

SURREY COUNTY COUNCIL**SURREY PENSION FUND COMMITTEE****DATE: 13 SEPTEMBER 2019****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE****SUBJECT: CASHFLOW ANALYSIS****SUMMARY OF ISSUE:**

A cash-flow analysis allows the Fund to ascertain a projection as to when benefit payments may exceed income. This information can influence both the investment and funding strategy.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Notes the cash-flow position for quarters four and one.
2. Determines that no change is required to the investment or funding strategy as a result of the current cash-flow position.

REASON FOR RECOMMENDATIONS:

The Pension Fund Committee must approve and review all working documents produced for the Pension Fund.

DETAILS:**Cash-flows for quarters Four (2018/19) - One (2019/20) (1 January 2019 – 30 June 2019)**

1. Pension Funds have a positive cash-flow when their contribution inflows exceed pension benefits paid.
2. Contributions are derived from employers and employees. Pension benefits are derived from pensions and lump sum benefits paid to retired members and benefits paid to employees on leaving the Fund.
3. The half-yearly (quarters four-one) cash-flow for the Surrey Pension Fund shows positive cash flow of £593,590 as follows:

| Quarter | Total contributions received | Total pension benefits paid | Net cash-flow |
|---------------------------------|-------------------------------------|------------------------------------|----------------------|
| Four (1 Jan 2019 – 31 Mar 2019) | £49,973,507 | £38,074,755 | 11,898,751 |

| | | | |
|--------------------------------|-------------|-------------|---------|
| One (1 Mar 2019 – 30 Jun 2019) | £40,574,412 | £39,980,822 | 593,590 |
|--------------------------------|-------------|-------------|---------|

- The quarter one contributions is in line with the historic trend where the contribution inflow are significantly lower than those in the Q4. As this is the start of a new financial year, the employers are generally slow in paying. However, all of the contributions are received before the end of the year, and thus larger contributions in Q4, which overall eliminates any negative cash-flows in the prior quarters.
- An indication of the current membership trends is shown by movements in membership over quarters four-one, compared to the position at the 2016 valuation (as taken from statistics provided by the pension administration team):

| Period | Active members | Deferred members | Pension members | Total members |
|--|----------------|------------------|-----------------|---------------|
| 2016 valuation (31 Mar 2016) | 33,404 | 33,200 | 23,243 | 89,847 |
| Quarter four 2018/19 (1 Jan 2019 – 31 Mar 2019) | 36,469 | 31,993 | 26,015 | 94,477 |
| Quarter one 2019/20 (1 Apr 2019 – 30 Jun 2019) | 34,739 | 33,821 | 26,223 | 94,793 |

CONSULTATION:

- The Chairman of the Pension Fund has been consulted and offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

- The Fund will keep the cash-flow position under review and ensure the investment strategy remains consistent and appropriate.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

8. There are no financial and value for money implications.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

9. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered.

LEGAL IMPLICATIONS – MONITORING OFFICER

10. There are no legal implications or legislative requirements

EQUALITIES AND DIVERSITY

11. Cash-flow analysis does not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

12. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

13. The following next steps are planned:

- A cash-flow analysis update to be provided to the Committee twice annually, the next report being produced for the 13 December 2019 meeting.

Contact Officer:

Ayaz Malik, Pensions Accountant/Advisor

Consulted:

Pension Fund Committee Chairman

Sources/background papers:

- Administration performance monitoring progress log

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