



Pension Fund Committee

21 November 2019

Title	Pension Fund Costs and Expenses
Report of	Director of Finance
Wards	n/a
Status	Public with exempt appendices
Urgent	No
Key	No
Enclosures	<p>Appendix 1 - Pension scheme costs up to 30.09.19 and estimates for year.</p> <p>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Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended.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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Summary	
This report summarises the Pension Fund costs incurred up to 30 th September 2019, and the estimate costs for the year to 31 st March 2020.	
Recommendations	
(1) That the Committee note the scheme costs to 30.09.19, and the estimate up to 31.03.2020.	

1. WHY THIS REPORT IS NEEDED

1.1 Pension fund costs are significant, £8.074 million in the year to March 2019. 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 incurred up to 30th September 2019, with an estimate of the total cost up to 31st March 2020 and a comparison to the previous year. The estimated costs for 2019-20 are £8.382 million. The increase of £0.308 million compared with prior year is explained below.

1.3 Traditionally, fund managers invoiced Barnet and there was a high level of oversight of costs incurred. With the current investment structure, most investment costs (£5.41 million for 2019-20) are charged internally to the funds in which we invest, which is less transparent and more difficult to monitor. In particular, we are reliant on the fund managers to report the fund transaction costs. The positive news is that there is greater guidance on the disclosure of costs, which is leading to consistency of 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 estimated increase in projected costs for 2019-20 is due to the following:

Partners Costs- £0.551 million. New investment in 2019 fund has led to an increase in fees for management, performance and transactions, including a one off establishment fee.

IFM costs - £(0.183) million. Estimate reliant on performance of USD to GBP exchange rate. Fund not performing as well as last year, therefore decrease in performance costs.

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 internal costs have not been estimated for the year. Costs from Barnet HR department will decrease as they perform no Scheme Manager functions. The additional resources added to monitor the administration function will result in overall costs increasing. However, this was necessary to address the deficiencies in the administration service and liaise with the Regulator.

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 Equality 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. The Council also has regard to the additional protected characteristic of

marriage and civil partnership even though this does not apply to the public-sector equality duty.

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