

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 2 against that budget.

RECOMMENDATION

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

PENSION FUND BUDGET 2010- 2011

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. 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.

BUDGET MONITORING 2010/11

Member income projected from Month 6 is expected to be broadly in line with the budget, and comparable to last year, however if the numbers of redundancies continue to rise then a fall in scheme membership would occur, and potentially member income could fall.

At this stage, member's expenditure is projected to be 13% higher than last year. All elements of expenditure are currently estimated to be higher than the comparatives from last year. The greatest impact on this figure arises from the cost of lump sum retirement grants as a large volume of people retiring are taking the maximum lump sum – converting pension to lump sum. Additionally there have been a two death cases which paid out large death grants.

Net administration expenditure is expected to be broadly in line with last year's cost.

The current forecast is predicting a deficit from operations of £2.6 million, mainly due to the high member expenditure, as explained above. This will be a major concern going forward if this continues as the fund will need to draw on investment income to meet

operating expenditure. This situation will be monitored closely for both the impact of continuing redundancies and the impact of any scheme changes as they are announced.

This report does not report on a forecast for the return on investments as these returns are monitored quarterly through the fund manager performance reporting.

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.