

Pension Fund Committee

Meeting to be held on Friday, 2 December 2016

Electoral Division affected: (All Divisions);
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Lancashire County Pension Fund Budget Monitoring to 30th September 2016

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Executive Summary

A 3 year budget for the Lancashire County Pension Fund was set in 2014/15 for the period 2014/15 to 2016/17.

This report sets out a summary of variances from budget for the period 1st April to 30th September 2016.

Recommendation

The Committee is asked to note the content of this report.

Background and Advice

A 3 year budget for the Lancashire County Pension Fund was set in 2014/15 for the periods 2014/15, 2015/16 and 2016/17. This budget was presented to the Committee in March 2015 where it was noted that it is extremely difficult to estimate the levels of incoming contributions, the levels of investment income and fund management costs since all of these can be significantly impacted by external factors. The budget, although not constitutionally required, does however, give Members of the Committee an informed estimate to consider when assessing the overall financial position of the Fund.

A number of assumptions underlie this budget which has not been refreshed since 2014/15. The Head of Fund will review and update the assumptions in the 2014/15 budget, taking into account the business plan and approved cost savings relating to the Local Pension Partnership (LPP) to set a budget for 2017/18. This budget will be presented to Committee at its meeting on 17th March 2017. The full year results for 2016/17 will be reported at the Committee's meeting in June.

Regular monitoring against the budget will help to assess the overall financial performance of the Fund and ensure the monitoring of the LPP business plan and the forecasted costs savings are being achieved.

A report will be presented at each Committee meeting to provide quarterly budget monitoring information.

The table below sets out a summary Fund Account for the period to 30th September 2016.

	Budget	Actual	Variance	
	£m	£m	£m	
Dealing with members, employers and others directly involved in the fund				
Contributions receivable - employers	89.3	100.2	10.9	12%
Contributions receivable – employees	28.5	27.8	(0.7)	(2.5%)
Transfers in	3.4	3.7	0.3	8.8%
	121.2	131.7	10.5	
Benefits payable	122.2	131.8	9.6	7.9%
Payments to and on account of leavers	6.5	6.1	(0.3)	(3.2%)
Administrative costs	1.7	1.4	(0.3)	(17.6%)
Investment management expenses	6.7	6.7	-	-
Oversight and governance costs	0.9	2.6	1.7	1.9%
	138.0	148.6	10.6	
Net withdrawals from dealings with members, employers and others directly involved in the fund	(16.8)	(16.9)	(0.1)	
Return on investments				
Investment income	62.7	68.3	5.6	9.0%
Profits and losses on disposal of investments and changes in the market value of investments	79.9	89.4	9.5	11.9%
Net return on investments	142.6	157.7	15.1	
Net increase in money available for investment	125.8	140.8	15.0	11.9%

Significant variances against budget are outlined below:

1. £10.5m increase in income generated through dealing with members and employers.

Contribution income for the 6 month period is in excess of budget as a result of increased pension strain and augmented pensions contributions from employers within the Fund, together with additional contributions in respect of Admitted Bodies and a higher than budgeted deficit contribution.

2. £9.6m increase in benefits payable

The majority of the overspend against budget relates to the payment of retirement pensions and retirement grants which is in line with current expectations.

3. Investment management expenses

Although investment management expenses are in line with the budget for the period, it is important to note that LPP fees of £3.0m are included in the actual costs to 30 September but were not included in the budget. The LPP fees to date are in line with the approved business plan.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Regular monitoring against the budget will help to assess the overall financial performance of the Fund. It will also ensure that the Committee has oversight of the costs of LPP and that the planned savings are being realised as in the approved business plan.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
LCPF Revenue Account Budget	2014/15 to 2016/17	Helen Gallacher 01772 536620

Reason for inclusion in Part II, if appropriate

N/A