
PENSION FUND BUDGET OUT-TURN TO 31 MARCH 2019

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

13 June 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with the budget out-turn position for Pension Fund budget to 31 March 2019.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against.
- 1.3 To ensure the Fund meets these standards the budget for 2018/19 was approved on 14 March 2018 following the standard presentation recommended by the CIPFA accounting guidelines. This report is the final quarterly report of the approved budget.
- 1.4 The total expenditure to 31 March 2019 is £6.528m against a budget of £6.409m. The variance of £0.119m has resulted from an increased manager fees, overtime within Pensions admin and procurement costs.

2 STATUS OF REPORT

- 2.1 Due to the timescales of completed the information for inclusion in the report this is report is currently being consulted on. Comments received will be reported at the meeting.

3 RECOMMENDATIONS

- 3.1 It is recommended that the Pension Fund Committee notes the actual expenditure against budget to 31 March 2019.**

4 BACKGROUND

- 4.1 The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to ensure strong governance arrangements are in place and sets out the standards they are to be measured against. The Fund is required to report compliance with these standards within its Annual Report. To demonstrate full compliance requires the setting and monitoring of a budget for the Fund.
- 4.2 The 2018/19 budget was approved at the Joint Pension Fund Committee and Pension Fund Board meeting on 14 June 2018. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA. This requires costs to be shown in the following 3 categories.

Category	Costs included
Investment Management	All expenses incurred in relation to management of pension fund assets. Including costs invoiced direct and fees deducted from fund assets. Custody and performance fees also included
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads, benefits consultants.
Oversight and governance	Costs incurred in the selection & appointment of managers, audit fees, investment advisory services, tax advisory, accounting services, banking service and support to the pensions committee and board.

- 4.3 The pressure to improve the level of transparency of fees for investors has continued. The Scheme Advisory Board for England and Wales produced a Code of Transparency and templates in 2017. The Scheme Advisory Board for Scotland recommends funds adopt this code.
- 4.4 During 2018 the "Cost Transparency Initiative" was established to further refine the templates and code. The revised guidance has been developed in conjunction with Investment Managers and Funds, resulting in new templates being launched on 21 May 2019. These revised templates will be used for the 2019/20 accounts.

5 MONITORING TO 31 MARCH 2019

5.1 The table below shows the actual expenditure to 31 March 2019 compared to the approved budget for 2018/19 and the budget for 2019/20.

	Actual Expenditure to 31 March 19 £000's	2018/19 Budget £000's	2018/19 Variance £000's	2019/20 Approved Budget £000's
Investment Management Fees	5,848	5,792	56	5,750
Administration	391	376	15	390
Oversight & Governance	289	241	48	262
Total	6,528	6,409	119	6,402

5.2 The LGPS Code of Transparency was introduced during 2017/18 and required all fund managers to provide information on their management fees, performance fees, transaction costs, custody cost and any other fees incurred by the funds. The table below breaks the fees down to the required code level.

2017/18 £000's		2018/19 £000's
3,787	Management Fees	4,149
75	Performance related fees	102
4,222	Transaction Costs	1,063
65	Custody Fees	48
69	Other Fees	486
8,218	Total	5,848

5.3 All the Fund's managers have completed the required template but several have continued to note caveats concerning the information due to the complexity of their funds and the guidance. Revised templates have now been issued as part of the Cost Transparency Initiative which have been developed in conjunction with the Investment Managers. These templates will be used to gather the fee information during 2019/20.

5.4 All fees whether disclosed or not, are however fully taken into account in reporting of performance information for each fund, with investment gains being reported after deducting costs, i.e. net of all fees.

5.5 The variance in Administration is due to additional hours worked in overtime during the financial year to deal with some workload issues. The bulk of the additional hours were worked on the processing of the annual returns, primarily on those received from Scottish Borders Council and SB Cares, being the first annual returns since the introduction of the new payroll system.

5.6 The variance in oversight and governance was due to the one off costs to undertake the Infrastructure Debt procurement and the additional Investment Performance Sub Committee during 2018/19.

6 IMPLICATIONS

6.1 Financial

There are no costs attached to any of the recommendations contained in this report its content relating to the disclosure of fees and costs already incurred by the pension fund in 2018/19.

6.2 Risk and Mitigations

This report is part of the governance framework of the Pension Fund and reflects compliance with the best practice recommendation.

6.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

6.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

7 CONSULTATION

7.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council are being consulted and their comments will be reported at the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 7 March 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension and Investment Team can also give information on other language translations as well as providing additional copies.

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