

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

26 May 2023

BUDGET, CASHFLOW AND ACCOUNTS

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 provisional outturn position against the 2022/23 budget is presented in **Appendix 1**. It shows an estimated total running cost of £33.1m for the Fund against a budget of £38.7m. The forecast underspend is therefore £5.6m.
- 2.2 As previously reported to the Committee, the fall in asset values over 2022/23 has resulted in a fall in fees, as most fee arrangements are on an "ad valorem" basis, so are a percentage of the value of assets under management. The estimated impact is £5.6m over the year. However, the final figures to be included in the Accounts may be different, as investment managers will be reporting fees and costs on a more transparent basis than has been the case in previous years. Their deadline for providing this information is the end of June each year, which is a deadline established by the Scheme Advisory Board as part of their Cost Transparency initiative.
- 2.3 The total of the other variances is under £100k. The largest variance of £64k related to additional work undertaken by the investment consultant Aon, including on climate risk analysis and an investment strategy review.

3.0 4 YEAR CASHFLOW PROJECTION

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the cash flows of the Fund for the financial year 2022/23 and a projection for the following three years. Contribution income and benefits payable are the main inflows and outflows of the Fund, so essentially determine when the Fund will turn cash flow negative as it gradually matures.
- 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 was

used to uplift benefit payments from April 2023, and this was 10.1%. Inflation and other assumptions will continue to be reviewed and updated regularly to reflect any new information that becomes available.

- 3.3 The forecast contribution income is based on the employers' new contribution rates as determined by the 2022 Triennial Valuation. The pay on which these rates are based assumes an increase of £1,925 per employee in 2023/24, which is the offer made by the Government. However, this offer has been rejected by the unions and it may be some time before an agreement can be reached. Future year contributions have been increased in line with the forecast included in the Council's budget. Forecasts for inflation could imply a higher increase, but the possibility of the Government implementing further cuts in public finances could result in downwards pressure.
- 3.4 The overall cash flow position was for a small Scheme Surplus in 2022/23, which is the position before investment related cashflows are taken into account. Deficits are projected from 2023/24. As previously reported to the Committee, it is a natural development for a pension fund to become cashflow negative, due to factors such as increasing life expectancy.
- 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. Options to increase receivable income through Border to Coast continue to be 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 Council's IAS19 liability. This is a nationwide issue and is not specific to North Yorkshire 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 draft Annual Report 2021/22 will be updated to reflect any changes.

5.0 RECOMMENDATIONS

- 5.1 Members to note the contents of the report.

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Treasurer to North Yorkshire Pension Fund
North Yorkshire County Council
County Hall
Northallerton

17 May 2023

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

	Budget 2022/23 £k	Actuals 2022/23 £k	Variance £k
EXPENDITURE			
Admin Expenses			
Finance and Central Services	453	449	(4)
Provision of Pensioner Payroll (ESS)	93	73	(20)
Pensions Administration Team	1,371	1,375	4
McCloud	50	15	(35)
Other Admin Expenses	678	705	27
Total Admin Expenses	2,645	2,617	(28)
Oversight and Governance			
Actuarial Fees	90	65	(25)
Custodian Fees	86	66	(20)
Consultants Fees	140	204	64
Pooling Operational Charge and Project Costs	709	761	52
Other O & G Expenses	100	42	(58)
Total Oversight and Governance	1,125	1,139	14
Investment Fees			
Performance Fees	3,208	2,599	(609)
Investment Base Fees	31,739	26,761	(4,978)
Total Investment Fees	34,947	29,360	(5,587)
TOTAL	38,717	33,116	(5,601)

North Yorkshire Pension Fund - Cash Flow

	2022/23 Outturn £k	2023/24 £k	2024/25 £k	2025/26 £k
SCHEME PAYMENTS				
Benefits				
Pensions	(106,333)	(121,000)	(132,000)	(139,000)
Lump Sums	(29,238)	(30,000)	(31,000)	(32,000)
	(135,571)	(151,000)	(163,000)	(171,000)
Transfers out	(14,515)	(15,000)	(15,000)	(15,000)
Refunds to leavers	(780)	(830)	(880)	(930)
	(15,295)	(15,830)	(15,880)	(15,930)
Operational Expenses				
Admin Expenses	(2,617)	(2,800)	(2,900)	(3,000)
Oversight and Governance	(1,139)	(1,200)	(1,200)	(1,200)
	(3,756)	(4,000)	(4,100)	(4,200)
TOTAL PAYMENTS	(154,621)	(170,830)	(182,980)	(191,130)
SCHEME RECEIPTS				
Employer and Employee Contributions	145,828	145,000	149,000	152,000
Transfers in	18,654	19,000	19,000	19,000
TOTAL RECEIPTS	164,482	164,000	168,000	171,000
SCHEME SURPLUS/ (DEFICIT)	9,861	(6,830)	(14,980)	(20,130)
CASH FLOW FROM INVESTMENT ACTIVITIES	7,723	(2,000)	5,000	20,000
SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES	17,584	(8,830)	(9,980)	(130)
CASH BALANCE B/F	21,742	39,326	30,496	20,516
CASH BALANCE C/F	39,326	30,496	20,516	20,386