

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Pensions Committee
<b>DATE</b>	17 December 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Budget/Forecast & Projected Spend 2021/22
<b>REPORT NUMBER</b>	PC/SEP21/BUD
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Michael Scroggie
<b>TERMS OF REFERENCE</b>	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 and Projected Spend 2021/22 for the North East Scotland Pension Fund (NESPF).

### **2. RECOMMENDATION**

- 2.1 That the Committee note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend 2021/22, shown in Appendix I.

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

#### **3.1 BUDGET/FORECAST AND PROJECTED SPEND 2021/22**

- 3.1.1 Appendix I shows the NESPF Budget 2021/22. The budget includes a re-alignment of cost headings that 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 few 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 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 in this report.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	N/A	N/A	N/A
<b>Compliance</b>	N/A	N/A	N/A
<b>Operational</b>	N/A	N/A	N/A
<b>Financial</b>	Complacency and not ensuring value for money by making savings within the Scheme	L	Ongoing scrutiny and understanding of the costs of administering the Pension Fund with the exploration of opportunities for any savings.
<b>Reputational</b>	N/A	N/A	N/A
<b>Environment / Climate</b>	N/A	N/A	N/A

## 7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

## 9. BACKGROUND PAPERS

North East Scotland Pension Fund (NESPf) Annual Report & Accounts (2020/21) and Fund Governance Policy Statement

## 10. APPENDICES

Appendix I, Budget/Forecast and Projected Spend 2021/22

## 11. REPORT AUTHOR CONTACT DETAILS

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