

PENSIONS COMMITTEE

14 June 2023

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
Public Report	For Information
Wards Affected: None	Key Decision: No
Report Author: David Dickinson, Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Summary This report provides Members with an update on any administration and governance changes that have occurred and the potential impact that these changes may have on the Pension Fund. The report also provides an update on the Fund's one year and three-year cashflow forecast and on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments.	
Recommendations The Committee is recommended to note: <ul style="list-style-type: none">i. Pension Fund Budget 1 April 2023 to 31 March 2025,ii. that the Fund is cash flow positive andiii. London CIV update.	

1. Introduction

1.1 It is best practice for Members to receive regular administration data and governance updates. This report covers three main areas including:

- i. Pension Fund Budget 1 April 2023 to 31 March 2025,
- ii. Cashflow to 31 March 2023 and
- iii. London CIV update.

2. Pension Fund Budget 1 April 2022 to 31 March 2025

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2025.

Table 1: Pension Fund Budget 1 April 2022 to 31 March 2025

	2022/23	2023/24	2024/25
Income	£000s	£000s	£000s
Council	8,681	9,068	9,341
Admitted bodies	467	448	415
Scheduled bodies	1,908	1,933	1,891
Total contributions from members	11,055	11,449	11,646
Council - Normal	27,822	27,801	28,635
Admitted bodies - Normal	1,938	1,860	1,724
Scheduled bodies - Normal	7,383	7,477	7,316
Pension Strain	250	500	250
Total contributions from employers	37,393	37,638	37,925
Total Contributions	48,449	49,086	49,572
Individual Transfers	3,500	3,500	3,500
Total Income Before Investments	51,949	52,586	53,072
Expenses			
Pensions			
Council	- 30,891	-34,999	- 36,049
Admitted Bodies	- 394	- 447	- 460
Scheduled Bodies	- 6,610	- 7,490	- 7,714
Total	-37,895	-42,935	- 44,223
Lump sums			
Council	- 3,957	- 3,957	- 3,957
Admitted Bodies	- 388	- 388	- 388
Scheduled Bodies	- 748	- 748	- 748
Total	- 5,093	- 5,093	- 5,093
Death grants	- 1,400	- 1,500	- 1,600
Payments to and on account of leavers	- 4,500	- 4,500	- 4,500
Total Expense	- 48,888	- 54,028	- 55,416
Net Income / (Expenditure) Excl Investments and Management Costs	3,061	- 1,441	- 2,344
Total Management Costs (cash)	- 3,204	- 1,887	- 1,958
Net Income / (Expenditure) Excluding Investments	- 143	- 3,328	- 4,302
Investment Income			
BlackRock	2,400	2,472	2,546
Hermes	500	515	530
Total	2,900	2,987	3,077
Net Income / (Expenditure) - cash	2,757	- 341	- 1,225

2.2 The three-year budget has fairly stable member numbers. A 10.1% increase in pensions in 2023/24 due to the current high level of inflation has risen the total expenses forecasted. There is an average salary increase of 6.6%, however as the

council contribution will fall from 23% to 22%, this will partially offset the increase in income in 2023/24. Pension Strain is forecasted in increase as a result of the council's savings programme due to central government funding cuts.

A decrease in management expenses is being forecasted as the prepayment from the council is repaid so no interest payments are due to be made. Excluding investments, the fund is expected to be cashflow negative for the next 3 years. There is investment income expected from two investments managers of approximately £3m per annum. Overall, the Fund is expected to be cashflow positive, after investment income, for 2022/23 and negative in the following 2 years.

- 2.3 On 1 April 2022 a £20m prepayment was paid to the Pension Fund from the Council, as agreed by Members at the March 2022 Committee. This prepayment helped to repay a short-term loan made to the Fund from the Council.

3. Cash flow to 31 March 2023

- 3.1 Table 2 below provides Members with the Fund's Cash flow to 31 March 2023.

Table 2: Actual Pension Fund Cash Flow to 31 March 2023

	2022/23 Budget £000's	2022/23 Forecast £000's	Over / Under £000's
Contributions			
Employee Contributions			
Council	8,700	9,173	473
Admitted bodies	500	475	- 25
Scheduled bodies	2,000	2,002	2
Employer Contributions			
Council	28,200	30,419	2,219
Admitted bodies	2,100	1,958	- 142
Scheduled bodies	7,700	7,639	- 61
Pension Strain	1,000	39.43	- 961
Transfers In	3,500	2,681	- 819
Total Member Income	53,700	54,387	687
Expenditure			
Pensions	- 37,600	- 37,840	- 240
Lump Sums and Death Grants	- 6,500	- 6,068	432
Payments to and on account of leavers	- 4,400	- 7,235	- 2,835
Administrative expenses	- 800	- 767	33
Total Expenditure on members	- 49,300	- 51,909	- 2,609
Net additions for dealings with members	4,400	2,477	- 1,923
Returns on Investments			
Investment Income	15,000	25,840	10,840
Profit (losses)	50,000	- 46,247	- 96,247
Investment management expenses	- 4,500	- 4,182	318
Net returns on investments	60,500	- 24,589	- 85,089
Net increase (decrease) in the net assets	64,900	- 22,112	- 87,012
Asset Values	1,406,180	1,316,234	
Liabilities	1,305,583	1,331,071	
Funding Level	107.71%	98.89%	

4. London Collective Investment Vehicle (LCIV) Update

4.1 LCIV is the first fully authorised investment management company set up by Local Government. It is the LGPS pool for London to enable Local Authorities to achieve their pooling requirements. Below are the investments the Fund currently has with CIV.

	31/12/2022	Market Move	31/03/2023
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	261,608,881	-13,762,305	247,846,576
LCIV Global Total Return Fund	114,399,956	1,571,253	115,971,209
LCIV Real Return Fund	79,647,136	-1,027,628	78,619,508
Total	455,655,973	-13,218,680	442,437,293

4.2 Update from the London CIV

At 31 March 2023, the total assets deemed pooled stood at £26.6bn. Assets under management in the ACS stood at £12.9bn. The value of 'pooled' passive assets was £12.5bn, which is managed by L&G and BlackRock. AUM has increased due to more favourable market conditions from December 2022 to March 2022 by £1bn.

5. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

5.1 The Pension Fund is a statutory requirement to provide a defined benefit pension to scheme members. The management of the administration of benefits the Fund is supported and monitored by the Pension Board.

6. Legal Implications

Implications completed by: Dr Paul Feild Senior Governance Solicitor

6.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the pension fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

7. Consultation

7.1 The Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers. The Finance Director and the Fund's Chair have been informed of the commentary in this report.

Background Papers Used in the Preparation of the Report:

None