



# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>24 June 2021</b>
<b>Classification:</b>	<b>Public</b>
<b>Title:</b>	<b>Pension Fund Cost Analysis</b>
<b>Wards Affected:</b>	<b>None</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <i>Tri-Borough Director of Treasury and Pensions</i> <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## **1 Executive Summary**

- 1.1 The purpose of this report is to present a previous years' cost analysis of the Pension Fund, alongside the budgeted costs for the current financial year 2021/22.
- 1.2 The budgeted Fund costs for 2021/22 is £11.509m, an increase from the previous year's actual of £10.087m.

## **2 Recommendation**

- 2.1 The Pension Fund Committee is requested to:
  - Approve the current year's expenditure budget for 2021/22.

### 3 Background

3.1 The following table provides a breakdown of the costs incurred by the Westminster City Council Pension Fund in relation to administration, investment management, governance and oversight for the financial years 2018/19, 2019/20, 2020/21, alongside budgeted costs for 2021/22.

	Company Name (If Applicable)	2018/19	2019/20	2020/21	2021/22 Budget
		£000	£000	£000	£000
Administration					
Employees		184	352	308	378
Supplies and services					
	Legal Costs	34	74	23	50
	Administrator	180	183	333	666
	Various Admin*	149	141	318	313
		546	750	981	1,508
Governance and oversight					
Employees		240	183	237	246
Training		4	2	-	10
Investment advisory services	Deloitte	100	78	92	100
Governance and compliance	Various**	40	71	43	45
External audit	Grant Thornton	16	16	25	25
Actuarial fees	Barnett Waddingham	36	72	32	50
		436	423	428	476
Investment Management					
Management, Performance and Transaction fees		4,802	5,631	8,624	9,485
Custody fees	Northern Trust	38	31	54	40
		4,840	5,662	8,678	9,525
Total		5,823	6,834	10,087	11,509

\*Includes Heywood's Altair software maintenance and licence fees up to 2020/21 (5-year licence fee paid during 2020/21), scheme member tracing and bank charges

\*\*Includes subscription fees/other services i.e. CIPFA Pensions Network, LGA, Pensions Lifetime and Savings Association, Pensions and Investment Research Consultants

- 3.2 The Fund's administration expenditure fees were significantly higher in 2020/21, due to the increase in the Surrey County Council annual charge and the cost of the five-year Aquila Heywood Altair licence fee. There will also be significant upfront administration costs during 2021/22, in relation to the pension administration transition from Surrey County Council to Hampshire County Council.
- 3.3 In addition, the Fund will be changing software providers from Aquila Heywood to Civica and this will form part of the Hampshire County Council annual contract fee.
- 3.4 Governance and oversight expenses are broadly in line with previous years. However, the finance employee recharge increased during 2020/21, resulting from the review of the Tri-Borough Section 113 Agreement.
- 3.5 Investment management costs increased during 2020/21 and are expected to increase further in 2021/22. This is due to increased fund manager cost transparency and disclosure as a result of the LGPS Cost Transparency Code. An increase in asset market values and the transition of investments to more complex asset classes have also resulted in fee increases.
- 3.5 A detailed Fund cost analysis can be found within Appendix 1.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

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**BACKGROUND PAPERS:** None

**APPENDICES:**

Appendix 1: Detailed Fund Cost Analysis to 2020/21 and Budget for 2021/22  
(Exempt)