

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2016

Report of the Treasurer

REVENUE ESTIMATES 2017/18 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2017/18 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) Approve the revised estimates for 2016/17 in the sum of £6,633,000**
 - (ii) Approve a levy of £479,000 for 2017/18 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2017/18, and refer the estimates to the District councils for comment.**
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STRATEGIC PLANNING

3 Background

- 3.1 The Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the Regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates. (at the 2016 valuation, this has been estimated at 0.4% of Pensionable Pay). This is reassessed at each valuation. Investment expenses are allowed for implicitly in determining the discount rates.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset and liability review. Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

3.5 As Members are aware this report is presented against a background of the requirement from Government for LGPS funds to pool their investment assets. Work is ongoing on this and the timetable set is for those assets to start transitioning to pools by 1st April 2018. It has been recognised by Members that this process is not one that will reduce costs for this fund as so much of the fund is internally managed. Indeed costs will increase, at least in the first few years.

The budget being presented at this stage does not include anything in respect of pooling other than a provision of £350,000 for set up costs which was approved at the Authority meeting on 6th October. This has been split over current and next financial years.

3.6 The Authority has always strived to manage the Fund within the budgetary constraints imposed and, as shown in the table below, has consistently achieved underspends over the last few years.

Although the Authority has built up a reserve of below 3% of budget the resulting savings have meant a smaller charge to the Fund each year.

For 2016/17 an increase in base budget was approved resulting in a small increase to net controllable budget.

The revised figures for 2016/17 actually forecast a small reduction in the controllable budget and eliminate the need to use the reserves.

It is important to look at the net controllable budget as this takes out expenses which are linked to fund market value.

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2012/13	5,340,700	5,242,800	5,102,237 (net of 138,285 actuarial fees charged to the fund)	-140,563
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,237,554 (net of 92,537 actuarial fees charged to the fund) No reserves used	-199,246
2015/16	5,760,900 (using 50,000 of reserves to give a net controllable budget level of 4,630,900)	6,120,000 (not using any reserves to give a net controllable budget level of 4,560,000)	5,907,577 (net of 92,796 actuarial fees charged to the fund) No reserves used	-212,423
2016/17	6,336,800 (using 50,000 of reserves) net controllable budget of 4,676,800			

- 3.7 We have had another challenging year which resulted in the successful production of annual pension forecasts within the statutory deadline but at the expense of non-priority casework which created a backlog and stalled the recovery of our performance standards and built up a sizeable backlog. Total casework was down a shade from 59,182 to 58,811 cases processed however overall performance increased from 61.89% to 83.72% cases completed within target.

There are still busy times ahead. Overtime continues to be worked in order to clear the backlogs and significant effort is being made to have it cleared before the cycle repeats in 17/18. Although we outsourced the analysis and matching part of the GMP reconciliation process we are now bracing ourselves for the number of actual mismatches which will then require us to recalculate members benefits. This will be done in-house. On a positive note the new pensions administration system that has disrupted our performance since implementation is now significantly more stable and reliable.

SYPA continues to participate in the CIPFA LGPS benchmarking club and in 15/16 the total cost per member was £15.87 which compares favourably against the average cost per member across all participants which amounts to £18.58.

The South Yorkshire Local Pension Board continues to meet and develop its role in scrutinising the Fund.

At the same time the Fund has put forward its proposal for pooling of investments. Response from government is expected in the near future. The emphasis from government is for this to reduce Investment Management costs. Of course, as one of the funds with the lowest Investment management costs already, reducing costs is not something that will be achieved in the first few years, indeed costs will rise initially. This is creating extra workload for the Investments team and has introduced a level of uncertainty for how things will develop over the next 18 months or so.

Steve Barrett has been appointed as interim Fund Director from July 2016 following the retirement of John Hattersley. This will provide the necessary senior management leadership and support to protect the Fund's interests, particularly over pooling arrangements and to assist in determining future arrangements.

4 Preliminary financial forecasts

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2017/18 for administration and investment management expenses together with a probable outturn for 2016/17.

The Authority is also asked to approve the levy for 2017/18 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2016/17 estimates and 2017/18 estimates

Appendix B - variation statement showing main changes for 2016/17 probable outturn

Appendix C - variation statement showing main changes for 2017/18 estimate

Appendix D - statement of recharges to District Councils and levy for 2017/18

4.1 Original Budget 2016/17

The original budget for 2016/17 was approved in January 2016 at £6,286,800 net, using £50,000 from reserves.

Last year a review of the management structure was completed and new senior manager grades were implemented. A new external fund manager was appointed for Bonds and these were included in the original budget for 2016/17.

The management of the Fund and the provision of high quality service to members is key to the Authority. As already stated the Authority is amongst the lowest in terms of cost per member for administration and amongst the highest in terms of levels of service. The fund has also outperformed its benchmark consistently.

At 31 March 2016 the Fund was valued at £6.2 billion. Our return for the year at 0.5% was ahead of our expected benchmark return of 0.1%. The following table shows the outperformance for the last 3 years (since the last actuarial valuation) in cash terms.

Period	Actual return	Benchmark return	Extra value added	Extra value in cash terms	Cash value added over 3 years
3 years to March 2016	6.6%	6.4%	0.2%	£11.9m per annum	£35.7m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.2% per annum over the last 3 years. In cash terms this is £35.7million on top of the benchmark return during that period.

This continues a trend of good performance over the long term. Over a 10 year period the Authority is in the 16th percentile of local authority funds ie the total fund return was better than 75 out of the 89 local authority funds.

4.2 Probable Outturn

The revised estimates for 2016/17 show a small bottom line (net controllable budget) reduction of £7,800 after allowing for no use of reserves.

The main variations are shown in Appendix B and it can be seen that savings have been made across a number of budget heads.

The total outturn figure of £6,633,000 includes £99,000 in respect of the GMP exercise which was approved at the meeting on 17th March. There is also an amount of £350,000 in respect of pooling set up costs which was approved on 6th October. This amount is anticipated to be spent over the full period leading to the movement of assets (1st April 2018) and so has been split over the 2 years budget figures as £150,000 in 2016/17 and £200,000 in 2017/18. The investment management costs linked to market value come to £1,715,000. This gives a revised net controllable budget of £4,669,000 without any use of reserves.

The corporate strategy reserve at the moment amounts to £184,751 which is less than 3% of budget. The figures have been presented with no forecast to use this reserve. Given the uncertainties around pooling it would be prudent to maintain this reserve for the next couple of years.

The forecast savings come mainly from turnover, the PIM vacancy, the reduced costs of central services previously provided by SYJS and now provided either directly by the Authority or by BMBC. The SLA from BMBC has been revised in respect of facilities management to provide clarity between services provided specifically to the Authority and services provided to the Authority as a tenant of the building. This has created a reduction on central services of £14,000 and a corresponding increase on premises costs via the service charge. There is also an increase in income for providing IAS19 figures to employers which over the years has become a substantial task due to the number of employers in the Fund. Increased actuarial fees as this is a full valuation year. There are also some increases to costs of investment management services which are charged in US dollars, the movement of exchange rates has made these more expensive at current levels.

There is also an increase in Investment management expenses due to the increase in value of the externally managed bond portfolio and the increase in the value of the property portfolio, these expenses are linked to market values and so are not included in the net controllable budget.

5 Developments during 2016/17

5.1 The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration continues to drive forward the greater use of electronic communication with Fund members and employers where appropriate. This has been a long, steady process and has already helped to cut costs in printing and postage over a number of years.

5.2 As mentioned in 3.7 these are still very busy times with much tighter deadlines for annual benefit statements, work on GMP reconciliations and the actuarial valuation being just a few of the things being dealt with.

5.3 The number of employers within the Fund continues to increase and now stands at almost 500 compared to just under 150 in 2010. The task of informing employers of the contributions due from them and collecting those contributions is becoming a much more complex and time consuming task.

5.4 The prospect of pooling of investments continues to create a vast amount of work for the Authority. This is expected to increase as the proposed deadline of 1st April 2018 gets closer.

5.5 Administration Restructure

Since our last major restructure in 1997 there have been many changes to the LGPS and pensions in general and we currently find ourselves with significantly more members and employers requiring our services, which is impacting on our ability to meet our Statutory and internal performance targets.

Receiving accurate and timely data from employers has always been a tricky proposition and now we have almost 500 employers it is no longer viable to wait until the year-end to analyse and reconcile the data and contributions that they send to us.

The Pensions Regulator's code of practice demands compliance with statutory deadlines and quality of data and is right to do so given the importance of ensuring that scheme

members are paid timely and accurate benefits. The purpose of the current restructure is to shift from annual contribution and data reconciliation to a monthly cycle.

In order to achieve this we need to increase staffing numbers and create a dedicated team with the sole purpose of ensuring our member database is populated with up to date and accurate data at all times. The creation of the team will relieve our pensions officers to concentrate on providing the quality service to our members that they have become accustomed to for many years but which have become a struggle in recent times.

The restructure also has some internal reorganisation to strengthen our performance and technical and compliance output. We also intend to put a dedicated manager in charge of looking after our pensions administration system rather than the shared responsibility it was previously.

This is the subject of a separate report at today's meeting.

The full effect of this restructure has been included in the figures for 2017/18.

5.6 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2016/17 and 2017/18 separately. We have estimated this at £90,000 but it is totally dependent on the number of new academies joining the fund.

Actuarial fees are really difficult to predict and control as the bulk are dependent on requests from employers and changes within the scheme – all fees are recharged wherever this is possible.

As this is the year of the actuarial valuation we are expecting higher costs and have revised the figure up by £30,000 at this stage.

6 Budget Assumptions

- 6.1 The initial planning guideline for 2017/18 was a 'continuation of service' budget based on maintaining current levels of service. We have allowed for a 1% increase in pay and have only allowed for inflation on contracts which state that they will increase by inflation. General price increases will be absorbed as much as possible.

No allowance has been made within the budget for developments or improvements in service.

- 6.2 The budget for 2017/18 to maintain the current level of service is shown in Appendix A at £7,042,600 against the base 2016/17 budget of £6,336,800. When this is adjusted for the investment costs linked to market value and the agreed estimate for pooling of £200,000 the net controllable budget is £5,072,600 against a base of £4,676,800; this represents a net increase of just over 8.4%.

This is an increase of £705,800 on the overall budget and £395,800 on the net controllable budget. It should be noted though that £170,000 of this is for the restructure which is being discussed separately at today's meeting.

Appendix C shows the main variations.

The biggest increase is in employee costs, including the pay award, the revised administration structure, the recruitment of the Interim Fund Director along with the part time role of the property manager. An increase in NI and pension contributions.

Actuary fees are anticipated to reduce next year as it is the first year of a new 3 year cycle following the actuarial valuation. Further reductions have been achieved on the cost of central services (net of the increase in service charges, see 4.2).

As mentioned in 4.2 some investment services are charged in US dollars and the full year effect of the falling exchange rates is included in 2017/18, this is subject to fluctuation as markets change.

Extra income is being generated for the IAS19 work done for employers.

Most other budget heads have been held at cash for a number of years now which in real terms equates to a reduction in budget.

As other costs are held and savings are made where possible it leaves over 67% of the Authority controllable budget as employee costs.

- 6.3 As can be seen at paragraph 3.6 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. The budget for 2016/17 was approved including utilisation of this Reserve. The revised position shows that we shouldn't need to use reserves at all in 2016/17. This would leave the Contingency Reserve at a level of around £185,000. As mentioned in 4.2 given the uncertainties around pooling, the reserve may be needed over the next couple of years.

7 Developments over the next few years

- 7.1 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.2 The new LGPS scheme still needs to bed down over the next couple of years, along with the new Pensions Administration system so that we return to our excellent levels of service. The administration team needs to be restructured to provide the resilience needed for future service provision.
- 7.3 The proposals for the pooling of the fund's investments are moving along slowly. Once Government input has been received there will be significant amounts of work needed to establish our part in a new pool and to determine what functions will still be required by the Authority. At the moment these are fairly uncertain times and it is impossible to forecast what may happen over the next couple of years.
- 7.4 The new Local Pensions Board made up of employer and scheme member representatives continues to develop its role.

8 Implications of making reductions in the budget

- 8.1 The budget has been produced on a standstill basis. It includes the costs of managing the Fund as it stands now. It also includes the cost of restructuring the Administration division to create a team to provide a resilient service going forward. It has been accepted for a number of years that this review was needed.
- Any reductions in the budget would have an immediate effect on levels of service and on the performance of the Fund. Members have previously indicated that service and performance are their priority.

Members are asked to indicate whether they wish any specific area to be explored to achieve reductions as part of this budget round.

9 Other Implications

9.1 Legal

There are no legal implications.

9.2 Diversity

There are no specific diversity implications.

9.3 Risk

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

F Foster Treasurer

Officer responsible: Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority

Background papers used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.

Other sources and references: none

APPENDIX A

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION AND INVESTMENT EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

SUMMARY

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
ADMINISTRATION EXPENSES	2,995,100	3,016,400	3,182,500
INVESTMENT EXPENSES	3,341,700	3,616,600	3,860,100
	6,336,800	6,633,000	7,042,600
CONTINGENCIES	-50,000	-0	-0
TOTAL EXPENDITURE REQUIREMENT	6,286,800	6,633,000	7,042,600
SUPPLEMENTARY ESTIMATES ALREADY APPROVED:			
ADMINISTRATION – GMP EXERCISE 17/3/16	0	99,000	0
INVESTMENTS – POOLING 6/10/16	0	150,000	200,000
INVESTMENT COSTS LINKED TO MARKET VALUES	1,610,000	1,715,000	1,770,000
NET CONTROLLABLE BUDGET	4,676,800	4,669,000	5,072,600
RECHARGED TO:			
FUND	6,111,800	6,463,000	6,872,600
SYPT PENSION FUND	175,000	170,000	170,000
	6,286,800	6,633,000	7,042,600
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	100,900	101,700	104,300
Doncaster	111,900	101,400	114,200
Rotherham	84,600	85,200	87,300
Sheffield	117,600	117,600	120,600
	415,000	405,900	426,400

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	2,014,000	1,958,300	2,238,900
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	23,800	23,800	23,800
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	146,000	157,000	157,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	3,000	3,000
Car Allowances	7,000	7,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,900	13,900	15,900
Publications	200	200	200
Printing and Stationery	75,500	75,500	75,500
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	2,000	2,000	2,000
AXIS / UPM	67,000	73,000	86,000
Subsistence and Conferences	2,200	2,200	2,200
Subscriptions	9,000	9,000	10,000
Actuarial Fees	90,000	120,000	70,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	149,000	50,000
Miscellaneous Expenses	9,000	9,000	9,000
CENTRAL EXPENSES			
Central Services	250,000	211,000	216,000
IT Network	55,000	53,000	55,000
Insurances	30,000	30,000	32,000
Subscriptions	15,500	15,500	16,000
Audit Fee	45,000	45,000	45,000
Bank Charges	15,000	12,000	15,000
Democratic Representation	14,000	14,000	14,000
Member Training	5,000	5,000	5,000
Disaster Recovery	10,000	10,000	11,000
Local Pension Board	15,000	10,000	15,000
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GROSS EXPENDITURE	3,108,100	3,149,400	3,315,500
MISCELLANEOUS INCOME	113,000	133,000	133,000
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NET EXPENDITURE	2,995,100	3,016,400	3,182,500
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,104,800	1,089,000	1,201,000
Training Expenses	4,000	4,000	4,000
Other Indirect Expenses	5,000	5,000	5,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	45,000	48,000	48,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	8,400	8,400
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	4,400	4,400
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	12,000	12,000	12,000
Subsistence and Conferences	1,500	1,500	1,500
Subscriptions	49,000	49,000	50,000
Actuarial Fees	20,000	20,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
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INVESTMENT GENERAL EXPENSES	1,305,900	1,293,100	1,406,100
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	325,500	358,500	382,000
Custodian & Other Investment Expenses	261,000	266,000	301,000
Investment Pooling	0	150,000	200,000
External Management Fees	1,449,300	1,549,000	1,571,000
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INVESTMENT MANAGEMENT EXPENSES	2,035,800	2,323,500	2,454,000
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NET EXPENDITURE	3,341,700	3,616,600	3,860,100
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APPENDIX B

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2016/17

	£	£
1	Original Estimate 2016/17	6,336,800
	<i>Main Variations</i>	
2	Supplementaries already approved	
	GMP reconciliation work approved 17/3/16	99,000
	Pooling set up costs approved 6/10/16	<u>150,000</u>
		249,000
3	Employee Costs	
	New Principal Investment manager post not yet recruited	36,000 CR
	Additional overtime requirements	19,000
	Increased turnover including restricted cover for Maternity and working pattern changes	42,000 CR
	NI and super – less increase than anticipated	<u>12,500 CR</u>
		71,500 CR
4	Communications and Computing	
	Additional services on UPM system	<u>6,000</u>
		6,000
5	Professional fees	
	Increased actuarial fees for valuation process	<u>30,000</u>
		30,000
6	Central Expenses	
	Reduction of net cost of central services due to negotiation of costs, some absorption of functions and revised FM SLA	25,000 CR
	Reduced Local Pension Board costs	5,000 CR
	Reduced bank charges	<u>3,000 CR</u>
		33,000 CR
7	Miscellaneous Income	
	Income generated by IAS19 work.	<u>20,000 CR</u>
		20,000 CR
8	Investment Management Expenses	
	Increased fee for Bloomberg system and effect of exchange Rate falls on US dollar denominated costs	31,000
	Increased custody fees due to increased market value	5,000
	Increased Bond portfolio fees – linked to market value	90,000
	Increased property advisor fees due to increased property portfolio and market values	<u>10,000</u>
		136,000
9	Other Minor Variations	<u>300 CR</u>
10	Revised Estimate 2016/17	<u>6,633,000</u>

APPENDIX C

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2017/18

	£	£
1 Original Estimate 2016/17		6,336,800
<i>Main Variations</i>		
2 Supplementary already approved		
Pooling set up costs approved 6/10/16	<u>200,000</u>	200,000
3 Employee Costs		
Restructure of Administration division	170,000	
Increase in NI and super contributions	40,400	
Increments and career grade progression	19,900	
Increased Investment manager hours	13,000	
Cost of revised Fund Director/ Property advisor role	33,000	
Cost of finance re organisation (covered by IAS19 work Income)	<u>17,000</u>	293,300
4 Communications and Computing		
Additional services on UPM system	<u>17,000</u>	17,000
5 Professional fees		
Reduced actuarial fees – 1 st year after valuation	<u>20,000 CR</u>	20,000 CR
6 Central Expenses		
Reduction of net cost of central services due to negotiation of costs, some absorption of functions and revised FM SLA	20,000 CR	
Increased insurance costs	<u>3,500</u>	16,500 CR
7 Miscellaneous Income		
Income generated by IAS19 work.	<u>20,000 CR</u>	20,000 CR
8 Investment Management Expenses		
Increased fee for Bloomberg system and effect of exchange Rate falls on US dollar denominated costs	46,000	
Increased exchange fees	4,500	
Increased custody fees due to increased market value	40,000	
Increased Bond portfolio fees – linked to market value	100,000	
Increased property advisor fees due to increased property portfolio and market values	<u>20,000</u>	210,500
9 Other Minor Variations		<u>4,700</u>
10 Inflation		
Price inflation - contracts	9,000	
Pay assumed 1%	<u>27,800</u>	<u>36,800</u>
11 Estimate 2017/18		<u>7,042,600</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2017/18

ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS

Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. However, the same statutory instrument that created the Pensions Authority made provision for the four District Councils to reimburse the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

1 Probable Outturn 2016/17

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,527	1,918	1,352	6,496	12,293
Levy	<u>90</u>	<u>115</u>	<u>101</u>	<u>198</u>	<u>504</u>
	<u>2,617</u>	<u>2,033</u>	<u>1,453</u>	<u>6,694</u>	<u>12,797</u>

2 Estimates 2017/18

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	479
Gratuities	<u>-</u>

Levy 2017/18 **479**

(ii) Total payments by District

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,545	1,927	1,364	6,545	12,381
Levy	<u>86</u>	<u>110</u>	<u>95</u>	<u>188</u>	<u>479</u>
	<u>2,631</u>	<u>2,037</u>	<u>1,459</u>	<u>6,733</u>	<u>12,860</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.

(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

(b) Pensions administration and investment management costs are borne by the Pension Fund.