

By: Corporate Director of Finance
To: Pension Board – 26 February 2020
Subject: **Pension Fund Business Plan**
Classification: Unrestricted

Summary: To advise the Board of the revised business plan and related budget

FOR INFORMATION

INTRODUCTION

1. At its meeting in November the Board noted the 2019-20 business plan for the Fund produced by the KCC finance team and the expenditure identified as being necessary to implement the plan during 2019-20.
2. The Board is now asked to note the updated business plan including anticipated activity in 2020-21 and the budget required to deliver the plan in 2019-20 and 2020-21.

UPDATED BUSINESS PLAN

3. The Fund's business plan has been updated to reflect progress made in 2019-20 and anticipated activity in 2010-21, see attached at appendix 1.

2019-20 FORECAST AND 2020-21 ESTIMATE

4. Officers forecast that the expenditure required to implement the business plan during 2019-20 totals £4.5m (budget £4.4m) and increases to £4.7m in 2020-21 as per the table below.
5. The higher costs forecast for 2019-20 mainly relate to higher investment consultancy fees due to the engagement of Mercer to provide advice to the Fund on the implementation of the investment strategy in particular the equity downside protection programme. This increase is partially offset by lower legal fees due to a reduced number of new admission bodies in the Fund as well as lower ACCESS pooling costs and other professional fees.
6. In 2020-21 it is anticipated that the resources required to deliver the business plan costs will rise mainly due to the need to take into account the SAB Good Governance recommendations, the Pensions Regulator's guidance and the recommendations of the Internal Audit review.
7. In particular staff costs relating to the investment accounting and oversight function are forecast to be higher as additional resources are expected to be recruited to support the Fund. The Fund will also have to pay for the procurement

of external governance consultancy to support these changes and to provide training for both the committee and board.

Pension Fund Management Costs

	2019-20 budget £	Forecast 2019-20 £	Overspend / underspend 2019-20 £	Forecast 2020-21 £
Pensions Administration	3,345,000	3,345,000	-	3,411,900
Pension Payroll Services	221,542	221,542	-	225,973
Payment services	17,000	17,000	-	17,340
Financial Services	67,000	67,000	-	68,340
Administration Expenses	3,650,542	3,650,542	0	3,723,553
Actuarial Fee including cost of valuation	300,000	300,000	-	260,000
Legal Fees	125,000	114,000	-11,000	125,000
Direct recovery of actuary, legal fees and admin costs	-250,000	-250,000	-	-225,000
Subscriptions	46,000	40,000	-6,000	46,000
ACCESS pooling costs	110,000	100,000	-10,000	100,000
Investment Accounting and Oversight costs	285,700	285,700	-	400,000
Performance Measurement Fees	30,000	10,000	-20,000	10,000
Investment Consultancy	50,000	177,800	127,800	160,000
Governance consultancy				50,000
Other professional advice	20,000	20,000	-	20,000
Governance and Oversight Expenses	716,700	797,500	80,800	946,000
Audit fee	24,000	24,000	-	24,000
Total	4,391,242	4,472,042	80,800	4,693,553

RECOMMENDATION

- The Board is recommended to note the updated Business Plan and the related budget for 2019-20 and 2020-21.

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