

PENSION FUND BUDGET 2009 – 2010 - OUTTURN

Contact Officers

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Papers with this report

Appendix

SUMMARY

At Committee in March 2010, Committee approved the budget for 2010 – 2011 and noted the forecast position as at Month 9 on the 2009 – 10 budget. This report now brings the outturn position for the 2009 -10 budget to Committee.

RECOMMENDATION

- 1. It is recommended that committee note the budget outturn position for the 2009 -10 financial year.**

BUDGET MONITORING 2009/10 – Outturn Position

As explained in the March report, 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. Therefore, budgets for the Pension Fund are prepared which make no forecast for the change in market value of investments, as this element of the budget is not one that can be predicted with any level of certainty. As a result the controllable budget is based only on the 'Surplus from Operations' elements.

Actual Income /expenditure against original budget

The original budget for 2009/10 forecast a deficit from operations of £46k, which compared with the actual surplus from operations for the year of £1,420k. The increase of £1,466k was due to an increase in income of £257k and a reduction in expenditure of £1,208k

The main differences between the original budget and the actual income/expenditure were:

Income:

- An increase in employees contributions of £50k;
- An increase in employers contributions of £57k; and
- An increase in transfer values received of £151k.

Expenditure:

- A reduction in benefit payments of £152k;
- A reduction in transfer values paid out of £990k; and
- A reduction in administration expenses of £66k

Committee had raised their concern at the forecast deficit of the 2009 – 10 budget. However, the actual figure is much improved, avoiding the need to draw on investment income to pay for the day-to-day operations of the Fund.

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. This report sets out the budget outturn for the financial year 2009/10. In addition, the prior year budget is compared against projected income and expenditure.

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

This report details the outturn on the Pension Fund budget for 2009 – 10 financial year. The Committee will wish to be clear that the financial assumptions on which the budget is based are sound and realistic. It will also wish to satisfy itself that the budget is robust enough to accommodate the potential pressures outlined in the report whilst ensuring that the fund is managed as efficiently as possible to maximise the benefits to members of the Scheme.