

Administration and Investment Management Cost

1. Attached is a comparison of administration and investment costs incurred in the last two years.

Administration Cost

2. The main component of administration costs is the internal staff recharge. This was reduced by £84,000 reflecting a reduction of staff within the pensions administration function.
3. IT costs incurred during the year included a one off £127,000 relating to the upgrading of the pension administration IT system.
4. Other notable changes are the increase in actuarial fees linked to the March 2013 tri-annual valuation and the contribution of £25,000 to the set up costs of the London Collective Investment Vehicle.
5. Prior year costs included a tax charge on termination benefits.

Investment Management Costs

6. Fees from investment managers comprise the majority of investment expenses. The comparison between years is complicated by the change in fund managers in 2012-13 with Legal & General and BlackRock receiving new mandates and Fidelity and Capital being terminated.
7. Additional investment advisor costs were incurred in 2013-14 from both Aon Hewitt and then Mercer relating to the strategy review and the selection of Allianz and CQS.
8. During 2012-13 Custody fees reduced as the new manager structure involved little in the way of transactions. Northern Trust initially failed to notice that the contract had a minimum quarterly fee of £23,750. The minimum fee was implemented From April 2013, but following negotiations was reduced to £14,125 a quarter from September 2014.

Benchmarking

9. While reviewing the absolute costs incurred is informative, it doesn't tell whether Haringey's costs are reasonable or not in comparison to other local authorities. The DCLG has published data on average costs for local authority pension schemes in 2012-13.
10. For administration costs, the DLG average for outer London is £45 per member and for England as a whole, £27. Haringey's cost was £43 per member in 2012-13 in line with the outer London average. The national average is impacted by the large county council's that achieve greater economies of scale.
11. Investment costs reported by the DCLG were £111 per member in outer London and £85 nationally. Haringey's costs were £81 per member. Using mainly low cost passive management is the reason for Haringey's lower costs.

Scheme Costs

Administration Costs

| | | 2013-14 £'000 | 2012-13 £'000 |
|-------------------------------------|---|------------------|------------------|
| Internal Charges | HR and Finance | 480 | 564 |
| | Legal | 6 | |
| | tax paid on benefits in excess of lifetime allowance | | 143 |
| IT costs re pensions administration | | 162 | 41 |
| Actuarial fees | | 81 | 49 |
| Audit fees | | 21 | 21 |
| London CIV | | 25 | |
| CIPFA Pensions network | | 5 | 5 |
| Pension newsletter | | 5 | 5 |
| Overseas pension charges | | 8 | 26 |
| Framework joining fees | | | 10 |
| Other | | 9 | 12 |
| | | 802 | 876 |

Investment Management

| | | | |
|-------------------|--|--------------|--------------|
| | Legal & General | 329 | 220 |
| | BlackRock | 250 | 184 |
| | CBRE and property charges | 353 | 359 |
| | Pantheon | 446 | 399 |
| | Fidelity | | 219 |
| | Capital | | 83 |
| | Northern Trust (custodian) | 89 | 59 |
| | Investment Advisor (Mercer / Aon Hewitt) | 143 | 81 |
| | Independent advisor | 24 | 20 |
| | other | 24 | 18 |
| | | 1658 | 1642 |
| Total Cost | | 2,460 | 2,518 |