

<b>LONDON BOROUGH OF CAMDEN</b>	<b>Ward:</b> All
<b>REPORT TITLE:</b> Cash Flow and Membership report	
<b>REPORT OF:</b> Executive Director Corporate Services	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 5 March 2024
<b>SUMMARY OF REPORT:</b> This report details the Pension Fund cash flow and membership statistics for the previous year and over the longer term.	
<p><b>Local Government Act 1972 – Access to Information</b> No documents required to be listed were used in the preparation of this report.</p> <p><b>Contact Officer:</b> Nigel Mascarenhas Head of Treasury and Financial Services Finance Corporate Services Dennis Geffen Annexe Camley Street N1C 4DG</p> <p><b>Telephone:</b> 0207 974 1904 <b>Email:</b> <a href="mailto:nigel.mascarenhas@camden.gov.uk">nigel.mascarenhas@camden.gov.uk</a></p>	
<b>RECOMMENDATIONS:</b>  The Committee is requested to note the contents of this report.	
<b>Signed by</b>	
Executive Director Corporate Services .....	<b>Agreed</b> .....
Date .....	<b>22/02/2024</b> .....

## 1. INTRODUCTION

- 1.1 This report presents an analysis of the cash flow for the pension fund during the last year and over the longer term and analyses the movement in scheme membership. This report is received annually by Committee.

## 2. CASH FLOW

- 2.1 The cash flow for the year to 31 March 2023, with previous financial years for comparison, is as set out in **Table 1**. In order to understand key trends and the impact of certain activities on the Fund's overall cash flow, this analysis distinguishes between three cash positions:

- cash flow before transfer values
- cash flow after transfer values
- total cash flow of the Pension Fund (including investment income)

- 2.2 As Table 1 shows, the first of these totals includes most of the Fund's core activities around the administration of members' pensions, including the payment of pensions, lump sums and death grants, and the collection of contributions.

- 2.3 Please note that the figures reported in the previous cash flow report for the year 2021/22 have been superseded by amended figures. The main difference lies in the treatment of deficit contributions amounting to £19 million. Previously, these contributions were included in the 2021/22 employers contributions figures; however, upon audit review, it has been recognised that these contributions should be attributed to the audited figures for the 2020/21. As a result, the amended figures now accurately reflect this adjustment. Comparison will be made between the draft accounts for 2021/22 and the figures for 2022/23.

- 2.4 It should also be noted that the 22/23 accounts have not been prepared or audited and therefore the numbers in Table 1 will move once accruals have been made and all the year-end figures have been fully reconciled. However, given the delays with the accounts, it has been considered better to report the position closer to the end of the financial year rather than wait for the final accounts to be prepared and audited.

- 2.5 Transfer value activity occurs where scheme members move their pension to or from the Pension Fund. For example, if a new employee joins Camden and transfers their existing Local Government Pension Scheme (LGPS) benefits from another LGPS fund then this is a transfer in. Transfer activity can be quite volatile and can distort the Fund's core cash position, and so is shown separately. The final position is the ultimate cash position of the Fund and includes investment returns taken as cash. This line demonstrates the extent to which investment returns support the Fund's administration.

- 2.6 Cash inflows in 2022/23 were £55.7m, a £7.2m increase on the previous financial year. Both Employer and Employee contributions received during the year were higher than in the previous year. Pension strain

costs (early retirement charges) from services were also slightly higher than the year before.

- 2.7 Total outflows reduced slightly to £68,8m, and payments made to scheme members increased by £1.1m. Net cash flows prior to transfer values were negative (a £13.2m outflow). There was a slight fall in the value of transfers in however this was offset somewhat by a reduction in the transfer values paid out of the scheme.
- 2.8 After taking into account transfer value activity, but before investment income, the Pension Fund had a negative net cash flow of -£16.6m. This was lower than it has been in the previous year (£24.4m) but a lot higher than in previous years due to the deficit contribution adjustment explained in paragraph 2.3.
- 2.9 The main determinant of the cash flow position are the employer contributions. The increased employer contributions are driven by pensionable pay and the contribution rates set at the Triennial Valuation.
- 2.10 Cash received from investment income is the final factor that has consistently increased cash in the Fund and ensured a cash flow positive position. Investment income in 2022/23 was substantially stronger than in 2021/22 and was £11.0m higher than last year at £24.0m. This may be attributed to the strong performance of assets over most of 2022/23, and healthy corporate profits more generally.
- 2.11 After investment income, the total net inflow to the Pension Fund in 2022/23 was £7.4m, slightly reduced compared to the reported figure for 2021/22 but significantly higher than the adjusted figure by £18.8m, due to the significant increase in Investment income as mentioned previously.

TABLE 1

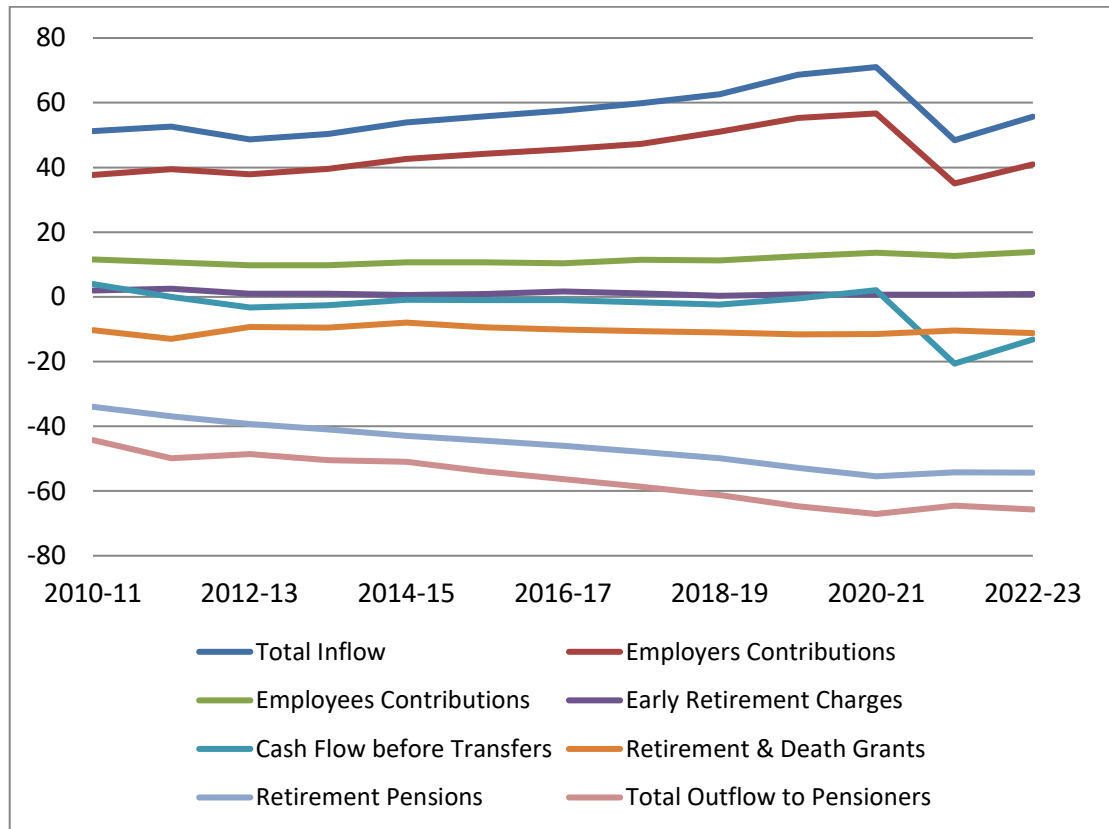
## Pension Fund Cash Flow to March 2023

	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22 per draft accounts	2022-23	12m Qtrly Avg	12m Mnth Avg	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Inflows</b>										
Employers Contributions	47.328	51.035	55.253	56.695	54.688	35.051	40.935	10.234	3.411	5.9
Employees Contributions	11.461	11.288	12.572	13.636	12.731	12.692	13.879	3.470	1.157	1.2
Early Retirement Charges	1.059	0.325	0.786	0.678	0.679	0.679	0.862	0.215	0.072	0.2
<b>Total Inflows</b>	<b>59.847</b>	<b>62.648</b>	<b>68.611</b>	<b>71.009</b>	<b>68.098</b>	<b>48.422</b>	<b>55.676</b>	<b>13.919</b>	<b>4.640</b>	7.3
<b>Outflows</b>										
Retirement Pensions	-47.855	-49.869	-52.821	-55.445	-54.343	-54.201	-54.304	-13.576	-4.525	-0.1
Retirement Grants	-9.637	-10.044	-10.258	-10.052	-9.202	-9.023	-9.361	-2.340	-0.780	-0.3
Lump Sum Death Grants	-0.992	-0.977	-1.367	-1.446	-1.318	-1.341	-1.835	-0.459	-0.153	-0.5
Refund of Contributions	-0.192	-0.388	-0.229	-0.152	-0.097	0.000	-0.165	-0.041	-0.014	-0.2
Payments to Scheme Members	-58.676	-61.278	-64.675	-67.095	-64.961	-64.564	-65.664	-16.416	-5.472	-1.1
Administration	-0.560	-1.359	-1.212	-0.724	-1.477	-2.258	-1.013	-0.369	-0.084	1.2
Investment Management Fees	-2.334	-2.415	-3.271	-1.163	-2.688	-2.227	-2.153	-0.672	-0.179	0.1
<b>Total Outflows</b>	<b>-61.570</b>	<b>-65.052</b>	<b>-69.158</b>	<b>-68.981</b>	<b>-69.126</b>	<b>-69.049</b>	<b>-68.830</b>	<b>-17.207</b>	<b>-5.736</b>	0.2
<b>Cash Flow before Transfers</b>	<b>-1.723</b>	<b>-2.404</b>	<b>-0.547</b>	<b>2.028</b>	<b>-1.028</b>	<b>-20.628</b>	<b>-13.154</b>	<b>-3.289</b>	<b>-1.096</b>	7.5
Transfer Values Received	8.337	9.039	8.941	4.137	6.708	7.066	6.264	1.566	0.522	-0.8
Transfer Values Paid	-5.086	-7.132	-10.233	-6.147	-11.017	-10.868	-9.747	-2.437	-0.812	1.1
<b>Net Transfer Values</b>	<b>3.251</b>	<b>1.907</b>	<b>-1.291</b>	<b>-2.010</b>	<b>-4.309</b>	<b>-3.802</b>	<b>-3.482</b>	<b>-0.871</b>	<b>-0.290</b>	0.3
<b>Net Inflow of Funds to Fund</b>	<b>1.528</b>	<b>-0.496</b>	<b>-1.838</b>	<b>0.018</b>	<b>-5.337</b>	<b>-24.430</b>	<b>-16.636</b>	<b>-4.159</b>	<b>-1.386</b>	7.8
<b>Investment Income</b>	<b>5.848</b>	<b>4.529</b>	<b>6.011</b>	<b>10.288</b>	<b>13.069</b>	<b>13.069</b>	<b>24.038</b>	<b>6.009</b>	<b>2.003</b>	11.0
<b>Inflow to Pension Fund</b>	<b>7.376</b>	<b>4.033</b>	<b>4.173</b>	<b>10.306</b>	<b>7.733</b>	<b>-11.360</b>	<b>7.402</b>	<b>1.850</b>	<b>0.617</b>	18.8

2.12 Officers continue to monitor cash requirements closely to ensure that funds are available for the day-to-day administration of the scheme. The Council operates a segregated Pension Fund bank account and this is monitored daily to ensure it is liquid and can support the revenue calls on the Fund.

2.13 Looking at longer-term trends **Table 2** below shows a summary position of cash flows over the past ten financial years. This only looks at the major cash flows of pension contributions and benefits.

**Table 2: Contributions & Benefits Cash flow Trends**



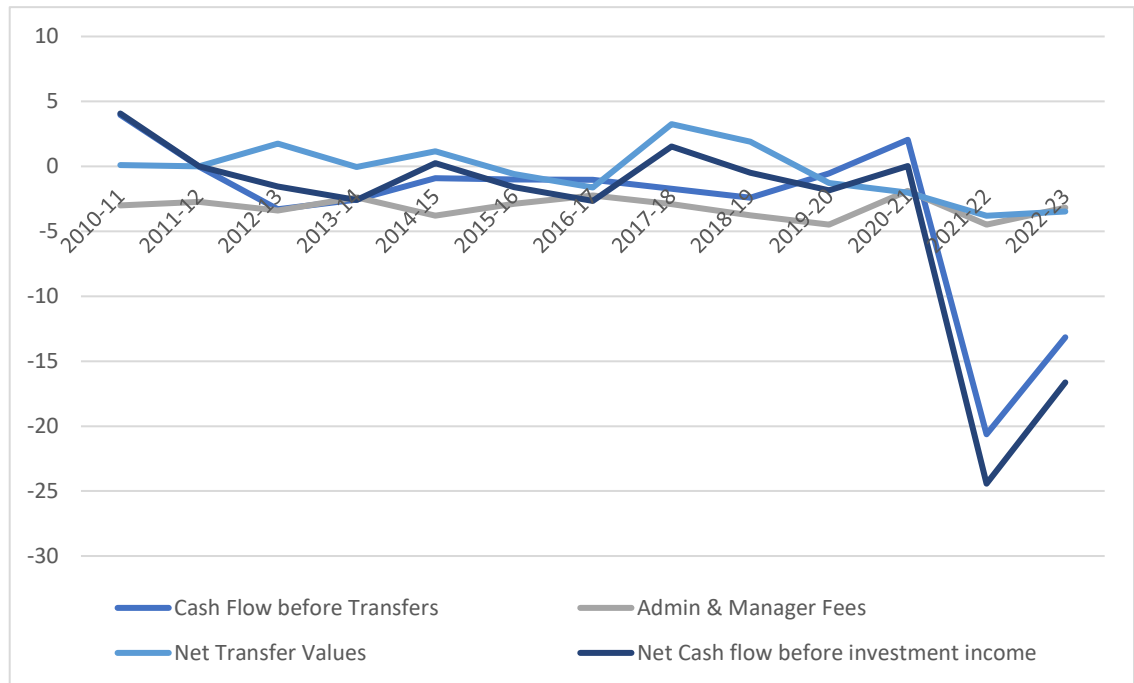
2.14 Cash flows associated with contributions and retirement pensions have tended to move upwards over time, as one would expect as pensionable pay increases over time and contributions are set with the aim of ensuring that the Fund moves towards being fully funded. The exception to this is 2021/22, the exit of the second largest employer, the improvement and Development Agency (IDeA), from the Fund and has reduced contributions and the deficit contributions adjustment. Retirement and death grant payments fluctuate around an average that is almost constant.

2.15 The clearest trend over the years has been the increase in retirement pensions paid, caused both by a combination of an increase in the number of pensioners and annual inflationary increases to pension payments.

2.16 Employee Contributions have increased and apart from 2021/22 there has been a gradual increase in total inflows and outflows over the long term.

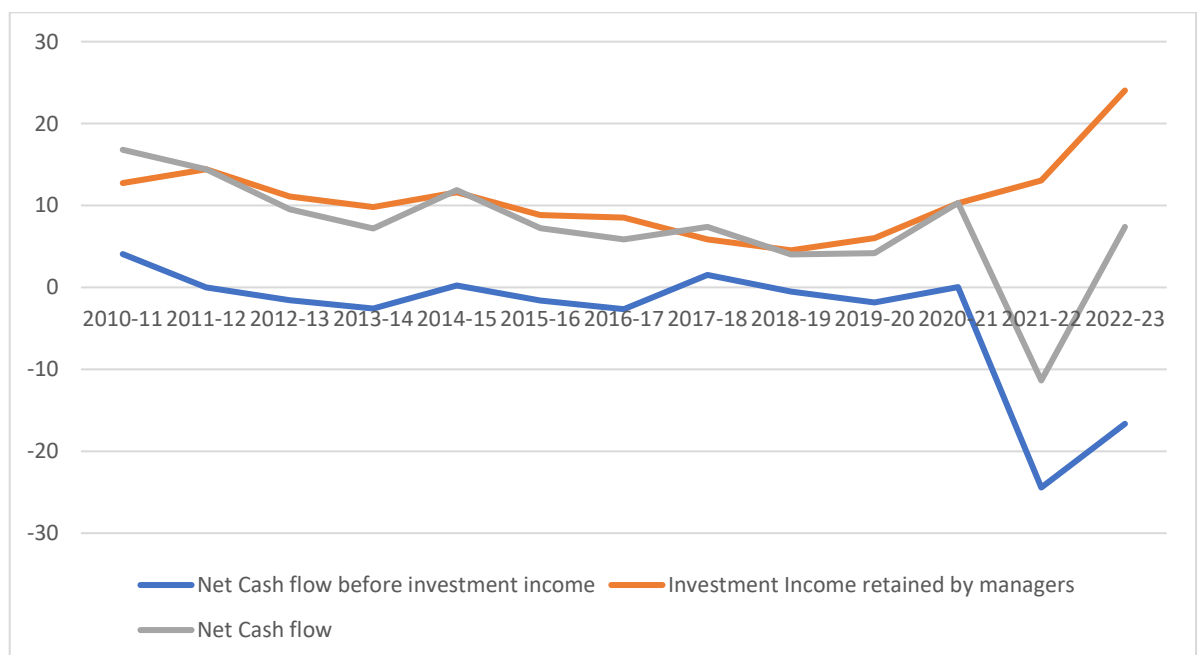
2.17 **Table 3** below shows the impact net transfer values, combined with the administration and investment fees, have on the overall cash flow. Net transfer values are clearly volatile over time causing the net cash flow before investment income to be volatile, in its turn.

**Table 3: Transfers, Fees and Total Cash flow**



2.18 On top of cash flow activity through the Council's accounts, investment managers retain and reinvest income from investments. Table 4 shows the strong correlation between investment income and the ultimate net cash flow position apart from financial year 2021/22.

**Table 4: Investment Income and Total Fund Inflow**



### 3. SCHEME MEMBERSHIP

- 3.1 The activity in scheme membership for the past year is recorded in **Table 5** below. It should be noted that there will be movement in historic data due to retrospective processing of records, and the report shows known cases as at the time of compiling the data.

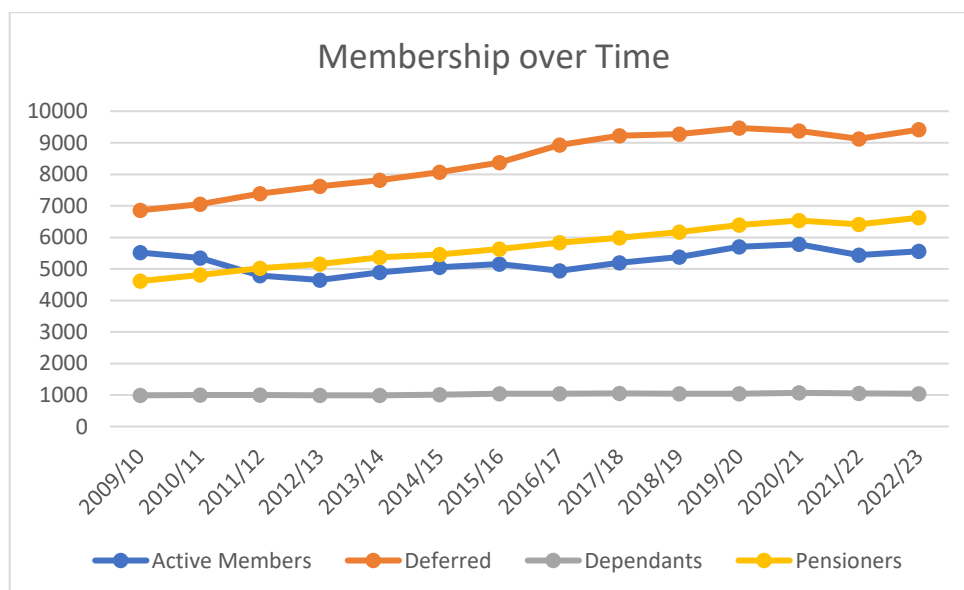
**Table 5: Administration Report**

	Year Ending	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
<b>TOTAL MEMBERSHIP STATUS</b>						
Active Members		5,402	5,698	5,781	5,437	5,558
Deferreds / Frozen Refunds (ex employees)		9,326	9,467	9,379	9,117	9,415
Pensioners		7,185	7,431	7,603	7,466	7,663
		<u>21,913</u>	<u>22,596</u>	<u>22,763</u>	<u>22,020</u>	<u>22,636</u>
<b>% MEMBERSHIP STATUS</b>						
Active Members		24.65%	25.22%	25.40%	24.69%	24.55%
Deferreds / Frozen Refunds		42.56%	41.90%	41.20%	41.40%	41.59%
Pensioners		32.79%	32.89%	33.40%	33.91%	33.85%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>ACTIVE MEMBERS</b>						
<b>Total New Active Members</b>		<b>780</b>	<b>1,622</b>	<b>539</b>	<b>633</b>	<b>1,458</b>
Leavers		-461	-640	-403	-587	-774
Opt Out		-76	-437	-35	-66	-434
Retirements		-79	-105	-92	-112	-123
Death in Service		-3	-4	-8	-11	-6
<i>Transferred to Merseyside PF</i>					-201	
<b>Total Active Leavers</b>		<b>-619</b>	<b>-1,186</b>	<b>-538</b>	<b>-977</b>	<b>-1,337</b>
<b>Net Movement of Active Members</b>		<b>161</b>	<b>436</b>	<b>1</b>	<b>-344</b>	<b>121</b>
<b>DEFERRED/FROZEN REFUND MEMBERS</b>						
<b>Total New Deferred Members</b>		<b>459</b>	<b>557</b>	<b>338</b>	<b>545</b>	<b>722</b>
Transfers Out		-169	-319	-244	-203	-216
Retirements		-217	-233	-197	-214	-187
Restored Actives		-3	-2	-1	-5	-16
Deaths		-5	-4	-9	-6	-5
<i>Transferred to Merseyside PF</i>					-368	
<b>Total Leavers from Deferred</b>		<b>-394</b>	<b>-558</b>	<b>-451</b>	<b>-796</b>	<b>-424</b>
<b>Net Movement of Deferred Members</b>		<b>65</b>	<b>-1</b>	<b>-113</b>	<b>-251</b>	<b>298</b>
<b>PENSIONER MEMBERS</b>						
New Retirements		297	339	289	333	352
New Dependants Pensions		39	60	72	54	38
<b>Total New Pensioners</b>		<b>336</b>	<b>399</b>	<b>361</b>	<b>387</b>	<b>390</b>
Cessation of child pensions		-1	-3	-1	-7	-5
Undecided Leaver			-1	0	0	-1
Deaths		-133	-160	-202	-153	-187
<i>Transferred to Merseyside PF</i>					-364	
<b>Total Pensioner Leavers</b>		<b>-134</b>	<b>-164</b>	<b>-203</b>	<b>-524</b>	<b>-193</b>
<b>Net Movement of Pensioners</b>		<b>202</b>	<b>235</b>	<b>158</b>	<b>-137</b>	<b>197</b>

- 3.2 The total number of members (22,636) has increased by over 600 year-on-year. The majority of this increase is driven by an increase of 580 members from Camden Council and an increase of 20 from Swiss Cottage school.

- 3.3 The table shows an increase in the number of new active members into the Fund. Overall there was a net increase of 121 active members this year compared to a decrease of 344 in 2021-22. The increase in new active members is as a result of new staff joining the council and choosing to remain in the scheme and not opt out.
- 3.4 The LGPS 2014 scheme increased the lower limit of employee contribution rates, which brought about an increase in active members opting out of the scheme in 2017-18. Subsequent to this, there was then a sharp decline in the number of active members opting out of the scheme at 76 for 2018-19 (468 in 2017-18). The numbers in 2019-20 increased again: there was an auto-enrolment exercise in May 2019 causing many to later opt out. The latest auto-enrolment exercise for Camden staff was completed in 2021/22, and it resulted in 684 staff being auto-enrolled on the full scheme, 48 on to the 50/50 part of the scheme, and 176 continuing to opt out.
- 3.5 The 50/50 option is a scheme where a member can pay half the contributions and get half the benefits. There were 74 members paying the 50/50 option as at 31 March 2023, down from 109 as at 31 March 2022. At the reporting date (February 2024) there was an increase to 102 members.
- 3.6 Deferred membership has increased by a net difference of 298, compared to a net decrease last year of 251. Deferred membership remains the largest proportion at 41.59%. This increase is due to more staff leaving the council with two years qualifying membership and choosing to retain the benefits of being in the Fund rather than transferring out.
- 3.7 Pensioner membership also increased in 2022-23, with a net increase of 197. The number of retirees increased again; as with deferred members, the other drivers of pensioner membership, retirements and deaths – have remained broadly in line with previous years.
- 3.8 **Table 6** below shows long term trends in scheme membership which has increased from 22,020 in 2021-22 to 22,636 in 2022-23.

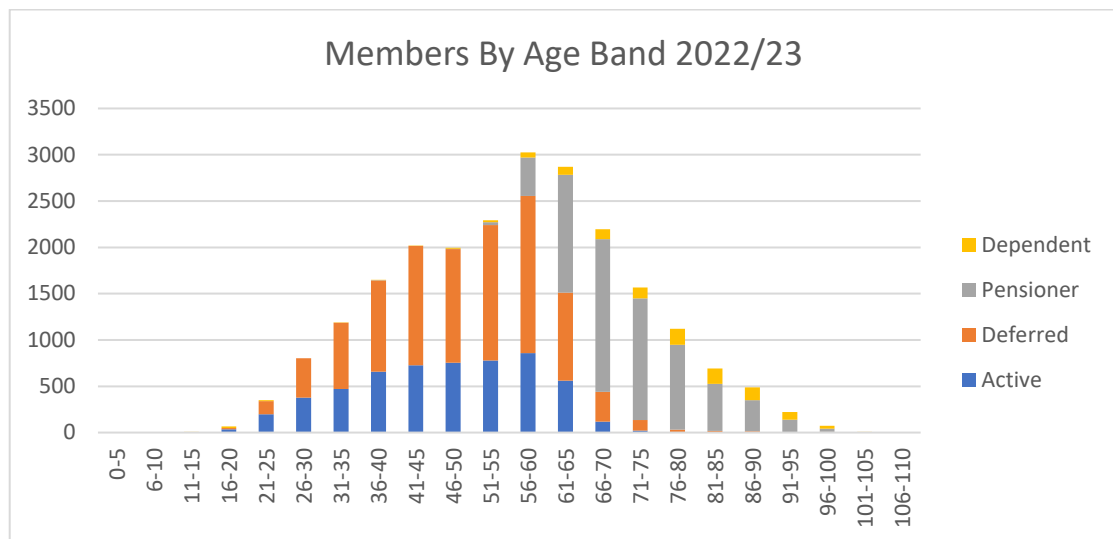
3.9 **Table 6: Long Term Membership Trends**





3.10 **Table 7** shows the age profile of the four main categories of membership as at 31 March 2023.

**Table 7: Age Profile of Membership**



3.11 The “pyramid” shape profile of the Fund’s membership demonstrates that a significant proportion of the fund’s total membership is aged between 45 and 70 (54%). Active and deferred membership increased towards age 60 and pensioner members are predominantly aged between 60 and 75. Dependants are mainly over 60.

#### 4. ENVIRONMENTAL IMPLICATIONS

4.1 There are no environmental implications flowing from this report.

#### 5. RESPONSIBLE INVESTOR COMMENT

5.1 The monitoring of the cashflow and the membership of the fund enables the Pension Fund to fulfil its various responsibilities, including to the environment.

#### 6. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

6.1 It is important that cash flow is monitored to ensure that the Fund can meet its obligations to pay pensionable benefits in the short term and also that in the longer term the Fund has liquid assets which can support the objectives of the Fund.

#### 7. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

7.1 The Pension Committee has a fiduciary responsibility to protect the pension benefits of members by maximising returns and keeping contributions to a minimum. A failure to do so would be a breach of this responsibility and would be open to legal challenge. This report details information to ensure that the Fund is acting in accordance with its fiduciary responsibilities.