

Suffolk Pension Fund, 28 November 2016

A committee of Suffolk County Council

Information Bulletin

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers Management Expenses

Administration costs

- Administrative costs consist of expenses incurred by Suffolk County Council as administering authority of the Pension Fund. These relate to activities the pension administration team perform to administer pensions and provide members with scheme and benefit entitlement information such as benefit estimates and annual benefit statements.
- The actual administration costs for 2015-16 and estimated costs for 2016-17 and 2017-18 are set out below:

	Actual	Estimate	Estimate
Administration Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Suffolk County Council Administration Costs	755	724	739
Heywood System	193	182	150
Other Expenses	32	40	40
Total Administration Costs	980	946	929

- The Heywood administration software system supports the pensions administration team to fulfil the complex requirements around administering the scheme; such as calculating pension benefits and producing the annual statements. The system holds every pension members record and history.
- The charges are incurred through maintaining the system, development costs to keep the system up to date with regulatory changes, license fees per user and consultancy costs.

Governance and oversight costs

5. Governance and oversight costs relate to the 'over seeing' of the fund such as actuarial costs, internal and external audit costs and the costs of independent advisers to the Board. Costs associated with the operation and support of the Pension Fund Committee and Pension Board and costs associated with statutory and non-statutory reporting such as committee reports, annual reports and accounts are also included.

	Actual	Estimate	Estimate
Governance and oversight costs	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Suffolk County Council Administration Costs	171	146	149
Investment Advice	96	88	90
Actuarial costs	85	194	100
Performance Data costs	31	31	46
Voting Service	32	10	10
ACCESS Asset Pool costs	28	76	150
Pension Fund Committee	7	8	9
Pension Board	5	6	7
Audit Fees	36	36	37
Legal Fees	5	7	10
Miscellaneous Expenses	18	20	20
Total Governance and Oversight Costs	514	622	628

6. ACCESS asset pooling costs represents costs incurred for advice and guidance in relation to the Governments requirements for all LGPS Funds to pool their assets. These costs are shared equally by the eleven funds which are members of the ACCESS pool.
7. The actuarial cost is forecast to increase in 2016-17 due to the triennial valuation exercise.

Investment Management Expenses

8. Investment management expenses are costs related to the management of the fund's assets including directly invoiced fees from investments managers and fees payable to fund managers which are deducted from the fund assets as opposed to being invoiced to the Pension Fund.
9. Transaction costs are incurred in the purchasing and selling of shares. Stamp duty reserve tax (SDRT) is a UK tax paid on all purchases of UK equities and Irish registered stock. There are similar taxes levied by many of the overseas markets which the Pension Fund pays on overseas shares. In addition, commission costs are paid to a broker for facilitating purchasing and selling transactions.

	Actual	Estimate	Estimate
Investment Management Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Blackrock	1,794	1,965	2,024
Bluecrest	850	-	-
Brookfield	99	75	78
KKR	865	1,001	661
Legal & General	957	927	955
M&G	1,516	1,528	1,697
Newton	1,153	1,291	1,330
Pantheon	722	761	784
Partners	218	459	750
Pyrford	562	610	628
Schroders	327	344	354
Wilshire	387	348	313
Winton	459	752	775
Total Managers Expenses	9,909	10,061	10,349
Other Costs			
Custodian	32	26	35
Transaction Costs	739	850	876
Total Other Costs	771	876	911
Total Investment Management Expenses	10,680	10,937	11,260

10. The fees charged by the custodian, HSBC, are also included. The decrease in 2016-17 is due to some disputed costs written off by the previous custodian.
11. The Bluecrest mandate was terminated in January 2015, the proceeds have been invested in Winton which accounts for the increase in their fees.
12. The KKR mandate has recently distributed a third of its holding and so management fees will reduce going forward.

Performance Fees

13. Included in the Investment management expenses above for some of the investments are an element of performance fee (overleaf), these can be based on the net asset value breaching the watermark (highest valuation of the investment) or the returns exceeding a prescribed target.
14. A negative figure denotes a reduction in the accumulative performance fee in investments that are paid a performance fee when the investments have been realised.

	Actual
Performance Fees	2015-16
	£'000
Blackrock	1,008
Bluecrest	150
KKR	620
M&G	-225
Partners	-175
Total Performance Fees	1,337

Total costs

15. The costs incurred by the Pension Fund in managing the Fund relate to administration costs, governance and oversight costs and investment costs.

	Actual	Estimate	Estimate
Management Expenses	2015-16	2016-17	2017-18
	£'000	£'000	£'000
Administration Costs	980	946	929
Governance and Oversight Costs	514	622	628
Investment Costs	10,680	10,937	11,260
Total Management Expenses	12,174	12,505	12,817
Scheme Assets (£m)	2,213	2,324	2,440
Costs as % of assets	0.55	0.53	0.52
Scheme Membership	55,648	56,761	57,896
Costs per scheme member (£)	15.99	16.67	16.34

16. These costs represent about 0.55% of the value of the Fund at 31 March 2016, which is broadly in line with the previous year (0.54%).
17. The comparative national figures for management expenses are published in the SF3 statistical return by the Department for Communities and Local Government (DCLG) who calculate the unit costs for local authority pension funds based on the submissions by the English and Welsh administering authorities.
18. However this year a number of errors have been identified in the published returns particularly within the management expenses area. Therefore, no comparisons of Suffolk's costs against other funds has been produced for this report. Additional work is now being undertaken by the Funds to check the published returns and a revised schedule will be published in due course.