

# NORTH YORKSHIRE COUNCIL

## PENSION FUND COMMITTEE

24 NOVEMBER 2023

### BUDGET AND CASHFLOW

#### Report of the Treasurer

#### 1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- (a) the 2023/24 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 2023/24 BUDGET AND THE COST OF RUNNING THE FUND

- 2.1 The forecast position against the 2023/24 budget as at the end of September 2023 is presented in **Appendix 1**. It shows an estimated total running cost of £36.2m for the Fund against a budget of £36.1m. The forecast underspend is therefore £0.1m.
- 2.2 There is a £65k forecast variance due to the number of vacancies in the Pensions Administration team being lower than expected. There is also expected to be a variance in Consultant Fees incurred, currently forecast at £70k, primarily due to the ongoing review of the equities allocation. There will inevitably be a number of other variances at the year-end but at this stage they are not expected to be significant, however this position will be kept under review and any anticipated variances will be reported to committee as they emerge.

#### 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. 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 assumptions on annual increases in pensioner numbers and inflation. Annual Increase in pensioner numbers is currently expected to be around 3% based on historic trends and the latest figures. With regards to inflation, CPI in September 2023 of 6.7% will be used to uplift benefit payments from April 2024. This was a little higher than the previous estimate of 6%. Inflation and other assumptions will continue to be reviewed and updated regularly to reflect any new information that becomes available. 2.7% has been assumed for

September 2024 and September 2025. The long-term assumption in the Funding Strategy Statement, for comparison, is 2.3% per annum.

- 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 factors in an increase of £1,925 per employee in 2023/24. Negotiations on the increase have now been concluded and this increase has been accepted. Future year contributions have been increased in line with the forecast included in the Council's budget.
- 3.4 The overall cash flow position is expected to be a Scheme deficit in 2023/24. Increasing deficits are projected from 2024/25, where an equivalent amount of income from investments will be required to address this. 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 shows the movements relating to the Fund's investments. The first port of call in covering any 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 continue to be explored.

## 5.0 **RECOMMENDATIONS**

- 5.1 Members to note the contents of the report.

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

14 November 2023

## North Yorkshire Pension Fund - 2023/24 Budget - Cost of Running the Pension Fund

	Budget 2023/24 £k	Forecast 2023/24 at Q2 £k	Variance £k
<b>EXPENDITURE</b>			
<b>Admin Expenses</b>			
Finance and Central Services	470	470	-
Provision of Pensioner Payroll (ESS)	80	80	-
Pensions Administration Team	1,460	1,525	65
McCloud	50	50	-
Other Admin Expenses	620	620	-
<b>Total Admin Expenses</b>	<b>2,680</b>	<b>2,745</b>	<b>65</b>
<b>Oversight and Governance</b>			
Actuarial Fees	60	60	-
Custodian Fees	70	70	-
Consultants Fees	150	220	70
Pooling Operational Charge and Project Costs	550	550	-
Other O & G Expenses	100	100	-
<b>Total Oversight and Governance</b>	<b>930</b>	<b>1,000</b>	<b>70</b>
<b>Investment Fees</b>			
Performance Fees	2,660	2,660	-
Investment Base Fees	29,800	29,800	-
<b>Total Investment Fees</b>	<b>32,460</b>	<b>32,460</b>	<b>-</b>
<b>TOTAL</b>	<b>36,070</b>	<b>36,205</b>	<b>135</b>

## North Yorkshire Pension Fund - Cash Flow

	2023/24 £k	2024/25 £k	2025/26 £k	2026/27 £k
<b>SCHEME PAYMENTS</b>				
<b>Benefits</b>				
Pensions	(122,000)	(134,000)	(142,000)	(150,000)
Lump Sums	(30,000)	(31,000)	(32,000)	(33,000)
	<b>(152,000)</b>	<b>(165,000)</b>	<b>(174,000)</b>	<b>(183,000)</b>
Transfers out	(19,900)	(20,200)	(20,500)	(20,800)
Refunds to leavers	(800)	(900)	(1,000)	(1,100)
	<b>(20,700)</b>	<b>(21,100)</b>	<b>(21,500)</b>	<b>(21,900)</b>
<b>Operational Expenses</b>				
Admin Expenses	(2,700)	(2,900)	(3,000)	(3,100)
Oversight and Governance	(1,000)	(1,100)	(1,100)	(1,100)
	<b>(3,700)</b>	<b>(4,000)</b>	<b>(4,100)</b>	<b>(4,200)</b>
<b>TOTAL PAYMENTS</b>	<b>(176,400)</b>	<b>(190,100)</b>	<b>(199,600)</b>	<b>(209,100)</b>
<b>SCHEME RECEIPTS</b>				
Employer and Employee Contributions	141,000	149,000	153,000	156,000
Transfers in	20,300	20,600	20,900	21,200
	<b>161,300</b>	<b>169,600</b>	<b>173,900</b>	<b>177,200</b>
<b>TOTAL RECEIPTS</b>	<b>161,300</b>	<b>169,600</b>	<b>173,900</b>	<b>177,200</b>
<b>SCHEME SURPLUS/ (DEFICIT)</b>	<b>(15,100)</b>	<b>(20,500)</b>	<b>(25,700)</b>	<b>(31,900)</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>1,200</b>	<b>20,500</b>	<b>25,700</b>	<b>31,900</b>
<b>SURPLUS/ (DEFICIT) AFTER INVESTMENT ACTIVITIES</b>	<b>(13,900)</b>	<b>0</b>	<b>0</b>	<b>0</b>