

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

13 SEPTEMBER 2018

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) 2018/19 budget- Cost of running the Fund    | (see section 2) |
| (b) the 3 year cashflow projection for the Fund | (see section 3) |

**2.0 2018/19 BUDGET- COST OF RUNNING THE FUND**

2.1 The latest forecast outturn position against the 2018/19 budget is attached as **Appendix 1**. At this stage forecast outturn is estimated to be in line with the 2018/19 budget at £22.6m. It should be noted that the refined budget was only recently presented to the PFC so it is little surprise that the current forecast is in line with the budget. The forecast outturn will continue to be refined as we progress through the financial year.

**3.0 3 YEAR CASHFLOW PROJECTION**

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cashflows of the Fund over the next 3 years. To remind Members, this cashflow includes the contribution income and benefits payable, the main inflow and outflow of the Fund, which will determine when the Fund will turn cashflow negative. In addition to this it also includes all other items that go through the bank account, for example, any costs of administering the scheme; this provides a more accurate prediction of the cash position of the Fund.
- 3.2 The estimated cashflow for the Fund in 2018/19 is a £6.8m deficit; this has increased from last quarter where a £4.6m deficit was reported. This deficit is mainly due to the £13m prepayment of deficit contributions relating to 2018/19 in 2017/18. The increase in deficit between quarters is due to a decrease in the forecasted contributions cashflow which has resulted from a decrease in active members.
- 3.3 There is also an estimated deficit in 2019/20, again due to the prepayment of deficit contributions in 2017/18. This deficit is slightly higher in 2018/19 due to the anticipated increase in pension benefit payments.

- 3.4 In 2020/21 the Fund is estimated to be back in a surplus cash position as it is assumed that deficits will be paid in the year by all employers. The 2020/21 cashflow estimates are assuming that employer contribution rates will remain the same following the 2019 Triennial Valuation so will be subject to change.

4.0 **RECOMMENDATIONS**

- 4.1 Members to note the contents of the report.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

3 September 2018

## North Yorkshire Pension Fund - 2018/2019 Budget - Cost of Running the Pension Fund

	Expenditure to 30.06.2018	Revised Budget 2018/2019 £k	Forecast 2018/2019 £k	Variance £k	Comments
<b>EXPENDITURE</b>					
<b>Admin Expenses</b>					
Finance and Central Services inc ESS	100	500	500	0	£256k Pensions Finance Team, £137.5k ESS
Pensions Administration Team	236	850	850	0	
GMP Reconciliation programme	79	100	100	0	Total estimated project cost £230k, £100k remaining in 2018/19
Other Admin Expenses	102	210	210	0	Main cost is £140K Heywood Ltd (Altair)
	<b>517</b>	<b>1,660</b>	<b>1,660</b>	<b>0</b>	
<b>Oversight and Governance</b>					
Actuarial Fees	3	30	30	0	18/19 Gross budget £110k, £80k recharged to employers
Custodian Fees	35	130	130	0	
Consultants Fees	24	140	140	0	
Pooling Implementation Costs	239	269	269	0	Budget £350k, estimated overspend £75k = £425k, 2017/18 outturn £156k
Pooling Operational Charge	171	503	503	0	£915k in 19/20, £725k in 20/21
Other O & G Expenses	22	110	110	0	£25k voting, £26k External Audit, £25k investment adviser fees
	<b>494</b>	<b>1,182</b>	<b>1,182</b>	<b>0</b>	
<b>Investment Fees</b>					
Investment Management Base Fee invoiced	1,212	4,800	4,800	0	
Performance Fees invoiced	1,395	5,000	5,000	0	
Investment base fees deducted from Fund	2,500	10,000	10,000	0	
	<b>5,107</b>	<b>19,800</b>	<b>19,800</b>	<b>0</b>	
<b>TOTAL</b>	<b>6,118</b>	<b>22,642</b>	<b>22,642</b>	<b>0</b>	

## North Yorkshire Pension Fund three year cash flow forecast

	Cash-flow 2018/2019 £k	Cash-flow 2019/2020 £k	Cash-flow 2020/2021 £k	Comments
<b>EXPENDITURE</b>				
<b>Benefits</b>				
Pensions	84,670	88,500	92,500	
Lump Sums	25,780	25,780	25,780	
	<b>110,450</b>	<b>114,280</b>	<b>118,280</b>	
<b>Payments to and on account of leavers</b>				
Transfers out	9,000	9,000	9,000	
Refunds to leavers	500	500	500	
	<b>9,500</b>	<b>9,500</b>	<b>9,500</b>	
<b>TOTAL EXPENDITURE</b>	<b>119,950</b>	<b>123,780</b>	<b>127,780</b>	
<b>INCOME</b>				
Employer and Employee Contributions	112,400	114,650	129,945	
Transfers IN (from other schemes)	12,000	12,000	12,000	
Investment Income	1,320	1,320	1,320	Hermes income and Barclays interest income
<b>TOTAL INCOME</b>	<b>125,720</b>	<b>127,970</b>	<b>143,265</b>	
<b>SURPLUS (DEFICIT)</b>	<b>5,770</b>	<b>4,190</b>	<b>15,485</b>	
<b>Add cost of administering the pension fund</b>	<b>22,642</b>	<b>22,702</b>	<b>22,529</b>	
<b>Less Management Fees charged direct to the fund</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(10,000)</b>	
<b>NET SURPLUS (DEFICIT)</b>	<b>(6,872)</b>	<b>(8,512)</b>	<b>2,956</b>	The 20/21 cashflow includes 1 year past service deficit