

Pensions Committee

21 June 2023

Report title	Budget Monitoring and Quarterly Accounts to 31 March 2023	
Originating service	Pension Services	
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Report to be/has been considered by	Rachel Brothwood Email	Executive Director of Pensions rachel.brothwood@wolverhampton.gov.uk

Recommendations for action:

The Pension Committee is asked to note:

1. The value of the net assets of the West Midlands Pension Fund at the end of quarter ended 31 March 2023 was £19.7 billion (£19.4 billion net investment assets).
2. As at the 31 March 2023, West Midlands Pension Fund delivered an underspend of £5.7m at year end attributable to £4.7m underspend on investment management expenses and £1.0m underspend on operational costs, primarily related to lower employee costs.

1.0 Purpose

- 1.1 The purpose of this report is to update Pensions Committee on the outturn at the end of the year ended 31 March 2023 and to provide an update on the value of the net assets of the West Midlands Pension Fund at the end of the same quarter.
- 1.2 The operating budget for the year to 31 March 2023 was approved by Committee on 30 March 2022.

2.0 Forecast Out-Turn Against Operating Budget 2022/23

- 2.1 The following table sets out the year end outturn, 31 March 2023, compared with the Fund's full year operating budget:

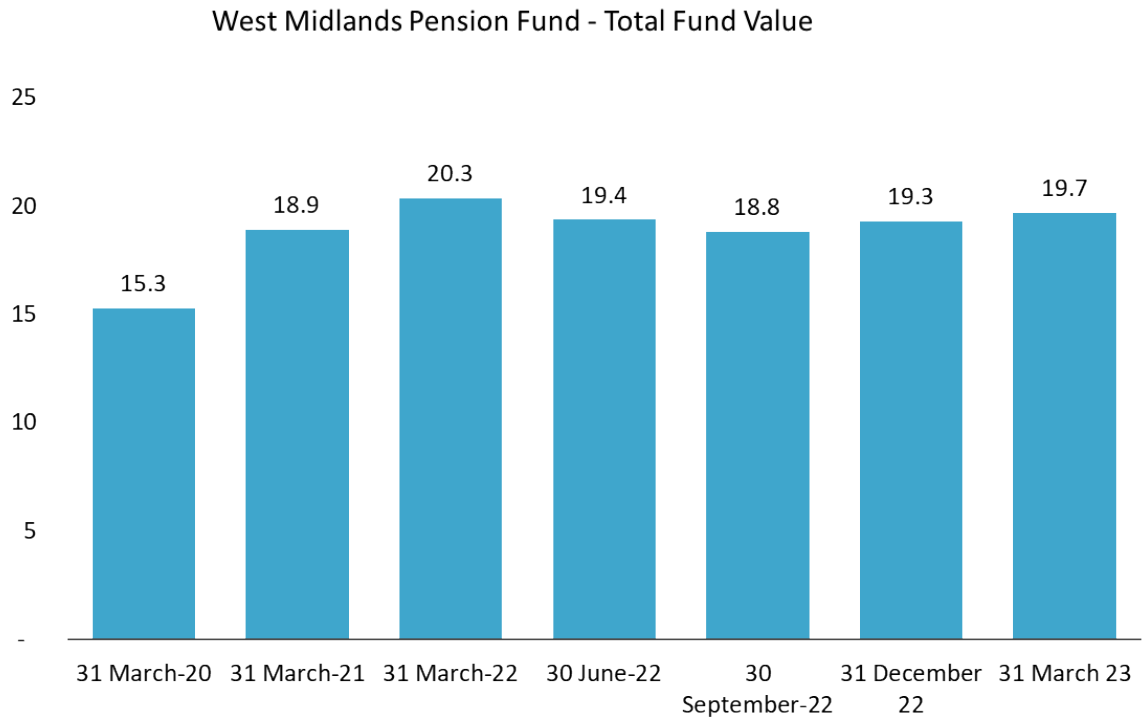
	Actual 2021/22	Budget 2022/23	Actual 2022/23	Variance Out-Turn
	£000	£000	£000	£000
Employees	7,859	10,426	9,260	(1,166)
Premises	474	698	593	(105)
Transport	2	25	36	11
Other Supplies and Services	366	411	429	18
Service Development	423	1,412	1,495	83
Professional Fees	1,170	1,764	1,872	108
Communications and Computing	561	780	829	49
Support Services	697	773	705	(68)
Miscellaneous Income	(557)	(600)	(522)	78
Net Expenditure	10,995	15,689	14,697	(992)
External Investment Management Costs	102,402	95,397	90,404	(4,993)
LGPS Central Charges	4,356	4,768	5,047	279
Total External Investment Costs	106,758	100,165	95,451	(4,714)
Total	117,753	115,854	110,148	(5,706)

- 2.2 The main driver for the overall operational underspend is an underspend on employees (£1,166,000) as the recruitment to the new positions are ongoing but taking longer than usual due to the specialist nature of many of the roles within the Fund as well as the low level of unemployment across the country. These external factors are also affecting the Fund's ability to recruit as part of the normal turnover of employees, creating further in year vacancies, which have also contributed to the underspend.
- 2.3 The overall underspend is partially offset by an increase in professional fees. The increase relates to an addition to the scope of work carried out relating to the management and review of fund liabilities.

- 2.4 The actual cost for investment management expenses is an underspend of £4.7m. Investment management costs are linked to asset values and are therefore influenced by market movements and investment performance and as a result are expected to fluctuate during the year. The Fund continues to take a transparent approach to reporting investment management costs, including the recording of transaction costs associated with turnover within individual portfolios, these are captured in the cost transparency initiatives and are reviewed through an external benchmarking company, with results reported to Committee each year. The reported fees represent returns received from 92.5% of assets under management by value, with the balance of fees estimated based on data held by the Fund and advisors.
- 2.5 Investment costs remain a key consideration throughout the Fund's investment decision making and the Fund continues to review and seek opportunities for cost reduction where these can be achieved on implementation without impacting risk or expected return. It is anticipated that the Fund will experience changes to the investment management fees incurred as it implements the new investment strategy over the coming years.

3.0 Net Assets – West Midlands Pension Fund

- 3.1 The chart below provides a summary of the Net Assets Statement.
- 3.2 The Net Assets Statement estimates a value of £19.7 billion for the Fund at 31 March 2023 (£20.3 billion at 31 March 2022). This represents a £0.6 billion decrease since 31 March 2022 and is largely attributable to the falls in global equity and bonds markets during the same period, with some recovery over the most recent two quarters.



4.0 Financial Implications

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

5.0 Legal Implications

5.1 This report contains no direct legal implications for the authority.

6.0 Equalities Implications

6.1 This report has no equalities implications.

7.0 Other Implications

7.1 There are no other implications.

8.0 Schedule of Background Papers

8.1 [Budget 2022/23 and Financial Plan to 2026/27, Report to Pensions Committee, 30 March 2022](#)

9.0 Schedule of Appendices

9.1 Appendix A – West Midlands Pension Fund Quarterly Accounts 31 March 2023