

## PENSION FUND OUTTURN 2011 - 2012

Contact Officers

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Papers with this report

None

### SUMMARY

Although not explicit within the Terms of Reference of the Pensions Committee, as part of its role in governance of the pension fund, the Committee has responsibility to oversee the annual budget for the operation of the Pension Fund and to member monitor income and expenditure. This report is being put before the Committee to enable them to fulfil this responsibility and to explain the outturn position for the 2011/12 budget.

### RECOMMENDATION

**It is recommended that committee note the budget outturn position for the 2011/12 financial year.**

### BUDGET OUTTURN 2011/12

As explained previously, preparing a budget for the Pension Fund is complex and the investment areas are very difficult to predict given that they are subject to the vagaries of investment markets. Investment income and investment management fees are also unpredictable given that they are based on investment market performance which is largely outside the control of the Pension Fund. However, there is a need to monitor member income and expenditure and the overall "Surplus/Deficit from Operations".

Total member income at the end of the 2011/12 year was £790k less than during 2010/11. This fall can be largely attributed to falling staff numbers as a result of the Council's implementation of its savings programme, with the highest level of savings being delivered in 2011/12.

Member's expenditure was £1,759k higher than 2010/11 levels. The most significant element of this related to the higher level of pension payments, of which £837 was as a result of the 3.6% pensions increase. Both pension payments and lump sum retirement benefits were impacted by the high number of staff retiring on the grounds of redundancy. However the rising age of the workforce also had an impact as an additional 191 members having pensions brought into payment. A full analysis of the scheme membership will be done shortly to map out the impact over the coming year.

Net administration expenditure increased from last year by £14k. The increase results from an increase in the number of staff in the administration team and a strengthening in the governance arrangements for the fund. (Some of these costs haven't been reclassified, hence the change in presentation although this did not impact on the bottom line.)

Overall there is a deficit of £2,045k from operations, an increase of £2.5m from 2010/11, due to the increase number of members now claiming pensions and the fall in member income. Further work will now be undertaken to profile this over the coming months to

quantify the impact on the fund and to plan any resulting cash management requirements and this further analysis will be reported to Committee.

## **FINANCIAL IMPLICATIONS**

As part of the governance responsibilities for the Pensions Committee they are required to approve and monitor an annual budget for the Fund. The management of the Pension Fund, including the setting of the budget, ensures that the Pension Fund is managed in an efficient and cost effective way. Poor management of the finances of the Pension Fund would lead to increased costs which would need to be reflected in higher contributions being paid by employers in the Pension Fund.

## **LEGAL IMPLICATIONS**

There are no legal implications in this report.