

	<h2>Pension Fund Committee</h2> <h3>30 May 2019</h3>
<p style="text-align: right;">Title</p>	<p>Pension Fund Costs and Expenses</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>n/a</p>
<p style="text-align: right;">Status</p>	<p>Public with exempt appendices.</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1 - Pension scheme costs year to 31.3.2019 Appendix 2 – Notes on costs and expenses</p> <p>Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended.</p>
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<h2>Summary</h2>
<p>This report summarises the Pension Fund costs in the year to 31 March 2019, with a comparison to the previous year.</p>
<h2>Recommendations</h2>
<p>(1) That the Committee note the scheme costs in the year to 31 March 2019.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 Pension fund costs are significant, £8.074 million in the year to March 2019. Historically, costs have been reported in aggregate to the Committee when approving the annual accounts. The attached breakdown of costs is to enable the Committee to monitor scheme expenditure.

- 1.2 Attached to the paper are two appendices detailing costs in the year to 31 March 2019 with a comparison to the previous year.
- 1.3 Traditionally, fund managers invoiced the fund and there was a high level of oversight of costs incurred. With the current investment structure, most of investment costs (£5.2 million in the year) are charged internally to the funds, which is less transparent and more difficult to monitor. In particular, we are reliant on the fund managers to report the fund transaction costs with little certainty that there is consistency of approach to reporting between managers.
- 1.4 Costs which are invoiced, are reviewed by the Pension Finance team and if necessary discussed with the Director of Finance.
- 1.5 The increase in reported costs of £2.204 million is due to the following:

Transaction costs - £0.917 million. The reporting of transaction costs by fund managers is improving and it is likely that prior year costs were understated.

IFM costs - £1.463 million. This investment commenced towards the end of 2017-18 and the costs in that year are for a short period. Realisations in the current year have resulted in significant performance fees. The value of the investment increased by \$5.763 million (8.5%) after fees in the year.

Hymans actuarial charges include preparation for the triennial valuation, advice on pension administration (£25,000) and advice relating to Barnet Southgate College (£13,100).

The costs relating to PIRC, LGA and Scheme Advisory Board cover two years.
- 1.6 Reporting of costs to the Committee will help to ensure that these are properly scrutinised and challenged by officers prior to payment.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The report is for noting.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 N/A.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To ensure that the Pension Fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The Pension Fund costs are ultimately reflected in the employers' contribution rates and good management of costs will help to control contribution rates.

5.3 Social Value

5.3.1 Membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is 'To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts'. A review of expenses falls within that remit.

5.4.2 There are no relevant legal references.

5.5 Risk Management

5.5.1 Monitoring of expenditure is a key element of protecting the assets of the pension fund.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The public sector equality duty requires public authorities in carrying out their functions to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

5.7.1 Not applicable

5.8 Insight

5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

