

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Pension Fund Budget Review
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report recommends that the Pension Committee adopts a Business Plan for the management of the Fund	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report but it should assist in the efficient management of the Fund which could have an impact on the General Fund of the Council.	

1. RECOMMENDATION

- 1.1 The Committee are asked to note the contents of this report.

2. EXECUTIVE SUMMARY

- 2.1 This report asks the Committee to note the Pension Fund revenue budget for 2022/23 and the two subsequent years together with the draft accounts for 2020/21 and the forecast accounts for 2021/22.

3 DETAIL

- 3.1 To comply with best governance practice the Committee should consider the revenue budgets of the Fund for the current and subsequent three years. The component elements are set by regulations and the Council's policies as an administering authority of the Local Government Pension Scheme.

3.2 Table 1 summarises the items of income and expenditure for the Pension Fund with the categories as laid out in the Fund Annual Accounts

Table 1: Income and Expenditure Relating to the Pension Fund

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable employees -	14,743	15,000	15,000	15,000	15,000
Contributions receivable employers -	54,313	50,000	51,000	52,000	53,000
Individual transfers in from other funds	8,002	7,000	7,000	7,000	7,000
Bulk transfers in from other funds		18,500			
Benefits payable	-47,837	-51,000	-54,000	-56,000	-58,000
Individual transfers out to other funds	-6,839	-10,000	-8,000	-8,000	-8,000
Commutations, refunds and lump sum retirement and death benefits	-9,566	-10,000	-10,000	-10,000	-10,000
Investment income	7,309	8,000	8,500	9,000	9,500
Management expenses*	-14,561	-17,230	-18,195	-18,970	-19,880
Net surplus / deficit (-)	5,564	10,270	-8,695	-9,970	-11,380

*Details in Table 2 below

3.3 Table 2 provides details of Management Expenses, effectively the revenue budget of the Committee and its officers. Estimates for 2023/24 and 2024/25 assume delivery of the same level of service as in 2022/23.

Table 2: Management Expenses

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Administration					
System fees	391	410	430	450	475
Staff costs	724	740	780	830	880
Payroll administration	230	235	240	245	250
Other (net)	23	25	25	25	25
Total	1,368	1,410	1,475	1,550	1,630
Oversight and Governance					
Staff costs	501	510	530	560	590
Actuarial costs (net)	130	130	250	150	150
External audit fees	25	25	25	25	25
Memberships	8	10	10	10	10
Investment and governance advice	111	120	150	120	120
Legal advice	70	70	50	50	50
Rebate	-27				
Total	818	865	1,015	915	945
Investment Management					
Management fees	12,270	14,850	15,600	16,400	17,200
Custodian fees	105	105	105	105	105
Total	12,375	14,955	15,705	16,505	17,305
TOTAL	14,561	17,230	18,195	18,970	19,880

3.4 Table 3 provides details of the fund management fees paid to the various investment managers and the London CIV in 2020/21 in accordance with the respective management agreements.

Table 3: Fund Management Fees 2020/21

Fund Manager	Direct fees	Indirect fees (incl transaction costs)	TOTAL
	£'000	£'000	£'000
Equities			
LGIM (Counts towards CIV allocation)	396	254	650
RBC (CIV)		456	456
Total	396	710	1,106
Fixed Interest			
Aberdeen	-60	896	836
Wellington	-12	455	443
PIMCO (CIV)		200	200
Total	-72	1,551	1,479
Property			
Schroders	367	11	378
M & G	-63	637	574
Total	304	648	952
Private Equity			
Pantheon	-18	3,514	3,496
Knightsbridge		1,294	1,294
Access		344	344
North Sea Capital		107	107
Total	-18	5,259	5,241
Infrastructure			
Equitix		1,231	1,231
Temporis		695	695
GIGM		269	269
Access	-3	248	245
I Squared		906	906
Total	-3	3,349	3,346
CIV shared costs	146		146
Custody	105		105
TOTAL	858	11,517	12,375

3.5 In 2022/23 the Fund has budget provision for the following staffing resources available to deliver its plans.

	FTE	Vacancies
Head of Treasury and Pensions	1	
Pensions Manager	1	
Investment and Accounting	3.72	3
Administration	13.78	
Governance & Compliance	3	1
Technical Support	2	
TOTAL	24.50	4

3.6 The Committee are invited to note the contents of this report and comment as they see fit.

4. CONSULTATION

4.1 Officers have carried out the budget review with regard to the recommendations of the governance review carried out by AON, the Fund's governance advisor.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report and that the preparation of a budget, and the review of the budget, is an objective within the business plan for the Fund

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 There are no equalities impacts arising from this report.

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no crime and disorder impacts arising from this report.

11. DATA PROTECTION IMPLICATIONS

11.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

