

## Pension Fund Committee / Pension Board

## 1. Budget Estimates 2024/25

Pension Fund	2022/23 Actual Outturn £000	2023/24 Projected Outturn £000	2024/25 Proposed Budget £000	Movement between 2023/24 projected outturn and 2024/25 Budget £000
<b>Administration</b>				
Employee Costs	320	370	415	(45)
Operating Costs	163	209	241	(32)
	<b>483</b>	<b>579</b>	<b>656</b>	<b>(77)</b>
<b>Financial Transactions</b>				
Investment Expenses	1,085	1,332	1,600	(501)
Bank Interest	(4)	(355)	(93)	(262)
	<b>1,081</b>	<b>977</b>	<b>1,507</b>	<b>(763)</b>
<b>Pension Members</b>				
Benefits Payable	13,657	15,400	16,408	(1,008)
Transfers Out	2,152	1,668	800	868
Lump Sums	3,395	3,810	3,540	270
AVC Out	528	587	650	(63)
Contributions Received	(23,024)	(24,394)	(22,713)	(1,681)
Transfers In	(1,703)	(900)	(1,400)	500
AVC In	(643)	(725)	(650)	(75)
	<b>(5,638)</b>	<b>(4,554)</b>	<b>(3,365)</b>	<b>(1,189)</b>
<b>Total Expenditure</b>	<b>21,300</b>	<b>23,376</b>	<b>23,654</b>	<b>(511)</b>
<b>Total Income</b>	<b>(25,374)</b>	<b>(26,374)</b>	<b>(24,856)</b>	<b>(1,518)</b>
<b>Net Income</b>	<b>(4,074)</b>	<b>(2,998)</b>	<b>(1,202)</b>	<b>(2,029)</b>

The table above represents the operational income and expenditure of the Pension Fund. The estimated expenditure for 2024/25 has been arrived at using an assessment of three and five year averages, the 2023/24 outturn and adjusting for any exceptional items, and considering the composition of members/pensioners in the coming year.

## **1.1 Employee costs**

The budget for employee costs has increased compared to 2023/24 projected outturn, due to the expectation all restructuring vacancies will be filled. The budget is based on an establishment of 7.5 full time equivalents (FTEs). All staff salary budgets have been uplifted by an estimated pay award of 3% for 2024/25.

## **1.2 Operating costs**

The budget for operating costs is made up of printing, computer licence fees, postage, actuarial and audit fees. The budget is based, where possible, on known costs for 2024/25, such as the audit fee.

## **1.3 Investment expenses**

The budget for investment expenses has increased compared to the 2023/24 outturn with the 2024/25 projected outturn reflecting a full year for some of the fund managers under the new investment strategy. This will see an increase in the overall total of fund manager fees. Please note that investment expenses which are deducted at source within the fund are not included above.

## **1.4 Benefits payable**

This budget relates to pension benefits when a member retires. Members have the option to retire between the ages of 55 and 75. The budget includes a Consumer Price Index (CPI), at September 2023, increase of 6.7% on the 2023/24 projected outturn.

## **1.5 Transfers Out**

Transfer out occurs when a member leaves the Council or one of the other admitted bodies that participate in the Shetland Islands Council Pension Fund and transfers the value of their pension pot out to another fund. The value of the transfers depends on a number of factors, including salary and length of service.

## **1.6 Lump Sum and Death Grant Payments**

The value of lump sums payable to retirees varies greatly depending on a number of factors including length of service, salary, whether there is automatic entitlement to a lump sum and whether a member elects for commutation of pension to lump sum. The budget is estimated on an assessment of three and five year rolling averages, taking account of the 2023/24 projected outturn.

The value of death grants also vary greatly depending on a number of factors including length of service, salary, death of an active member (3 times salary payable) or death of a retired member (balance of 10 years pension payable).

## **1.7 AVCs Out/In**

Staff can choose to pay an Additional Voluntary Contribution (AVC) on top of their normal LGPS contribution. AVCs are accessed when a member retires, and the value of the AVC can be used to purchase annuity, or taken as a lump sum. AVCs are separate from the Pension Fund and the value of a member's AVC in is dependent on how much and for how long it has been paid into. The budgets for AVC in and AVC out are estimated on an assessment of three and five year rolling averages, taking account of the 2023/24 projected outturn.

## **1.8 Contributions Received**

This budget includes income from active members and their employers paying into the Pension fund. An increase for a 3% estimated pay award has also been factored in. The employer's contribution rate for the council has decreased following the Hymans valuation in March 2023 from 22.0% to 19.0%. New rates appropriate to individual employer circumstances have been agreed for the admitted bodies, paying between 19.0% and 31.6%.

## **1.9 Transfers In**

This budget is based on the transfers into the Pension Fund from other pension schemes. The value of the transfers depends on a number of factors including salary and length of service. The budget is estimated on an assessment of three and five year rolling averages, taking into account the projected 2023/24 outturn.