

Pension Fund Committee

29th October 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 July 2007 to 30th September 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 July 2007 Barings had £38,105,856, Morley had £68,574,450 and Legal and General had £8,859,804 available for investment. During the quarter, Barings has disinvested a net amount of £1,548,591, Morley has disinvested a net amount of £165,774 and Legal and General has neither invested nor disinvested.

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	+1.1	+14.1	+17.5
Morley	+0.3	+12.1	+16.2
Legal & General	+0.5	+13.8	+16.4
Median	+0.5	+12.7	+16.2

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 31st December 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 September 2007 and to the forthcoming Fund restructure it is recommended that there be no allocation of monies to the Managers.

The Value of the Fund

- 7 The changes in the value of the Fund during the period 30th June 2007 to 30th September 2007 are shown in Table 2 in the Appendix.

Recommendation

- 8 Having regard to the cash balance of the Fund at 30th September 2007 and to the forthcoming restructure of the Fund. It is recommended that there be no allocation of monies to the Managers.

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TABLE 1

DURHAM COUNTY COUNCIL PENSION FUND

Quarter Ended (1)	31.12.06		31.03.07		30.06.07		30.09.07		31.12.07
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
			£	£	£	£	£	£	£
Contributions - DCC	10,000,000	10,027,690	10,000,000	10,079,980	10,000,000	10,668,690	10,500,000	10,462,996	10,600,000
- Other	9,700,000	10,208,167	10,000,000	16,723,146	11,000,000	10,379,357	10,500,000	10,519,814	10,600,000
Pensions Increase	1,000,000	1,051,716	1,000,000	1,286,946	1,000,000	1,173,020	1,000,000	1,240,215	1,000,000
Transfer Values	1,500,000	2,065,565	1,500,000	2,679,580	1,500,000	2,367,460	1,500,000	3,155,487	2,000,000
Loans Repaid	9	0	0	0	0	0	0	0	0
Gross Dividend & Interest	7,000,000	9,601,257	7,000,000	7,699,435	7,000,000	11,640,158	8,000,000	10,068,211	8,000,000
Total Income	29,209,000	32,954,395	29,500,000	38,469,087	30,500,000	36,228,685	31,500,000	35,446,723	32,000,000
Payroll Paysheets	14,200,000	14,210,085	14,300,000	14,115,000	14,300,000	14,115,000	14,600,000	14,960,206	15,000,000
Payables Paysheets (incl. Managers' fees)	6,000,000	6,837,731	5,000,000	5,522,592	5,600,000	8,486,867	6,000,000	4,235,942	5,000,000
Total Expenditure	20,200,000	21,047,816	19,300,000	19,637,592	19,900,000	22,601,867	20,600,000	19,196,148	20,000,000
Surplus / (Deficit)	9,009,000	11,906,579	10,200,000	18,831,495	10,600,000	13,626,818	10,900,000	16,250,575	12,200,000
Net Capital payments/(receipts)		16,200,000		(23,300,000)		(4,600,000)		0	
Balance at Bank (opening)		47,387,934		42,943,996		78,378,200		99,203,038	
Balance at Bank (closing)		42,943,996		78,378,200		99,203,038		117,252,769	
Allocated to Managers		35,113,886		75,981,300		92,939,718		105,223,295	
Money allocated/(recovered) to/(from Manager)		4,000,000		8,000,000		5,000,000		6,000,000	

TABLE 2

**DURHAM COUNTY COUNCIL PENSION FUND
TRANSACTIONS UNDERTAKEN BY THE MANAGERS
IN THE PERIOD 1ST JULY 2007 TO 30TH SEPTEMBER 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	10,745,065	10,741,828	21,987,826	23,215,876	0	0	32,732,891	30,957,704
(b) Other Fixed Interest UK	0	0	0	0	0	0	0	0
(c) Other Fixed Interest Overseas	4,801,766	4,796,294	16,979,914	17,924,014	0	0	21,781,680	22,720,308
(d) UK Equities	28,714,643	28,732,776	30,109,244	29,633,825	0	0	58,823,887	58,366,601
(e) Overseas Equities								
Europe	27,612,313	26,814,558	16,331,299	17,586,358	0	0	43,943,612	44,400,916
USA and Canada	0	0	1,935,911	1,823,787	0	0	1,935,911	1,823,787
Japan	1,472,997	1,644,811	0	0	0	0	1,472,997	1,644,811
Smaller Pacific Markets	1,998,040	2,514,948	0	0	0	0	1,998,040	2,514,948
Australia and New Zealand	2,855,588	2,411,061	0	0	0	0	2,855,588	2,411,061
Emerging Markets	0	2,092,727	5,440	0	0	0	5,440	2,092,727
(f) Property Unit Trusts	0	0	0	0	0	0	0	0
	78,200,412	79,749,003	87,349,634	87,183,860	0	0	165,550,046	166,932,863

DURHAM COUNTY COUNCIL PENSION FUND
VALUE OF THE FUND

(1)	BARINGS			MORLEY			LEGAL AND GENERAL			TOTAL		
	30.06.07 (2)	30.09.07 (3)	Increase/ (Decrease) (4)	30.06.07 (5)	30.09.07 (6)	Increase/ (Decrease) (7)	30.06.07 (8)	30.09.07 (9)	Increase/ (Decrease) (10)	30.06.07 (11)	30.09.07 (12)	Increase/ (Decrease) (13)
	£	£	£	£	£	£	£	£	£	£	£	£
Gilts	27,123,728	27,907,879	784,151	20,768,043	23,215,895	2,447,852	* 27,363,224	* 28,481,895	1,118,671	75,254,995	79,605,669	4,350,674
Other Fixed Interest												
UK	3,956,326	3,978,225	21,899	0	0	0	0	0	0	3,956,326	3,978,225	21,899
Overseas	15,512,332	16,302,345	790,013	12,973,050	12,465,062	(507,988)	* 12,508,522	* 13,197,927	689,405	40,993,904	41,965,334	971,430
UK Equities	⊕ 279,130,225	⊗ 269,160,111	(9,970,114)	¹ 258,046,298	³ 251,801,899	(6,244,399)	* 301,179,601	* 295,852,800	(5,326,801)	838,356,124	816,814,810	(21,541,314)
Overseas Equities												
Europe	58,649,877	60,987,911	2,338,034	52,885,101	52,353,023	(532,078)	* 70,998,399	* 71,629,831	631,432	182,533,377	184,970,765	2,437,388
USA and Canada	0	0	0	21,700,971	21,356,044	(344,927)	* 23,280,764	* 23,528,054	247,290	44,981,735	44,884,098	(97,637)
Japan	23,353,559	21,738,755	(1,614,804)	⁴ 8,547,691	⁴ 8,199,501	(348,190)	* 20,317,926	* 19,729,067	(588,859)	52,219,176	49,667,323	(2,551,853)
Smaller Pacific Markets	18,970,625	24,713,627	5,743,002	² 10,361,288	² 11,799,358	1,438,070	* 40,960,907	* 46,560,452	5,599,545	70,292,820	83,073,437	12,780,617
Australia & New Zealand	20,309,941	24,442,651	4,132,710	0	0	0	0	0	0	20,309,941	24,442,651	4,132,710
Emerging Markets	≠ 22,532,844	20,995,733	(1,537,111)	⁵ 14,396,882	⁵ 16,420,675	2,023,793	0	0	0	36,929,726	37,416,408	486,682
Property Unit Trusts	22,241,392	22,321,391	79,999	13,536,020	13,421,995	(114,025)	0	0	0	35,777,412	35,743,386	(34,026)
Cash	32,235,636	39,364,583	7,128,947	64,271,881	68,244,163	3,972,282	6,749,016	5,303,503	(1,445,513)	103,256,533	112,912,249	9,655,716
	524,016,485	531,913,211	7,896,726	477,487,225	479,277,615	1,790,390	503,358,359	504,283,529	925,170	1,504,862,069	1,515,474,355	10,612,286

⊗ Includes £29,993,170 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 £9,471,296 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