

PENSION FUND BUDGET 2010 - 2011

Contact Officers

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Papers with this report

None

SUMMARY

At Committee in March 2010, Committee approved the budget for 2010 – 2011. This report provides an update at the end of quarter 1 against that budget.

RECOMMENDATION

- 1. It is recommended that committee note the budget position as at 30 June 2010.**

PENSION FUND BUDGET 2010- 2011

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. Budget monitoring is therefore based on "Surplus/Deficit from Operations" however it should be noted certain items within this section can also be difficult to predict and are therefore subject to large variances.

At this early stage of the year, it would not be appropriate to include a forecast year end position as retirement experience is not constant throughout the year and so a period of 3 months is insufficient to predict experience for the rest of the year. Also at this stage it is unclear how the council's cost saving measures may impact on the pension fund. A year end forecast will be worked up for the half year position as at the end of September.

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.