



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>23 June 2022</b>
<b>Classification:</b>	<b>Public (Appendix 2 is exempt)</b>
<b>Title:</b>	<b>Pension Fund Business Plan Outturn</b>
<b>Wards Affected:</b>	<b>None</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b><i>Tri-Borough Director of Treasury and Pensions</i></b> <a href="mailto:pdriggs@westminster.gov.uk">pdriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1 Executive Summary

- 1.1 The purpose of this report is to present the 2021/22 Pension Fund Business Plan Outturn, attached as Appendix 1. This includes the Pension Fund actual costs for the year to 31 March 2022.

## 2 Recommendation

- 2.1 The Pension Fund Committee is requested to:
  - Note the attached business plan and costs for the 3 years to 2021/22.
  - Approve that Appendix 2 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

### **3 Background**

- 3.1 The Myners Report to HM Treasury, compiled by Lord Myners and published in March 2001, recommended that local authority pension funds should approve an annual business plan in respect of the objectives required for the next one to three years.
- 3.2 The first business plan was presented to the Pension Fund Committee on 11 March 2021. This report compares the outturn against the plan made at that time, and comments on each objective outlined.
- 3.3 The Fund's business plan objectives cover the following areas:
- Administration
  - Communication
  - Actuarial/Funding
  - Pension Fund Committee Members
  - Financial and Risk Management
  - Investment
  - Local Pension Board
- 3.4 The business plan outturn, as shown in appendix 1, demonstrates that all the actions set have been achieved and the Pension Fund remains in a strong position to respond to any changes in the LGPS landscape.

#### **Pension Fund Expenses**

- 3.5 The Pension Fund costings, as shown in table 1 (appendix 1), detail the Fund's expenses by administration, oversight and governance and investment management for the 3 years to 2021/22.
- 3.6 During 2021/22, the administration costs increased by 65% to £1.617m, largely as a result of the pension administration transition from Surrey CC to Hampshire Pension Services, which incurred large one-off fees. It is anticipated that administration fees will decrease significantly following this transition.
- 3.7 In the year to 31 March 22, governance and oversight expenses were broadly in line with previous years. However, it is anticipated that, going forward, the finance employee recharge will decrease. This is as a result of the London Borough of Bexley joining the Tri-Borough Treasury and Pensions services, alongside Hammersmith and Fulham and Kensington and Chelsea.
- 3.8 Investment management costs have increased during 2021/22 by 30% to £11.3m. This is due to increased transaction cost disclosure as a result of the LGPS Cost Transparency Code, an increase in asset market values and the transition of investments to more complex asset classes.

- 3.9 Within the business plan outturn, table 2 breaks down the investment management expenses by management fees, transaction costs and performance fees, in relation to the total Fund market value. This analysis illustrates that management fees have increased from 0.36% of total market value in 2019/20 to 0.41% in 2021/22, this reflects the increased complexity of the Funds asset classes. Alongside this, it should be noted that transaction costs have increased from 0.06% of market value during 2019/20 to 0.19% in 2021/22, this reflects increased disclosures as a result of the Cost Transparency Initiative.
- 3.10 A detailed breakdown of Pension Fund costs can be found within appendix 2.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

**Billie Emery [bemery@westminster.gov.uk](mailto:bemery@westminster.gov.uk)**

**BACKGROUND PAPERS:** None

**APPENDICES:**

Appendix 1: Business Plan Outturn for 2021/22

Appendix 2: Detailed costs for the 3 years to 2021/22 (Exempt)