Council, as the Administering Authority of the Fund, to ensure that financial management is adequate and effective. Maintaining a Fund budget is a key 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 enables those responsible for governance to review the Fund's spending plans.

## **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.

## **6. Conclusion**

- 6.1 The proposed Pension Fund budget for 2018/19 has been set at £7.7m, taking into account projected expenditure in the areas of investment management, governance and benefits administration.

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**Director of Corporate & Housing Services**

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## **Appendices**

Appendix 1 – Pension Fund Budget

## **List of Background Papers:**

None

## Pension Fund Budget 2018-19

	Budget 17-18	Budget 18-19	Variance
<b>Benefits Administration Costs</b>			
Employee expenses	435,710	461,700	25,990
IT Costs	211,830	213,830	2,000
GMP Reconciliation	50,000	50,000	0
Other	102,460	102,470	10
<b>Benefits Administration Total</b>	<b>800,000</b>	<b>828,000</b>	<b>28,000</b>
<b>Oversight and Governance Costs</b>			
Employee expenses	130,420	138,950	8,530
Lothian Collaboration	168,000	178,000	10,000
Actuarial Fees	100,000	90,000	-10,000
Tax Advice and Legal Fees	113,150	102,840	-10,310
Investment Advisory	70,000	70,000	0
Performance Measurement	20,000	90,000	70,000
Other	54,190	51,710	-2,480
<b>Oversight &amp; Governance Total</b>	<b>655,760</b>	<b>721,500</b>	<b>65,740</b>
<b>Investment Management Costs</b>			
Managers Fees	6,069,000	5,895,500	-173,500
Custodian Costs	140,000	125,000	-15,000
Aborted Deal Costs	150,000	100,000	-50,000
Other	5,000	5,000	0
<b>Investment Management Total</b>	<b>6,364,000</b>	<b>6,125,500</b>	<b>-238,500</b>
<b>Pension Fund Total</b>	<b>7,819,760</b>	<b>7,675,000</b>	<b>-144,760</b>

Pensions Section  
Falkirk Council  
26th February, 2018