

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

21 NOVEMBER 2014

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 2014/15 (see section 2)
- (b) the cash deployment of the Fund (see section 3)

2.0 2014/15 FORECAST

- 2.1 The Cash surplus for the 6 months to 30 September 2014 (£16.3m) exceeded budget (£14.7m) by £1.6m (**Appendix 1**). Total Expenditure of £49.9m was less than forecast by £1.3m. This was mainly due to a lower than anticipated level of Retirement Grants being paid in the period. Total Income of £66.2m exceeded budget by £0.3m and further increased the surplus.
- 2.2 Pensions Payroll Expenditure of £35.4m marginally exceeded budget (£35m) by £0.4m. Retirement Grant and Refund payments of £11.6m were lower than expected by £1.4m. October Retirement Grant Payments exceeded budget by £0.4m and short term variances should be expected in this area. The forecast for the year remains unchanged.
- 2.3 Base Investment Management Fees of £1.6m for the first 6 months of 2014/15 were lower than forecast by £0.3m. This is due to a combination of a minor over-accrual on 2013-14 Management Fees and a re-allocation of £84m to Newton and M&G (please see the table in Section 3.1). Both Managers deduct fees directly from funds under management. Fees charged in this way do not impact upon the internally managed cash-flows presented in **Appendix 1**.
- 2.4 Contributions Income of £62.9m is in line with budget. The forecast has been profiled to account for employers who pre-paid deficit contributions in April 2014. This suggests that active membership levels are being maintained. Detailed membership information can be found in the **Member & Employer Issues Report (Section 5, Appendix 2)**.
- 2.5 Recharged Early Retirement Income of £1.9m was £0.4m more than forecast. Employers paying retirement costs by instalment are required to make their annual payment within the first 3 months of the financial year. It is therefore likely that the income levels will fall in Q3 and Q4. The forecast for the year remains unchanged.

2.6 Transfer Expenditure of 2.7m was £0.7m more than forecast. This was partially offset by Transfer Income (£4.1m) exceeding the forecast by £0.6m.

3.0 CASH DEPLOYMENT IN 2014-15

3.1 The cash generated in the year by the annual surplus, together with the opening balance and interest earned has been distributed in 2014/15 as follows:

	£m	
Cash Balance Brought Forward from 2013/14	4.8	
Surplus to 30 September 2014 (as per Appendix 1)	16.3	
Cash Available as at 30 September 2014	21.1	(a)
Rebalancing		
May 2014 (transfer from Cash to LGIM)	-20.0	
June 2014 (£21m transfer from Fidelity to Newton)	-	
June 2014 (£63m transfer from Standard Life to M&G)	-	
Total Rebalancing	-20.0	(b)
Accrual for September Contribution Income	6.8	(c)
Available for Rebalancing of the Fund	7.9	(d) = (a+b+c)

3.2 **Section 7** of the **Performance of the Fund report** describes rebalancing activity after the end of the September 2014 quarter.

3.3 A cash shortfall is anticipated in each of the remaining two quarters due to the reason described in **paragraph 2.4**. This will be met by income from investments as required.

4.0 RECOMMENDATIONS

4.1 Members to note the contents of this report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

5 November 2014

North Yorkshire Pension Fund Income and Expenditure as at 30 September 2014

	Budget 2014/15 £000 (i)	Profiled Budget to 30 September £000 (ii)	Actual Income / Expenditure to 30 September £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2014/15 £000 (v)
<u>EXPENDITURE</u>					
Benefits					
Pensions	70,000	35,000	35,441	441	70,000
Lump Sums (including refunds)	26,000	13,000	11,583	-1,417	26,000
sub total (a)	96,000	48,000	47,024	-976	96,000
Admin Expenses					
Finance and Central Services	1,100	550	550	0	1,100
Other Services (Including Actuarial)	210	105	78	-27	210
Other Admin Expenses	200	174	168	-6	200
sub total (b)	1,510	829	796	-33	1,510
Investment Expenses					
Investment Management Fees (Base)	3,150	1,575	1,256	-319	3,150
Performance Related	1,000	633	633	0	1,200
Custodian Fees	150	75	66	-9	150
Other Investment Expenses	260	130	136	6	260
sub total (c)	4,560	2,413	2,091	-322	4,760
Total Expenditure (d)	102,070	51,242	49,911	-1,331	102,270
<u>INCOME</u>					
Contributions					
Employer and Employee Contributions	105,000	62,908	62,928	21	105,000
Early Retirement Costs Recharged	3,000	1,500	1,899	399	3,000
sub total (e)	108,000	64,408	64,827	420	108,000
Transfers					
Transfers IN (per individuals)	7,000	3,500	4,107	607	7,000
Transfers OUT (per individuals)	-4,000	-2,000	-2,696	-696	-4,000
sub total (f)	3,000	1,500	1,411	-89	3,000
Total Income (g)	111,000	65,908	66,238	331	111,000
Net Surplus (h)	8,930	14,666	16,327	1,662	8,730