

# Practical Considerations in Preparing the Accounts – Management Expenses

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# Cheshire Pension Fund

- As at 31 March 2015:
- 210 Employers
- c83,000 members
- £4.1bn of investment assets
- 15 Fund Managers, including 3 private equity and one absolute return (FoF) manager

# Recap - The case for change?

- DCLG Call for Evidence 2013
- Need for consistent and comparable data across the LGPS
- Provide clarity on which category costs should be allocated to
- Inclusion of non-invoiced, underlying fees and transaction costs

# CIPFA Guidance – Accounting for LGPS Management Costs

- Framework for practitioners to assist consistent reporting of data
- Allow comparability across LGPS funds
- Provide clarity on costs allocation

# Cost Categories

Category	Costs to Include	Examples
Administration Costs	Costs incurred in acting in the role of Administering Authority only	Staff costs (admin), system costs and general costs associated with running the scheme
Investment Manager Expenses	Expenses directly incurred in relation to the management of pension fund assets	Fees and expenses charged by managers – whether directly invoiced or if deducted from fund assets including custodian fees
Including transaction costs	<i>Costs associated with acquisition, issue or disposal of fund assets</i>	<i>Fees and commissions, levies, transfer taxes and duties</i>
<b>**NEW**</b> Oversight and Governance Costs	Governance costs – that do not meet the specific criteria of the other two categories	Costs associated with selection, appointment and performance management and monitoring of fund managers, investment advisory services, operation of Committee's and Boards, legal expenses etc

# Investment Management Expenses

- Under reporting of fees
- Transparency of figures
  - Include all non-invoiced fees
  - Include all underlying management and performance fees on PE and Pooled/Hedge Fund of Fund structures

# Cheshire Approach

- Re-state 2013/14
- Re-Alignment of costs to the new category

	<b>2013-14 Original £000</b>	<b>2013-14 Restated £000</b>
Investment Management Expenses	22,497	35,150
Administration Costs	2,202	1,653
Oversight and Governance Costs	0	820
<b>Total</b>	<b>24,699</b>	<b>37,623</b>

# Investment Management Expenses

- Master fund fees already included
- Contacted PE and Hedge Fund of Fund Manager to provide underlying fees and expenses information
- Recognition
- Measurement



# Adjustment to accounts

- Fund Account
  - Dr Management Expenses
  - Cr Change in Market Value
- Reconciliation of Movement in Investments
  - Increase sales with value of non-invoiced and underlying fees + transaction costs
  - Increase CIMV with a corresponding figure
- Re-state prior year comparator
- Update notes – Basis of Preparation and Accounting Policies

# Cheshire 2014/15 Disclosure

<b>Note 10 – Management Expenses</b>	2014-15 £000	2013-14 £000
Investment management expenses	42,134	35,150
Administration costs	1,321	1,653
Oversight and governance costs	688	820
Total	44,143	37,623

Questions ?