

LONDON BOROUGH OF CAMDEN	Ward: All
REPORT TITLE: Cash Flow and Membership report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 10 March 2025
SUMMARY OF REPORT: This report details the Pension Fund cash flow and membership statistics for the previous year and over the longer term.	
<p>Local Government Act 1972 – Access to Information No documents required to be listed were used in the preparation of this report.</p> <p>Contact Officer: Priya Nair Treasury & Pension Fund Manager Finance Corporate Services 5 Pancras Square London N1C 4AG</p> <p>Telephone: 0207 974 2349 Email: priya.nair@camden.gov.uk</p>	
RECOMMENDATIONS: The Committee is requested to note the contents of this report.	
Signed by	
Director of Finance Agreed
Date 26/02/2025

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 Overview

The cash flow for the year to 31 March 2024, with previous financial years for comparison, is as set out in **Table 1**. To highlight key financial trends and their impact on the Pension Fund's overall cash position, the analysis distinguishes between:

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

2.2 Core Cash Flow Before Transfers

The core operational cash flow before transfers—which includes contributions, benefit payments, and administration costs—shows an improvement compared to last year, moving from a deficit of £15.2m in 2022/23 to a surplus of £6.76m in 2023/24. This is primarily due to:

- Higher employer contributions (£64.2m), a significant increase from £40.3m last year, likely influenced by adjustments following the Triennial Valuation and increased pensionable pay.
- Higher employee contributions (£15.2m), compared to £14.3m in 2022/23, reflecting more active members and increased pensionable salaries.

2.3 Pension Benefit Payments & Outflows

- Payments to scheme members increased to £70.3m, up from £67.4m in 2022/23, mainly due to higher retirement pensions (£60.1m, up from £54.1m), reflecting inflation-linked pension increases and an increasing number of retirees.
- Retirement grants (£8.6m) have decreased compared to £10.4m last year.
- Lump sum death grants decreased to £1.35m, down from £2.73m last year.
- Refunds of contributions remain stable at £0.19m.

2.4 Administrative & Investment Costs

- Administrative costs (£1.25m) decreased slightly from £1.52m in 2022/23.
- Investment management fees (£1.64m) are marginally lower than last year (£1.73m), which suggests some reduction in costs, possibly due to portfolio restructuring or renegotiated fees.

2.5 Transfer Value Activity

- Transfer values received decreased to £4.08m (from £6.27m last year), indicating fewer members transferring into the scheme.
- Transfer values paid out have significantly decreased to £11.87m, compared to £211.6m last year, which was impacted by a large one-off bulk transfer.
- Net transfer values (-£7.8m) reflect a continued net outflow due to transfers out exceeding transfers in, but this is a significant improvement compared to last year's -£205.3m.

2.6 Net Cash Flow Before Investment Income

After accounting for transfers, the net cash outflow to the council was £1.03m, a substantial improvement from -£220.5m last year, due to the one-off bulk transfer impact no longer being a factor.

2.7 Investment Income & Final Cash Position

- Investment income increased significantly to £34.35m, up from £24.04m in 2022/23. This rise reflects strong market returns, particularly in equity and alternative investments.
- The total inflow to the pension fund, including investment income, is £33.32m, a major improvement from last year's deficit of -£196.5m.

2.8 Key Trends & Observations

- Stronger employer and employee contributions have driven an improved cash flow position.
- Higher benefit payments reflect an aging membership and inflation-linked pension increases.
- Investment income remains a key factor in maintaining cash flow stability.
- The absence of large bulk transfer payments has significantly improved net cash flow compared to last year.

This analysis highlights that despite increasing benefit payments, a combination of higher contributions and strong investment income has resulted in a positive cash flow position for 2023/24.

- 2.9 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.

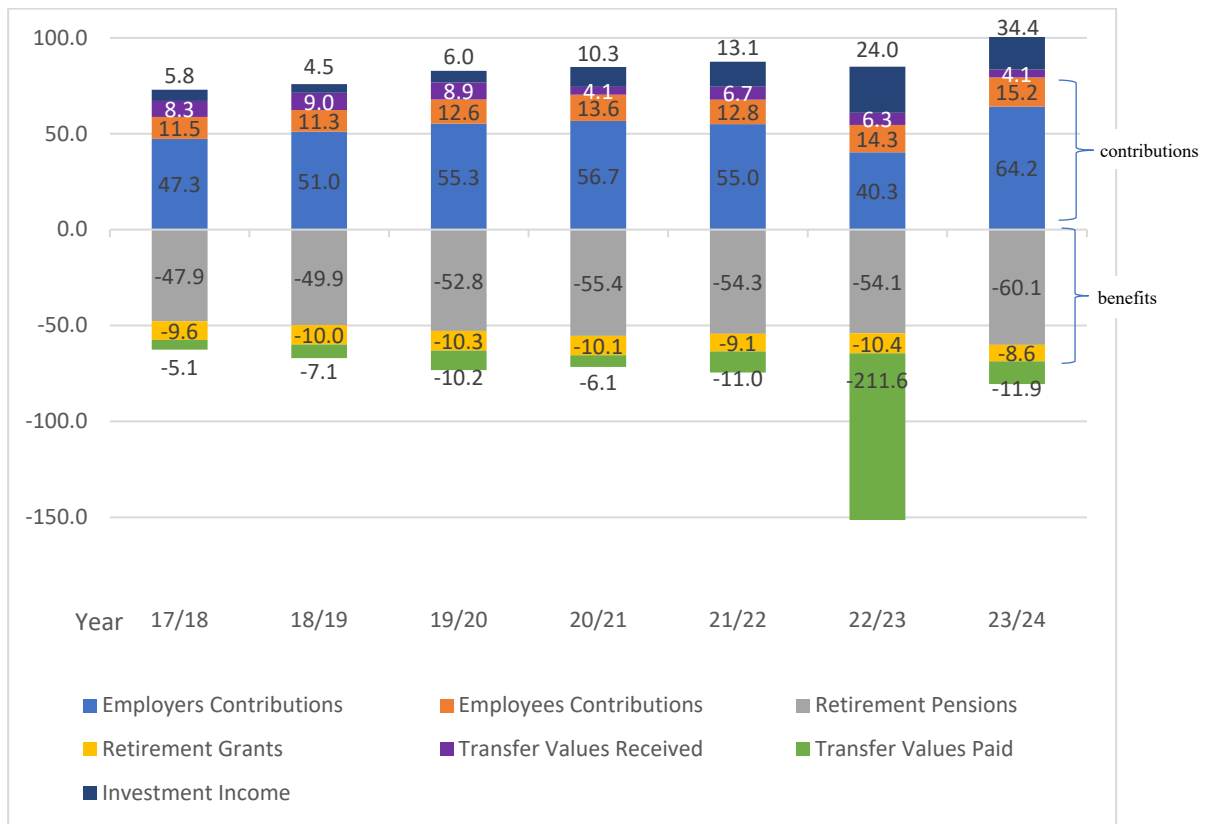
TABLE 1

Pension Fund Cash Flow to March 2024

	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23	2023-24			
	£m	£m	£m	£m	£m	£m	Per audited accounts £m	12m Qtrly Avg £m	12m Mnth Avg £m	
Inflows										
Employers Contributions	51.035	55.253	56.695	54.688	35.051	40.320	64.201	16.050	5.350	23.9
Employees Contributions	11.288	12.572	13.636	12.731	12.692	14.294	15.183	3.796	1.265	0.9
Early Retirement Charges	0.325	0.786	0.678	0.679	0.679	0.862	0.536	0.134	0.045	-0.3
Total Inflows	62.648	68.611	71.009	68.098	48.422	55.476	79.920	19.980	6.660	24.4
Outflows										
Retirement Pensions	-49.869	-52.821	-55.445	-54.343	-54.201	-54.131	-60.085	-15.021	-5.007	-6.0
Retirement Grants	-10.044	-10.258	-10.052	-9.202	-9.023	-10.415	-8.634	-2.159	-0.720	1.8
Lump Sum Death Grants	-0.977	-1.367	-1.446	-1.318	-1.341	-2.730	-1.353	-0.338	-0.113	1.4
Refund of Contributions	-0.388	-0.229	-0.152	-0.097	0.000	-0.165	-0.194	-0.049	-0.016	-0.0
Payments to Scheme Members	-61.278	-64.675	-67.095	-64.961	-64.564	-67.441	-70.267	-17.567	-5.856	-2.8
Administration	-1.359	-1.212	-0.724	-1.477	-2.258	-1.520	-1.250	-0.364	-0.104	0.3
Investment Management Fees	-2.415	-3.271	-1.163	-2.688	-2.227	-1.732	-1.642	-0.546	-0.137	0.1
Total Outflows	-65.052	-69.158	-68.981	-69.126	-69.049	-70.693	-73.158	-18.290	-6.097	-2.5
Cash Flow before Transfers	-2.404	-0.547	2.028	-1.028	-20.628	-15.216	6.761	1.690	0.563	22.0
Transfer Values Received	9.039	8.941	4.137	6.708	7.066	6.270	4.075	1.019	0.340	-2.2
Transfer Values Paid	-7.132	-10.233	-6.147	-11.017	-10.868	-211.576	-11.870	-2.968	-0.989	199.7
Net Transfer Values	1.907	-1.291	-2.010	-4.309	-3.802	-205.306	-7.795	-1.949	-0.650	197.5
Net Inflow of Funds to Fund	-0.496	-1.838	0.018	-5.337	-24.430	-220.522	-1.034	-0.258	-0.086	219.5
Investment Income	4.529	6.011	10.288	13.069	13.069	24.038	34.354	8.589	2.863	10.3
Inflow to Pension Fund	4.033	4.173	10.306	7.733	-11.360	-196.484	33.321	8.330	2.777	229.8

2.10 Looking at longer-term trends **Table 2** below shows a summary position of cash flows over the past seven financial years. This only looks at the major cash flows of pension contributions, benefits, transfer values and investment income.

Table 2: Contributions & Benefits Cash flow Trends



2.11 Trends in Contributions and Benefit Payments

The general trend in cash flows over time continues to show a steady increase in both contributions received and benefits paid, which aligns with expectations as pensionable pay rises and pension liabilities increase.

For 2023-24, total inflows increased significantly to £79.92m, compared to £55.48m in 2022-23, driven primarily by a sharp increase in employer contributions (£64.2m) compared to £40.3m last year. This increase is linked to changes in pensionable pay, contribution rates set by the Triennial Valuation, and deficit recovery payments.

- Employee contributions also increased, reaching £15.18m, up from £14.29m in 2022-23, reflecting salary increases and higher participation in the scheme.
- Early retirement charges (£0.54m) were slightly lower than £0.86m in 2022-23.

2.12 Retirement and Death Benefit Trends

The total outflow to pensioners has increased to £70.27m in 2023-24, up from £67.44m in 2022-23. The main driver of this increase is:

- Retirement pensions, which rose significantly to £60.09m, compared to £54.13m last year, reflecting both an increasing number of pensioners and inflationary adjustments.
- Retirement grants decreased to £8.6m, from £10.4m in 2022-23, suggesting a lower number of lump-sum retirement benefits compared to the previous year.

2.13 Cash Flow Position

The cash flow before transfers turned positive for the first time in three years, reaching £6.76m, compared to a deficit of -£15.22m in 2022-23.

The improvement is driven by higher contributions and strong investment returns.

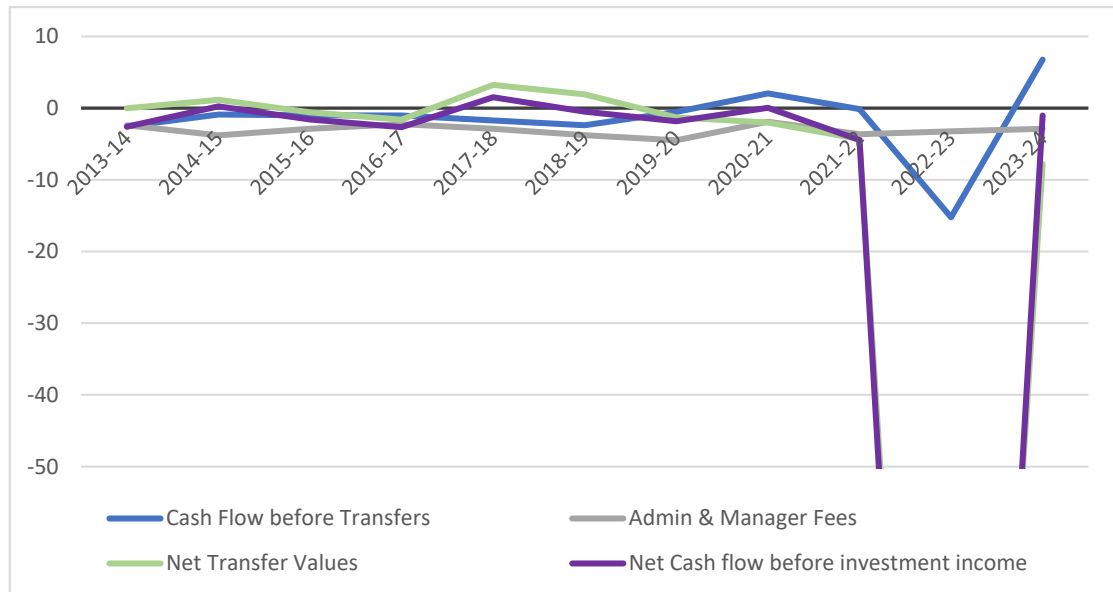
Despite increasing pension payments, contributions have outpaced outflows, ensuring a more stable cash position for the Fund.

2.14 Long-Term Observations

- Employer and employee contributions have generally increased over time, except for 2021-22 when a major employer exited the scheme.
- Retirement pensions have seen a steady upward trend, reflecting an aging membership profile and inflation adjustments.
- The Fund's overall financial position has improved significantly in 2023-24, with higher contributions helping offset rising pension liabilities.

This year's cash flow position reflects a strong recovery in employer contributions, helping to stabilize net cash flow despite growing pension liabilities. The Fund remains well-positioned to meet its ongoing obligations while benefiting from long-term investment returns.

Table 3: Transfers, Fees and Total Cash flow



2.15 Net Transfer Values and Administrative Impact on Cash Flow

Table 3 highlights the impact of net transfer values, administration, and investment management fees on the overall cash flow of the Fund.

Net Transfer Values and Volatility

- Net transfer values have historically been volatile, and 2023-24 follows this trend with a net transfer outflow of -£7.79m.
- While this is a significant improvement from last year's exceptionally high outflow of -£205.31m, it still reflects more funds leaving the scheme than entering through transfers.
- This volatility in transfer values continues to cause fluctuations in the Fund's overall net cash flow position year-on-year.

Administrative and Management Fees

- Administration and investment management fees have slightly decreased to -£2.89m in 2023-24, compared to -£3.25m in 2022-23.
- While a reduction in these costs is beneficial, they remain an important factor in the Fund's core cash outflows.
- 2.18 Net Cash Flow Before Investment Income
- For 2023-24, the net cash flow before investment income stands at -£1.03m, which is a drastic improvement from -£220.52m in 2022-23.
- The recovery is largely due to the absence of a large bulk transfer out, as well as increased contributions from employers and employees.
- Despite this, the Fund still experiences a slight net cash outflow before investment income, highlighting the importance of strong investment returns to sustain the Fund's financial position.

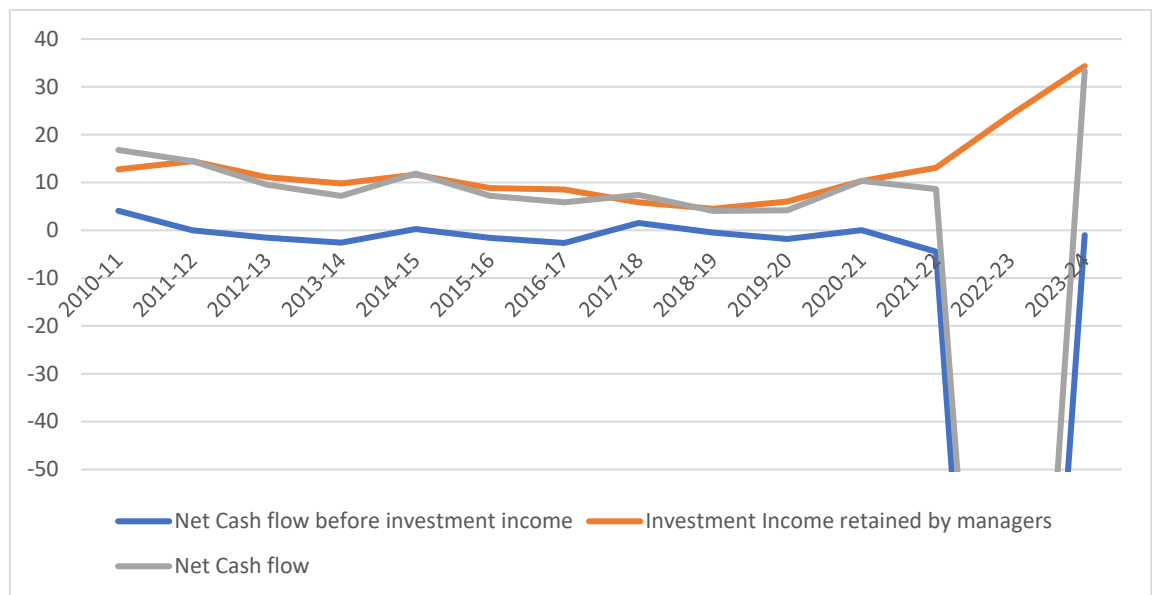
Key Observations

- The Fund's core cash position has improved significantly compared to last year, returning to a more stable level.
- Net transfer values remain unpredictable, and their impact on cash flow continues to be a challenge for long-term planning.
- Administrative costs remain manageable but should continue to be monitored to ensure efficiency.
- Investment income plays a crucial role in maintaining a positive cash position, particularly in years where transfers out exceed transfers in.

Overall, while the Fund has moved towards a more stable cash flow position in 2023-24, it remains reliant on investment returns to offset fluctuations in net transfer values and rising pension obligations.

2.16 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 2022/23.

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-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
TOTAL MEMBERSHIP STATUS						
Active Members		5,698	5,781	5,437	5,558	5,820
Deferreds / Frozen Refunds (ex employees)		9,467	9,379	9,117	9,415	9,426
Pensioners		7,431	7,603	7,466	7,663	7,784
		<u>22,596</u>	<u>22,763</u>	<u>22,020</u>	<u>22,636</u>	<u>23,030</u>
% MEMBERSHIP STATUS						
Active Members		25.22%	25.40%	24.69%	24.55%	25.27%
Deferreds / Frozen Refunds		41.90%	41.20%	41.40%	41.59%	40.93%
Pensioners		32.89%	33.40%	33.91%	33.85%	33.80%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
ACTIVE MEMBERS						
Total New Active Members		1,622	539	633	1,458	1,096
Leavers		-640	-403	-587	-774	-611
Opt Out		-437	-35	-66	-434	-125
Retirements		-105	-92	-112	-123	-96
Death in Service		-4	-8	-11	-6	-2
<i>Transferred to Merseyside PF</i>				-201		
Total Active Leavers		-1,186	-538	-977	-1,337	-834
Net Movement of Active Members		436	1	-344	121	262
DEFERRED/FROZEN REFUND MEMBERS						
Total New Deferred Members		557	338	545	722	609
Transfers Out		-319	-244	-203	-216	-294
Retirements		-233	-197	-214	-187	-274
Restored Actives		-2	-1	-5	-16	-18
Deaths		-4	-9	-6	-5	-12
<i>Transferred to Merseyside PF</i>				-368		
Total Leavers from Deferred		-558	-451	-796	-424	-598
Net Movement of Deferred Members		-1	-113	-251	298	11
PENSIONER MEMBERS						
New Retirements		339	289	333	352	250
New Dependants Pensions		60	72	54	38	53
Total New Pensioners		399	361	387	390	303
Cessation of child pensions		-3	-1	-7	-5	-4
Undecided Leaver		-1	0	0	-1	-2
Deaths		-160	-202	-153	-187	-176
<i>Transferred to Merseyside PF</i>				-364		
Total Pensioner Leavers		-164	-203	-524	-193	-182
Net Movement of Pensioners		235	158	-137	197	121

3.2 **Total Membership Growth:** The total number of members has increased to 23,030, reflecting a year-on-year increase of 394. This growth is mainly driven by an increase of 262 active members, alongside a modest increase of 11 in deferred members and 121 in pensioners.

3.3 **Active Membership:** The number of new active members has decreased to 1,096, down from 1,458 in the previous year. However, there has been a reduction in active member leavers, from 1,337 last year to 834 this year, resulting in an overall net increase of 262 active members (compared to 121 last year).

- The number of opt-outs has significantly reduced from 434 last year to 125 this year, likely due to greater awareness of pension benefits.
- Retirements from active status have also decreased, from 123 last year to 96 this year.
- Deaths in service remain low, reducing from 6 to 2.

3.4 **Auto-Enrolment and 50/50 Scheme:** The latest auto-enrolment exercise completed in 2021/22 continues to influence active membership trends, with more employees choosing to remain in the scheme.

The 50/50 scheme, which allows members to pay half contributions for half benefits, has increased in take-up from 74 members in 2023 to 102 members in 2024, indicating growing interest in flexible contribution options.

3.5 **Deferred Membership:** The net movement in deferred members remains positive but has slowed, with an increase of only 11 members this year, compared to 298 last year.

- The number of new deferred members has slightly decreased from 722 last year to 609 this year.
- Transfers out have increased from 216 to 294, suggesting that more members are consolidating pensions or moving to alternative schemes.
- Retirements from deferred status have increased significantly from 187 last year to 274 this year, reflecting more deferred members reaching retirement eligibility.
- Deaths among deferred members have doubled, from 5 last year to 12 this year.

3.6 **Pensioner Membership:** The number of pensioners has grown by 121, lower than last year's increase of 197. The number of new pensioners has dropped significantly, from 390 last year to 303 this year, primarily due to a decrease in retirements from active and deferred status.

- New retirements have dropped sharply, from 352 last year to 250 this year.
- Deaths among pensioners have slightly reduced, from 187 last year to 176 this year.
- Net pensioner movement remains positive at 121, although lower than last year's 197.

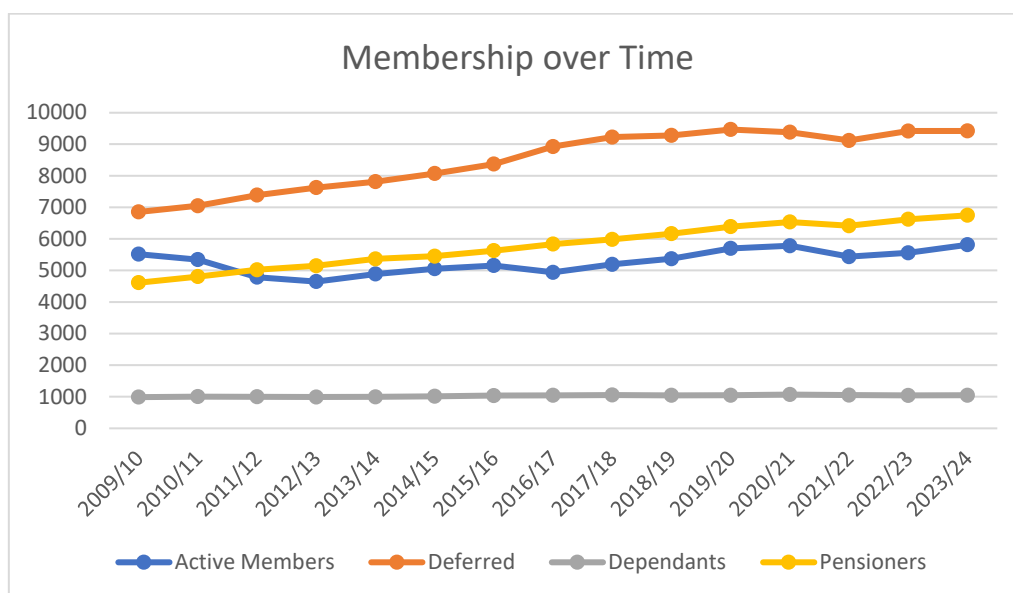
3.7 **Summary of Trends**

- Active membership continues to grow, driven by fewer opt-outs and retirements.
- Deferred membership remains stable, but retirements and transfers out have increased.
- Pensioner membership growth has slowed, with fewer new pensioners but a continued net increase.

- Auto-enrolment efforts appear to be sustaining higher participation, and the 50/50 scheme is seeing a rise in membership.

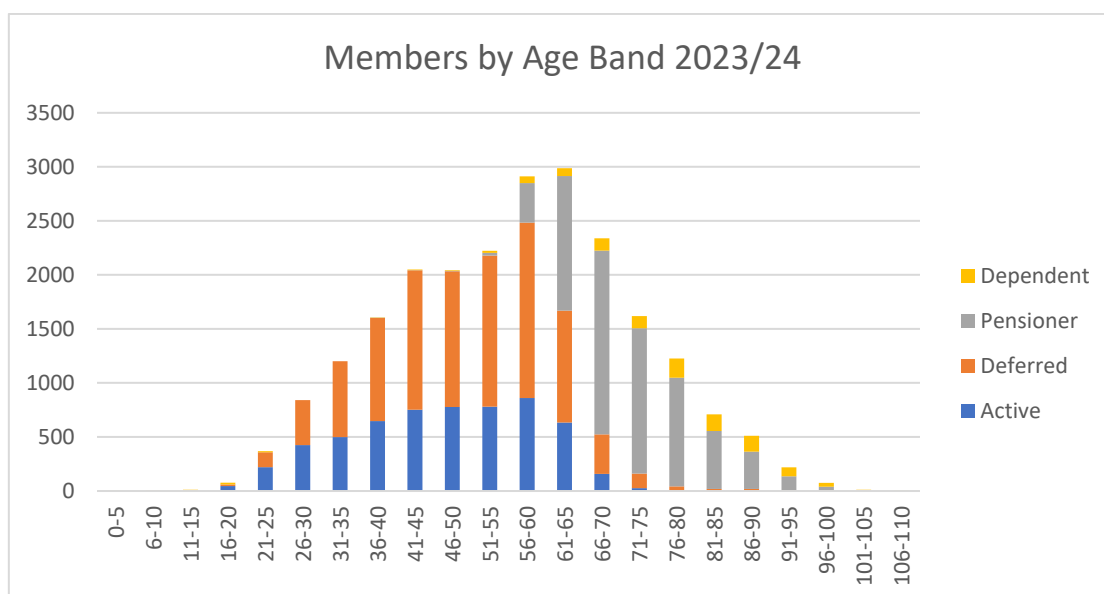
3.8 **Table 6** below shows long term trends in scheme membership which has increased from 22,636 in 2022-23 to 23,039 in 23-24.

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 2024.

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.