

Pension Fund Committee

30th July 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 1st April 2007 to 30th June 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 1st April 2007 Barings had £48,677,814, Morley had £38,356,268 and Legal and General had £12,489,682 available for investment. During the quarter, Barings has invested a net amount of £17,352,728, Morley has disinvested a net amount of £26,658,755 and Legal and General has invested a net amount of £2,590,000.

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:

Manager	Quarter	Last 12 months	3 years
BAM	4.5	17.0	17.9
Morley	3.9	15.0	15.4
Legal & General	4.2	17.1	17.1
Median	3.8	15.9	16.9

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 30th September 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 30th June 2007, it is recommended that £6,000,000 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 31st March 2007 to 30th June 2007 are shown in Table 2 in the Appendix.

Recommendation

- 8 Having regard to the cash balance of the Fund at 30th June 2007, it is recommended that £6,000,000 be added to the money available to the managers for investment.

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TABLE 1

DURHAM COUNTY COUNCIL PENSION FUND

Quarter Ended (1)	30.09.06		31.12.06		31.03.07		30.06.07		30.09.07
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
			£	£	£	£	£	£	£
Contributions - DCC	9,700,000	10,001,477	10,000,000	10,027,690	10,000,000	10,079,980	10,000,000	10,668,690	10,500,000
- Other	11,000,000	9,348,974	9,700,000	10,208,167	10,000,000	16,723,146	11,000,000	10,379,357	10,500,000
Pensions Increase	1,200,000	1,094,113	1,000,000	1,051,716	1,000,000	1,286,946	1,000,000	1,173,020	1,000,000
Transfer Values	1,500,000	1,625,957	1,500,000	2,065,565	1,500,000	2,679,580	1,500,000	2,367,460	1,500,000
Loans Repaid	9	0	9	0	0	0	0	0	0
Gross Dividend & Interest	7,000,000	9,085,397	7,000,000	9,601,257	7,000,000	7,699,435	7,000,000	11,640,158	8,000,000
Total Income	30,409,000	31,155,918	29,209,000	32,954,395	29,500,000	38,469,087	30,500,000	36,228,685	31,500,000
Payroll Paysheets	14,100,000	14,150,918	14,200,000	14,210,085	14,300,000	14,115,000	14,300,000	14,115,000	14,600,000
Payables Paysheets (incl. Managers' fees)	6,000,000	5,051,790	6,000,000	6,837,731	5,000,000	5,522,592	5,600,000	8,486,867	6,000,000
Total Expenditure	20,100,000	19,202,708	20,200,000	21,047,816	19,300,000	19,637,592	19,900,000	22,601,867	20,600,000
Surplus / (Deficit)	10,309,000	11,953,210	9,009,000	11,906,579	10,200,000	18,831,495	10,600,000	13,626,818	10,900,000
Net Capital payments/(receipts)		16,200,000		16,200,000		(23,300,000)		(4,600,000)	
Balance at Bank (opening)		49,287,113		47,387,934		42,943,996		78,378,200	
Balance at Bank (closing)		47,387,934		42,943,996		78,378,200		99,203,038	
Allocated to Managers		38,560,016		35,113,886		75,981,300		92,939,718	
Money paid/(recovered) to/(from Manager)		9,000,000		4,000,000		8,000,000		5,000,000	

TABLE 2

**DURHAM COUNTY COUNCIL PENSION FUND
TRANSACTIONS UNDERTAKEN BY THE MANAGERS
IN THE PERIOD 1ST APRIL 2007 TO 30TH JUNE 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)
	£	£	£	£	£	£	£	£
(a) Gilts	9,026,620	0	15,811,457	15,920,107	0	0	24,838,077	15,920,107
(b) Other Fixed Interest UK	530,000	0	0	423,716	0	0	530,000	423,716
(c) Other Fixed Interest Overseas	9,097,609	5,942,652	23,651,668	23,065,577	80,000	0	32,829,277	29,008,229
(d) UK Equities	50,526,276	49,708,582	33,725,859	32,578,655	1,780,000	0	86,032,135	82,287,237
(e) Overseas Equities								
Europe	23,755,212	20,664,073	11,443,381	10,855,626	350,000	0	35,548,593	31,519,699
USA and Canada	0	0	1,806,394	1,871,639	135,000	0	1,941,394	1,871,639
Japan	1,930,351	4,448,649	0	11,599,996	105,000	0	2,035,351	16,048,645
Smaller Pacific Markets	4,408,092	2,645,684	0	16,799,999	140,000	0	4,548,092	19,445,683
Australia and New Zealand	5,209,133	2,532,351	0	0	0	0	5,209,133	2,532,351
Emerging Markets	1,171,786	2,360,360	17,801	0	0	0	1,189,587	2,360,360
(f) Property Unit Trusts	0	0	0	0	0	0	0	0
	105,655,079	88,302,351	86,456,560	113,115,315	2,590,000	0	194,701,639	201,417,666

DURHAM COUNTY COUNCIL PENSION FUND
VALUE OF THE FUND

(1)	BARINGS			MORLEY			LEGAL AND GENERAL			TOTAL		
	31.03.07 (2)	30.06.07 (3)	Increase/ (Decrease) (4)	31.03.07 (5)	30.06.07 (6)	Increase/ (Decrease) (7)	31.03.07 (8)	30.06.07 (9)	Increase/ (Decrease) (10)	31.03.07 (11)	30.06.07 (12)	Increase/ (Decrease) (13)
	£	£	£	£	£	£	£	£	£	£	£	£
Gilts	18,533,222	27,123,728	8,590,506	21,901,970	20,768,043	(1,133,927)	* 28,008,868	* 27,363,224	(645,644)	68,444,060	75,254,995	6,810,935
Other												
Fixed												
Interest												
UK	3,560,020	3,956,326	396,306	431,944	0	(431,944)	0	0	0	3,991,964	3,956,326	(35,638)
Overseas	12,774,888	15,512,332	2,737,444	12,808,472	12,973,050	164,578	* 12,944,853	* 12,508,522	(436,331)	38,528,213	40,993,904	24,65,691
UK	⊗ 266,654,146	⊕ 279,130,225	12,476,079	³ 247,484,453	¹ 258,046,298	10,561,845	* 286,371,401	* 301,179,601	14,808,200	800,510,000	838,356,124	37,846,124
Equities												
Overseas												
Equities												
Europe	53,800,804	58,649,877	4,849,073	51,136,424	52,885,101	1,748,677	* 66,196,177	* 70,998,399	4,802,222	171,133,405	182,533,377	11,399,972
USA and Canada	6,716	0	(6,716)	20,937,922	21,700,971	763,049	* 22,209,310	* 23,280,764	1,071,454	43,153,948	44,981,735	1,827,787
Japan	26,831,011	23,353,559	(3,477,452)	⁴ 20,789,880	⁴ 8,547,691	(12,242,189)	* 20,778,579	* 20,317,926	(460,653)	68,399,470	52,219,176	(16,180,294)
Smaller Pacific Markets	15,134,301	18,970,625	3,836,324	² 25,748,152	² 10,361,288	(15,386,864)	* 37,614,136	* 40,960,907	3,346,771	78,496,589	70,292,820	(8,203,769)
Australia & New Zealand	15,984,229	20,309,941	4,325,712	0	0	0	0	0	0	15,984,229	20,309,941	4,325,712
Emerging Markets	≠ 20,897,445	≠ 22,532,844	1,635,399	⁵ 12,931,669	⁵ 14,396,882	1,465,213	0	0	0	33,829,114	36,929,726	3,100,612
Property												
Unit												
Trusts												
Cash												
	44,927,385	32,235,636	(12,691,749)	35,779,125	64,271,881	28,492,756	7,458,837	6,749,016	(709,821)	88,165,347	103,256,533	15,091,186
	501,053,942	524,016,485	22,962,543	463,208,338	477,487,225	14,278,887	481,582,161	503,358,359	21,776,198	1,445,844,441	1,504,862,069	59,017,628

⊗ Includes £32,241,208 which is held in Managed Unit Trusts

⊕ Includes £32,174,988 which is held in Managed Unit Trusts

* Held in Managed Insurance Funds

≠ Held in Baring Emerging Markets Umbrella Fund

¹ Includes £10,272,694 which is held in Norwich Union UK Smaller Companies' Account

² Held in Morley Pooled Pensions South East Asia Fund

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

⁴ Held in Morley Pooled Pension Japan Fund

⁵ Held in Aviva Portfolio Emerging A1