

Lancashire County Pension Fund
Revenue Account Forecast

Appendix A

Year Ended 31 March	Actuals 13/14		Forecast Outturn 14/15		Forecast 15/16	
	£m	£m	£m	£m	£m	£m
Income						
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			46.833		45.212	
Pension Strain / augmented pension			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

Year Ended 31 March	<u>Actuals 13/14</u>		<u>Forecast Outturn 14/15</u>		<u>Forecast 15/16</u>	
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

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.