



Pension Fund Committee

10 November 2022

Title	Pension Fund Costs and Expenses- 6 Months to 30th September 2022
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	n/a
Status	Public with exempt appendices.
Urgent	No
Key	No
Enclosures	<p>Appendix 1 - Pension scheme costs for 6 months to 30th September 2022 (exempt)</p> <p>Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended. Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p>
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Summary

This report summarises the Pension Fund costs incurred for the 6 months from 1st April 2022 to 30th September 2022, with a comparison to the previous year.

Officer Recommendations

- (1) That the Committee note the scheme costs incurred for the 6 months to 30th September 2022.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Pension fund investment management fees and administration and governance costs are significant, £13.943 million in total for 2021/22, this report allows committee to assure themselves of its reasonableness. The

majority of the in-year costs related to investment management fees. These costs are not included in this report, as they are very difficult to determine and we rely on end of year reports from fund managers in order to disclose them in our year-end accounts. As a result, only costs invoiced directly to the fund are considered in this report.

- 1.2 Attached to the paper is an appendix detailing the costs directly invoiced to the fund, in the 6 months to 30 September 2022 with a comparison to the directly charged costs in the previous year.

- 1.3 Costs which are invoiced, are reviewed by the Pension team and if necessary, discussed with the Executive Director of Strategy and Resources.

- 1.4 It is estimated that there will be a decrease in costs directly charged to the fund by £157k. This is mainly due to:

An estimated £272k reduction in fund manager fees charged directly to the pension fund. This is due to a reduction in investments with fund managers who directly charge fees (mainly Schroders DGF), and an increase in investments with fund managers who charge fees to investments. As a result, it is expected that fees charged to investments will increase at the year end.

An estimated £58k reduction in Pensions Saving Statements (PSS) costs. This issue has now been resolved, with the last few recharges being received from LB Barnet early this financial year.

However, it is expected that LCIV fees will increase by £89k due to greater investment in LCIV funds, with a further £44k increase in Actuarial fees when compared to 2021/22 due to the triennial valuation occurring this year.

- 1.5 Internal Audit have recommended that the reporting of costs include reporting of contributions and benefits. The table below summarises contribution income and benefit expenditure in the 6 months to 30th September 2022, compared to the 2021/22 figures, and the 2022/23 budget reported to the committee in the July meeting.

	6 months to 30th Sep		
	2022 £000	2021/22 £000	2022/23 Budget £000
Employees' Contributions	6,064	13,073	13,600
Employers' Contributions			
Normal Contributions	22,632	40,759	42,500
Deficit Recovery Contributions	1,524	4,023	4,100
Augmentaion Contributions	2,760	4,135	4,200
Total Employers' Contributions	26,916	48,917	50,800
Total Contributions Recievable	32,980	61,990	64,400

Pensions	26,624	49,480	53,500
Commutation and Lump Sum			
Retirement Benefits	5,838	8,469	11,000
Lump Sum Benefits	666	984	1,800
Total Benefits Payable	33,128	58,933	66,300

Net Contributions Received	(149)	3,057	(1,900)
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Benefits paid exceeded contribution income by £0.149 million in the 6 months to 30th September 2022. It is expected that benefit payments will continue to be greater than contribution income in 2022/23, reflecting the final year's pre-payment of deficit contributions (£8 million relates to 2022-23) in 2020-21 and an increase in retirements in the wake of the COVID-19 pandemic. The estimates for 2022/23 are made on the basis of prudence, as the increase between 2021/22 and 2020/21 reported to the committee in the July meeting are used for the benefit increase on all types of benefit. Whereas the estimates for contribution income are made purely on the current income increasing by the 4% for inflation.

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 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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. ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None