

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

21 NOVEMBER 2013

BUDGET / STATISTICS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the expenditure/income position to date for 2013/14 (see section 2)
- (b) the cash deployment of the Fund (see section 3)
- (c) the long term net cashflow forecast for the Fund (see section 4)

2.0 2013/14 FORECAST

- 2.1 The Cash surplus for the year to 30 September 2013 (£9.0m) is forecast to exceed budget (£5.2m) by £3.8m. As shown in **Appendix 1**, this is due to income for the period exceeding the forecast by £4.3m while expenditure is expected to be marginally higher than anticipated by £0.5m.
- 2.2 The cost of Benefits paid to the end of September was £1.4m less than budget. It is anticipated that additional Pension and Retirement Grant costs will be incurred during Q3 in relation to school-based staff. No adjustment has therefore been made to the benefits expenditure forecast at this time.
- 2.3 Strong investment performance resulted in the cost of Performance Related Management Fees (£2.1m) exceeding the initial Budget (£0.4m) by £1.7m. All such fees were payable to Baillie Gifford and resulted from impressive outperformance on both the Global Alpha and Long Term Global Growth Funds.
- 2.4 Early Retirement Contribution Income for the 6 months to 30 September (£2.1m) was £0.6m higher than anticipated (£1.5m). This is largely due to some Employers paying on an instalment basis towards the beginning of the financial year. No adjustment has therefore been made to the full year early retirement income budget (£3m).
- 2.5 Transfer income of £6.8m exceeded the budget for the period (£3.5m) by £3.3m. This is largely attributable to a bulk transfer of staff to Askham Bryan College, which resulted in a single receipt of £2.4m in July 2013. The forecast has been revised to take this into account.

2.6 Transfer expenditure for the period of £1.4m was lower than anticipated by £1.1m. This remains a challenging area to predict. Given the high value of transfers witnessed in 2012/13, and the uneven profile of the in/out cashflow, the forecast has not been revised.

3.0 CASH DEPLOYMENT IN 2013-14

3.1 The cash generated in the year by the annual surplus, together with the opening balance and interest earned has been distributed in 2013/14 as follows:

	£m	
Cash Balance Brought Forward from 2012/13	6.2	
Surplus to 30 September 2013 (as per Appendix 1)	9.0	
Cash Available as at 30 September 2013	15.2	(a)
Rebalancing of Fund		
April 2013 (Standard Life Investments)	-5.0	
May 2013 (Hermes Distribution)	0.3	
July 2013 (RC Brown Disposal)	2.7	
Aug 2013 (YHEF Distribution)	0.6	
Aug 2013 (Standard Life Investments)	-10.0	
Aug 2013 (Hermes Distribution)	0.2	
Sept 2013 (Threadneedle)	-7.5	
Total Rebalancing	-18.7	(b)
Net Currency Hedging In/Outflows to 30/09/2013	3.5	(c)
Available for Rebalancing of the Fund	0.0	(d) = (a+b+c)

3.2 Further rebalancing took place shortly after the quarter end – please see the **Performance of the Portfolio Report (Section 7)**.

4.0 LONG TERM CASH POSITION

4.1 A review of the ongoing cash position of the Fund was undertaken as part of the 2013 Triennial Valuation. Mercer has produced two Long Range Net Cashflow Forecasts.

4.2 The forecasts indicate that the scheme will maintain a positive Net Cashflow until 2018, assuming all investment income is re-invested. This positive cashflow would be extended to approximately 2022 if investment income were to be used for cashflow purposes. Therefore there is no need to consider income-generating investment opportunities at this time. This issue will be re-visited periodically with the Actuary and in any event as part of the 2016 Triennial Valuation process.

5.0 **RECOMMENDATIONS**

5.1 Members to note the contents of this report.

GARY FIELDING

Treasurer

Central Services, County Hall, Northallerton

12 Nov 2013

North Yorkshire Pension Fund Income and Expenditure as at 30 September 2013

		Budget 2013/14	Profiled Budget to 30 September	Actual Income / Expenditure to 30 September	Variance ie (iv-iii)	Forecast 2013/14
		£000	£000	£000	£000	£000
		(i)	(ii)	(iii)	(iv)	(v)
<u>EXPENDITURE</u>						
Benefits						
	Pensions	66,000	33,000	32,577	-423	66,000
	Lump Sums (including refunds)	26,000	13,000	12,064	-936	26,000
	sub total (a)	92,000	46,000	44,641	-1,359	92,000
Admin Expenses						
	Finance and Central Services	1,100	550	550	0	1,100
	Other Services (Including Actuarial)	200	100	100	0	200
	Other Admin Expenses	200	100	110	10	200
	sub total (b)	1,500	750	760	10	1,500
Investment Expenses						
	Investment Management Fees (Base)	3,000	1,500	1,623	123	3,000
	Performance Related	800	400	2,100	1,700	2,600
	Custodian Fees	150	75	78	3	150
	Other Investment Expenses	250	125	116	-9	250
	sub total (c)	4,200	2,100	3,917	1,817	6,000
Total Expenditure	(d)	97,700	48,850	49,318	468	99,500
<u>INCOME</u>						
Contributions						
	Employer and Employee Contributions	103,000	51,500	50,709	-791	103,000
	Early Retirement Costs Recharged	3,000	1,500	2,115	615	3,000
	sub total (e)	106,000	53,000	52,824	-176	106,000
Transfers						
	Transfers IN (per individuals)	7,000	3,500	6,828	3,328	9,000
	Transfers OUT (per individuals)	-5,000	-2,500	-1,368	1,132	-5,000
	sub total (f)	2,000	1,000	5,460	4,460	4,000
Total Income	(g)	108,000	54,000	58,284	4,284	110,000
Net Surplus	(h)	10,300	5,150	8,966	3,816	10,500