

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

03 March 2023

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)
- (c) update on the Fund's final accounts and annual report 2021/22 (see section 4)

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 £35.0m for the Fund against a budget of £38.7m. The forecast underspend is therefore £3.7m.

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 £3.8m over the year. Other areas of expected variance include 26k due to staffing vacancies in the Pension Administration team, £50k from additional work undertaken during the year by the investment consultant Aon on climate risk analysis and the investment strategy review, and £117k on Border to Coast's project costs which includes work on the UK Opportunities and Sustainable Bonds funds. 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. CPI in September 2022 is used to uplift benefit payments and this was 10.1%. 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 and takes into account the employer results from the 2022 Triennial Valuation. The pay increase for 2022/23 has now been included in the employer and employee contribution figures, which reflects 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 forecast included in its budget. 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 a small Scheme Surplus 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 any shortfall 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. After the current strategy review, options available to increase receivable income through Border to Coast will be further explored.

4.0 FINAL ACCOUNTS AND ANNUAL REPORT 2021/22

- 4.1 At time of writing, the audit of the Council's Accounts 2021/22, which includes the Fund Accounts, is still not complete due to the ongoing technical accounting issue relating to the valuation of infrastructure assets under the Council's ownership. This is a nationwide issue and is not specific to North Yorkshire County Council.
- 4.2 No material issues have been identified from the audit of the Fund Accounts and it is expected that the Fund's auditor Deloitte will issue an unqualified opinion in due course. As the Fund Accounts are a part of the Council's accounts, this cannot happen until the Council's Accounts have been completed.
- 4.3. Once the Fund's audit has been finalised, the published Fund draft Annual Report 2021/22 will be updated to reflect any changes. At this late stage, adjustments to the Annual Report and Accounts are not expected, but if this does happen the Committee will be informed.

5.0 RECOMMENDATIONS

- 5.1 Members to note the contents of the report.

GARY FIELDING
Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
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North Yorkshire Pension Fund - 2022/23 Budget - Cost of Running the Pension Fund

	Budget 2022/23 £k	Forecast 2022/23 at Q3 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	453	453	-
Provision of Pensioner Payroll (ESS)	93	93	-
Pensions Administration Team	1,371	1,345	(26)
McCloud	50	50	-
Other Admin Expenses	678	678	-
Total Admin Expenses	2,645	2,619	(26)
Oversight and Governance			
Actuarial Fees	90	90	-
Custodian Fees	86	86	-
Consultants Fees	140	190	50
Pooling Operational Charge and Project Costs	709	826	117
Other O & G Expenses	100	100	-
Total Oversight and Governance	1,125	1,292	167
Investment Fees			
Performance Fees	3,208	2,599	(609)
Investment Base Fees	31,739	28,539	(3,200)
Total Investment Fees	34,947	31,138	(3,809)
TOTAL	38,717	35,049	(3,668)

North Yorkshire Pension Fund - Cash Flow

	2022/23 £k	2023/24 £k	2024/25 £k	2025/26 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(109,000)	(124,000)	(133,000)	(137,000)
Lump Sums	(34,000)	(35,000)	(36,000)	(37,000)
	(143,000)	(159,000)	(169,000)	(174,000)
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	(2,620)	(2,680)	(2,800)	(2,900)
Oversight and Governance	(1,290)	(1,130)	(1,200)	(1,200)
	(3,910)	(3,810)	(4,000)	(4,100)
TOTAL PAYMENTS	(158,660)	(176,360)	(186,600)	(192,750)
SCHEME RECEIPTS				
Employer and Employee Contributions	145,700	145,000	150,000	153,000
Transfers in	18,500	19,000	20,000	21,000
	164,200	164,000	170,000	174,000
TOTAL RECEIPTS	164,200	164,000	170,000	174,000
SCHEME SURPLUS/ (DEFICIT)	5,540	(12,360)	(16,600)	(18,750)
CASH FLOW FROM INVESTMENT ACTIVITIES	4,000	9,000	9,000	18,000
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	9,540	(3,360)	(7,600)	(750)
CASH BALANCE B/F	21,742	31,282	27,922	20,322
CASH BALANCE C/F	31,282	27,922	20,322	19,572