

Pension Fund Committee

5 March 2012

Pension Fund Investments



Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of the report is to inform Members of the overall value of the Pension Fund as at 31 December 2011, of the additional sums available to the Managers for further investment, and of the latest Fund Rebalancing.

Value of the Fund

2. Reports from the six appointed Managers AllianceBernstein, Barings, BlackRock, CBRE, Edinburgh Partners and Royal London are included in the papers, but for information the Value of the Fund as at 31 December 2011 was £1,796,670,000. The Value of the Fund at 30 September was £1,683,160,000, an increase of £113,510,000.

Allocation of New Money

3. Table 1 details the working cash balance position of the Fund, cash flow for the last four quarters, and an estimated cash flow for the quarter ending 31 March 2012. This table includes only cash held by Durham County Council Pension Fund Bank Account. It does not include cash balances held by the Managers of £35,755,958.
4. In determining the amount of cash to be allocated to Managers at the quarter ended 31 March 2012, the un-invested cash balance at the end of the previous quarter, together with interest received in that quarter, is considered. This does not include cash currently held by Fund Managers.
5. The amount allocated to each Manager is subject to the need to retain money, in the Durham County Council Pension Fund Bank account to meet the Fund's net cash outflow. After taking these issues into account, it was decided that no money be added to the sums to be allocated to the Managers for investment in the quarter.

Fund Rebalancing

6. Normally Fund Rebalancing takes place on a quarterly basis, but, it has been decided to suspend this quarter's rebalancing so that the effect of the transfer of stock between Edinburgh Partners and BlackRock can be accurately measured.

Cash Flow Forecast 2012/13

7. Table 2 shows the forecasted cash flow for the Pension Fund for 2012/13.
8. The table shows that the Pension Fund Bank Account is estimated to be in deficit in each quarter of the year. However, it should be noted that this is only in respect of the bank account held by the Pension Fund, income

received from investments is currently held by Managers. When this is taken into account, the Pension Fund has a positive cash flow.

9. The quarterly rebalancing exercise will be the mechanism by which cash can be moved from Managers to the Pension Fund if the assumptions that have been used in calculating the forecasted cash flow are realised.
10. The assumptions which have been used to calculate the cash flow forecast are:
 - Income for 2012/13 estimated as at £30m based on current year actual figures to December 2011.
 - Income is profiled to be received in the same pattern as the current year i.e.
 - Quarter ended 30.06.12 34%
 - Quarter ended 30.09.12 27%
 - Quarter ended 31.12.12 18% and
 - Quarter ended 31.03.13 21%.
 - Increases in contributions in line with the Actuarial Valuation are included.
 - 'Transfers in' estimated at £1m per quarter transfers in will continue as LGPS will remain a better Fund.
 - Pensions increase will be at broadly the same level as 2011/12.
 - Payroll Paysheets are forecast to increase by £100,000 per quarter. This is the line that records payments to pensioners. This line will alter if there are large numbers of retirements in the employing authorities, but it is anticipated that as the County Council's position has been taken into account, this should not be materially different to forecast.
 - Payable Paysheets are forecast at a constant level throughout the year, but can be the most volatile line. Included in this line are Fund Managers' fees and payments of lump sums. The assumption here errs on the side of prudence, in that this is an average figure taken from previous quarterly payments.
11. This is an early indication of the likely impact on the Pension Fund's cash flow forecast which will be reviewed each quarter and refined to take into account new information as it becomes available.

Recommendation

12. Members are asked to note the information contained in this report.

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TABLE 1

Quarter Ended (1)	31.03.11		30.06.11		30.09.11		31.12.11		31.03.12
	Estimate (2) £	Actual (3) £	Estimate (4) £	Actual (5) £	Estimate (6) £	Actual (7) £	Estimate (8) £	Actual (9) £	Estimate (10) £
Contributions - DCC	17,400,000	18,610,070	18,000,000	18,944,056	19,000,000	16,901,541	16,653,000	16,562,149	16,600,000
- Other	7,300,000	10,702,319	7,300,000	7,268,047	7,300,000	6,241,530	6,500,000	6,945,284	6,600,000
- Sedgefield Borough Homes									2,000,000
Pensions Increase	1,100,000	1,196,199	1,100,000	1,197,002	1,200,000	1,135,903	1,130,000	1,210,532	1,200,000
Transfer Values	2,000,000	3,651,384	2,700,000	1,448,215	1,200,000	3,674,295	1,500,000	2,698,949	2,000,000
Miscellaneous & Queries	500,000	969,306	500,000	11,016,068	300,000	280,367	300,000	446,666	900,000
Gross Dividend & Interest	0	61,406	40,000	43,395	51,000	51,389	40,000	39,745	36,000
Total Income	28,300,000	35,190,684	29,640,000	39,916,783	29,051,000	28,285,025	26,123,000	27,903,325	29,336,000
Payroll Paysheets	18,000,000	17,824,676	18,000,000	18,683,588	18,000,000	18,998,613	19,000,000	19,229,113	19,300,000
Payables Paysheets (incl. Managers' fees)	8,500,000	12,775,665	11,000,000	15,843,630	11,000,000	11,181,760	10,000,000	7,087,332	8,000,000
Total Expenditure	26,500,000	30,600,341	29,000,000	34,527,218	29,000,000	30,180,373	29,000,000	26,316,445	27,300,000
Surplus / (Deficit)	1,800,000	4,590,343	640,000	5,389,565	51,000	(1,895,348)	(2,877,000)	1,586,880	2,036,000
Net Capital payments/(receipts)		0		5,289,382		7,705,584		7,033,969	
Balance at Bank (opening)		22,235,857		26,176,601		25,206,084		14,341,669	
Balance at Bank (closing)		26,176,601		25,206,084		14,341,669		7,444,969	
Money paid/(recovered) to/(from Manager)		0		0		0		0	

TABLE 2

Quarter Ended	31.03.12	30.06.12	30.09.12	31.12.12	31.03.13
	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
Contributions - DCC	16,600,000	16,900,000	16,900,000	16,900,000	16,900,000
- Other	6,600,000	6,656,000	6,656,000	6,656,000	6,656,000
- Sedgefield Borough Homes	2,000,000				
Pensions Increase	1,200,000	1,100,000	1,100,000	1,100,000	1,100,000
Transfer Values	2,900,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross Dividend & Interest	36,000	40,000	40,000	40,000	40,000
Total Income	29,336,000	25,696,000	25,696,000	25,696,000	25,696,000
Payroll Paysheets	19,300,000	19,400,000	19,500,000	19,600,000	19,700,000
Payables Paysheets (incl. Managers' fees)	8,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total Expenditure	27,300,000	30,400,000	30,500,000	30,600,000	30,700,000
Surplus / (Deficit)	2,036,000	(4,704,000)	(4,804,000)	(4,904,000)	(5,004,000)
Dividends Received by Managers	5,670,000	10,200,000	8,100,000	5,400,000	6,300,000
Net Cash Flow Position	7,706,000	5,496,000	3,290,000	496,000	1,290,000