

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

26 FEBRUARY 2015

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) the income/expenditure and position to date for 2014/15 | (see section 2) |
| (b) the cash deployment of the Fund                         | (see section 3) |
| (c) the proposed 2015/16 budget                             | (see section 4) |

**2.0 2014/15 INCOME AND EXPENDITURE POSITION**

- 2.1 The Cash surplus for the 9 months to 31 December 2014 (£13.2m) was less than forecast (£16.1m) by £2.9m. As shown in **Appendix 1**, this is due to expenditure for the period of £74.7m marginally exceeding the forecast by £0.4m, while Income of £87.9m was lower than anticipated by £2.5m.
- 2.2 Net transfer expenditure to December 2014 was 0.6m, 2.8m less than budget. Transfer Receipts of £5.6m marginally exceeded forecast by £0.4m, however Payments out of the Fund totalled £6.2m for the same period. This exceeded the forecast (£3m) by £3.2m and was essentially the reason for the reduced cash surplus.
- 2.3 The unusual level of Q3 transfer activity led to £3m of payments in the period. This is more than twice the level seen in either of the two previous quarters (£1.3m). However, transfers in and out merely reflect the movement of staff between organisations so although spikes such as this are impossible to predict, they are to be expected from time to time. The full year forecast for transfer out payments has been adjusted to £7.0m.
- 2.4 Contributions Income of £88.4m exceeded budget by £0.3m. Early Retirement recharge income of 2.0m was £0.2m less than forecast. This was entirely offset by Employer and Employee contribution income of 86.5m exceeding budget by 0.5m.
- 2.5 The contribution forecast has been profiled to account for employers who pre-paid deficit contributions in April 2014. The 2014/15 NYCC pay award has also acted to moderately increase contribution receipts in the later part of the period.
- 2.6 The cost of Benefits paid to the end of December was £0.3m more than budget. No adjustment has been made to the forecast on the expectation that this will revert in the last quarter of 2014/15.

### 3.0 CASH DEPLOYMENT IN 2014-15

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

	£m	
Cash Balance Brought Forward from 2013/14	4.9	
Surplus to 31 December 2014 (as per Appendix 1)	13.2	
<b>Cash Available as at 30 September 2014</b>	<b>18.1</b>	(a)
<b>Rebalancing</b>		
May 2014 (transfer from Cash to LGIM)	-20.0	
October 2014 (Transfer from Cash to Threadneedle)	-11.7	
October 2014 (Transfer of Probation Assets to GMPF)	-33.8	
October 2014 (Transfer from Amundi to Cash)	17.0	
October 2014 (Transfer from Fidelity to Cash)	18.0	
December 2014 (Transfer from Amundi to Cash)	14.0	
<b>Total Rebalancing</b>	<b>-16.5</b>	(b)
<b>Accrual for December Contribution Income</b>	<b>6.8</b>	(c)
<b>Available for Rebalancing of the Fund</b>	<b>8.4</b>	(d) = (a+b+c)

3.2 A cash shortfall is anticipated in each of the remaining two quarters due to the reason described in **paragraph 2.5**. This will be met by income from investments as required.

### 4.0 PROPOSED 2015/16 BUDGET

4.1 The proposed budget for 2015/16 can be found in **column (vi)** of **Appendix 1**.

4.2 The budget for Pension Payments has been increased by £3m and Retirement Grants by £1m. This takes into account the expected CPI-linked pensions increase from April 2015 and an anticipated rise in Pensioner numbers due to further austerity measures within the public sector continuing to impact retirement levels.

4.3 An assessment of 3 month actual and 9 month estimated investment performance to September 2015 showed that a budget of £0.7m for Performance Related Management Fees is appropriate.

4.4 The Contributions (Income) budget has been increased by £3m based on a number of factors including an uplift to employer deficit contributions for 2015/16, anticipated pay awards and incremental progression as well as the continued impact of auto-enrolment. These factors are expected to be partially offset by a reduction to employee numbers due to the continued rationalisation of payrolls by some of the Fund's major employers.

- 4.5 The Transfer (Income) budget remains unchanged from 2014/15 at £7m, while the Transfer (Expenditure) budget has been increased to £5m. This is an unpredictable income area and, while 2014-15 has seen more significant outflows, it is thought that this will not be replicated to the same degree in future years.
- 4.6 The budgeted Net Surplus for 2015/16 is £7.1m. This represents a £1.8m reduction from the Net Surplus budgeted for 2014/15 and a £1.6m increase compared to the Forecast Surplus for 2014/15

**5.0 RECOMMENDATIONS**

- 5.1 Members to approve the 2015/16 budget.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

17 February 2015

North Yorkshire Pension Fund Income and Expenditure as at 31 December 2014

	Budget 2014/15 £000 (i)	Profiled Budget to 31 December £000 (ii)	Actual Income / Expenditure to 31 December £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2014/15 £000 (v)	Proposed Budget 2015/16 £000 (vi)
<b>EXPENDITURE</b>						
<b>Benefits</b>						
Pension Payments	70,000	52,500	53,578	1,078	70,000	73,000
Lump Sums (including refunds)	26,000	17,333	16,556	-777	26,000	27,000
<b>sub total (a)</b>	<b>96,000</b>	<b>69,833</b>	<b>70,134</b>	<b>301</b>	<b>96,000</b>	<b>100,000</b>
<b>Admin Expenses</b>						
Finance and Central Services	1,100	825	825	0	1,100	1,100
Other Services	210	158	149	-9	210	210
Other Admin Expenses	200	150	156	6	200	200
<b>sub total (b)</b>	<b>1,510</b>	<b>1,133</b>	<b>1,130</b>	<b>-3</b>	<b>1,510</b>	<b>1,510</b>
<b>Investment Expenses</b>						
Investment Management Fees (Base)	3,150	2,363	2,474	112	3,150	3,300
Performance Related	1,000	632	632	0	900	700
Custodian Fees	150	113	101	-12	150	150
Other Investment Expenses	260	195	200	5	260	260
<b>sub total (c)</b>	<b>4,560</b>	<b>3,302</b>	<b>3,407</b>	<b>105</b>	<b>4,460</b>	<b>4,410</b>
<b>Total Expenditure (d)</b>	<b>102,070</b>	<b>74,268</b>	<b>74,671</b>	<b>403</b>	<b>101,970</b>	<b>105,920</b>
<b>INCOME</b>						
<b>Contributions</b>						
Employer and Employee Contributions	105,000	85,900	86,456	556	105,000	108,000
Early Retirement Costs Recharged	3,000	2,250	2,028	-222	2,500	3,000
<b>sub total (e)</b>	<b>108,000</b>	<b>88,150</b>	<b>88,484</b>	<b>334</b>	<b>107,500</b>	<b>111,000</b>
<b>Transfers</b>						
Transfers IN (per individuals)	7,000	5,250	5,629	379	7,000	7,000
Transfers OUT (per individuals)	-4,000	-3,000	-6,230	-3,230	-7,000	-5,000
<b>sub total (f)</b>	<b>3,000</b>	<b>2,250</b>	<b>-601</b>	<b>-2,851</b>	<b>0</b>	<b>2,000</b>
<b>Total Income (g)</b>	<b>111,000</b>	<b>90,400</b>	<b>87,883</b>	<b>-2,517</b>	<b>107,500</b>	<b>113,000</b>
<b>Net Surplus (h)</b>	<b>8,930</b>	<b>16,132</b>	<b>13,212</b>	<b>-2,920</b>	<b>5,530</b>	<b>7,080</b>