|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lancashire County Pension Fund** |  |  |  |  |  |  |  | **Appendix A** |
| **Revenue Account Forecast** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Year Ended 31 March** | **Actuals 13/14** |   |   |   |   |   |  |
|  |  |  | **Forecast Outturn 14/15** |  | **Forecast 15/16** |
| **Income** |   | **£m** | **£m** |  | **£m** | **£m** |  | **£m** | **£m** |
| Contributions Receivable |   |   |   |  |   |  |  |   |
|   |   |   |   |   |  |   |  |  |   |
| From Employers |   |   |   |  |   |  |  |   |
|   | Lancashire County Council | 69.121 |   |   | 59.977 |   |  | 60.397 |   |
|   | District Councils | 46.537 |   |   | 29.919 |   |  | 28.786 |   |
|   | Scheduled Bodies | 31.012 |   |   | 24.516 |   |  | 24.500 |   |
|   | Admitted Bodies | 13.330 |   |   | 7.749 |   |  | 7.703 |   |
|   | Deficit Contributions | included in  |   |   | 46.833 |   |  | 45.212 |   |
|   | Pension Strain / augmented pension | figures above |   |   | 12.544 |   |  | 8.897 |   |
|   |   |   | 160.000 |   |  | 181.539 |  |  | 175.496 |
| From Employees |   |   |   |  |   |  |  |   |
|   | Lancashire County Council | 22.164 |   |   | 25.596 |   |  | 25.596 |   |
|   | District Councils | 14.597 |   |   | 14.641 |   |  | 14.641 |   |
|   | Scheduled Bodies | 12.211 |   |   | 12.984 |   |  | 12.984 |   |
|   | Admitted Bodies | 5.026 |   |   | 3.689 |   |  | 3.688 |   |
|   |   |   | 53.997 |   |  | 56.910 |  |  | 56.908 |
| Transfers In |   |   |   |  |   |  |  |   |
|   | Lancashire County Council | 2.048 |   |   | 1.609 |   |  | 1.828 |   |
|   | District Councils | 2.202 |   |   | 1.976 |   |  | 2.089 |   |
|   | Scheduled Bodies | 1.596 |   |   | 1.103 |   |  | 1.350 |   |
|   | Admitted Bodies | 1.229 |   |   | 0.880 |   |  | 1.055 |   |
|   | Miscellaneous | 0.000 |   |   | 0.565 |   |  | 0.282 |   |
|   | Net Transfers re AVC's | 0.075 |   |   | 0.126 |   |  | 0.101 |   |
|   |   |   | 7.151 |   |   | 6.259 |   |   | 6.705 |

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| **Year Ended 31 March** | **Actuals 13/14** |   |   |   |   |   |  |
|  |  |  | **Forecast Outturn 14/15** |  | **Forecast 15/16** |
| **Income** |   | **£m** | **£m** |  | **£m** | **£m** |  | **£m** | **£m** |
| Investment Income |   |   |   |  |   |  |  |   |
|   | Fixed Interest UK & O/S | 34.746 |   |   | 6.875 |   |  | 15.361 |   |
|   | Equities UK & O/S | 33.850 |   |   | 46.022 |   |  | 37.560 |   |
|   | Index Linked UK & O/S | 1.637 |   |   | 0.060 |   |  | 0.000 |   |
|   | Property Rent | 23.498 |   |   | 25.210 |   |  | 33.050 |   |
|   | Pooled Investment Vehicles | 12.114 |   |   | 15.106 |   |  | 23.100 |   |
|   | Cash Instruments  | -2.172 |   |   | -2.172 |   |  | 6.983 |   |
|   | Interest  | 3.164 |   |   | 2.214 |   |  | 2.214 |   |
|   | Other | 2.354 |   |   | 2.318 |   |  | 3.325 |   |
|   | Miscellaneous Income incl Accruals | -3.880 |   |   | -3.458 |   |  | -3.487 |   |
|   |   |   | 105.311 |  |  | 92.175 |  |  | 118.107 |
| **TOTAL INCOME** |  | **326.460** |  |  | **336.883** |  |  | **357.216** |
|  |   |   |   |   |   |   |   |   |   |
| Note totals may not agree due to rounding |  |  |  |  |  |  |  |  |

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| **Year Ended 31 March** | **Actuals 13/14** |   |   |   |   |   |  |
|  |  |  | **Forecast Outturn 14/15** |  | **Forecast 15/16** |
| **Expenditure** | **£m** | **£m** |  | **£m** | **£m** |  | **£m** | **£m** |
| Pensions |   |   |   |   |  |   |  |  |   |
|   | Retirement Pensions | 168.012 |   |   | 174.868 |   |  | 178.966 |   |
|   | Widows Pensions | 15.378 |   |   | 15.758 |   |  | 15.947 |   |
|   | Children's Pensions | 0.515 |   |   | 0.591 |   |  | 0.598 |   |
|   |   |   | 183.905 |   |  | 191.216 |  |  | 195.511 |
| Lump Sum Benefits |   |   |   |  |   |  |  |   |
|   | Retirement Grants | 33.278 |   |   | 47.233 |   |  | 40.256 |   |
|   | Death Grants | 3.960 |   |   | 4.714 |   |  | 4.337 |   |
|   |   |   | 37.238 |   |  | 51.948 |  |  | 44.593 |
| Transfers Paid to Other Schemes |   |   |   |  |   |  |  |   |
|   | Lancashire County Council | 4.073 |   |   | 2.558 |   |  | 3.315 |   |
|   | District Councils | 4.343 |   |   | 3.790 |   |  | 4.066 |   |
|   | Scheduled Bodies | 3.167 |   |   | 2.535 |   |  | 2.851 |   |
|   | Probation Transfer | 0.000 |   |   | 89.653 |   |  | 0.000 |   |
|   | Admitted Bodies | 3.720 |   |   | 1.507 |   |  | 2.613 |   |
|   |   |   | 15.303 |   |  | 100.043 |  |  | 12.846 |
| Refund of Contributions |   | 0.010 |   |  | 0.127 |  |  | 0.069 |
| Contributions Equivalent Premium |   | 0.003 |   |  | -0.016 |  |  | -0.006 |
| Administrative expenses |   | 4.502 |   |  | 3.538 |  |  | 3.424 |
| Investment management expenses |   | 11.293 |   |  | 12.616 |  |  | 13.045 |
| Oversight and Governance  | Included in figures above |   |  | 1.329 |  |  | 1.836 |
| **TOTAL EXPENDITURE** |  | **252.254** |  |  | **360.802** |  |  | **271.317** |
|  |  |  |  |  |  |  |  |  |  |
| **MONEY AVAILABLE FOR INVESTMENT** |  | **74.205** |  |  | **-23.919** |  |  | **85.899** |
| Add back Probation Transfer |   |   |   |  | 89.653 |  |  |   |
|   |   |   |   |   |  |   |  |  |   |
| **Underlying money available for investment** |  |  |  |  | **65.734** |  |  |  |
| Note totals may not agree due to rounding |  |  |  |  |  |  |  |  |

**Pension Fund Financial Forecast – Explanatory Notes**

1. Contributions to the Fund by employers are assumed to increase in line with the requirements set out in the 2013 Valuation Report. This particularly impacts on the deficit contributions.
2. Pension Strain and augmentation values assume a peak of early retirements at the end of 2014/15 with a somewhat reduced number during 2015/16. This is based on available intelligence from large fund employers but is very much driven by individual employer decisions.
3. Employee contributions assume no measurable increase in the total pensionable pay bill. While pay increases may occur this is assumed to be at least offset by the impact of workforce reductions across the Fund's membership.
4. Transfers into the Fund are expected to continue at the average level of previous years.
5. Investment income reflects known income profiles together with an assumption of dividend and other similar income based on maintaining the average over previous years. There are no assumptions about capital growth built into this element of the forecast.
6. In general benefits are forecast to increase in line with assumed CPI inflation adjusted for average turnover in the number of scheme beneficiaries.
7. Lump sum payments are forecast based on the same assumptions as used for pension strain together with the average level of natural retirements.
8. With the exception of the exceptional transfer out in relation to Probation the average of previous years is assumed for transfers out of the Fund.
9. Administrative expenses include the bulk of the costs incurred by the County Council in running the scheme. This includes the costs of Your Pension Service which are charged on the basis of a per member charge of £21.08, which is a reduction from previous years. In addition this element includes non-staff costs and overheads in relation to other staff undertaking work for the Fund.
10. Investment Management Expenses includes fees paid to fund managers and assumes some growth in assets under management in line with the targets set for the individual managers. It also includes the cost of the internal Investment Team.
11. Oversight and Governance reflects professional fees for example legal, audit, advisory and performance monitoring, costs of running the new Pension Board and the other staffing costs. Staff working on the Fund are charged on the basis of direct employment costs.