

# NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

09 September 2022

### BUDGET AND CASHFLOW

#### Report of the Treasurer

#### 1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) the 2021/22 budget and the outturn position of the Fund | (see section 2) |
| (b) the 4 year cashflow projection for the Fund             | (see section 3) |

#### 2.0 2021/22 BUDGET - THE COST OF RUNNING THE FUND

2.1 The budget and outturn position for 2021/22 is presented in **Appendix 1**. The total running costs of the Fund in 2021/22 were £30.3m against a budget of £33.9m. The underspend of £3.6m is primarily due to a decrease against budgeted costs for investment management fees, which has arisen from a number of factors:

- the Fund's assets performed below the long term return expectations, which in turn results in lower than expected fees as they are based on the values of the assets;
- one-off transition costs to Border to Coast (B2C) funds were included in the budget, however the costs were accounted for in the performance figures for the funds and are therefore not included in the outturn;
- the gradual shift of assets into B2C has led to overall lower ongoing management fees.

2.2 Variances for non-fee budget items include an increase in the pooling operating charge to the Fund. This is also a result of asset transitions to B2C, which in turn attracts a greater share of the pool's overheads.

2.2 The outturn differs significantly from the Fund's last reported forecast of £0.1m overspend in November 2021. The main difference again is on the investment management fees, which were previously forecast as being on budget.

### **3.0 4 YEAR CASHFLOW PROJECTION**

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the actual cashflow in 2021/22 along with the projected cashflows of the Fund over the next 4 years. This cashflow includes the contribution income and benefits payable, and the main investment inflow and outflow of the Fund, which are the two key determining factors for when the Fund will turn cashflow negative (deficit).
- 3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflationary rises (expected to be a combined 12% in 2023/24).
- 3.3 The forecast for contribution income is based on the employers' current contribution rates which are in turn based on the 2019 Triennial Valuation. This assumes contribution requirements will be consistent following the 2022 Valuation, the outcome of which will be known in the coming months. The pay increase assumption for 2022/23 is based on the offer to local authorities of £1,925 per employee, which is being negotiated, and 2% per annum thereafter. This is a quite conservative assumption, given forecasts for inflation.
- 3.4 The overall cashflow position is a surplus for 2021/22, with deficits projected for 2022/23, 2023/24, 2024/25, and 2025/26. However due to the volatile nature of some of the income and expenditure incurred by the Fund, an element of fluctuation is to be expected. Future inflation is a key factor that the forecast will be sensitive to, and we will continue to review and update the assumptions used in forecasting to reflect any new information that becomes available.
- 3.5 The cashflow forecast also takes into account the future cashflows arising from the Fund's investment activities. These include items such as fees directly payable to fund managers, distribution income, capital calls, investments and disinvestments. In 2021/22, investment actions were taken to bring the cash balance to be within 0.5% of the value of the Fund, so that it now reflects the agreed pragmatic level of cash required to manage the day to day requirements of the Fund.

### **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

02 September 2022

## North Yorkshire Pension Fund - 2021/22 Budget - Cost of Running the Pension Fund

	Budget 2021/22 £k	Outturn 2021/22 £k	Variance £k
<b>EXPENDITURE</b>			
<b>Admin Expenses</b>			
Finance and Central Services	440	388	(52)
Provision of Pensioner Payroll (ESS)	90	138	48
Pensions Administration Team	1,120	1,164	44
McCloud	80	40	(40)
Other Admin Expenses	510	483	(27)
	<b>2,240</b>	<b>2,213</b>	<b>(27)</b>
<b>Oversight and Governance</b>			
Actuarial Fees	20	96	76
Custodian Fees	50	100	50
Consultants Fees	200	143	(57)
Pooling Operational Charge and Project Costs	776	1,057	281
Other O & G Expenses	100	71	(29)
	<b>1,146</b>	<b>1,467</b>	<b>321</b>
<b>Investment Fees</b>			
Base Fees invoiced	2,900	2,656	(244)
Performance Fees invoiced	2,820	3,527	707
Fees deducted from Fund	24,800	20,401	(4,399)
	<b>30,520</b>	<b>26,584</b>	<b>(3,936)</b>
<b>TOTAL</b>	<b>33,906</b>	<b>30,264</b>	<b>(3,642)</b>

## North Yorkshire Pension Fund - Cash Flow

	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k
<b>SCHEME PAYMENTS</b>					
<b>Benefits</b>					
Pensions	(99,282)	(110,000)	(123,038)	(130,420)	(134,333)
Lump Sums	(29,518)	(33,000)	(34,000)	(35,000)	(36,000)
	<b>(128,800)</b>	<b>(143,000)</b>	<b>(157,038)</b>	<b>(165,420)</b>	<b>(170,333)</b>
Transfers out	(8,878)	(12,460)	(12,750)	(13,000)	(13,250)
Refunds to leavers	(405)	(500)	(550)	(600)	(650)
	<b>(9,283)</b>	<b>(12,960)</b>	<b>(13,300)</b>	<b>(13,600)</b>	<b>(13,900)</b>
<b>Operational Expenses</b>					
Admin Expenses	(2,294)	(2,409)	(2,553)	(2,655)	(2,735)
Oversight and Governance	(1,387)	(1,429)	(1,471)	(1,516)	(1,561)
	<b>(3,681)</b>	<b>(3,837)</b>	<b>(4,025)</b>	<b>(4,171)</b>	<b>(4,296)</b>
<b>TOTAL PAYMENTS</b>	<b>(141,764)</b>	<b>(159,797)</b>	<b>(174,363)</b>	<b>(183,191)</b>	<b>(188,529)</b>
<b>SCHEME RECEIPTS</b>					
Employer and Employee Contributions	135,497	144,628	147,520	150,471	153,480
Transfers in	11,941	14,539	15,039	15,539	16,039
	<b>147,438</b>	<b>159,167</b>	<b>162,559</b>	<b>166,010</b>	<b>169,519</b>
<b>SCHEME SURPLUS/ (DEFICIT)</b>	<b>5,674</b>	<b>(630)</b>	<b>(11,804)</b>	<b>(17,182)</b>	<b>(19,010)</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(95,780)</b>	<b>649</b>	<b>11,102</b>	<b>16,544</b>	<b>18,975</b>
<b>SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES</b>	<b>(90,106)</b>	<b>18</b>	<b>(702)</b>	<b>(638)</b>	<b>(35)</b>
<b>CASH BALANCE B/F</b>	<b>111,848</b>	<b>21,742</b>	<b>21,760</b>	<b>21,059</b>	<b>20,421</b>
<b>CASH BALANCE C/F</b>	<b>21,742</b>	<b>21,760</b>	<b>21,059</b>	<b>20,421</b>	<b>20,386</b>