

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	24 th JUNE 2016
REPORTED BY	HEAD OF FINANCE
TITLE OF REPORT	BUDGET / FORECAST & ACTUAL SPEND 2015/16 BUDGET / FORECAST 2016/17
REPORT NUMBER	PC/JUN16/BUD

1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget or Forecast and Actual Spend 2015/16 for the North East Scotland Pension Fund (NESPF) and a proposed Budget or Forecast for 2016/17.

2. **RECOMMENDATIONS**

- 2.1 It is recommended that the Pensions Committee:
- Notes the update on the NESPF Management Expenses Budget / Forecast and Actual Spend for 2015/16;
 - Approves the indicative NESPF Management Expenses Budget / Forecast 2016/17.

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 BUDGET / FORECAST AND ACTUAL SPEND 2015/16 BUDGET / FORECAST 2016/17 (APPENDIX I)

5.1.1 Administrative Expenses – all staff costs of the pension administration team are charged direct to the fund quarterly. Associated management, accommodation and other overheads are apportioned to this activity and charged annually as expenses to the Fund.

5.1.2 Oversight and Governance Expenses – all staff costs associated with governance and oversight are charged direct to the fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.

5.1.3 An overspend of Staff Costs (Administrative and Investments) arose during 2015-16. Some of these costs were as a result of increments, the delayed implementation of the staff restructure, e.g. increased costs for higher graded duties. In addition, to prepare for the new staffing structure, a redundancy cost was paid.

5.1.4 The new staffing structure was implemented from 1 April 2016.

5.1.5 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. Fund Managers charge their fees quarterly in arrears. In addition, the fund has negotiated performance related fees with a number of its investment managers and the forecast is based upon last year's actuals. If applicable, performance fees are charged annually at the year end. The unpredictability of market forces for these elements makes forecasting extremely difficult with any degree of accuracy.

The fees are high due to the change in the accounting code of practice that 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. Transaction costs, other investment expenses (e.g. Investment litigation) and direct property expenditure are now included within the Investment Management Expenses heading.

5.1.6 The Budget or Forecast is based upon last year actual spend plus 1%.

5.2 GOVERNANCE

5.2.1 The Pension Fund projected 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 Budget or 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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