

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

25 November 2022

BUDGET / STATISTICS

Report of the Treasurer

1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the 2022/23 budget and the cost of running the Fund (see section 2)
- (b) the 4 year cashflow projection for the Fund (see section 3)

2.0 2022/23 BUDGET - THE COST OF RUNNING THE FUND

- 2.1 The latest forecast outturn position against the 2022/23 budget is presented in **Appendix 1**. It shows an estimated total running cost of £35.5m for the Fund against a budget of £38.7m. The forecast underspend is therefore £3.2m.
- 2.2 The fall in asset values we have seen this year will result in a fall in fees, as most fee arrangements are scaled to the value of assets under management. The estimated impact is £3.2m over the year. There is a 26k forecast variance due to staffing vacancies in the Pension Administration team. There will inevitably be a number of other variances at the year-end but at this stage they are not expected to be significant.

3.0 4 YEAR CASHFLOW PROJECTION

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cash flows of the Fund for the current financial year and the following three years. This cash flow includes the contribution income and benefits payable, being the main inflows and outflows of the Fund, which are the two key determining factors for when the Fund will turn cash flow negative.
- 3.2 The forecast for pension benefits payments is based on revised assumptions on annual increases in pensioner numbers and inflation (expected to be a combined 12% in 23/24). The assumptions will continue to be reviewed and updated regularly to reflect any new information that becomes available on future inflation and membership numbers.
- 3.3 The forecast for contribution income is based on the employers' current contribution rates which are in turn based in the 2019 Triennial Valuation. These rates are expected to be broadly unchanged as a result of the 2022 Valuation. The forecast

will be refined as the detail of employer contribution requirements become known. The pay increase for 2022/23 has been included in the employer and employee contribution levels. This is in line with the conclusion of pay negotiations with local authorities for an increase of £1,925 per employee. Future year contributions have been increased in line with the Council's budget forecast. Forecasts for inflation could imply a higher increase, but the possibility of the Government implementing cuts in public finances could result in downwards pressure.

- 3.4 The overall cash flow position is expected to be around a breakeven position for 2022/23, with deficits projected for 2023/24, 2024/25 and 2025/26.
- 3.5 The cash flow forecast also shows movements relating to the Fund's investments. The first port of call in covering the deficit will be income distributed to the Fund, such as property rental income, dividends from equities and coupons from bonds. This is already being received to a limited extent. Options to increase receivable income through Border to Coast are being explored.

4.0 **RECOMMENDATIONS**

- 4.1 Members to note the contents of the report.

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Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
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14 November 2022

North Yorkshire Pension Fund - 2022/23 Budget - Cost of Running the Pension Fund

| | Budget 2022/23 £k | Forecast 2022/23 at Q2 £k | Variance £k |
|--|-------------------------|------------------------------------|----------------|
| EXPENDITURE | | | |
| Admin Expenses | | | |
| Finance and Central Services | 453 | 453 | 0 |
| Provision of Pensioner Payroll (ESS) | 93 | 93 | 0 |
| Pensions Administration Team | 1,371 | 1,345 | -26 |
| McCloud | 50 | 50 | 0 |
| Other Admin Expenses | 678 | 678 | 0 |
| Total Admin Expenses | 2,645 | 2,619 | -26 |
| Oversight and Governance | | | |
| Actuarial Fees | 90 | 90 | 0 |
| Custodian Fees | 86 | 86 | 0 |
| Consultants Fees | 140 | 140 | 0 |
| Pooling Operational Charge and Project Costs | 709 | 709 | 0 |
| Other O & G Expenses | 100 | 100 | 0 |
| Total Oversight and Governance | 1,125 | 1,125 | 0 |
| Investment Fees | | | |
| Performance Fees | 3,208 | 3,208 | 0 |
| Investment Base Fees | 31,739 | 28,539 | -3,200 |
| Total Investment Fees | 34,947 | 31,747 | -3,200 |
| | | | |
| TOTAL | 38,717 | 35,491 | -3,226 |

North Yorkshire Pension Fund - Cash Flow

| | 2022/23 £k | 2023/24 £k | 2024/25 £k | 2025/26 £k |
|---|------------------|------------------|------------------|------------------|
| SCHEME PAYMENTS | | | | |
| Benefits | | | | |
| Pensions | (106,000) | (122,000) | (131,000) | (135,000) |
| Lump Sums | (34,000) | (35,000) | (36,000) | (37,000) |
| | (140,000) | (157,000) | (167,000) | (172,000) |
| Transfers out | (11,000) | (13,000) | (13,000) | (14,000) |
| Refunds to leavers | (750) | (550) | (600) | (650) |
| | (11,750) | (13,550) | (13,600) | (14,650) |
| Operational Expenses | | | | |
| Admin Expenses | (2,400) | (2,500) | (2,600) | (2,700) |
| Oversight and Governance | (1,430) | (1,470) | (1,510) | (1,560) |
| | (3,830) | (3,970) | (4,110) | (4,260) |
| TOTAL PAYMENTS | (155,580) | (174,520) | (184,710) | (190,910) |
| SCHEME RECEIPTS | | | | |
| Employer and Employee Contributions | 137,500 | 145,000 | 151,000 | 154,000 |
| Transfers in | 18,500 | 19,000 | 20,000 | 21,000 |
| TOTAL RECEIPTS | 156,000 | 164,000 | 171,000 | 175,000 |
| SCHEME SURPLUS/ (DEFICIT) | 420 | (10,520) | (13,710) | (15,910) |
| CASH FLOW FROM INVESTMENT ACTIVITIES | 0 | 11,000 | 14,000 | 16,000 |
| SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES | 420 | 480 | 290 | 90 |
| CASH BALANCE B/F | 21,742 | 22,162 | 15,642 | 11,932 |
| CASH BALANCE C/F | 22,162 | 22,642 | 22,932 | 23,022 |