



Pensions Committee

9 December 2015

Report title	Service Plan Monitoring 2015/16 and Quarterly Accounts September 2015	
Originating service	Pension Services	
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Recommendation(s) for noting:

The Committee is recommended to note:

1. Performance against the Fund's key performance indicators as at the end of September 2015;
2. The forecast outturn against operating budgets as at the end of September 2015, which is an under spend of £1.8 million;
3. The quarterly accounts for the period ending 30 September 2015, which show that:
 - a. the value of West Midlands Pension Fund at this date was £11.0 billion, a decrease of £484.8 million from 31 March 2015;
 - b. the value of West Midlands Integrated Transport Authority (ITA) Pension Fund at this date was £460.4 million, a decrease of £14.5 million from 31 March 2015.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of September 2015.
- 1.2 The KPIs and operating budgets were approved by the Committee on 18 March 2015 as part of the Service Plan 2015-2020, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

2.0 Performance Against Medium Term Plan

- 2.1 The eight key priorities in the Service Plan are detailed in Appendix 1, which represents a summarised update of activities. Activities against the plan continue in line with objectives. A summary of performance against KPIs is included in Appendix 2.
- 2.2 Performance against some pension administration objectives has deteriorated due to the large increase in manual calculations required while LGPS 2014 system upgrades were being developed by our software provider. It is expected that performance will improve to former levels once the upgrades have been completed later in the year.

3.0 Forecast Outturn Against Operating Budget 2015/16

- 3.1 The following table sets out the forecast outturn compared with the Fund's operating budget as at the end of the second quarter.

Budget Heading	Approved Budget 2015/16 £000	Forecast 2015/16 £000	Forecast Variance £000
Employees	4,797	4,403	(394)
Premises	328	299	(29)
Transport	60	54	(6)
Communications and Computing	604	535	(69)
Investment Management and Advice*	9,559	8,207	(1,352)
Professional Fees	1,530	1,515	(15)
Other Supplies and Services	487	476	(11)
Support Services	458	500	42
Service development	350	350	-
Total Expenditure	18,173	16,339	(1,834)
Miscellaneous Income	(5)	(9)	(4)
Net Expenditure	18,168	16,330	(1,838)

* Note: this line includes invoiced external fees only

- 3.2 Forecasts have been made using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans, and the figures set out above are therefore likely to be subject to change by year-end.

- 3.3 The forecast under spend on staffing budgets (£314,000) is due to posts being vacant, or in the process of being recruited to, during the year to date. Recruitment has been difficult, in part due to salary scales. The Fund is looking to develop its own staff in-house, including through the recruitment of Fund Trainees, which is now underway. In addition, the structure of the Pensions team has been reviewed; this is the subject of another report to this Committee.
- 3.4 The maximum net increase in staffing costs arising from the review of the Administration function can be met from the service development budget, and these forecasts assume that it will be funded from that budget. The exact cost will depend on the timing of the changes and the individuals involved.
- 3.5 There are forecast savings across a range of other headings, reflecting the inclusion of up-to-date information and forecasts.
- 3.6 As at the end of September 2015, investment management fees are forecast to be £1.4 million under budget, reflecting the on-going work to streamline portfolio management arrangements. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year. Total investment management fees for the year, including those that are not invoiced, are estimated to be £77.0 million. In addition to this, internal investment management costs are forecast to be £2.2 million, giving rise to a total cost of investments of £79.2 million.
- 3.7 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out forecast cost-per-member compared to budget, using the three standard headings specified by CIPFA. These figures are stated for West Midlands Pension Fund only, reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings.

	2015/16 Budget	2015/16 Forecast
Total Administration Costs (£000)	3,621	3,521
Administration Cost per Member (£)	12.83	12.41
Total Oversight and Governance Costs (£000)	2,422	2,338
Oversight and Governance Cost per Member (£)	8.58	8.24
Number of Members	282,258*	283,582**
Total Administration, Oversight and Governance Cost per Member (£)	21.41	20.66
Total Investment Management Costs (£000)	N/A	79,162
Investment Management Cost per Member (£)	N/A	279.15
Investment Management Cost as a Percentage of Investment Assets		0.71%

* As estimated for purpose of 2015/16 budget preparation.

** As at 30 September 2015

3.8 The Fund, like all public sector bodies, continues to review its operating costs and procedures, with many key operational processes having been reviewed under the LEAN programme and efficiency gains made.

4.0 Quarterly Accounts – West Midlands Pension Fund

4.1 Appendix 3 provides a Fund Account for the six months ending 30 September 2015, and a Net Assets Statement as at 30 September 2015.

4.2 The Net Assets Statement provides a value for the Fund at 30 September 2015 of £11.0 billion. This is a decrease of £484.8 million from the 30 September 2015 value.

4.3 These quarterly accounts have been prepared using a number of key assumptions, which are set out below:

- Past Service Deficit Contributions for the year have been recognised in full in the first quarter (meaning that the contributions income shown in the Fund Account is significantly more than one half of the total amount that will be due for the year);
- Management expenses have been calculated on an accruals basis, being equal to one quarter of the forecast net cost for the year.
- Investment income has been calculated based on income due for the period.

4.4 The main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £589.9 million.

4.5 It should be noted that the figure for current liabilities at 30 September 2015 is much higher than the 31 March 2015 equivalent: this is almost entirely due to early payment of contributions, recognised as receipts in advance. Of the £91.5 million current liabilities, £51.4 million is receipts in advance; of this, £38.5 million is represented by four councils. Over the remainder of the financial year, this will unwind and current liabilities will reduce.

5.0 Quarterly Accounts – West Midlands ITA Pension Fund

5.1 Appendix 4 provides a Fund Account for the six months ending 30 September 2015, and a Net Assets Statement as at 30 September 2015.

5.2 The Net Assets Statement provides a value for the Fund at 30 September 2015 of £460.4 million. This is a decrease of £14.5 million from the 30 September 2015 value.

5.3 As with West Midlands Pension Fund, the main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £13.4 million.

6.0 Financial implications

6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

7.1 This report contains no direct legal implications for the Authority.

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

12.0 Schedule of background papers

- Service Plan 2015-20, Report to Pensions Committee, 18 March 2015

13.0 Appendices

1. Priorities and Implementation Targets Monitoring
2. Key Performance Indicator Monitoring
3. West Midlands Pension Fund Quarterly Accounts 30 September 2015
4. West Midlands ITA Pension Fund Quarterly Accounts 30 September 2015