

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 FEBRUARY 2016

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 2015/16 | (see section 2) |
| (b) the cash deployment of the Fund | (see section 3) |
| (c) the proposed 2016/17 budget | (see section 4) |

2.0 2015/16 FORECAST

- 2.1 The Cash surplus for the year to 31 December 2015 (£10.3m) was slightly higher than forecast (£9.3m), by £1.0m.
- 2.2 Pensions Payroll Expenditure of £54.9m was less than forecast by £0.6m. This was partially offset by Retirement Grant expenditure of £19.9m against a forecast of £19.5m.
- 2.3 Contributions Income of £86.5m represents a £0.8m (0.9%) positive variance to budget. A range of factors, including pre-payment of deficits, varying payroll schedules and new employer admissions can all impact on this income area. The annual forecast is unchanged.
- 2.4 Early Retirement income exceeded the forecast by £0.2m. The profile for strain on the Fund costs sees the bulk of retirement activity taking place in Q1. Just £113k (4.2%) of the £2.5m income to date was received in the quarter to 31 December 2015. The annual forecast for this income will therefore remain unchanged.
- 2.5 Transfer Income for the period of £6.1m exceeded forecast by £0.8m, while Transfer Expenditure was £0.6m less than budget at £3.1m. Transfer activity is driven by individual member movement and is therefore a challenging area to forecast. Short term variances are to be expected and there are no bulk transfers anticipated for 2015-16.
- 2.6 Performance Related Management Fees of £3.7m exceeded the forecast by £1.4m. The fees, payable to Baillie Gifford and Fidelity, were based on an extended period of substantial and award-winning outperformance. While recent months have seen more modest performance, an accrual will be required for the period October 2015 to April 2016. The full year forecast for Performance related fees has therefore been increased by £1.5m to £4.5m.

3.0 CASH DEPLOYMENT IN 2015-16

3.1 The cash generated in the year by the annual surplus, together with the opening balance has been utilised in 2015/16 as follows:

	£m	
Cash Balance Brought Forward from 2014/15	17.8	
Surplus to 31 December 2015 (as per Appendix 1)	10.3	
Cash Available as at 31 December 2015	28.1	(a)
Rebalancing		
April 2015 (transfer from Standard Life)	67.0	
April 2015 (transfer from Fidelity)	168.0	
April 2015 (transfer to Dodge and Cox)	-117.5	
April 2015 (transfer to Veritas)	-117.5	
May 2015 (transfer to Standard Life GARS)	-20.0	
May 2015 (transfer to Threadneedle)	-8.5	
September 2015 (transfer from Amundi)	40.0	
September 2015 (transfer to M&G)	-35.0	
October 2015 (transfer from Amundi)	85.0	
October 2015 (transfer to Baillie Gifford LTGG)	-33.0	
October 2015 (transfer to Baillie Gifford GA)	-17.0	
October 2015 (transfer to Standard Life GARS)	-32.0	
Total Rebalancing	-20.5	(b)
Available for Rebalancing of the Fund	7.6	(c) = (a+b)

4.0 PROPOSED 2016/17 BUDGET

4.1 The proposed budget for 2016/17 can be found in column (vi) of **Appendix 1**.

4.2 The budget for Pension Payments has been increased by £1m and Retirement Grants by £1m. While the CPI-linked pension increases will be 0% from April 2016, a rise in overall Pensioner numbers is envisaged due to continuing austerity measures within the public sector.

4.3 Investment Management Fees have been increased by £250k to £3.4m. This reflects the increase in value of investment assets upon which fees are based and the addition of new Managers during 2015/16.

4.4 The Administration Expenses (Other Services) budget has been increased by £40k as Actuarial fees increase to meet the cost of the Triennial Valuation exercise in 2016/17.

5.0 RECOMMENDATIONS

5.1 Members to approve the 2016/17 Budget

5.2 Members to note the contents of the report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

16 February 2016

	Budget 2015/16 £000 (i)	Profiled Budget to 31 Dec £000 (ii)	Actual Income / Expenditure to 31 Dec £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2015/16 £000 (v)	Proposed Budget 2016/17 £000 (vi)
EXPENDITURE						
Benefits						
Pensions	74,000	55,500	54,859	-641	74,000	75,000
Lump Sums (including refunds)	26,000	19,500	19,953	453	26,000	27,000
sub total (a)	100,000	75,000	74,812	-188	100,000	102,000
Admin Expenses						
Finance and Central Services	1,100	825	825	0	1,100	1,100
Other Services	210	158	155	-3	210	250
Other Admin Expenses	200	150	95	-55	200	200
sub total (b)	1,510	1,133	1,075	-58	1,510	1,550
Investment Expenses						
Investment Management Fees (Base)	3,150	2,363	2,585	223	3,150	3,400
Performance Related	3,000	2,250	3,746	1,496	4,500	3,000
Custodian Fees	150	113	94	-19	150	150
Other Investment Expenses	260	195	147	-48	260	260
sub total (c)	6,560	4,920	6,572	1,652	8,060	6,810
Total Expenditure (d)	108,070	81,053	82,459	1,406	109,570	110,360
INCOME						
Contributions						
Employer and Employee Contributions	108,000	85,777	86,547	770	108,000	108,000
Early Retirement Costs Recharged	2,500	2,292	2,525	233	2,600	2,500
sub total (e)	110,500	88,069	89,072	1,003	110,600	110,500
Transfers						
Transfers IN (per individuals)	7,000	5,250	6,093	843	7,000	7,000
Transfers OUT (per individuals)	-5,000	-3,750	-3,132	618	-5,000	-4,000
sub total (f)	2,000	1,500	2,961	1,461	2,000	3,000
Other Income						
Other Investment Income	1,000	750	730	-20	1,000	1,000
sub total (g)	1,000	750	730	-20	1,000	1,000
Total Income (h)	113,500	90,319	92,763	2,444	113,600	114,500
Net Surplus (i)	5,430	9,266	10,305	1,038	4,030	4,140