

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	PENSIONS COMMITTEE
<b>DATE</b>	14 SEPTEMBER 2018
<b>REPORT TITLE</b>	BUDGET/FORECAST 2018/19
<b>REPORT NUMBER</b>	PC/SEPT18/BUD
<b>DIRECTOR</b>	STEVEN WHYTE
<b>CHIEF OFFICER</b>	JONATHAN BELFORD
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<b>TERMS OF REFERENCE</b>	PENSIONS COMMITTEE 1.3

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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 Budget/Forecast 2018/19 for the North East Scotland Pension Fund (NESPF).

### **2. RECOMMENDATION**

That the Committee: -

- 2.1 Approve the NESPF Management Expenses Budget/Forecast 2018/19, shown in Appendix I.

### **3. BACKGROUND/MAIN ISSUES**

#### **3.1 BUDGET/FORECAST 2018/19**

- 3.1.1 Appendix I shows the Council's Budget 2018/19 for the NESPF, which is consistent with that reported to Full Council in March 2018. The re-alignment of cost headings follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for Pension Funds. Additional NESPF Budget is added for costs outwith the Council's Budget and for those costs directly paid for by the Fund.
- 3.1.2 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.
- 3.1.3 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.

- 3.1.4 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 Chief Officer-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 recommendation of this report.

## **6. MANAGEMENT OF RISK**

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

## **7. OUTCOMES**

- 7.1 This report does not impact either the Local Outcome Improvement Plan or the Target Operating Model.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

## 9. BACKGROUND PAPERS

North East Scotland Pension Fund (NESPf) Annual Report & Accounts (2017/18) and Fund Governance Policy Statement.

## 10. APPENDICES

Appendix I, Budget/Forecast 2018/19

## 11. REPORT AUTHOR CONTACT DETAILS

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