

**Pension Fund Committee**

**30<sup>th</sup> April 2007**



**Pension Fund Investments**

**Report of Stuart Crowe, County Treasurer**

**Purpose of the Report**

- 1 To provide the Committee with an overview of the transactions undertaken during the period 1<sup>st</sup> January 2007 to 31<sup>st</sup> March 2007, to show how the value of the portfolio has changed during the period, the overall performance of the Managers and to consider the allocation of additional sums to the Managers for further investment.

**Transactions**

- 2 Reports from the three appointed managers - Baring Asset Management Limited, Morley Fund Management Limited and Legal and General Investments Limited are included on the agenda and a summary is attached in the Appendix, Table 2.
- 3 As at 1<sup>st</sup> January 2007 Barings had £22,678,722, Morley had £38,608,086 and Legal and General had £13,353,069 available for investment. During the quarter, Barings has disinvested a net amount of £22,558,441, Morley has invested a net amount of £4,087,913 and Legal and General has invested a net amount of £3,520,000.

**Managers' Performance**

- 4 The table below shows how the Managers of the three parts of the Fund have performed over the last quarter, year and three years against agreed benchmarks:

<b>Manager</b>	<b>Quarter</b>	<b>Last 12 months</b>	<b>3 years</b>
BAM	1.6	9.0	16.4
Morley	2.8	6.7	14.3
Legal & General	3.0	9.1	16.3
Median	2.7	8.4	15.9

**Allocation of "New Money"**

- 5 A summary of the cash position of the Fund and estimates/actuals of cashflow over the last four quarters is contained in Table 1 on the Appendix.

- 6 The uninvested cash balance at the end of the previous quarter, together with interest and dividend received during the quarter, is available for investment during the quarter ending 30<sup>th</sup> June 2007 subject to the need to retain money to meet the Fund's net cash outflow. Having regard to the cash balance of the Fund at 31<sup>st</sup> March 2007, it is recommended that £5,000,000 be added to the money available to the managers for investment.

### **The Value of the Fund**

- 7 The changes in the value of the Fund during the period 31<sup>st</sup> December 2006 to 31<sup>st</sup> March 2007 are shown in Table 2 in the Appendix.

### **Recommendation**

- 8 Having regard to the cash balance of the Fund at 31<sup>st</sup> March 2007, it is recommended that £5,000,000 be added to the money available to the managers for investment.

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## DURHAM COUNTY COUNCIL PENSION FUND

Quarter Ended (1)	30.06.06		30.09.06		31.12.06		31.03.07		30.06.07
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
			£	£	£	£	£	£	£
Contributions - DCC	9,200,000	9,682,792	9,700,000	10,001,477	10,000,000	10,027,690	10,000,000	10,079,980	10,000,000
- Other	9,600,000	10,999,583	11,000,000	9,348,974	9,700,000	10,208,167	10,000,000	16,723,146	11,000,000
Pensions Increase	1,200,000	1,178,452	1,200,000	1,094,113	1,000,000	1,051,716	1,000,000	1,286,946	1,000,000
Transfer Values	2,500,000	1,681,915	1,500,000	1,625,957	1,500,000	2,065,565	1,500,000	2,679,580	1,500,000
Loans Repaid	0	0	9	0	9	0	0	0	0
Gross Dividend & Interest	5,700,000	10,786,724	7,000,000	9,085,397	7,000,000	9,601,257	7,000,000	7,699,435	7,000,000
<b>Total Income</b>	<b>28,200,000</b>	<b>34,329,466</b>	<b>30,409,000</b>	<b>31,155,918</b>	<b>29,209,000</b>	<b>32,954,395</b>	<b>29,500,000</b>	<b>38,469,087</b>	<b>30,500,000</b>
Payroll Paysheets	14,000,000	13,911,002	14,100,000	14,150,918	14,200,000	14,210,085	14,300,000	14,115,000	14,300,000
Payables Paysheets (incl. Managers' fees)	6,300,000	5,889,571	6,000,000	5,051,790	6,000,000	6,837,731	5,000,000	5,522,592	5,600,000
<b>Total Expenditure</b>	<b>20,300,000</b>	<b>19,800,573</b>	<b>20,100,000</b>	<b>19,202,708</b>	<b>20,200,000</b>	<b>21,047,816</b>	<b>19,300,000</b>	<b>19,637,592</b>	<b>19,900,000</b>
<b>Surplus / (Deficit)</b>	<b>7,900,000</b>	<b>14,528,893</b>	<b>10,309,000</b>	<b>11,953,210</b>	<b>9,009,000</b>	<b>11,906,579</b>	<b>10,200,000</b>	<b>18,831,495</b>	<b>10,600,000</b>
Net Capital payments/(receipts)		3,050,000		16,200,000		16,200,000		(23,300,000)	
Balance at Bank (opening)		34,897,559		49,287,113		47,387,934		42,943,996	
Balance at Bank (closing)		49,287,113		47,387,934		42,943,996		78,378,200	
Allocated to Managers		35,012,303		38,560,016		35,113,886		75,981,300	
Money paid/(recovered) to/(from Manager)		5,000,000		9,000,000		4,000,000		8,000,000	

**DURHAM COUNTY COUNCIL PENSION FUND  
TRANSACTIONS UNDERTAKEN BY THE MANAGERS  
IN THE PERIOD 1<sup>ST</sup> JANUARY 2007 TO 31<sup>ST</sup> MARCH 2007**

TRANSACTIONS (1)	BARINGS		MORLEY		LEGAL AND GENERAL		TOTAL	
	Purchases (2)	Sales (3)	Purchases (4)	Sales (5)	Purchases (6)	Sales (7)	Purchases (8)	Sales (9)
	£	£	£	£	£	£	£	£
) <b>Gilts</b>	12,553,846	12,550,403	20,343,130	20,876,474	150,000	0	33,046,976	33,426,877
) <b>Other Fixed Interest UK</b>	0	0	927,913	833,327	0	0	927,813	833,327
) <b>Other Fixed Interest Overseas</b>	5,029,784	4,585,747	16,693,697	14,690,228	130,000	0	21,853,481	19,275,975
) <b>UK Equities</b>	81,850,627	90,989,254	32,765,771	30,293,638	2,100,000	0	116,716,398	121,282,892
) <b>Overseas Equities</b>								
Europe	28,177,735	33,840,940	11,314,646	11,438,486	500,000	0	39,992,381	45,279,426
USA and Canada	2,797,102	13,666,682	2,670,104	2,509,255	155,000	0	5,622,206	16,175,937
Japan	3,440,628	3,373,567	0	0	225,000	0	3,665,628	3,373,567
Smaller Pacific								
Markets	2,506,668	2,532,066	0	0	260,000	0	2,766,668	2,532,066
Australia and New Zealand	646,026	514,994	0	0	0	0	646,026	514,994
Emerging Markets	2,600,425	107,629	14,060	0	0	0	2,614,485	107,629
<b>Property Unit Trusts</b>	0	0	0	0	0	0	0	0
	139,602,841	162,161,282	84,729,321	80,641,408	3,520,000	0	227,852,162	242,802,690

**DURHAM COUNTY COUNCIL PENSION FUND**  
**VALUE OF THE FUND**

BARINGS			MORLEY			LEGAL AND GENERAL			TOTAL		
31.12.06 (2)	31.03.07 (3)	Increase/ (Decrease) (4)	31.12.06 (5)	31.03.07 (6)	Increase/ (Decrease) (7)	31.12.06 (8)	31.03.07 (9)	Increase/ (Decrease) (10)	31.12.06 (11)	31.03.07 (12)	Increase/ (Decrease) (13)
£	£	£	£	£	£	£	£	£	£	£	£
19,164,903	18,533,222	(631,681)	22,818,035	21,901,970	(916,065)	* 28,067,548	* 28,008,868	(58,680)	70,050,486	68,444,060	(1,606,426)
3,631,899	3,560,020	(71,879)	332,469	431,944	99,475	0	0	0	3,964,368	3,991,964	27,596
12,247,834	12,774,888	527,054	10,777,171	12,808,472	2,031,301	* 12,675,433	* 12,944,853	269,420	35,700,438	38,528,213	2,827,775
⊕ 274,352,796	⊗ 266,654,146	(7,698,650)	<sup>1</sup> 239,951,610	<sup>3</sup> 247,484,453	7,532,843	* 276,263,207	* 286,371,401	10,108,194	790,567,613	800,510,000	9,942,387
58,278,003	53,800,804	(4,477,199)	48,765,545	51,136,424	2,370,879	* 63,062,564	* 66,196,177	3,133,613	170,106,112	171,133,405	1,027,293
11,029,233	6,716	(11,022,517)	20,607,164	20,937,922	330,758	* 21,874,517	* 22,209,310	334,793	53,510,914	43,153,948	(10,356,966)
26,958,780	26,831,011	(127,769)	<sup>4</sup> 20,514,787	<sup>4</sup> 20,789,880	275,093	* 19,993,248	* 20,778,579	785,331	67,466,815	68,399,470	932,655
14,220,320	15,134,301	913,981	<sup>2</sup> 24,987,018	<sup>2</sup> 25,748,152	761,134	* 34,837,948	* 37,614,136	2,776,188	74,045,286	78,496,589	4,451,303
14,374,071	15,984,229	1,610,158	0	0	0	0	0	0	14,374,071	15,984,229	1,610,158
≠ 17,213,564	≠ 20,897,445	3,683,881	<sup>5</sup> 12,818,161	<sup>5</sup> 12,931,669	113,508	0	0	0	30,031,725	33,829,114	3,797,389
21,712,602	21,949,775	237,173	13,064,564	13,258,327	193,763	0	0	0	34,777,166	35,208,102	430,936
15,179,913	44,927,385	29,747,472	32,762,337	35,779,125	(3,016,788)	6,046,812	7,458,837	1,412,025	53,989,062	88,165,347	34,176,285
488,363,918	501,053,942	12,690,024	447,398,861	463,208,338	15,809,477	462,821,277	481,582,161	18,760,884	1,398,584,056	1,445,844,441	47,260,385

⊗ Includes £32,214,208 which is held in Managed Unit Trusts

⊕ Includes £32,203,124 which is held in Managed Unit Trusts

\* Held in Managed Insurance Funds

≠ Held in Baring Emerging Markets Umbrella Fund

<sup>1</sup> Includes £9,683,798 which is held in Norwich Union UK Smaller Companies' Account

<sup>2</sup> Held in Morley Pooled Pensions South East Asia Fund

<sup>3</sup> Includes £10,096,651 which is held in Norwich Union UK Smaller Companies' Account

<sup>4</sup> Held in Morley Pooled Pension Japan Fund

<sup>5</sup> Held in Aviva Portfolio Emerging A1