

# NORTH YORKSHIRE COUNTY COUNCIL

## PENSION FUND COMMITTEE

05 March 2021

### BUDGET / STATISTICS

#### Report of the Treasurer

#### 1.0 PURPOSE OF THE REPORT

1.1 To report on the following:

- |   |                 |
|---|-----------------|
| (a) 2020/21 budget - cost of running the Fund   | (see section 2) |
| (b) the 3 year cashflow projection for the Fund | (see section 3) |

#### 2.0 2020/21 BUDGET- COST OF RUNNING THE FUND

- 2.1 The latest forecast outturn position against the 2020/21 budget is attached as **Appendix 1** and shows anticipated expenditure for the year of £31.5m, an overspend of £1.4m over the original budget.
- 2.2 Of this estimated overspend, £0.2m was reported to Committee in November 2020 which is made up a number of small items, including increases in pooling projects costs (£75k) and pooling operational charges (£68k), and additional work required following the McCloud judgement (£50k).
- 2.3 The remaining £1.2m estimated overspend identified and reflected in this quarter to 31 December 2020 is related to the increase in the forecast for investment management fees. The Fund's total asset has increased in value significantly more than expected, which results in higher base management fees as these are calculated based on the value of the asset under management. In addition, because the fund managers have outperformed against the agreed benchmarks we expect that we will need to pay increased performance fees.

#### 3.0 3 YEAR CASHFLOW PROJECTION

- 3.1 The cash position of the Fund is presented in **Appendix 2**. The table shows the projected cashflows of the Fund over the three-year period 2020/21 to 2022/23. This cashflow includes the contribution income and benefits payable, the main inflow and outflow of the Fund. In addition to this it also includes other items that go through the bank account, for example, any costs of administering the scheme; this provides a more accurate prediction of the cash position of the Fund.

- 3.2 The forecast for pension benefits payments has been updated across the three years based on revised assumptions (3.5% annual increase in pensioner numbers and 2.1% annual inflation uplift). These are indicative and we will need to monitor and review this expenditure area closely during 2021/22.
- 3.3 Similarly the forecast for contribution income has been updated based on the revised assumption that the higher elective contribution rate for the employer NYCC will continue in 2021/22 and 2022/23.
- 3.4 These updates in the cashflow forecasts have resulted in surplus positions in the overall cash position now being projected for 2020/21 and 2021/22. Due to the volatile nature of some of the income and expenditure incurred by the Fund, an element of fluctuation in the overall cashflow position is to be expected.

#### 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

05 March 2021

## North Yorkshire Pension Fund - 2020/21 Budget - Cost of Running the Pension Fund

	Expenditure to 31/12/20 £k	Original Budget 2020/21 £k	Forecast 2020/21 £k	Variance £k
<b>EXPENDITURE</b>				
<b>Admin Expenses</b>				
Finance and Central Services	0	430	430	0
Provision of Pensioner Payroll (ESS)	0	140	140	0
Pensions Administration Team	0	1,090	1,090	0
Pension Data Reconciliation	40	50	60	10
Other Admin Expenses	402	270	363	93
	<b>442</b>	<b>1,980</b>	<b>2,083</b>	<b>103</b>
<b>Oversight and Governance</b>				
Actuarial Fees	0	40	4	(36)
Custodian & Performance Monitoring Fees	31	50	50	0
Consultants Fees	177	290	243	(47)
Pooling Project Costs	55	70	198	128
Pooling Operational Charge	668	600	668	68
Other O & G Expenses	41	100	100	0
	<b>972</b>	<b>1,150</b>	<b>1,263</b>	<b>113</b>
<b>Investment Fees</b>				
Investment Management  Base Fee invoiced	1,428	2,200	3,090	890
Performance Fees invoiced	(1,386)	2,000	2,320	320
Investment Fees deducted from Fund	(882)	22,760	22,760	0
	<b>(840)</b>	<b>26,960</b>	<b>28,170</b>	<b>1,210</b>
<b>TOTAL</b>	<b>574</b>	<b>30,090</b>	<b>31,516</b>	<b>1,426</b>

The negative values in the "Expenditure to 31/12/20" column are due to costs in respect of 2019/20 that are yet to be paid

## North Yorkshire Pension Fund Cashflow Forecast

	Cashflow 2020/2021 £k	Cashflow 2021/2022 £k	Cashflow 2022/2023 £k
<b>EXPENDITURE</b>			
<b>Benefits</b>			
Pensions	97,835	103,310	109,100
Lump Sums	27,233	27,230	27,230
	<b>125,068</b>	<b>130,540</b>	<b>136,330</b>
<b>Payments to and on account of leavers</b>			
Transfers out	13,240	13,240	13,240
Refunds to leavers	383	380	380
	<b>13,623</b>	<b>13,620</b>	<b>13,620</b>
<b>TOTAL EXPENDITURE</b>	<b>138,691</b>	<b>144,160</b>	<b>149,950</b>
<b>INCOME</b>			
Employer and Employee Contributions	128,634	130,861	131,094
Transfers in (from other schemes)	14,980	14,980	14,980
Investment Income	7,253	8,570	8,570
	<b>150,867</b>	<b>154,411</b>	<b>154,644</b>
<b>SURPLUS/ (DEFICIT)</b>	<b>12,176</b>	<b>10,251</b>	<b>4,694</b>
<b>Add cost of administering the pension fund</b>	<b>31,516</b>	<b>33,926</b>	<b>33,740</b>
<b>Less Management Fees charged direct to the fund</b>	<b>(22,760)</b>	<b>(24,470)</b>	<b>(24,200)</b>
<b>NET SURPLUS/ (DEFICIT)</b>	<b>3,420</b>	<b>795</b>	<b>(4,846)</b>