



North Yorkshire Pension Fund

Cashflow Policy

April 2025



Local Government
Pension Scheme

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1.0 Introduction

- 1.1 This Policy sets out how the North Yorkshire Pension Fund (NYPF, or 'the Fund') will manage its cashflow requirements. As Pension Funds mature, the monitoring of the inflows and outflows of the Fund takes on increasing importance. This is because, over time, benefits payable is expected to overtake the contributions received from employers, putting the Fund into cashflow negative territory. NYPF ~~is now in~~ ~~is now approaching~~ this position. A major factor has been the significant improvement in the funding level over recent years, such that employer deficit contributions received are no longer material. In addition, as part of its de-risking strategy, the Fund is building up investments in alternative asset classes. As they require regular capital commitments over a long-term investment period, this will increase net outflows of cash over the short to medium term.
- 1.2 The Policy will be kept under review by the Fund regarding applicable legislation and guidance. The Pension Fund Committee (PFC) will be asked to formally review and approve the Policy on an annual basis.

2.0 Management of Pension Fund cash

- 2.1 The Fund holds working cash balances to manage its cashflow requirements on a day-to-day basis. This cash balance is managed by the Administering Authority, North Yorkshire Council (NYC), within a separate bank account, in line with 'The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016'. This cash balance is kept to a minimum, with any balances not immediately required being invested in an overnight deposit facility. Cash investments are made in accordance with NYC's Treasury Management Policy and are placed with an approved list of counterparties. All counterparties are approved at Full Council.
- 2.2 The Fund does not have an allocation to cash investments in its long-term investment strategy. However, it recognises that in the short term it can be beneficial to hold cash investments for the security of capital values, to aid implementation of the long-term strategy and for liquidity purposes. Any cash investments will be placed with NYC in the same way as the working cash balance, or with the Fund's custodian Northern Trust.

3.0 Cashflow management and disinvestment policy

- 3.1 Cashflow of the Fund is monitored regularly by officers. A detailed cashflow projection is maintained which shows the value and timing of cash requirements over the coming years. This projection reflects the main cash inflows and outflows, including benefits payable and contribution income, the costs of running the Fund and any investment income and known capital calls to fund investment commitments.
- 3.2 The policy of the Fund will be to enhance income generation and keep disinvestments to a minimum. The following areas will therefore be of focus going forward:
- Maximisation of income generation from the Fund's current investments, including where necessary where appropriate switching between accumulation and distribution options
 - Review opportunities for new income generating asset classes as part of the development/implementation of the ~~current~~ long term investment strategy
 - ~~Reviewing income generation requirements as part of future investment strategy reviews~~

3.3 Where cashflow monitoring determines that after all available investment income is received, disinvestments are still required to meet cashflow requirements, a plan will be developed to determine where funds will be disinvested from, and the appropriate timing of the disinvestment. This disinvestment plan will be discussed with the Fund's investment advisers and managed by the Treasurer ~~and reviewed by the PFC~~. Disinvestments will be based on the most advantageous option available under current circumstances and will take the following into consideration:

- Liquidity and yield
- Any transaction costs on disinvestment
- Security of capital value
- Alignment to long term investment strategy
- Tactical asset allocation opportunities

3.4 Whilst a disinvestment plan will cover all known cash requirements, there will inevitably be circumstances where additional cash is required unexpectedly. The Fund will plan for there to be enough liquidity within its portfolio so that that cash can be sourced in a timely manner through disinvestment if required. In the unlikely circumstances where immediate liquidity is an issue, under the 2016 Regulations the Fund may borrow by way of a temporary loan or overdraft facility. This could be to pay benefit obligations, to rebalance, or to meet private markets capital calls. Any borrowings must be repaid by the Fund within 90 days. This facility would only be used once all other options have been exhausted and with prior approval from the Treasurer.

4.0 Cashflow Reporting

4.1 The cashflow of the Fund is reported to the PFC as required, usually on a quarterly basis. This includes a three-year cashflow projection, as well as information on cash movements for rebalancing and other purposes that have taken place in the previous quarter, ~~and a three-year cashflow projection~~.