

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

23 FEBRUARY 2017

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 2016/17 (see section 2)
- (b) the cash deployment of the Fund (see section 3)
- (c) the proposed 2017/18 budget (see section 4)

2.0 2016/17 FORECAST

- 2.1 The Cash surplus for the year to 31 December 2016 (£3.2m) was lower than the forecast surplus (£6.2m), by £3.0m.
- 2.2 Both Pensions Payroll expenditure of £57.6m and Retirement Grant expenditure of £21.2m were more than forecast by £1.4m and £0.9m respectively. The pension payroll expenditure increase reflects an elevated level of early retirements.
- 2.3 Transfer Income for the period of £7.4m exceeded forecast by £2.2m, while Transfer Expenditure was £4.0m more than budget at £7.0m. Transfer activity is driven by individual member movement and is therefore a challenging area to forecast. During 2016/2017 there have been several transfers out of abnormally high value including three individual transfers totaling £1.8m.
- 2.4 Performance Related Management Fees of £2.2m were lower than forecast by £1.1m. In 2016/2017 performance fees were as expected for Baillie Gifford LTGG. However other investments with performance fee arrangements have not maintained the very high performance levels witnessed in 2015/2016.
- 2.5 The Employers Contributions forecast of 117.9m is 9.9m over budget. 9.4m of the additional income is due to an employer paying off their past service deficit in March 2017.

3.0 CASH DEPLOYMENT IN 2016-17

3.1 The cash generated in the year by the annual surplus, together with the opening balance has been utilised in 2016/17 as follows:

	£m	
Cash Balance Brought Forward from 2015/16	3.8	
Surplus to 31 December 2016 (as per Appendix 1)	3.2	
Cash Available as at 31 December 2016	7.0	(a)
Rebalancing		
May 2016 (transfer to Threadneedle)	-10.0	
June 2016 (transfer to Threadneedle)	-30.0	
June 2016 (transfer to Threadneedle)	-25.0	
June 2016 (transfer from Standard Life)	25.0	
November 2016 ECM Disinvestment	41.9	
December 2016 Bluebay Investment	-7.6	
Total Rebalancing	-5.7	c)
Accruals for December 2016	6.5	(d)
Available for Rebalancing of the Fund	7.8	(d) = (a+b+c)

4.0 PROPOSED 2017/18 BUDGET

4.1 The proposed budget for 2017/18 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 £1.5m. The CPI-linked pension increase is provisionally 1% from April 2017, and pensioner numbers are expected to rise.

4.3 Investment management ad valorem fees have been increased by £300k to £3.6m. This reflects the increase in value of investment assets upon which fees are based. It also reflects the latest profile of managers following the addition of BlueBay and Permira in 2016/17.

4.4 Forecast investment management performance fees, which are calculated each year to a September or October year end depending on the arrangements with each manager, are £3.5m. This is based on an assessment of performance to date together with a forecast for the remaining period.

- 4.5 The Administration Expenses (Other Services) budget has decreased by £40k to offset the increase last year which anticipated the additional cost of the Triennial Valuation exercise in 2016/17.
- 4.6 The contributions forecast for 2017/18 has increased by £40m to £148m, £39m of this increase is due to employers paying their deficit 3 years in advance in April 2017.

5.0 RECOMMENDATIONS

- 5.1 Members to approve the 2017/18 Budget
- 5.2 Members to note the contents of the report.

GARY FIELDING
Treasurer
Central Services
County Hall
Northallerton

10 February 2017

North Yorkshire Pension Fund Income and Expenditure as at 31 December 2016

Appendix 1

	Budget 2016/17 £000 (i)	Profiled Budget to 31 December £000 (ii)	Actual Income/ Expenditure to 31 December £000 (iii)	Variance ie (iii-ii) £000 (iv)	Forecast 2016/17 £000 (v)	Draft Budget 2017/2018 (vi)
EXPENDITURE						
Benefits						
Pensions	75,000	56,250	57,601	1,351	76,500	78,000
Lump Sums (including refunds)	27,000	20,250	21,190	940	28,500	28,500
sub total (a)	102,000	76,500	78,791	2,291	105,000	106,500
Admin Expenses						
Finance and Central Services	1,100	825	825	0	1,100	1,100
Other Services	250	188	180	-8	250	210
Other Admin Expenses	200	150	110	-40	200	200
sub total (b)	1,550	1,163	1,115	-48	1,550	1,510
Investment Expenses						
Investment Management Fees (Base)	3,400	2,550	2,770	220	3,400	3,700
Performance Related	4,500	3,375	2,233	-1,142	3,000	3,500
Custodian Fees	150	113	113	1	150	150
Other Investment Expenses	260	195	160	-35	260	260
sub total (c)	8,310	6,233	5,276	-956	6,810	7,610
Total Expenditure (d)	111,860	83,896	85,182	1,287	113,360	115,620
INCOME						
Contributions						
Employer and Employee Contributions	108,000	84,975	85,274	299	117,900	148,000
Early Retirement Costs Recharged	2,500	1,875	2,089	214	2,500	2,500
sub total (e)	110,500	86,850	87,363	513	120,400	150,500
Transfers						
Transfers IN (per individuals)	7,000	5,250	7,420	2,170	7,500	7,500
Transfers OUT (per individuals)	-4,000	-3,000	-7,033	-4,033	-7,000	-5,000
sub total (f)	3,000	2,250	387	-1,863	500	2,500
Other Income						
Other Investment Income (Hermes)	1,300	975	604	-371	1,300	1,300
sub total (g)	1,300	975	604	-371	1,300	1,300
Total Income (h)	114,800	90,075	88,354	-1,721	122,200	154,300
Net Surplus (i)	2,940	6,180	3,172	-3,008	8,840	38,680