

## NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

3 July 2020

## BUDGET / STATISTICS

## Report of the Treasurer

**1.0 PURPOSE OF THE REPORT**

1.1 To report on the following:

- (a) the outturn position for 2019/20 (see section 2)
- (b) the 3 year cashflow projection for the Fund (see section 3)

**2.0 2019/20 OUTTURN**

- 2.1 The budget and outturn position for 2019/20 is presented in **Appendix 1**. The total running costs of the Fund in 2019/20 were £29.2m against a budget of £22.6m. The overspend of £6.6m is mainly due to Investment Fees exceeding the original budget by £7m, as previously reported to Committee. The 2020/21 budget for investment fees, approved by the Committee on 21 February 2020, was increased to reflect this increased disclosure of fees. As the Fund continues to move investments to the Pool there will be a continuing decrease in invoiced fees and an increase in fees deducted from assets under management, reflecting the charging methods of the fund managers concerned. A breakdown of the Investment Fees by fund manager will be presented to the Committee at the meeting on 11 September 2020.
- 2.2 Within Oversight and Governance costs, expenditure on Consultants' has exceeded the budget by £262k. As previously reported, this is due to work on setting up Equity Protection, for due diligence on a number of BCPP sub-funds and for the Investment Strategy Review undertaken as part of the 2019 Triennial Valuation.
- 2.3 The underspend on the Pooling Operational Charge of £355k is due in part to a review of the assets under management allocated to sub-funds which has resulted in a reduced charge of £150k to NYPF. BCPP also had an underspend in 2019/20, around £100k of this relating to NYPF. In addition, costs relating to Alternative assets (c.£100k) are now deducted directly from the sub-fund rather than being invoiced, so whilst this is not a true reduction in costs, it is a reduction in the costs reported here. This is in line with BCPP's charging policy where costs are invoiced until sub-funds are up and running, at which point they will be charged directly to the sub-fund, based on assets under management.
- 2.4 The underspend on Admin Expenses is largely due to the receipt of additional income. Following a Scheme reconciliation by HMRC, the Fund received a one-off refund of £136k. In addition, bank interest of £103k was received (£45k higher than

2018/19). Work on the Pension Data Reconciliation was delayed leading to an underspend of £82k. Work will continue in 2020/21 and anticipated expenditure has been reflected in the 2020/21 budget.

### **3.0 3 YEAR CASHFLOW PROJECTION**

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the actual cashflow in 2019/20 along with 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 (deficit). 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 actual cashflow for the Fund in 2019/20 was a deficit of £5.6m. At the Committee meeting on 21 February 2020 it was reported that the year-end deficit was expected to be £7.1m. Subsequently an additional £1m net income was received, with the remaining variance relating to the costs of administering the Fund.
- 3.3 The cashflow for the three years 2020/21 to 2022/23 allows for increases in staff pay and in the number of pensioners, and reflects the 2019 Triennial Valuation. It is estimated that the deficit will increase each year, to £35m in 2022/23. Consideration will be given to how we derive income from existing assets and new income generating assets will be factored into future investment strategy considerations to ensure that disinvestments purely for cashflow purposes are kept to a minimum. A Cashflow Policy has been drafted which details how the Fund plans manage its cashflow requirements. This policy is included in the Governance Arrangements Paper for Member approval.

### **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

19 June 2020

North Yorkshire Pension Fund  
2019/2020 Budget – Cost of Running the Pension Fund

	Budget 2019/2020 £k	Outturn 2019/2020 £k	Variance £k	Budget 2020/2021 £k
<b>EXPENDITURE</b>				
<b>Admin Expenses</b>				
Finance and Central Services	380	376	-4	430
Provision of Pensioner Payroll (ESS)	140	137	-3	140
Pensions Administration Team	980	979	-1	1,090
GMP Reconciliation Programme	0	44	44	0
Pension Data Reconciliation	100	18	-82	50
Other Admin Expenses	260	17	-243	270
	<b>1,860</b>	<b>1,571</b>	<b>-289</b>	<b>1,980</b>
<b>Oversight and Governance</b>				
Actuarial Fees	70	83	13	40
Custodian Fees	130	83	-47	50
Consultants Fees	150	412	262	290
Pooling Project Costs	140	90	-50	70
Pooling Operational Charge	980	625	-355	600
Other O & G Expenses	110	100	-10	100
	<b>1,580</b>	<b>1,393</b>	<b>-187</b>	<b>1,150</b>
<b>Investment Fees</b>				
Investment Management Base Fee invoiced	4,000	3,553	-447	2,200
Performance Fees invoiced	3,500	1,608	-1,892	2,000
Investment Fees deducted from Fund	11,700	21,072	9,372	22,760
	<b>19,200</b>	<b>26,233</b>	<b>7,033</b>	<b>26,960</b>
<b>TOTAL</b>	<b>22,640</b>	<b>29,197</b>	<b>6,557</b>	<b>30,090</b>

## North Yorkshire Pension Fund Cashflow Forecast

	Actual Cashflow 2019/2020 £k	Projected Cashflow 2020/2021 £k	Projected Cashflow 2021/2022 £k	Projected Cashflow 2022/2023 £k
<b>EXPENDITURE</b>				
<b>Benefits</b>				
Pensions	91,009	100,370	109,500	119,460
Lump Sums	28,660	27,950	27,950	27,950
	<b>119,669</b>	<b>128,320</b>	<b>137,450</b>	<b>147,410</b>
<b>Payments to and on account of leavers</b>				
Transfers out	21,037	17,750	17,750	17,750
Refunds to leavers	560	600	600	600
	<b>21,597</b>	<b>18,350</b>	<b>18,350</b>	<b>18,350</b>
<b>TOTAL EXPENDITURE</b>	<b>141,266</b>	<b>146,670</b>	<b>155,800</b>	<b>165,760</b>
<b>INCOME</b>				
Employer and Employee Contributions	120,016	116,420	114,680	113,080
Transfers in (from other schemes)	17,490	16,840	16,840	16,840
Investment Income	6,313	6,810	8,570	8,570
	<b>143,819</b>	<b>140,070</b>	<b>140,090</b>	<b>138,490</b>
<b>SURPLUS/ (DEFICIT)</b>	<b>2,553</b>	<b>(6,600)</b>	<b>(15,710)</b>	<b>(27,270)</b>
<b>Add cost of administering the pension fund</b>	<b>29,197</b>	<b>30,090</b>	<b>31,560</b>	<b>32,390</b>
<b>Less Management Fees charged direct to the fund</b>	<b>(21,072)</b>	<b>(22,760)</b>	<b>(24,160)</b>	<b>(24,910)</b>
<b>NET SURPLUS/ (DEFICIT)</b>	<b>(5,572)</b>	<b>(13,930)</b>	<b>(23,110)</b>	<b>(34,750)</b>