

Pensions Committee

20 June 2018

Report title	Budget Monitoring 2017/18 and Quarterly Accounts March 2018	
Originating service	Pension Services	
Accountable employee(s)	George Hill Tel Email	Interim Head of Finance 01902 555244 george.hill@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The quarterly accounts for the period ending 31 March 2018, which show that:
 - the value of West Midlands Pension Fund at this date was £15.3 billion, an increase of £1.0 billion from 31 March 2017;
 - the value of West Midlands Integrated Transport Authority Pension Fund at this date was £492 million, a decrease of £11 million from 31 March 2017.
2. The outturn against operating budgets as at the end of March 2018, is an under spend of £12.6 million, primarily attributable to lower investment management costs.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on the outturn for the year against operating budgets and quarterly accounts as at the end of March 2018.
- 1.2 The operating budgets were approved by the Committee on 22 March 2017 as part of the Service Plan 2017-2022, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

2.0 Outturn against Operating Budget 2017/18

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

	2016/17 Actual £000	2017/18 Budget £000	2017/18 Actual £000	2017/18 Variance £000
Employees	4,759	6,270	5,579	(691)
Premises	283	300	382	82
Transport	45	83	65	(18)
Other Supplies and Services	478	640	430	(210)
Professional Fees	1,437	1,410	1,801	391
Communications and Computing	447	639	665	26
Support Services	523	558	508	(50)
Miscellaneous Income	(426)	(5)	(810)	(805)
Sub Total	7,546	9,895	8,620	(1,275)
External Investment Management Fees	64,146	70,200	58,900	(11,300)
Total	71,692	80,095	67,520	(12,575)
Funded by:				
West Midlands Pension Fund	70,896	79,345	66,770	(12,575)
West Midlands ITA Pension Fund	796	750	750	
Net Budget	71,692	80,095	67,520	(12,575)

- 2.2 The forecast under spend on employee costs (£691,000) is due to posts being vacant, or in the process of recruitment during the year.
- 2.3 As at the end of March 2018, investment management costs were £11 million under budget, reflecting the on-going work to streamline portfolio management arrangements and focus on reducing external investment management costs.

2.4 The majority of investment management costs and fees and other costs are deducted at source by fund managers, total investment management costs for the main fund were £58.9m, as follows:

	Actual 2016/17 £000	Actual 2017/18 £000
External Costs:		
- Invoiced	6,142	11,424
- Deducted at Source	57,358	44,643
Total External Investment Management Costs	63,500	56,067
Internal Investment Management Costs	2,217	2,833
Total Investment Management Costs	65,717	58,900

2.5 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out the forecast cost-per-member compared to budget, using the three standard headings specified by CIPFA: administration, oversight and governance, and investment management. These figures are stated for West Midlands Pension Fund only reflecting the £150,000 recharge to the ITA Fund.

	2016/17 Actual	2017/18 Budget	2017/18 Actual
Total Administration Costs (£000)	3,303	4,660	3,826
Administration Cost per Member (£)	10.93	15.29	12.21
Total Oversight and Governance Costs (£000)	2,027	2,409	2,776
Oversight and Governance Cost per Member (£)	6.71	7.91	8.86
Number of Members	302,092*	304,774**	313,399
Total Administration, Oversight and Governance Cost per Member (£)	17.64	23.20	21.07
Total Investment Management Costs (£000)	65,717	72,275	58,900
Investment Management Cost per Member (£)	217.54	237.14	187.94
Investment Management Cost as a Percentage of Investment Assets	0.46%	0.47%	0.39%

* As at 31 March 2017

** As estimated for purpose of 2017/18 budget preparation.

2.6 The Fund, like all public-sector bodies, continues to be cost-conscious, and keeps its operating costs and procedures under continuous review.

3.0 Quarterly Accounts – West Midlands Pension Fund

3.1 Appendix 1 provides a Fund Account for the final quarter ending 31 March 2018, and a Net Assets Statement as at that date.

3.2 The Net Assets Statement provides a value for the Fund at 31 March 2018 of £15.3 billion. This is an increase of £1.0 billion from the 31 March 2017 value.

3.3 These quarterly accounts have been prepared in accordance with the key assumptions, set out below:

- A number of employers made one off lump sum Past Service Deficit Contributions for the year which have been recognised in full in the first quarter;
- Where employers have made up-front payments for the whole year in relation to future service, and in some cases for future years, these have been recognised in full in the first quarter (the combined effect of these two points is that the contributions income shown in the Fund Account for the first six months of the year was significantly more than one half of the total amount that due for the year);
- Investment income has been calculated based on income due for the period.

3.4 The main reason for the increase in the value of the Fund is a combination of contributions receivable exceeding benefits payable, investment income and investment gains over the year amounting to £1 billion increase overall for 2017/18.

4.0 Quarterly Accounts – West Midlands ITA Pension Fund

4.1 Appendix 2 provides a Fund Account (unaudited) for the year ended 31 March 2018, and a Net Assets Statement (unaudited) as at that date.

4.2 The Net Assets Statement provides a value for the Fund at 31 March 2018 of £492 million. This is a decrease of £11 million from the 31 March 2017 value.

4.3 The main reason for the decrease in the value of the Fund for the year is the change to the value of the bulk annuity buy in (£17 million) to meet pension benefit payments offset with an increase in investment and current assets of £6 million.

5.0 Financial implications

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

6.0 Legal implications

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

7.0 Equalities implications

7.1 This report has no equalities implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 The report has no human resources implications.

10.0 Corporate landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of background papers

- Service Plan 2017-22, Report to Pensions Committee, 22 March 2017

12.0 Schedule of Appendices

12.1 Appendix 1 – West Midlands Pension Fund Quarterly Accounts 31 March 2018

12.2 Appendix 2 – West Midlands ITA Pension Fund Quarterly Accounts 31 March 2018 (unaudited).