

Committee: Pension Fund Advisory Committee

Date: 28 September 2016

Agenda item: 11

Wards: All

Subject: PENSION FUND CASHFLOW

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

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Recommendations:

- a) To note the content of this report and the impact of scheme membership on the funding of the pension fund.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide this Committee with the Pension Fund cashflow statement for 2016/17. The Committee is required to review the pension fund cashflow on a regular basis as part of its monitoring duties.
- 1.2 The cashflow also provides some insights into the changing pattern of scheme members for the year.

2. PENSION FUND CASHFLOWS

- 2.1 At the Committee meeting held on 29th June 2016, Members asked about the current status of the Pension Fund in terms of its cashflow. Officers advised that the Pension Fund is cashflow positive, meaning that contributions exceed benefit payments with surplus sums available for investment.
- 2.2 This report analyses the income and expenditure of the Pension Fund for the year, showing actuals from April to August and forecast for September to March 2017.
- 2.3 Also, the report provides a summary of the change in membership since the beginning of the year provides forecast to the rest of the year.
- 2.4 The table below shows that total income of £25.4m for 2016/17 is estimated to exceed £24.1m received in 2015/16 representing an increase of 5.4%. The

change was largely due to the increase in employer contributions received reflecting the introduction of CARE, auto-enrolment and increase in pay scales. Likewise, employee contributions are forecast to increase significantly this year for the same reasons. Also, pension strain costs are estimated to fall markedly in 2016/17 compared to last year.

LONDON BOROUGH OF MERTON PENSION FUND CASHFLOW- 2016/17

			a	b	
	Period 1-5 Actuals	Period 6-12 Estimated	Estimated yr end cashflow 16/17	Year end 15/16	Variance a-b
INCOME					
Employers Contributions	-4,024,821	-8,440,721	-12,465,542	-11,596,276	-869,266
LBM Deficit Funding	-4,395,000	0	-4,395,000	-4,205,000	-190,000
Pension Strain	-200,466	-280,652	-481,119	-683,525	202,406
Employees Contributions	-1,923,663	-3,891,320	-5,814,983	-5,496,634	-318,349
Additional Contributions	-2,026	-3,545	-5,571	-4,889	-682
Transfers IN	-1,985,558	-285,582	-2,271,140	-2,152,633	-118,507
Total Income	-12,531,533	-12,901,821	-25,433,354	-24,138,957	-1,294,398
EXPENDITURE					
Pensions Payable	8,163,265	11,428,572	19,591,837	19,239,032	352,805
Lump Sums - On Retirement	1,648,393	2,307,750	3,956,143	3,625,755	330,388
Lump Sums - On Death	53,907	77,622	131,529	870,537	-739,008
Refunds	46,261	64,765	111,026	29,500	81,526
Pension Act Premiums	-5,798	-8,117	-13,914	35,040	-48,954
Transfer Values OUT	249,078	348,709	597,786	2,731,760	-2,133,973
Administration Costs	20,762	302,446	323,207	323,207	0
Investment Management Costs	-169,058	1,076,086	907,028	907,028	0
Total Expenditure	10,006,810	15,597,833	25,604,643	27,761,860	-2,157,217
Net (income) / Expenditure	-2,524,723	2,696,012	171,289	3,622,903	-3,451,615

2.5 Also, the above analysis shows that significantly lower total expenditure of £25.6m is expected this year compared to £27.8m last year. This represents a fall of 7.9%. The biggest falls are expected in the amount of transfer values out and lump sums on death.

3. CONSULTATION UNDERTAKEN OR PROPOSED

3.1 N/A

4. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

4.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the Council.

5. REGULATORY AND SPECIFIC LEGAL MATTERS

5.1 These will be contained in the report.

6. COMPLIANCE WITH COUNCIL POLICIES EXTRANEIOUS TO PENSION PROVISION

6.1 Please see 5 above.

7. CRIME AND DISORDER IMPLICATIONS

7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 N/A

9. APPENDICES

None

10. BACKGROUND PAPERS

1. Audited Pension Fund Annual Report and Accounts 2015/16
2. Pension fund Cashflow records 2016/17

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