

REPORT FOR: Pension Board

Date of Meeting:	2 November 2015
Subject:	Investment and Management Expenses 2014-15
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards Affected:	All
Enclosures:	Appendix 1 – Summary of Investment and Management Expenses 2014-15

Section 1 – Summary and Recommendation

Summary

The report sets out the details of investment and management expenses incurred by the Pension Fund during 2014-15. The Board are invited to consider these and pass on any comments they wish to make to the Pension Fund Committee at their next meeting on 25 November 2015.

Recommendation

That the Board consider the details of investment and management expenses incurred by the Pension Fund during 2014-15 and agree any comments they wish to make to be passed onto the Pension Fund Committee at their next meeting on 25 November 2015.

Section 2 – Report

Background

1. Attached is a schedule of the investment and management expenses incurred by the Pension Fund in 2014-15. The expenses are split between those incurred directly by the Pension Fund and included in the accounts (£1.208m) and those advised by the fund managers as charged to the pooled funds which only appear in the Pension Fund's accounts within the change in market value of investments (£2.750m).

2. Total costs are £3.958m made up as follows:

	£m
Direct Costs	
Management costs	1.390
Direct investment costs	0.421
Rebates	(0.603)
Sub Total	1.208
Investment costs charged within pooled funds	2.750
TOTAL	3.958

3. This total is £0.347m higher than 2013-14 (£3.611m). Within the totals there are a number of variances, the most significant of which are:

	£m
Management costs	
Reduction in costs of Hymans Robertson services arising from triennial valuation in previous year	(0.10)
Reduced requirements for reports from Aon Hewitt	(0.04)
Collective Investment Vehicle	0.05
Payroll and Central Recharges	0.03
Payroll software	0.25
Direct investment costs	
Additional performance fee on termination of Fidelity contract	0.17
Rebates	
Termination of Fidelity contract	0.08
Investment costs charged within pooled funds	
Termination of Wellington contract	(0.18)
Additional investment with Longview	0.09
New investment with GMO	0.22
New investment with Oldfields	0.23
Review of fees by Pantheon	(0.55)
Standard Life	0.06
Total	0.31

4. The management costs (£1.390m) represent 0.21% (2013/14: 0.20%) of the Pension Fund value and the total investment and management expenses (£3.958) represent 0.59% (2013/14: 0.61%) of the Pension Fund value.
5. The Board are invited to consider the details of investment and management expenses incurred by the Pension Fund during 2014-15 and agree any comments they wish to make to be passed onto the Pension Fund Committee at their next meeting on 25 November 2015.

Financial Implications

6. All costs contained within the report and appendices and are met by the Pension Fund. They represent 0.59% of the net assets of the Pension Fund.

Risk Management Implications

7. Relevant risks are included within the Pension Fund Risk Register.

Equalities implications

8. There are no direct equalities implications arising from this report.

Council Priorities

9. Investment and management expenses have a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 21 October 2015		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 16 October 2015		

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

APPENDIX 1				
	2014-15		2013-14	2012-13
	£'000	£'000	£'000	£'000
Direct Costs (Included within the Pension Fund Accounts)				
Management costs				
WM Performance Services		20	17	17
JP Morgan Custody		1	18	9
Hymans Robertson		68	163	99
Aon Hewitt Investment Adviser		135	170	117
Independent Investment Advisers x2		20	-	-
Deloitte Audit		19	21	21
Collective Investment Vehicle (CIV)		50		
Payroll and central recharges		807	778	682
Payroll software		254		
Other		15	23	20
Sub total		1,390	1,190	965
Direct investment costs				
State Street				
UK (First £100m @ 0.05%, thereafter @ 0.04%)	45			
All World (First £100m @ 0.07%, thereafter @ 0.06%)	48			
TOTAL		93	70	61
(Average assets: UK £159m; Global £212m)				
BlackRock				
(First £100m @ 0.05%, thereafter @ 0.04%)		140	126	124
(Average assets £80m)				
Record				
Fixed fee prior to 2014. From 2014-15 0.03% p.a of the mandate size.		21	20	20
Fidelity				
Additional performance fee		167	-	-
Sub total		421	216	205
Rebates				
Fidelity rebate	-	350	- 429	- 478
Wellington rebate	-	253	- 275	- 225
Sub total		- 603	- 704	- 703
Total of Direct Costs		1,208	702	467

	2014-15		2013-14	2012-13
	£'000	£'000	£'000	£'000
Investment costs charged within pooled funds				
Fidelity				
0.25% Net Asset Value	104			
TOTAL		104	163	231
(Average assets £71.3m)				
Wellington				
First £20m @ 0.65%	82			
Next £30m @ 0.50%	97			
Thereafter @ 0.45%	197			
TOTAL		376	557	495
(Average assets £116.5m)				
Longview				
First £25m @ 0.75%	188			
Next £25m @ 0.65%	163			
Next £75m @ 0.60%	52			
TOTAL		403	316	257
(Average assets £60.1m)				
GMO				
Between £32m and £80m 0.90% of Net Asset Value		224		
(Average Assets £72.5m)				
Oldfield Partners				
0.90% Net Asset Value. With a 0.15% rebate monthly.				
(Average assets £73.2m)		234		
Pantheon				
0.75% of committed capital	299			
Underlying managers average 2.25% management fee	227			
TOTAL		526	1,076	986
Aviva				
Fund of Funds fee of 0.214%	92			
Underlying managers assume 0.75%	341			
(Average assets £48.1m)		433	419	393
Barings				
0.91% Net Asset Value		208	216	-
(Average assets £27.3m)				
Standard Life				
0.75% Net Asset Value		220	162	-
(Average assets £29.1m)				
Insight Investments				
0.40% p.a		22		
(Average assets £28.5m)				
UBS				
0.75% of Net Asset Value plus 0.25%performance fee if in top quartile		-	-	3
Units sold in 2012				
Total of investment costs charged within pooled funds		2,750	2,909	2,365
TOTAL		3,958	3,611	2,832