

**Pension Fund Committee**

**28<sup>th</sup> January 2008**



**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> October 2007 to 31<sup>st</sup> December 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> October 2007 Barings had £41,915,256, Morley had £72,244,166 and Legal and General had £9,008,426 available for investment. During the quarter, Barings has invested a net amount of £390,914, Morley has disinvested a net amount of £4,329,967 and Legal and General has invested a net amount of £600,000.

**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	2.6	10.1	16.2
Morley	1.8	9.3	12.9
Legal & General	0.7	8.5	14.2
Median	0.6	7.9	13.9

**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 31<sup>st</sup> March 2008 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> December 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 30<sup>th</sup> September 2007 to 31<sup>st</sup> December 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> December 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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**Contact: Paul Turner Ext: 3571**

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**TABLE 1**

**DURHAM COUNTY COUNCIL PENSION FUND**

Quarter Ended (1)	31.03.07		30.06.07		30.09.07		31.12.07		Estimate (10)
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	
			£	£	£	£	£	£	£
Contributions - DCC	10,000,000	10,079,980	10,000,000	10,668,690	10,500,000	10,462,996	10,600,000	10,711,125	10,700,000
- Other	10,000,000	16,723,146	11,000,000	10,379,357	10,500,000	10,519,814	10,600,000	10,539,037	10,600,000
Pensions Increase	1,000,000	1,286,946	1,000,000	1,173,020	1,000,000	1,240,215	1,000,000	1,646,926	1,200,000
Transfer Values	1,500,000	2,679,580	1,500,000	2,367,460	1,500,000	3,155,487	2,000,000	1,951,357	1,500,000
Loans Repaid	0	0	0	0	0	0	0	0	0
Gross Dividend & Interest	7,000,000	7,699,435	7,000,000	11,640,158	8,000,000	10,068,211	8,000,000	9,011,438	4,000,000
<b>Total Income</b>	<b>29,500,000</b>	<b>38,469,087</b>	<b>30,500,000</b>	<b>36,228,685</b>	<b>31,500,000</b>	<b>35,446,723</b>	<b>32,200,000</b>	<b>33,859,883</b>	<b>28,000,000</b>
Payroll Paysheets	14,300,000	14,115,000	14,300,000	14,115,000	14,600,000	14,960,206	15,000,000	14,942,211	15,200,000
Payables Paysheets (incl. Managers' fees)	5,000,000	5,522,592	5,600,000	8,486,867	6,000,000	4,235,942	5,000,000	5,485,236	5,500,000
<b>Total Expenditure</b>	<b>19,300,000</b>	<b>19,637,592</b>	<b>19,900,000</b>	<b>22,601,867</b>	<b>20,600,000</b>	<b>19,196,148</b>	<b>20,000,000</b>	<b>20,427,447</b>	<b>20,700,000</b>
<b>Surplus / (Deficit)</b>	<b>10,200,000</b>	<b>18,831,495</b>	<b>10,600,000</b>	<b>13,626,818</b>	<b>10,900,000</b>	<b>16,250,575</b>	<b>12,200,000</b>	<b>13,432,436</b>	<b>7,300,000</b>
Net Capital payments/(receipts)		(23,300,000)		(4,600,000)		0		3,000,000	
Balance at Bank (opening)		42,943,996		78,378,200		99,203,038		117,252,769	
Balance at Bank (closing)		78,378,200		99,203,038		117,252,769		127,218,045	
Allocated to Managers		75,981,300		92,939,718		105,223,295		112,478,895	
Money paid/(recovered) to/(from Manager)		8,000,000		5,000,000		6,000,000		0	

TABLE 2

**DURHAM COUNTY COUNCIL PENSION FUND  
TRANSACTIONS UNDERTAKEN BY THE MANAGERS  
IN THE PERIOD 1<sup>ST</sup> OCTOBER 2007 TO 31<sup>ST</sup> DECEMBER 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) <b>Gilts</b>	0	0	1,451,180	1,445,180	0	0	1,451,180	1,445,180
(b) <b>Other Fixed Interest UK</b>	0	1,124	0	0	0	0	0	1,124
(c) <b>Other Fixed Interest Overseas</b>	12,902,895	12,975,143	5,050,665	4,976,600	0	0	17,953,560	17,951,743
(d) <b>UK Equities</b>	46,509,375	26,217,052	5,686,965	10,911,570	555,000	0	52,751,340	37,128,622
(e) <b>Overseas Equities</b>								
Europe	22,801,554	27,036,713	22,228,975	21,581,547	30,000	0	45,060,529	48,618,260
USA and Canada	0	0	1,669,150	1,508,119	15,000	0	1,684,150	1,508,119
Japan	2,308,763	2,206,271	0	0	0	0	2,308,763	2,206,271
Smaller Pacific Markets	2,800,086	11,008,564	0	0	0	0	2,800,086	11,008,564
Australia and New Zealand	872,681	8,359,573	0	0	0	0	872,681	8,359,573
Emerging Markets	0	0	6,114	0	0	0	6,114	0
(f) <b>Property Unit Trusts</b>	0	0	0	0	0	0	0	0
	88,195,354	87,804,440	36,093,049	40,423,016	600,000	0	124,888,403	128,227,456

TABLE 3

APPENDIX

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

(1)	BARINGS			MORLEY			LEGAL AND GENERAL			TOTAL		
	30.09.07 (2) £	31.12.07 (3) £	Increase/ (Decrease) (4) £	30.09.07 (5) £	31.12.07 (6) £	Increase/ (Decrease) (7) £	30.09.07 (8) £	31.12.07 (9) £	Increase/ (Decrease) (10) £	30.09.07 (11) £	31.12.07 (12) £	Increase/ (Decrease) (13) £
<b>Gilts</b>	27,907,879	29,185,716	1,277,837	23,215,895	24,107,333	891,438	* 28,481,895	* 29,734,450	1,252,555	79,605,669	83,027,499	3,421,830
<b>Other Fixed Interest</b>												
UK	3,978,225	4,034,805	56,580	0	0	0	0	0	0	3,978,225	4,034,805	56,580
Overseas	16,302,345	16,910,921	608,576	12,465,062	13,270,310	805,248	* 13,197,927	* 14,060,294	862,367	41,965,334	44,241,525	2,276,191
<b>UK Equities</b>	⊗ 269,160,111	⊕ 296,261,097	27,100,986	<sup>1</sup> 251,801,899	<sup>3</sup> 249,115,740	(2,686,159)	* 295,852,800	* 295,323,646	(529,154)	816,814,810	840,700,483	23,885,673
<b>Overseas Equities</b>												
Europe	60,987,911	59,012,041	(1,975,870)	52,353,023	55,315,729	2,962,706	* 71,629,831	* 73,840,646	2,210,815	184,970,765	188,168,416	3,197,651
USA and Canada	0	0	0	21,356,044	20,651,005	(705,039)	* 23,528,054	* 23,404,767	(123,287)	44,884,098	44,055,772	(828,326)
Japan	21,738,755	21,011,333	(727,422)	<sup>4</sup> 8,199,501	<sup>5</sup> 7,784,030	(415,471)	* 19,729,067	* 19,070,880	(658,187)	49,667,323	47,866,243	(1,801,080)
Smaller Pacific Markets	24,713,627	16,433,378	(8,280,249)	<sup>2</sup> 11,799,358	<sup>2</sup> 11,894,622	95,264	* 46,560,452	47,499,275	938,823	83,073,437	75,827,275	(7,246,162)
Australia & New Zealand	24,442,651	17,895,499	(6,547,152)	0	0	0	0	0	0	24,442,651	17,895,499	(6,547,152)
Emerging Markets	≠ 20,995,733	≠ 21,916,802	921,069	<sup>5</sup> 16,420,675	<sup>5</sup> 17,420,369	999,694	0	0	0	37,416,408	39,337,171	1,920,763
<b>Property Unit Trusts</b>	22,321,391	20,324,585	(1,996,806)	13,421,995	12,325,733	(1,096,262)	0	0	0	35,743,386	32,650,318	(3,093,068)
<b>Cash</b>	39,364,583	41,526,857	2,162,274	68,244,163	76,494,096	8,249,933	5,303,503	9,029,039	3,725,536	112,912,249	127,049,992	14,137,743
	531,913,211	544,513,034	12,599,823	479,277,615	488,378,967	9,101,352	504,283,529	511,962,997	7,679,468	1,515,474,355	1,544,854,998	29,380,643

⊗ Includes £29,993,170 which is held in Managed Unit Trusts

⊕ Includes £31,322,806 which is held in Managed Unit Trusts

\* Held in Managed Insurance Funds

≠ Held in Baring Emerging Markets Umbrella Fund

<sup>1</sup> Includes £9,471,296 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 £8,487,603 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