

ABERDEEN CITY COUNCIL

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COMMITTEE	PENSIONS COMMITTEE
DATE	15 JUNE 2015
REPORTED BY	HEAD OF FINANCE
TITLE OF REPORT	FINANCIAL FORECAST PLUS OUTTURN 14/15
REPORT NUMBER	PC/JUN15/FORE

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Forecast for the North East Scotland Pension Fund (NESPF).

**2. RECOMMENDATIONS**

- 2.1 It is recommended that the Pensions Committee:
- Notes the update on the current NESPF Management Expenses Forecast for 2014/15.

**3. FINANCIAL IMPLICATIONS**

- 3.1 All Pension Fund costs are paid for by the Fund.

**4. OTHER IMPLICATIONS**

- 4.1 None.

## 5. REPORT

### 5.1 2014/15 ACTUAL SPEND AND FORECAST 2014/15 & 2015/16

5.1.2 The Actual Spend and Forecast for NESPF Management Expenses (including Salaries and Support Costs) are shown below.

	<b>Forecast 2014/15</b>	<b>Actual Spend as at 31/03/15</b>	<b>Indicative Forecast 2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Administrative Staff Costs	842	857	1,026
Support Services	747	553	749
Printing & Publications	41	41	41
<b>Administration Expenses Total</b>	<b>1,630</b>	<b>1,451</b>	<b>1,816</b>
Investment Staff Costs	115	112	160
Pension Fund Committee	4	35	10
Pension Board	0	1	0
External Audit Fees	39	38	39
Internal Audit Fees	30	30	30
Actuarial Fees	246	221	100
<b>Oversight &amp; Governance Expenses Total</b>	<b>434</b>	<b>437</b>	<b>339</b>
Investment Management Performance Fee	7,430	9,361	7,500
Custody Fees	0	5,249	0
	140	140	145
<b>Investment Management Expenses</b>	<b>7,570</b>	<b>14,750</b>	<b>7,645</b>
<b>Grand Total</b>	<b><u>9,634</u></b>	<b><u>16,638</u></b>	<b><u>9,800</u></b>

- 5.1.3 Due to the level of estimation with in the above and the level of unknown due to investment management fees being based on market value which can vary, the above is very much a forecast of costs rather than a traditional budget. This terminology has been adopted following discussions with the CIPFA Pensions Network Group.
- 5.1.4 Administrative Expenses – all staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- 5.1.5 Oversight and Governance Expenses – all staff costs associated with governance and oversight are charged direct to the fund. Associated management costs are apportioned to this activity and charged as expenses to the Fund.
- 5.1.6 Investment Management Expenses – Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the market value of these investments change. In addition, the fund has negotiated performance related fees with a number of its investment managers and no estimate is reasonably possible to forecast.

These fees are significantly higher than originally forecast due to the change in accounting code of practice that have moved the limited partnerships fee from being included within the Net Asset Value of the assets to being included within the Investment Management Expenses heading.

- 5.1.7 The indicative forecast 2015-16 reflects an estimated increase on Administration and Oversight & Governance Expenses, taking into account the proposed, staff restructure.

## 5.2 **GOVERNANCE**

- 5.2.1 The Pension Fund forecast costs for salaries and direct costs are included in monthly monitoring reports to the Service and Corporate Management Teams. The Head of Finance reports to the Pensions Committee on a quarterly monthly basis.

6. **IMPACT**

- 6.1 The Pension Fund Forecast promotes accountability and gives reassurance to the stakeholders in the Pension Fund. This report ensures transparency in costs from the administrator of the fund.

7. **BACKGROUND PAPERS**

North East Scotland Pension Fund Annual Report & Accounts (2014/15) and Fund Governance Policy Statement.

8. **REPORT AUTHOR DETAILS**

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