

SOUTH YORKSHIRE PENSIONS AUTHORITY

30 November 2017

Report of the Treasurer

REVENUE ESTIMATES 2018/19 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2018/19 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 2017/18 in the sum of £7,217,100**
 - (ii) Approve a levy of £464,000 for 2018/19 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2018/19, 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. Historically this has been the case but with the move to pooling we will see Investment management costs rise significantly for a number of years before we start to see them fall back in the longer term. 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 and will continue to be the responsibility of the Authority after pooling.

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. The decision to join the Border to Coast Pensions Partnership Ltd (BCPP) has been made and the date set by the government for transition is 1st April 2018. BCPP are planning the transfer to start in June 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 currently internally managed. The budget being presented at this stage includes further provision for the Authority's share of set up costs of BCPP and also (in 2018/19) provision for the transition of some assets to BCPP and the costs associated with that transition and ongoing management costs relating to those assets. The rest of the assets will transfer over a further period of approx. 18 months. Further details are provided in paragraph 5.1.

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 2017/18 an increase in base budget was approved resulting in a small increase to net controllable budget. This increase being made up almost entirely of the provision for set up costs of BCPP and the Administration division restructure which was the first since 1997.

The revised figures for 2017/18 increase that further by £44,000 and the detail behind this is shown in Appendix B. The largest variation being the cost of advice and actuarial work for the proposed equity protection programme that members are already aware of. The net controllable budget rose slightly however this does include the pooling set up budget.

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 £
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	6,502,500 – net of 130,500 re pooling moved	6,376,208 (net of 151,604 actuarial fees charged to the fund)	-126,292

	controllable budget of 4,676,800	into 2017/18 (not using any reserves) to give a net controllable budget level of 4,799,500	No reserves used	
2017/18	7,173,100 – including 130,500 re pooling carried over from 2016/17. Net controllable budget 5,403,100	7,217,100 – net controllable budget level of 5,417,100		

- 3.7 The recovery from the downturn in performance following the implementation of the new pensions administration system has continued. Casework production over the year has increased by 19.48% and overall performance continues to improve. The restructure was implemented in April and the influx of additional staff has not only had a positive impact on workload but has also improved our data quality. Work is now well underway to implement monthly contribution reconciliation from April 2018 and once fully up and running will ensure the timely notification of data changes, increased automation and ensure that we meet the statutory timescale to issue scheme members with their annual benefit statement. Work on the rectification of cases identified by the GMP reconciliation project has yet to commence but will do so during the next 12 months.

SYPA continues to participate in the CIPFA LGPS benchmarking club and in 16/17 our total cost per member was £15.40 which compares very favourably against the average cost per member across all participants which amounts to £20.14.

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

At the same time the Fund's proposal to join BCPP in the pooling of investments was accepted by government. Things are developing at BCPP and the deadline for pooling set by the government is 1st April 2018. This is creating extra workload for the Investments team and has introduced a level of uncertainty for how things will develop over the next 12 months or so.

Steve Barrett was appointed as interim Fund Director from July 2016. His report to the Authority on 5th October 2017 set out the staffing structure post pooling and related matters. Members agreed all recommendations which included deletion of some posts and creation of new posts. It was also agreed that the timing was now right to recruit a permanent Fund Director and to plan to replace the retiring Head of Pensions Administration.

The advert for the Fund Director has now closed and an appointment anticipated early in the new year. The advert for the Head of Pensions Administration is timed to close early in the new year to allow for some engagement of the appointed Fund Director in that process.

4 Preliminary financial forecasts

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2018/19 for administration and investment management expenses together with a probable outturn for 2017/18.

The Authority is also asked to approve the levy for 2018/19 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 2017/18 estimates and 2018/19 estimates

Appendix B - variation statement showing main changes for 2017/18 probable outturn

Appendix C - variation statement showing main changes for 2018/19 estimate

Appendix D - statement of recharges to District Councils and levy for 2018/19

4.1 Original Budget 2017/18

The original budget for 2017/18 was approved in January 2017 at £7,042,600 and has been increased by £130,500 to £7,173,100 because the set up costs for BCPP have not been used as quickly as was anticipated. The Authority approved £350,000 for these set up costs on 6th October 2016. It is assumed now that all of these costs will be incurred by the end of 2017/18.

Last year a full review of the Administration division was completed and a new structure was put in place with effect from 1st April 2017 and the expected costs of this process were included in the original budget for 2017/18.

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 2017 the Fund was valued at £7.6 billion. The following table shows the outperformance for the last 5 years in cash terms.

Period	Actual return	Benchmark return	Extra value added	Extra value in cash terms	Cash value added over 5 years
5 years to March 2017	11.0%	10.9%	0.1%	£7.1m per annum	£35.5m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.1% per annum over the last 5 years. In cash terms this is £35.5million 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 20th percentile of local authority funds ie the total fund return was better than 70 out of the 89 local authority funds.

4.2 Probable Outturn

The revised estimates for 2017/18 show a small bottom line (net controllable budget) increase of £14,000.

The main variations are shown in Appendix B and it can be seen that substantial savings have been made on employee costs.

The cost of the Administration re-structure was not as high as expected with some internal promotions and a number of new recruits at the lowest level on the career grades. Some appointments were delayed slightly due to the process of filling all posts and some grades were not evaluated at the level that was originally anticipated.

Other forecast savings come from the removal of a longstanding vacant Investment Manager post which will not be filled and additional turnover. Part of the Administration

review included the responsibility for payroll moving from the Head of Pensions to the Head of Finance, hence moving from Administration to Investments. There was no change in the staffing levels of payroll.

The largest increase was £160,000 in respect of professional fees. The bulk of this figure is £107,000 in respect of work being done on the Equity protection project which is intended to protect the funding position to some extent for the next actuarial valuation. Part of this £107,000 (£50,000) was approved at the investment board meeting on 14th September and further detail is given at 5.4 of this report.

The total outturn figure of £7,217,100 includes a further £14,500 expected set up costs for BCPP. The investment management costs linked to market value come to £1,800,000. This gives a revised net controllable budget of £5,417,100.

The Authority has a corporate strategy reserve which 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.

5 Developments during 2017/18

5.1 Pooling

The target date for the pooling of assets set by the government is 1st April 2018. BCPP has been established and key management have now been recruited. In October 2016 the Authority approved an amount of £350,000 for our share of the cost of set up of BCPP. This was the top of an estimated range of set up costs. Some of these have now been paid and this is steadily gaining pace but we still had an amount of £330,500 in the budget for 2017/18 and this report increases that by £14,500. It is possible that it will not all have been completed by the end of this financial year and if that is the case we would look to carry any balance into 2018/19.

The next stage of costing in respect of pooling will be the transition and ongoing management costs of BCPP Ltd. At this point in time it is envisaged that the transition of assets from SYPA to BCPP will commence in June 2018 (not April 2018).

These 2018/19 budget figures have been produced based on those current expectations. The timetable for the transition of assets starts in July 2018 and finishes in January 2020 with property probably not moving until 2020/2021 pending further discussions. During 2018/19 we expect Bonds, UK equities, European equities and US equities to transfer to BCPP (at current values approx. £4.5bn out of a total fund of £8bn. The figure included in this budget for BCPP management (£2,325,000) is based on only those assets having been transferred. It is calculated from estimates given at the early stage of proposals by the BCPP project team and is at the mid-point of a range of estimates provided by them (£1,524,000 to £3,125,000). The costs of staff employed by the Authority who will TUPE to BCPP have been removed from the employee expenses budget and some custody charges have been removed to allow for the fact that BCPP will be holding those assets.

Taking all of these assumptions into account the costs for 2019/20 would be expected to increase further as more assets are transferred over to BCPP.

This whole area of costing is very uncertain and BCPP have not provided more up to date forecasts of transition and management expenses at this point. It is expected that there will be more clarity on these costs during the first part of 2018.

5.2 Administration Restructure

The administration restructure was implemented from April 2017 and a number of new staff were recruited. As stated in 3.7 they have had a positive impact on workload. The monthly contribution project is well under way. The new structure has strengthened our performance across the whole division.

The Head of Pensions Administration planned retirement from 31/03/18 is referred to earlier in the report.

5.3 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 2017/18 and 2018/19 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.

The Authority recently hosted a presentation to some fund members and employer representatives in relation to tax issues such as annual allowance. This was well received and is likely to become an annual event, the cost of this was £16,000.

The Actuary's advice on the improved funding position and options to protect this, so far as practicable, were reported to the Investment Board on 14th September 2017 in the report entitled 'Equity Protection Strategy'.

It was agreed that options should be explored. Additional costs and the need for a supplementary estimate were identified. Costs to put the strategy in place were identified as likely to be high in absolute terms but low in proportionate terms relative to the value of equity investments.

Costs would arise in terms of investment advice and also in effecting the 'investment options' themselves. The latter cost would be treated as being part of the investment.

The former, investment advice, is met from the Authority budget and would require a supplementary estimate. The Investment Board, above, agreed an initial £50,000. Fixed fees have now been negotiated at £107,000 to be incorporated into the revised budget for 2017/18. It is anticipated that costs would fall within 2017/18; with the strategy in place by January / February 2018. Ongoing additional monitoring costs are not anticipated at this point; members will be advised should that position change.

6 Budget Assumptions

6.1 The initial planning guideline for 2018/19 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.

6.2 The budget for 2018/19 to maintain the current level of service is shown in Appendix A at £8,935,100 against the base 2017/18 budget of £7,173,100.

When this is adjusted for the investment costs linked to market value the net controllable budget is £4,822,100 against a base of £5,403,100; this represents a net reduction of just over 10.7% (£581,000). This reduction in the controllable budget is largely due to the TUPE transfer of staff to BCPP (£403,100), however the costs linked to market value have increased by £2,243,000. This increase includes a cost of £2,325,000 in respect of BCPP. The costs linked to market value have increased from 24.6% of total budget to 46%.

The total budget has increased from £7,173,100 to £8,935,100, this is an increase of £1,762,000 (24.6%) on the overall budget. As expected the budget is changed significantly due to pooling and as already stated these are estimates based on

information provided very early in this process. We do expect this to become clearer during 2018 as BCPP establishes itself and finalises its operating structure.

Appendix C shows the main variations.

As expected the biggest changes are as a result of pooling with major changes in the investments division staffing due to TUPE transfers and a new post pooling structure giving reductions of around £400,000. On the other hand external costs in respect of BCPP increase by over £2 million. Other changes are much less significant and are shown in Appendix C.

Many 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 63% 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. This Contingency Reserve is at a level of around £185,000 and this budget has been presented without the use of it.

7 Developments over the next few years

- 7.1 The Authority will see significant change at management team level with a need for further review and development as set out in the Interim Director's report to the October meeting of the Authority referred to above. The permanent Fund Director will need to set the strategic direction quickly given the impending challenges facing the Authority.
- 7.2 The transition of assets to BCPP will start in 2018 and continue over a few years. The Authority will develop its post pooling structure and governance arrangements to ensure that the Fund continues to be managed to the best of its abilities.
- 7.3 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.4 The Local Pensions Board made up of employer and scheme member representatives continues to develop its role in scrutinising the Fund.

8 Implications of making reductions in the budget

- 8.1 The budget has been produced on a standstill basis. It includes assumptions around pooling for the management of the Fund. This is a very demanding time across both divisions of the Authority.
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.

N Copley
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 2018/19 AT OUTTURN PRICES

SUMMARY

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
ADMINISTRATION EXPENSES	3,182,500	3,016,300	3,154,400
INVESTMENT EXPENSES	3,860,100	4,200,800	5,780,700
POOLING SET UP ADJUSTMENT	7,042,600	7,217,100	8,935,100
CONTINGENCIES	130,500		
	-0	-0	-0
TOTAL EXPENDITURE REQUIREMENT	7,173,100	7,217,100	8,935,100
INVESTMENT COSTS LINKED TO MARKET VALUES	1,770,000	1,800,000	4,113,000
NET CONTROLLABLE BUDGET	5,403,100	5,417,100	4,822,100
RECHARGED TO:			
FUND	7,003,100	7,107,100	8,935,100
SYPT PENSION FUND	170,000	110,000	-
	7,173,100	7,217,100	8,935,100
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	104,300	105,600	109,800
Doncaster	114,200	90,100	116,300
Rotherham	87,300	90,100	91,400
Sheffield	120,600	123,400	126,100
	426,400	409,200	443,600

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	2,238,900	2,027,300	2,135,300
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	23,800	23,900	24,500
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	157,000	157,000	162,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	5,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	15,900	15,400	15,900
Publications	200	200	500
Printing and Stationery	75,500	75,500	76,000
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	32,000
Imaging maintenance	2,000	2,000	2,000
UPM	86,000	92,000	102,000
Subsistence and Conferences	2,200	2,000	2,200
Subscriptions	10,000	10,000	10,000
Actuarial Fees	70,000	120,000	100,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	50,000	55,000
Miscellaneous Expenses	9,000	9,000	9,000
CENTRAL EXPENSES			
Central Services	216,000	216,000	216,000
IT Network	55,000	55,000	60,000
Insurances	32,000	33,000	34,000
Subscriptions	16,000	16,000	16,000
Audit Fee	45,000	45,000	45,000
Bank Charges	15,000	15,000	15,000
Democratic Representation	14,000	12,000	14,000
Member Training	5,000	4,000	5,000
Disaster Recovery	11,000	11,000	11,000
Local Pension Board	15,000	10,000	15,000
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GROSS EXPENDITURE	3,315,500	3,149,300	3,283,400
MISCELLANEOUS INCOME	133,000	133,000	129,000
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NET EXPENDITURE	3,182,500	3,016,300	3,154,400
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,201,000	1,248,500	928,300
Training Expenses	4,000	6,000	18,000
Other Indirect Expenses	5,000	9,000	8,100
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	48,000	48,000	49,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	9,000	9,000
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	5,000	5,000
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	50,000	50,000	52,000
Actuarial Fees	20,000	130,000	30,000
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	1,406,100	1,570,800	1,164,700
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	382,000	382,000	399,000
Custodian & Other Investment Expenses	301,000	301,000	259,000
Investment Pooling	330,500	345,000	-
External Management Fees	1,571,000	1,602,000	3,958,000
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INVESTMENT MANAGEMENT EXPENSES	2,584,500	2,630,000	4,616,000
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NET EXPENDITURE	3,990,600	4,200,800	5,780,700
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SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2017/18

	£	£
1	Original Estimate 2017/18	7,042,600
	Pooling set up costs approved 6/10/16 carried over From 2016/17	<u>130,500</u>
		7,173,100
	<i>Main Variations</i>	
2	Employee Costs	
	Transfer of Payroll from Administration to Investments following structure review	112,800 CR 112,800
	Removal of longstanding vacant Investment manager post from establishment - not recruited	63,500 CR
	Impact of change to grading structure	17,400
	Increase in Rate re Interim Fund Director	10,800
	Increased turnover including restricted cover for Maternity and working pattern changes	69,900 CR
	Administration structure review changes – net Impact (delayed recruitment, posts filled at bottom of grade, some grades lower than anticipated NI and super – less increase than anticipated	53,800 CR <u>5,100 CR</u>
		164,100 CR
3	Other Employee Costs	
	Increased professional training	2,000
	Staff advertising	<u>4,000</u>
		6,000
4	Communications and Computing	
	Additional services on UPM system	<u>6,000</u>
		6,000
5	Professional fees	
	Increased actuarial fees re more complex queries And provision of more services to members re tax	50,000
	Actuarial fees re Equity protection project	60,000
	Supplementary re above (approved 14 Sept Inv Bd)	<u>50,000</u>
		160,000
6	Central Expenses	
	Reduced Local Pension Board costs	<u>5,000 CR</u>
		5,000 CR
7	Investment Management Expenses	
	Increased forecast for pooling implementation costs	14,500
	Increased Bond portfolio fees – linked to market value	<u>30,000</u>
		44,500
8	Other Minor Variations	<u>3,400 CR</u>
9	Revised Estimate 2017/18	<u>7,217,100</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2018/19

		£	£
1	Original Estimate 2017/18		7,042,600
	Pooling set up costs approved 6/10/16 carried over From 2016/17		<u>130,500</u>
			7,173,100
	<i>Main Variations</i>		
2	Employee Costs		
	Transfer of Payroll from Administration to Investments following Structure review	112,800 CR 112,800	
	Removal of longstanding vacant Investment manager post from establishment - not recruited	63,500 CR	
	Impact of change to grading structure	15,500	
	Increments and career grade progression	38,400	
	Recruitment of permanent Fund Director	9,800 CR	
	Turnover re Maternity	4,100 CR	
	New investment post (post pooling structure)	57,800	
	Administration structure review changes – net Impact (delayed recruitment, posts filled at bottom of grade, some grades lower than anticipated	69,100 CR	
	TUPE transfer of Investments staff to BCPP	403,100 CR	
	Increase in NI and super contributions	<u>37,000</u>	400,900 CR
3	Other Employee Costs		
	Increased professional training	14,000	
	Staff advertising	<u>3,000</u>	17,000
4	Communications and Computing		
	Additional IT costs	7,000	
	Additional services on UPM system	<u>13,200</u>	20,200
5	Professional fees		
	Increased actuarial fees re more complex queries and provision of more services to members re tax	30,000	
	Increased actuarial fees re Asset and liability study	<u>10,000</u>	40,000
6	Central Expenses		
	Increased network costs	5,000	
	Increased insurance costs	<u>2,000</u>	7,000
7	Miscellaneous Income		
	Reduction of income from network – less clients	<u>4,000</u>	4,000
8	Investment Management Expenses		

	Completion of pooling implementation	330,500 CR	
	Cost of transition and ongoing costs for part of Fund to BCPP (phased transition)	2,325,000	
	Increased exchange fees – no longer shared	10,000	
	Reduced custody fees due to transition to BCPP	42,000 CR	
	Increased Bond portfolio fees – linked to market value	50,000	
	Increased property advisor fees – linked to market value	<u>10,000</u>	2,022,500
9	Other Minor Variations		<u>3,800</u>
10	Inflation		
	Price inflation - contracts	23,800	
	Pay assumed 1%	<u>24,600</u>	<u>48,400</u>
11	Estimate 2018/19		<u>8,935,100</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2018/19

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 2017/18

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,492	1,894	1,316	6,330	12,032
Levy	<u>87</u>	<u>110</u>	<u>95</u>	<u>187</u>	<u>479</u>
	<u>2,579</u>	<u>2,004</u>	<u>1,411</u>	<u>6,517</u>	<u>12,511</u>

2 Estimates 2018/19

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	464
Gratuities	<u>-</u>

Levy 2018/19 **464**

(ii) Total payments by District

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,558	1,947	1,347	6,477	12,329
Levy	<u>84</u>	<u>107</u>	<u>92</u>	<u>181</u>	<u>464</u>
	<u>2,642</u>	<u>2,054</u>	<u>1,439</u>	<u>6,658</u>	<u>12,793</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.