



## Pension Fund Committee

2 November 2023

<b>Title</b>	Pension Fund Costs and Expenses- 6 Months to September 2023
<b>Date of meeting</b>	2 November 2023
<b>Report of</b>	Executive Director of Strategy and Resources (S151 Officer)
<b>Wards</b>	All
<b>Status</b>	Public with Exempt Appendix A Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended.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).
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A - Pension scheme costs for 6 months to 30th September 2023 (exempt)
<b>Officer Contact Details</b>	Adam McPhail, Finance Manager- Pensions (adam.mcphail@barnet.gov.uk)

### Summary

This report summarises the Pension Fund costs incurred for the 6 months from 1st April 2023 to 30th September 2023, with a comparison to the previous year.

### Recommendations

1. That the Committee note the scheme costs incurred for the 6 months to 30th September 2023.

## 1. Reasons for the Recommendations

### 1. Why this report is needed

- 1.1 Pension fund investment management fees and administration and governance costs are significant, £14.768 million in total for 2022/23, 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 2023 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 an increase in costs directly charged to the fund by £188k. This is mainly due to:
- 1.5 An expectation that LCIV fees will increase by £83k due to greater investment in LCIV funds, with a further £99k increase in Investment Advisor fees when compared to 2022/23 due to increased consultation regarding re-allocations and our NetZero strategy. It is also expected that the fund will pay an extra £12k to the council as a recharge of staff salaries and other costs.
- 1.6 However, it is estimated that there will be an estimated £382k 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 LGIM), 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.
- 1.7 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 2023, compared to the 2022/23 figures, and the 2023/24 budget

	6 months to 30th Sep 2023 £000	2022/23 £000	2023/24 Budget £000
<b>Employees' Contributions</b>	5,582	14,078	14,700
<b>Employers' Contributions</b>			
Normal Contributions	21,321	44,900	46,700
Deficit Recovery Contributions	1,091	3,897	3,900
Augmentaion Contributions	1,027	4,003	4,000
<b>Total Employers' Contributions</b>	<b>23,439</b>	<b>52,800</b>	<b>54,600</b>
<b>Total Contributions Recievable</b>	<b>29,021</b>	<b>66,878</b>	<b>69,300</b>

Pensions	24,255	53,541	55,700
Commutation and Lump Sum			
Retirement Benefits	4,827	9,584	11,500
Lump Sum Benefits	261	1,788	1,900
<b>Total Benefits Payable</b>	<b>29,343</b>	<b>64,913</b>	<b>69,100</b>

<b>Net Contributions Received</b>	<b>(322)</b>	<b>1,965</b>	<b>200</b>
-----------------------------------	--------------	--------------	------------

Benefits paid exceeded contribution income by £0.322 million in the 6 months to 30th September 2023. It is expected that contribution income will exceed benefit payments in 2023/24. The estimates for 2023/24 are made based on prudence, where the estimates for contribution income and benefit payments are made by allowing 4% for inflation.

## 2. Alternative Options Considered and Not Recommended

2.1 None.

## 3. Post Decision Implementation

3.1 N/A

## 4. Corporate Priorities, Performance and Other Considerations

### Corporate Plan

4.1 The current corporate plan (Barnet Plan 2023-2026) was adopted in February 2023. 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 cashflow is managed effectively, and that funding levels are maintained.

### Corporate Performance / Outcome Measures

4.2 Effective monitoring of Pension Fund cashflows which leads to efficient management, has a positive effect on wider council finances through potential reduction in contribution payments.

### **Sustainability**

- 4.3 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy, and external consultants to provide advice on the investment strategy. The Pension Fund also appoints external parties to provide actuarial, legal, and audit services, as well as other providers to ensure compliance with LGPS and wider regulations. These providers provide services which promote the long-term sustainability of the fund.

### **Corporate Parenting**

- 4.4 Not applicable in the context of this report.

### **Risk Management**

- 4.5 A Monitoring of expenditure is a key element of protecting the assets of the pension fund.

### **Insight**

- 4.6 Not Applicable

### **Social Value**

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

## **5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)**

- 5.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy, and external consultants to provide advice on the investment strategy. The Pension Fund also appoints external parties to provide actuarial, legal, and audit services, as well as other providers to ensure compliance with LGPS and wider regulations. Effective monitoring of these costs ensures the Pension Fund, and by extension the Council, receives value for money, and that funding levels are maintained preventing increased contribution costs to the Council and employers in the scheme.

## **6. Legal Implications and Constitution References**

- 6.1 The Council's Constitution – Part 2B section 15 includes within the responsibilities of the Pension Fund Committee including:
- To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following:
  - To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.
- 6.2 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.

## **7. Consultation**

- 7.1 Not Applicable

## **8. Equalities and Diversity**

- 8.1 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.
- 8.2 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.

## **9. Background Papers**

- 9.1 None.

