Appendix A

<u>Question for written reply from Cllr Tony Owen to the Chairman of Pensions Investment Sub-Committee</u>

Is the current cash flow of the pension fund sufficient to cover current pension liabilities?

<u>Reply</u>

At present, pension contributions and other cash inflows to the Pension Fund are insufficient to cover the payment of benefits and other cash outflows and expenses, and is the primary reason for the Asset Allocation Strategy Review being considered by the Pensions Investment Sub-Committee.

As illustrated in Appendix 1 of the “Pension Fund Asset Allocation Strategy Review” report to this sub-committee on 22nd February 2017 (page 38 of this meeting’s agenda), the Fund is projected to have a net cash outflow of around £4.9m in 2016/17, which, based on the current asset allocation strategy, is projected to increase in future years: to £8.6m in 2017/18, £10.8m in 2018/19, rising to an estimated £26.0m by 2023/24.

Currently, investment income is reinvested in the Fund by all investment managers; if all investment income from the segregated portfolios (i.e. MFS and Baillie Gifford’s Global Equities portfolios) was retained, there would still be a cash shortfall in future years, and therefore a requirement for changes to the Asset Allocation Strategy. It is estimated that the cash shortfall would be around £1.0m in 2017/18, £3.0m in 2018/19, rising to £17.4m in 2023/24 if investment income was retained.