

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 has increased by £38,000, reflecting a higher allocation of HR time and Legal time relating to the admission of new employers.
3. IT costs incurred during the year included a one off £119,000 relating to the upgrading of the pension administration IT system.
4. Actuarial fees are £34,000 lower. The prior year's charges included work on the 2013 tri-annual valuation.
5. There was a second contribution in 2014-15 of £25,000 to the set up costs of the London Collective Investment Vehicle.
6. Others include bank charges of £8,000 and tax on refunds of £12,000.

Investment Management Costs

7. Fees from investment managers comprise the majority of investment expenses. Charges are based on the value of assets under management, which will move in line with the fund value. Fees for BlackRock did not increase as money was withdrawn to fund the CQS and Allianz portfolios.
8. Additional funds were invested in property, which has resulted in fees increasing. The charges of £460,000 comprise £178,000 for CBRE and £282,000 for underlying fund managers.
9. It would appear from the table that fees to Pantheon have doubled. In fact, the increase is due to Pantheon providing for the first time an estimate of fees charged by underlying fund managers. The costs reported are £393,000 charges from Pantheon and £530,000 from underlying managers.
10. Investment advisor costs were significantly reduced in the year. The prior year included charges from both Aon Hewitt and then Mercer relating to the strategy review and the selection of Allianz and CQS.
11. A lower custody fee rate of £14,125 a quarter was agreed from September 2014.
12. Other fees include Local Authority Pension Fund Forum (£9,000), Legal fees re Pantheon (£7,000) and WM performance (£4,000).

Benchmarking

13. 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 costs for local authority pension schemes in 2013-14.
14. For administration costs, the DCLG average is £27 per member England as a whole. Haringey's cost was £38 per member in 2013-14. The DCLG data does not provide a breakdown by location of scheme. From the 2012-13 data we know that the outer London average was £45 per member and that the national average is impacted by the large county council's that achieve greater economies of scale.
15. Investment costs in 2013-14 reported by the DCLG are 0.25% of assets values. Haringey's charges represent 0.18%. Using mainly low cost passive management is the reason for Haringey's lower costs. Care must be taken with these numbers. Haringey estimates fees included within pooled funds e.g. private equity and discloses these as expenses, while many schemes report these within change in value of investments. This will tend to underestimate other schemes fees.

Scheme Costs

Administration Costs

	2014-15 £'000	2013-14 £'000
Internal Charges	505	480
HR and Finance		
Legal	19	6
IT costs re pensions administration	149	162
Actuarial fees	47	81
Audit fees	21	21
London CIV	25	25
CIPFA Pensions network	6	5
Pension newsletter	4	5
Overseas pension charges	6	8
Framework joining fees		
Bank charges & other costs	26	9
	<u>808</u>	<u>802</u>

Investment Management

Legal & General	375	329
BlackRock	250	250
CBRE and property charges	460	353
Pantheon	923	446
CQS	239	
Allianz	37	
Northern Trust (custodian)	57	89
Investment Advisor (Mercer / Aon Hewitt)	40	143
Independent advisor	24	24
other	23	24
	<u>2428</u>	<u>1658</u>
Total Cost	<u>3,236</u>	<u>2,460</u>