

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	1 DECEMBER 2017
REPORT TITLE	BUDGET/FORECAST & PROJECTED SPEND 2017/18
REPORT NUMBER	PC/DEC17/BUD
DIRECTOR	HEAD OF FINANCE
REPORT AUTHOR	MICHAEL SCROGGIE

1. PURPOSE OF REPORT:-

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget/Forecast and Projected Spend 2017/18 for the North East Scotland Pension Fund (NESPF).

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- i. Note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend for 2017/18;
 - ii. Note the update on Pension Fund Staff Costs and staffing vacancies,
 - iii. Note the update on Actuarial Fees, Direct Property Expenses and Transaction Costs shown in Appendix I.

3. BACKGROUND/MAIN ISSUES

**3.1 BUDGET / FORECAST AND PROJECTED SPEND 2017/18
(APPENDIX I)**

- 3.1.1 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.
- 3.1.2 Oversight and Governance Expenses – all staff costs associated with oversight and governance are charged direct to the fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.

- 3.1.3 The Administrative and Investment Staff Cost Budgets are consistent with the Direct Staff Costs Budget 2017-18 that was reported to Full Council in February 2017. A potential underspend has been identified, which is largely associated with staffing vacancies.
- 3.1.4 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. 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.
- 3.1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) has reviewed and revised their guidance to Pension Funds on Accounting for Scheme Management Costs. As a result, the Fund no longer accounts for indirect limited partnership fees.
- 3.1.6 Transaction Costs and Direct Property Expenses are included within the section 'Investment Management Expenses'. Other investment related expenses (e.g. Investment advice and litigation, etc.) are included within the section 'Oversight & Governance Expenses'.

3.2 GOVERNANCE

- 3.2.1 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.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 There are no direct risk implications arising from the recommendation of this report.

7. IMPACT SECTION

- 7.1 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.

8. BACKGROUND PAPERS

- 8.1 North East Scotland Pension Fund (NESPf) Annual Report & Accounts (2016/17) and Fund Governance Policy Statement.

9. APPENDICES (if applicable)

- 9.1 Appendix I, Budget/Forecast and Projected Spend 2017/18

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