

PENSIONS COMMITTEE

20 June 2018

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 Strategic Director: Claire Symonds, Chief Operating Officer	
Recommendations The Committee is recommended to note: <ul style="list-style-type: none">i. that the Fund is cash flow positive; andii. the Fund's three-year budget for the period 1 April 2018 to 31 March 2021.	

1. Introduction

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

- i. Pension Fund Budget 1 April 2018 to 31 March 2021; and
- ii. Cash flow to 31 May 2018.

2. Pension Fund Budget 1 April 2018 to 31 March 2021

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2021.

Table 1: Pension Fund Budget 1 April 2018 to 31 March 2021

<u>Contributions</u>	2018/19 Budget	2019/20 Budget	2020/21 Budget
Opening Market Value	1,000,000	1,040,500	1,077,300
Employee Contributions			
Council	4,500	4,000	3,500
Admitted bodies	2,200	2,000	1,800
Scheduled bodies	2,500	2,600	2,700
Employer Contributions			
Council	18,000	16,000	14,000
Admitted bodies	5,000	4,500	4,000
Scheduled bodies	9,000	9,400	9,700
Pension Strain	1,000	1,000	1,000
Transfers In	2,500	2,500	2,500
<u>Total Member Income</u>	44,700	42,000	39,200
<u>Expenditure</u>			
Pensions	- 33,000	- 34,500	- 36,000
Lump Sums and Death Grants	- 6,000	- 6,000	- 6,000
Transfers Out	- 3,500	- 3,500	- 3,500
Administrative expenses	- 600	- 600	- 600
Total Expenditure on members	- 43,100	- 44,600	- 46,100
<u>Net dealings with members</u>	1,600	- 2,600	- 6,900
<u>Returns on Investments</u>			
Investment Income	7,000	7,500	7,500
Profit (losses)	35,000	35,000	35,000
Investment management expenses	- 3,100	- 3,100	- 3,100
Net returns on investments	38,900	39,400	39,400
Net increase (decrease) in assets	40,500	36,800	32,500
Closing Market Value	1,040,500	1,077,300	1,109,800

2.2 The three-year budget shows a movement from members being employed by the Council to being funded by admitted bodies as staff move across to the various companies set up by the Council, including Be First, Traded Services, Home Services and Schools Improvement Partnership. The forecast is for the Council contribution to decrease and the admitted body contribution will initially increase, but as the admitted bodies are closed to new entries, their contributions will decrease over time. Due to these changes, the overall member income will decrease in 2019/20 and 2020/21.

2.3 An increase in lump sum payments is projected but it is expected that this will be mitigated by an increase in pension strain. Pension payments are forecast to increase due to an increase in the number of pensioners as well as to reflect an estimated pension increase of 3.0% for 2018/19.

2.4 Overall the Fund is expected to be cashflow negative in 2020/21 if investment income and management expenses are included but return is excluded.

3. Cash flow to 31 May 2018

3.1 Table 2 below provides Members with the Fund's Cash flow to 31 May 2018.

Table 2: Forecast Pension Fund Cash Flow to 31 May 2018

	2018/19 Budget £000's	2018/19 Forecast £000's	Over / Under £000's
<u>Contributions</u>			
Employee Contributions			
Council	4,500	5,718	1,218
Admitted bodies	2,200	1,600	(600)
Scheduled bodies	2,500	1,945	(555)
Employer Contributions			
Council	18,000	20,789	2,789
Admitted bodies	5,000	4,821	(179)
Scheduled bodies	9,000	7,431	(1,569)
Pension Strain	1,000	2,000	
Transfers In	2,500	2,500	-
<u>Total Member Income</u>	44,700	46,804	1,104
<u>Expenditure</u>			
Pensions	(33,000)	(32,659)	341
Lump Sums and Death Grants	(6,000)	(5,921)	79
Payments to and on account of leavers	(3,500)	(3,500)	-
Administrative expenses	(600)	(600)	-
Total Expenditure on members	(43,100)	(42,680)	420
<u>Net additions for dealings with members</u>	1,600	4,125	1,525
<u>Returns on Investments</u>			
Investment Income	7,000	7,000	-
Profit (losses)	35,000	35,000	-
Investment management expenses	(3,100)	(3,800)	(700)
Net returns on investments	38,900	38,200	(700)
Net increase (decrease) in the net assets	40,500	42,325	825
Asset Values	1,008,876	1,010,701	
Liabilities	(1,200,000)	(1,200,000)	
Funding Level	84.1%	84.2%	

4. Consultation

- 4.1 Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers. The Chief Operating Officer and the Fund's Chair have been informed of the commentary in this report.

5. Financial Implications

Implications completed by: Claire Symonds, Chief Operating 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 and governance of the Fund rests with the Pension Committee.

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. Other Implications

- 7.1 There are no other immediate implications arising from this report though the Public Service Pensions Act changes will have an impact on the short and long-term workload of the Pension Fund. This will continue to be monitored.

Background Papers Used in the Preparation of the Report: None

List of appendices: None