

# PENSIONS COMMITTEE

10 July 2024

<b>Title:</b> Administration and Governance Report	
<b>Report of the Chief Operating Officer</b>	
Public Report	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Jesmine Anwar, Pension Fund Accountant	<b>Contact Details:</b> Tel: 020 8227 3763 E-mail: <a href="mailto:jesmine.anwar@lbbd.gov.uk">jesmine.anwar@lbbd.gov.uk</a>
Accountable Director: Michael Bate, Interim Director of Financial Services (Deputy S151 Officer)	
Accountable Strategic Leadership Director: Jo Moore, Interim Strategic Director Finance and Investment (S151 Officer)	
<b>Summary</b>  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.	
<b>Recommendations</b>  The Committee is recommended to note: <ul style="list-style-type: none"><li>i. Pension Fund Budget 1 April 2024 to 31 March 2027;</li><li>ii. that the Fund is cash flow positive;</li><li>iii. London CIV update;</li><li>iv. Efficiencies in LGPS</li></ul>	

## 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 2024 to 31 March 2027;
- ii. Cashflow to 31 March 2024;
- iii. London CIV update;
- iv. Efficiencies in LGPS.

## 2. Pension Fund Budget 1 April 2024 to 31 March 2027

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2027.

**Table 1: Pension Fund Budget 1 April 2024 to 31 March 2027**

	2024/25	2025/26	2026/27
<b>Income</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Council	10,041	10,242	10,447
Admitted bodies	425	434	442
Scheduled bodies	2,285	2,330	2,377
<b>Total contributions from members</b>	<b>12,751</b>	<b>13,006</b>	<b>13,266</b>
Council - Normal	32,441	33,090	33,751
Admitted bodies - Normal	1,799	1,835	1,872
Scheduled bodies - Normal	8,633	8,806	8,982
Pension Strain	500	250	250
<b>Total contributions from employers</b>	<b>43,373</b>	<b>43,981</b>	<b>44,855</b>
<b>Total Contributions</b>	<b>56,125</b>	<b>56,987</b>	<b>58,122</b>
<b>Individual Transfers</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Income Before Investments</b>	<b>61,125</b>	<b>61,987</b>	<b>63,122</b>
<b>Expenses</b>			
<b>Pensions</b>			
Council	-35,894	-36,612	-37,345
Admitted Bodies	-395	-403	-411
Scheduled Bodies	-8,201	-8,365	-8,533
<b>Total</b>	<b>-44,491</b>	<b>-45,381</b>	<b>-46,288</b>
<b>Lump sums</b>			
Council	-4,742	-4,856	-4,974
Admitted Bodies	-388	-396	-404
Scheduled Bodies	-1,521	-1,551	-1,582
<b>Total</b>	<b>-6,651</b>	<b>-6,804</b>	<b>-6,960</b>
<b>Death grants</b>	<b>- 1,000</b>	<b>- 1,000</b>	<b>- 1,000</b>
<b>Payments to and on account of leavers</b>	<b>- 5,000</b>	<b>- 5,000</b>	<b>- 5,000</b>
<b>Total Expense</b>	<b>-57,142</b>	<b>- 58,185</b>	<b>-59,248</b>
<b>Net Income / (Expenditure) Excl Investments and Management Costs</b>	<b>3,983</b>	<b>3,802</b>	<b>3,874</b>
<b>Total Management Costs (cash)</b>	<b>- 1,887</b>	<b>- 1,958</b>	<b>- 2,032</b>
<b>Net Income / (Expenditure) Excluding Investments</b>	<b>2,096</b>	<b>1,844</b>	<b>1,842</b>
<b>Investment Income</b>			
BlackRock	2,472	2,546	2,623
Hermes	515	530	546
<b>Total</b>	<b>2,987</b>	<b>3,077</b>	<b>3,169</b>
<b>Net Income / (Expenditure) - cash</b>	<b>5,083</b>	<b>4,921</b>	<b>5,011</b>

2.2 The three-year budget has fairly stable member numbers. A forecast 6.7% increase in pensions in 2024/25 due to the current high level of inflation has risen the total

expenses forecasted. There is a forecasted average salary increase of 4.0%, and the council employer contribution will remain at 22% so overall higher contribution income forecasted. Pension Strain is forecasted to increase in 2024/25 as a result of the council's savings programme due to central government funding cuts then this forecasted to fall in the following years.

- 2.3 Transfer values in and out of the Pension Fund are forecasted to be the same amount but these can fluctuate as its dependent on the number of members who leave and join the organisation.
- 2.4 Excluding investments, the fund is expected to be cashflow positive 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 the next 3 years.

### 3. Cash flow to 31 March 2024

- 3.1 Table 2 below provides Members with the Fund's Cash flow to 31 March 2024.

**Table 2: Actual Pension Fund Cash Flow to 31 March 2024**

	<b>2023/24 Budget £000's</b>	<b>2023/24 Actuals £000's</b>	<b>Over / Under £000's</b>
<b><u>Contributions</u></b>			
<b><u>Employee Contributions</u></b>			
Council	9,500	9,650	150
Admitted bodies	450	410	-40
Scheduled bodies	2,000	2,200	200
<b><u>Employer Contributions</u></b>			
Council	30,000	31,000	1,000
Admitted bodies	1,800	1,700	-100
Scheduled bodies	7,700	8,000	300
Pension Strain	500	500	177
Transfers In	3,000	6,200	3,200
<b><u>Total Member Income</u></b>	<b>54,950</b>	<b>59,660</b>	<b>4,887</b>
<b><u>Expenditure</u></b>			
Pensions	-42,100	-41,700	400
Lump Sums and Death Grants	-7,500	-8,000	-500
Payments to and on account of leavers	-4,500	-5,700	-1,200
Administrative expenses	-800	-800	0
<b><u>Total Expenditure on members</u></b>	<b>-54,900</b>	<b>-56,200</b>	<b>-1,300</b>
<b><u>Net additions for dealings with members</u></b>	<b>50</b>	<b>3,460</b>	<b>3,587</b>
<b><u>Returns on Investments</u></b>			
Investment Income	15,000	27,000	12,000
Profit (losses)	35,000	120,000	85,000
Investment management expenses	-4,500	-4,900	-400
<b><u>Net returns on investments</u></b>	<b>45,500</b>	<b>45,500</b>	<b>0</b>
<b><u>Net increase (decrease) in the net assets</u></b>	<b>45,550</b>	<b>48,960</b>	<b>3,587</b>
<b><u>Asset Values</u></b>	<b>1,406,180</b>	<b>1,406,180</b>	
<b><u>Liabilities</u></b>	<b>1,305,583</b>	<b>1,305,583</b>	
<b><u>Funding Level</u></b>	<b>107.71%</b>	<b>107.71%</b>	

#### 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.

	31/12/2023	Market Move	31/03/2024
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	211,576,766	18,479,689	230,056,455
LCIV Global Total Return Fund	99,795,770	486,217	100,281,987
LCIV Real Return Fund	81,489,919	3,332,412	84,822,331
LCIV Global Bond Fund	73,869,571	399,429	74,269,000
<b>Total</b>	<b>466,732,026</b>	<b>22,697,747</b>	<b>489,429,773</b>

#### 4.2 Update from the London CIV

Pooling Position As of the 31 March 2024, the total assets deemed pooled by Partner Funds stood at £31.6 billion, of which £17.1 billion are in funds managed by London CIV. Assets under management via the London CIV Authorised Contractual Scheme stood at £15.6 billion, and assets invested in private market funds stood at £1.5 billion, with £3 billion in total commitments. The aggregate value of 'pooled' passive assets held by Legal and General Investment Management and Blackrock was £14.5 billion, with £10.5 billion managed by LGIM and £4 billion managed by BlackRock.

#### 5. Efficiencies in LGPS

5.1 The Department of Levelling Up, Housing and Communities has requested for productivity plans to be developed by each local authority as announced at the local government finance settlement. This would cover service transformation, better use of technology and data reduction of wasteful spend as well as views on barriers which government could remove.

5.2 A response will be provided by the fund and a review of listed invested will be carried out by Hymans for the September 2024 committee.

5.3 The request is provided as an appendix to this report for members to note.

#### 6. Financial Implications

*Implications completed by: David Dickinson, Investment Fund Manager*

6.1 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.

#### 7. Legal Implications

*Implications completed by: Dr. Paul Feild Senior Governance Solicitor*

7.1 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.

## **8. Consultation**

- 8.1 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**