

From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: The Pensions Board – 1 September 2021

Subject: Pension Fund Business Plan

Classification: Unrestricted

Summary:

To advise the Board of the 2020-21 outturn costs and progress made to date on the 2021-22 business plan and related outturn for 2021-22.

Recommendation:

The Board is recommended to note the report.

FOR INFORMATION

1. Introduction

1.1 The Board is asked to note the updated business plan and costs incurred to deliver the plan in 2020-21 and forecast for 2021-22.

1.2 The Committee noted this update at its meeting on 23 June 2021.

2. 2021-22 Business plan

2.1 The Fund's business plan has been updated to reflect progress made to date and anticipated for 2021-22 and a copy is at appendix 1.

2.2 Members are asked to particularly note the following:

- i) KCC is progressing the implementation of the restructure of the finance support for the Fund in line with the recommendations of the Barnett Waddingham review.
- ii) Barnett Waddingham are finalising their review of the governance of the Pension Fund and have issued their draft report for review by KCC management. It is anticipated that during 2021-22 the focus will be on the implementation of the recommendations and officers intend to provide a detailed analysis of the proposed changes to the board's next meeting in November.
- iii) A review of the Fund's strategic asset allocation has been deferred to early 2022.
- iv) The custody services procurement has been completed and a new contract awarded from 1 August 2021

- v) Discussion and planning is ongoing with employers regarding the roll out of i-Connect employer self-service.
- vi) Progress is being made on the follow to the Guaranteed Minimum Pension reconciliation exercise.

3. 2020-21 outturn

3.1 Total actual costs to support the 2020-21 business plan amounted to £4.3m, some £389,000 lower than forecast mainly as a result of lower pensions administration costs, and details are included in the table below. Most other actual costs were below budget with the exception of investment consultancy fees relating to the establishment of the equity downside protection programme and audit fees.

4. 2021-22 forecast

4.1 The forecast costs to support the 2021-22 business plan are expected to amount to some £5.07m taking into account pension administration, investment accounting and governance costs related to the implementation of the recommendations of the finance function review as detailed in paragraph 6 below.

4.2 The resources required to support the changes to the Fund's governance arising from the Barnett Waddingham review have yet to be considered.

5. Pension Fund Management Costs

5.1 The table below details actual costs for 2020-21 compared to budget and forecast 2021-22 costs for the delivery of the Fund's business plan.

	Agreed Budget 2020-21	Actual costs 2020-21	(Overspend) / Underspend	Forecast 2021-22
	£	£	£	£
Pensions Administration	3,411,900	3,033,733	378,167	3,610,000
Pension Payroll Services	225,973	221,542	4,431	226,000
Payment services	17,340	16,650	690	17,400
Financial Services	68,340	64,700	3,640	69,000
Administration Expenses	3,723,553	3,336,625	386,928	3,922,400
Actuarial Fee including cost of valuation	260,000	315,823	-55,8230	250,000
Legal Fees	125,000	23,721	101,279	50,000
Direct recovery of actuary, legal fees and admin costs	(225,000)	(257,090)	32,090	(225,000)
Subscriptions	46,000	41,511	4,489	46,000
ACCESS pooling costs	100,000	82,160	17,840	115,000

Investment Accounting and Oversight costs	400,000	372,866	27,134	600,000
Performance Measurement Fees	10,000	29,080	-19,080	30,000
Investment and governance consultancy	210,000	172,921	37,079	180,000
Equity Protection consultancy		145,426	(145,426)	*30,000
Other professional advice	20,000	-	20,000	20,000
Governance and Oversight Expenses	946,000	926,419	(19,582)	1,096,000
Audit fee	24,000	41,029	(17,029)	50,000
Total	4,693,553	4,304,073	(389,481)	5,068,400

*Does not include Equity protection restructuring advice cost

6. Review of the Finance support for the Fund

- 6.1 As the administering authority for the Kent Pension Fund, Kent County Council provides the finance resources required to support the Fund. A review of these resources and specifically those of the Treasury and Investments team was recommended by the Internal Audit review undertaken in November 2019.
- 6.2 Barnett Waddingham were commissioned to undertake the review, also taking into account the LGPS Good Governance review commissioned by the Scheme Advisory Board, and they produced their report on 23 April 2021.
- 6.3 The Corporate Director of Finance agrees with the report's recommendations and proposes to implement them before the end of 2021.
- 6.4 Barnett Waddingham recommend the establishment of the new post of Head of Pensions and Treasury to report to the Corporate Director of Finance and to have responsibility for both Pensions Administration and Treasury and Investments teams. The report also recommends recruiting additional resources and sets out an implementation plan for the reorganisation and recruitment.
- 6.5 The planned changes will increase the finance staff serving the Pension Fund by 3.4FTE from 5.6FTE to 8.9FTE. It is anticipated that the additional cost to the Fund in 2021-22 will be £200k and this has been included in the forecast investment, accounting and oversight costs for the year.
- 6.6 The Corporate Director of Finance also agrees the Barnett Waddingham recommendation to recruit 3 project officers to support the Pensions Administration team and the recruitment of these staff is underway.

Alison Mings, Acting Business Partner – Kent Pension Fund

T: 03000 416488

E: Alison.mings@kent.gov.uk

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