



North East Scotland Pension Fund

**nespf**

# **Budget/Forecast 2022/23**

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# 1. Budget/Forecast 22/23

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Sections 3 – 6 below show the NESPF Budget 2022/23. 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.

**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.

**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.

**Investment Management Expenses** – Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. 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 degrees of accuracy.

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 partnership fees.

**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'.

# 2. Governance

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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.

## Appendix I Budget/Forecast 2022/23

	ACC Full Year Budget 2022/23 £'000	Additional Budget 2022/23 £'000	NESPF Full Year Budget 2022/23 £'000
Administrative Staff Costs	1,615	11	1,626
Information Technology	41	447	488
Supplies & Services	91	49	140
Accommodation	0	543	543
Printing & Publications	0	13	13
<b>Administrative Expenses Total</b>	<b>1,747</b>	<b>1,063</b>	<b>2,810</b>
Investment Staff Costs	233	32	265
Pension Fund Committee	4	14	18
Pension Board	4	9	13
External Audit Fee	0	47	47
Internal Audit Fee	12	0	12
Actuarial Fess	0	180	180
General Expenses	0	297	297
<b>Oversight &amp; Governance Expenses Total</b>	<b>253</b>	<b>579</b>	<b>832</b>
Investment Management Fees	0	14,304	14,304
Performance Fees	0	8,817	8,817
Direct Operating Property Expenses	0	1,184	1,184
Transaction Costs	0	2,226	2,226
Custody Fees	0	177	177
<b>Investment Management Expenses Total</b>	<b>0</b>	<b>26,708</b>	<b>26,708</b>
<b>Management Expenses Grand Total</b>	<b>2,000</b>	<b>28,350</b>	<b>30,350</b>

**Important to Note**

Appendix I is a forecast of costs for Investment Management Expenses rather than a traditional budget. This is due to the level of estimation involved and the extent of the unknown, especially given that Investment Management and Performance Fees are based upon an unpredictable Market Value. This terminology has been adopted following discussions with the CIPFA Pensions Network.