

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

25 MAY 2017

## 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 for the year 2016/17 (see section 2)
- (b) the cash deployment of the Fund (see section 3)

**2.0 2016/17 INCOME AND EXPENDITURE POSITION**

- 2.1 The Cash surplus for the year to 31 March 2017 of £16.4m exceeded the budget amount by £13.5m. As shown in **Appendix 1**, expenditure was £1.4m above budget and income was higher than anticipated by £14.9m. The main factor which contributed towards the larger than anticipated cash surplus was the payment made by Selby District Council in March 2017 of £9.4m to pay off their deficit in full.
- 2.3 Pensions Payroll Expenditure of £76.9m was £1.9m above the annual forecast, while Retirement Grant expenditure of £27.6m was also higher at £0.6m above the forecast. This is due to a 4% increase in Pensioner FTE numbers and has been reflected in the 2017/18 budget.
- 2.4 Performance Related Management Fees of £2.8m are less than forecast by £1.7m while Base Management Fees of £4m were higher than expected by £0.6m. Base fees increase in line with the value of the assets of the Fund which have increased by £619m in 2016/17, primarily due to the fall in the value of Sterling following the Brexit vote. Most of the fund's investments are overseas. Performance fees are based on manager performance against industry benchmarks, whilst we have seen an increase in the Fund value, relative outperformance against the benchmark has been lower than previous periods.
- 2.4 Transfer receipts of £11.7m were £4.7m more than forecast while outgoing payments of £9.3m were higher than forecast by £5.3m, giving a net reduction to the total transfer income budget of £0.6m; actual income for the year was £2.4m.
- 2.5 The 2017/18 budget now reflects the £350k agreed budget for pooling costs.
- 2.6 The overall budgeted surplus for 2017/18 is £31.4m, £25.3m of this relates to deficit payments made in advance for 2018/19 and 2019/20. The table in Appendix 1 is set out to show the budgeted cashflows that the Fund will receive annually, therefore these

future year prepayments have been included as they have been received in 2017/18. The accounting treatment for this will be to move the prepayments to the correct financial year. The estimated surplus relating to 2017/18 on an accruals basis is therefore £6.1m.

### 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 March 2017 (as per Appendix 1)	16.4	
<b>Cash Available as at 31 March 2017 before rebalancing</b>	<b>20.2</b>	<b>(a)</b>
<b>Rebalancing (cash transfers)</b>		
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	
March 2017 Permira Investment	-5.8	
<b>Total Rebalancing</b>	<b>-11.5</b>	<b>(b)</b>
<b>Cash Available as at 31 March 2017</b>	<b>8.7</b>	
<b>Add accruals 2016/17</b>	<b>6.0</b>	
<b>Available for Rebalancing of the Fund</b>	<b>14.7</b>	<b>(c) = (a+b)</b>

3.2 During the quarter to 31 March 2017 the Fund made its first investment with Permira of £5.8m.

### 4.0 RECOMMENDATIONS

4.1 Members to note the content of the report.

GARY FIELDING  
Treasurer  
Central Services  
County Hall  
Northallerton

11 May 2017

North Yorkshire Pension Fund Income and Expenditure as at 31 March 2017

Appendix 1

	Budget 2016/17 £000 (i)	Profiled Budget to 31 March £000 (ii)	Actual Income/ Expenditure to 31 March £000 (iii)	Variance ie (iii-ii) £000 (iv)	Budget 2017/2018 £000 (v)
<b>EXPENDITURE</b>					
<b>Benefits</b>					
Pensions	75,000	75,000	76,860	1,860	78,000
Lump Sums (including refunds)	27,000	27,000	27,570	570	28,500
<b>sub total (a)</b>	<b>102,000</b>	<b>102,000</b>	<b>104,430</b>	<b>2,430</b>	<b>106,500</b>
<b>Admin Expenses</b>					
Finance and Central Services	1,100	1,100	1,230	130	1,250
Pooling Expenses	0	0	0	0	350
Other Services	250	250	220	-30	210
Other Admin Expenses	200	200	210	10	200
<b>sub total (b)</b>	<b>1,550</b>	<b>1,550</b>	<b>1,660</b>	<b>110</b>	<b>2,010</b>
<b>Investment Expenses</b>					
Investment Management Fees Invoiced	3,400	3,400	4,000	600	4,000
Investment Management Fees Other	0	0	0	0	0
Performance Related	4,500	4,500	2,750	-1,750	3,500
Custodian Fees	150	150	160	10	150
Other Investment Expenses	260	260	290	30	260
<b>sub total (c)</b>	<b>8,310</b>	<b>8,310</b>	<b>7,200</b>	<b>-1,110</b>	<b>7,910</b>
<b>Total Expenditure (d)</b>	<b>111,860</b>	<b>111,860</b>	<b>113,290</b>	<b>1,430</b>	<b>116,420</b>
<b>INCOME</b>					
<b>Contributions</b>					
Employer and Employee Contributions	108,000	108,000	122,950	14,950	141,000
Early Retirement Costs Recharged	2,500	2,500	3,050	550	3,000
<b>sub total (e)</b>	<b>110,500</b>	<b>110,500</b>	<b>126,000</b>	<b>15,500</b>	<b>144,000</b>
<b>Transfers</b>					
Transfers IN (per individuals)	7,000	7,000	11,720	4,720	7,500
Transfers OUT (per individuals)	-4,000	-4,000	-9,280	-5,280	-5,000
<b>sub total (f)</b>	<b>3,000</b>	<b>3,000</b>	<b>2,440</b>	<b>-560</b>	<b>2,500</b>
<b>Other Income</b>					
Other Investment Income (Hermes)	1,300	1,300	1,270	-30	1,300
<b>sub total (g)</b>	<b>1,300</b>	<b>1,300</b>	<b>1,270</b>	<b>-30</b>	<b>1,300</b>
<b>Total Income (h)</b>	<b>114,800</b>	<b>114,800</b>	<b>129,710</b>	<b>14,910</b>	<b>147,800</b>
<b>Net Surplus (i)</b>	<b>2,940</b>	<b>2,940</b>	<b>16,420</b>	<b>13,480</b>	<b>31,380</b>