

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 A** 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 B**. 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
EXPENDITURE				
Admin Expenses				
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
	442	1,980	2,083	103
Oversight and Governance				
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
	972	1,150	1,263	113
Investment Fees				
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
	(840)	26,960	28,170	1,210
TOTAL	574	30,090	31,516	1,426

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
EXPENDITURE			
Benefits			
Pensions	97,835	103,310	109,100
Lump Sums	27,233	27,230	27,230
	125,068	130,540	136,330
Payments to and on account of leavers			
Transfers out	13,240	13,240	13,240
Refunds to leavers	383	380	380
	13,623	13,620	13,620
TOTAL EXPENDITURE	138,691	144,160	149,950
INCOME			
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
	150,867	154,411	154,644
SURPLUS/ (DEFICIT)	12,176	10,251	4,694
Add cost of administering the pension fund	31,516	33,926	33,740
Less Management Fees charged direct to the fund	(22,760)	(24,470)	(24,200)
NET SURPLUS/ (DEFICIT)	3,420	795	(4,846)