

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

22 NOVEMBER 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**. The running costs of the Fund are currently forecast to be £1.2m over budget at £23.8m. This revision in the forecast is due to an increase in the estimated management fees for the year. This reflects an increase in the value of the Fund and additional transaction cost information provided by Fund Managers.

**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. 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 £8.6m deficit; this has increased from last quarter where a £6.8m 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 further decrease in active members and an increase in benefit payments due to an increase in pensioner numbers.
- 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 than the deficit 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 small surplus cash position as it is assumed that deficits will be paid in the year by all employers. It is important to note that 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. Any changes in management fees due to pooling have also not been taken into account in the cashflow estimate.

#### 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

14 November 2018

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

	Expenditure to 30.09.2018	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	200	500	500	0	
Pensions Administration Team	420	850	850	0	
GMP Reconciliation programme	79	100	100	0	
Other Admin Expenses	130	210	210	0	Main cost is £140K Heywood Ltd (Altair)
	<b>829</b>	<b>1,660</b>	<b>1,660</b>	<b>0</b>	
<b>Oversight and Governance</b>					
Actuarial Fees	10	30	30	0	18/19 Gross budget £110k, £80k recharged to employers
Custodian Fees	62	130	130	0	
Consultants Fees	71	140	140	0	
Pooling Implementation Costs	269	269	269	0	All expenditure in for the implementation costs
Pooling Operational Charge	171	503	503	0	remaining £332k operational costs due in Q3
Other O & G Expenses	22	110	110	0	Budget £915k in 19/20, £725k in 20/21
	<b>605</b>	<b>1,182</b>	<b>1,182</b>	<b>0</b>	
<b>Investment Fees</b>					
Investment Management Base Fee invoiced	2,613	4,800	5,000	200	
Performance Fees invoiced	2,789	5,000	5,000	0	
Investment base fees deducted from Fund	5,440	10,000	11,000	1,000	
	<b>10,842</b>	<b>19,800</b>	<b>21,000</b>	<b>1,200</b>	
<b>TOTAL</b>	<b>12,276</b>	<b>22,642</b>	<b>23,842</b>	<b>1,200</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	86,300	90,130	94,130	5% increase in pensioner numbers, 2% initial estimate
Lump Sums	24,300	24,300	24,300	
	<b>110,600</b>	<b>114,430</b>	<b>118,430</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>120,100</b>	<b>123,930</b>	<b>127,930</b>	
<b>INCOME</b>				
Employer and Employee Contributions	111,000	113,250	128,545	Drop in the number of active members
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>124,320</b>	<b>126,570</b>	<b>141,865</b>	
<b>SURPLUS (DEFICIT)</b>	<b>4,220</b>	<b>2,640</b>	<b>13,935</b>	
<b>Add cost of administering the pension fund</b>	<b>23,842</b>	<b>23,902</b>	<b>23,729</b>	
<b>Less Management Fees charged direct to the fund</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(11,000)</b>	
<b>NET SURPLUS (DEFICIT)</b>	<b>(8,622)</b>	<b>(10,262)</b>	<b>1,206</b>	The 20/21 cashflow includes 1 year past service deficit