

Review of Fees and Charges

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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 The Pension Fund pays fees and charges to a range of providers including Somerset CC and Devon CC for officer resources, Brunel and third-party fund managers. Some of these costs are invoiced for and some are taken from within investment funds.

2. Issues for consideration

- 2.1 This item is for information only.

3. Review of costs as disclosed in the 2020-21 annual report

3.1 Those items of cost that are explicitly accounted for, which includes all of the directly invoiced charges, and some costs that are taken from investment funds. Are shown in notes 7, 8 and 9 to the accounts. There have been no changes to the risk register since the last meeting of the Pension Board. The tables showing these are shown below.

3.2 Administration costs

2019/2020 £ millions		2020/2021 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.273</u>	Benefits administration costs charged by Devon CC	<u>-1.262</u>
-1.273		-1.262
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.012</u>	External legal advice	<u>-0.008</u>
-0.012		-0.008
0.000	Other expenses	0.000
<u>-1.285</u>		<u>-1.270</u>

3.3 Investment Costs

2019/2020
£ millions

2020/2021
£ millions

Fund manager fees

-0.339	LaSalle	-0.184
-1.102	Jupiter*	0.000
-0.171	Maple-Brown Abbott*	-0.049
-0.135	Amundi	0.000
-0.041	Somerset County Council	-0.043
-0.590	Aberdeen Standard	-0.634
-0.855	Other fund managers	-0.558
-3.233		-1.468
Other expenses		
-0.094	Transaction costs	-0.073
-0.039	Custody fees	-0.035
-0.402	Property unit trust managers' fees	0.000
-0.535		-0.108
Pooling		
-0.979	Brunel Fees	-0.991
-1.429	3rd Party Fund Manager Fees	-3.143
0.000	Property unit trust managers' fees	-1.086
-0.048	Custody fees	-0.164
-0.004	Other costs	-0.223
-2.460		-5.607
-6.228		-7.183

3.4 Governance & Oversight Costs

2019/2020 £ millions		2020/2021 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
-0.223	Investments administration costs charged by Somerset CC	-0.232
-0.233		-0.242
-0.177	Actuary's fees	-0.142
0.067	Recharge of Actuary's fees to employers	0.057
-0.110		-0.085
-0.027	External audit fees	-0.022
0.002	Refund	0.000
0.007	Recharge of audit fees to employers	0.000
-0.018		-0.022
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.081	Professional services and subscriptions	-0.078
-0.171	IT systems	-0.209
0.000	Performance measurement fees	0.000
0.000	External legal advice	0.000
-0.026	Voting advice fees	-0.022
-0.018	Pooling costs	-0.018
-0.005	Other expenses	-0.005
-0.662		-0.681

3.5 CIPFA have included a requirement for more detailed analysis of investment costs to be shown in the annual report that includes additional costs taken from within investment funds. In this table the items shown as "Direct" match those taken through the accounts and shown in the tables above. The "indirect" cost are additional costs taken from within Funds. The requirement is also to split these between costs within the Brunel asset pool and those outside.

	Brunel asset pool				Non-asset pool				Whole fund	
	Direct £ m	Indirect £ m	Total £ m	bps	Direct £ m	Indirect £ m	Total £ m	bps	Total £ m	bps
Management fees										
Ad valorem	4.229		4.229	26.5	1.468		1.468	18.9	5.697	24.0
Performance			0.000	0.0			0.000	0.0	0.000	0.0
Research			0.000	0.0			0.000	0.0	0.000	0.0
Other charges	0.223		0.223	1.4			0.000	0.0	0.223	0.9
Asset pool shared costs	0.991		0.991	6.2			0.000	0.0	0.991	4.2
Transaction costs										
Taxes and stamp duty		0.267	0.267	1.7	0.033		0.033	0.4	0.300	1.3
Broker commission		0.183	0.183	1.1	0.040		0.040	0.5	0.223	0.9
Implicit costs		1.587	1.587	9.9			0.000	0.0	1.587	6.7
Entry/exit charges			0.000	0.0			0.000	0.0	0.000	0.0
Indirect transaction costs		0.729	0.729	4.6			0.000	0.0	0.729	3.1
Custody	0.164		0.164	1.0	0.035		0.035	0.5	0.199	0.8
Other										
Stock lending			0.000	0.0	-0.059		-0.059	-0.8	-0.059	-0.2
Other costs		0.224	0.224	1.4			0.000	0.0	0.224	0.9
Total	<u>5.607</u>	<u>2.990</u>	<u>8.597</u>	<u>53.8</u>	<u>1.517</u>	<u>0.000</u>	<u>1.517</u>	<u>19.6</u>	<u>10.114</u>	<u>42.6</u>

3.6 Officers do have significant granular detail on the breakdown of all costs and on balance feel they are fair, reasonable and, where comparators are available, costs are generally below average.

4. Consultations undertaken

None

5. Financial Implications

5.1 There is a direct link between the costs of running the Pension Fund and the contributions required of employers.

6. Background Papers

None

Note For sight of individual background papers please contact the report author.