

## **PENSIONS BOARD**

### **5 OCTOBER 2022**

# **WORCESTERSHIRE COUNTY COUNCIL PENSION FUND ADMINISTRATION BUDGET FORECAST OUTTURN 2022/23 AND UPDATED INDICATIVE BUDGET 2023/24 to 2025/26**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Board review:**
  - a) the variations to the Pension Fund Administration Budget, including manager fees, for 2022/23 shown in the Appendix totalling £21,015,140; and**
  - b) the proposed Investment Managers Fees budget forecast outturn of £18,674,400 as shown in the attached Appendix. This would result in an overall proposed 2022/23 forecast overspend of £633,460.**

### **Purpose of the report**

- 2. This report provides Members' an update to the budget and Forecast Outturn for 2022/23 and updated indicative budgets for 2023/24 to 2025/26 at Appendix 1.**

### **Background**

- 3. To ensure good governance budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service.**
- 4. A number of services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Pensions Committee has ultimate responsibility for the procurement and monitoring of these services. It should be noted, however, that Worcestershire County Council, which is one of the employer bodies whose interests the Committee is responsible for, is at present also the provider of a number of these services.**

### **Forecast outturn 2022/23**

- 5. The attached Appendix shows the forecast outturn estimated to be £21.648m compared to a budget of £21,015m, a difference of £0.633m and is mainly due to a forecast overspend against the Investment Management fees budget of £0.646m. This is the largest proportion of the budget and largely depend on the value of assets being managed, investment return performance which depends on market conditions and transaction costs such as commission, tax and other expenses incurred.**
- 6. This includes the management fees for the Equity Protection strategy, whilst the contribution towards the Governance & operational costs relating to LGPS central is now shown under investment administration costs. The main reasons for the variance are due to:**

- The Forestry investments drawn downs being earlier than anticipated based.
- An increase in transaction costs such as tax, commission and trades which now includes the Sustainable Active equity Funds.
- An increase based on the forward projection of anticipated future investments in Property & Infrastructure compared to what was originally forecast.

7. The Fund's "controllable" budget (i.e. excluding investment management fees) is £2.987m and is showing a forecast underspend of £0.012m. The main reasons are some forecast investment costs being lower than anticipated and reduced legal fees due to less investment activity.

### **Summary**

8. The budget attempts to maintain service standards, fulfil statutory requirements while developing areas in response to the scheme changes. Comparability of data is difficult between funds nationally due to different methodology of reporting costs.

9. In terms of investment costs, the forecast outturn indicates spend of 55p per £1,000 (0.55% of market value as at March 2022) on managing its assets for 2022/23, including all pooled mandate costs

#### *Comparative data to other LGPS Funds for controllable costs*

10. The budgeted Worcestershire Pension Fund administration costs are currently £26.37 per member for 2022/23. When comparing this to the last published Local Government Pension Scheme Fund Account 2020/21 statistics (2021/22 submitted August 2022) this equated to £27.80 per member and ranked 46<sup>th</sup> out of 85 LGPS Funds (England & Wales).

### **Risk Assessment**

11. Some costs, particularly investment fees, are dependent upon factors that are outside of the Council's control. As such fees may go up or down, depending on market conditions.

12. The approval of this budget is essential to continue the good governance of the Fund. When viewed in relation to the overall value of assets, these 'controllable' costs represent 0.08% of the total Fund value.

13. In line with good governance practice, officers are bringing budget monitoring reports back to the Pensions Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Chief Financial Officer to the Pension Fund will approve variations to the budget and report these to the Committee retrospectively for ratification.

### **Contact Points**

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## **Supporting Information**

- Appendix detailing the proposed 2022/23 Administration Budget monitoring and indicative budgets 2023/24 to 2024/25

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Finance Officer) there are no background papers relating to the subject matter of this report.