

<b>PENSION FUND BUDGET 2010 - 2011</b>	
--	--

<i>Contact Officers</i>	Nancy le Roux, 01895 250353
-------------------------	-----------------------------

<i>Papers with this report</i>	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 setting of the annual budget for the operation of the Pension Fund and to monitor income and expenditure against that budget. This report is being put before the Committee to enable them to fulfil this responsibility. At Committee in March 2011, Committee approved the budget for 2011/12 and noted the forecast position as at Month 9 on the 2010/11 budget. This report now brings the outturn position for the 2010/11 budget to Committee and a revised budget for 2011/12 based on this final outturn position.

## **RECOMMENDATION**

**It is recommended that Committee note the budget outturn position for the 2010/11 financial year.**

## **BUDGET MONITORING 2010/11 – Outturn position**

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.

Total member income was £1,295k more than forecast and a further improvement on the position shown at month 9. Going forward the caveat noted previously remains in that if the number of redundancies continues to rise then a fall in scheme membership would occur, and potentially member income could fall.

Member’s expenditure was £919k higher than budget, an increase of 3% on last year. This position is much better than expected earlier in the year considering the number of redundancies which have already occurred.

Net administration expenditure is slightly lower than budget although has increased from last year by £39k. 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.

A deficit from operations has been forecast throughout 2010/11 however the final outturn delivered a surplus of £518k. The main reason for this was the higher than forecast member contributions.

## **PENSION FUND BUDGET 2011- 2012**

A draft budget was brought to committee in March proposing that the budget for 2011/12 be aligned with the actuals for 2010/11. This draft budget has now been fully aligned with the actual outturn position. The final 2010/11 figure for employer contributions has been increased by the impact of an additional 1% contributions and the final pension payments figure has been increased by the annual pensions increase figure of 3.1%. As transfer values both inwards and outwards are unknown, these have been set to have a zero impact on the budget. As explained previously, the big unknown for 2011/12 is the impact of redundancies on both income, in terms of reduced contributions, and expenditure in terms of increased benefits. Additionally, due to the Council setting salary inflation at zero for 2011/12, total administration costs are expected to remain flat against the actuals for 2011/12.

As we cannot forecast returns on investments we have restricted the budget to cover only the surplus from operations

## **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.