

Pension Fund Committee

4 December 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as at 30 September 2012 and of any additional sums available to the Managers for further investment or amounts to be withdrawn from Managers.

Value of the Fund

2. Reports from the six appointed Managers:
 - Alliance Bernstein
 - Barings
 - Black Rock
 - CBRE
 - Edinburgh Partners and
 - Royal London

are included in the papers, but for information, the Value of the Fund as at 30 September 2012 was £ 1,858,700,000 . The Value of the Fund at 30 June was £1,827,960,000, an increase of £ 30,740,000 in the quarter.

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 December 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 £18,877,602.
4. In determining the amount of cash to be allocated to Managers at the quarter ended 30 September, 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 is recommended 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 suspended until the results of the Strategy Review are put into operation.

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 at £35m based on last year's actual figures to March 2012.
 - Income is profiled to be received in the same pattern as last year i.e.
 - Quarter ended 30 June 34%
 - Quarter ended 30 Sept 27%
 - Quarter ended 31 Dec. 18% and
 - Quarter ended 31.Mar. 21%.
 - Increases in contributions in line with the Actuarial Valuation are included.
 - 'Transfers in' estimated at £1m per quarter. It is anticipated that transfers in will continue as LGPS will remain relatively attractive to employees.
 - 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, as the largest employer in the Fund, this should not be materially different to forecast.
 - Payable Paysheets are forecast at a constant level throughout the year, but this 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 and it is recommended that no further allocation of cash be made to Managers.

Contact: Hilary Appleton Tel: 03000 266239

TABLE 1

Cash Flow – Estimated and Actual for the period 31 December 2011 to 31 December 2012

Quarter Ended (1)	31.12.11		31.03.12		30.06.12		30.09.12		31.12.12
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
	£	£	£	£	£	£	£	£	£
Contributions - DCC	16,653,000	16,562,149	16,600,000	16,011,611	16,600,000	14,486,382	18,306,382	18,136,224	16,400,000
- Other	6,500,000	6,945,284	8,600,000	8,682,517	6,900,000	6,818,377	6,700,000	7,038,163	6,800,000
Pensions Increase	1,130,000	1,210,532	1,200,000	1,230,612	1,200,000	1,215,541	1,200,000	1,210,577	1,200,000
Transfer Values	1,500,000	2,698,949	2,000,000	2,302,354	1,200,000	1,317,438	1,000,000	1,607,552	1,000,000
Month end uncleared items	300,000	446,666	900,000	1,422,165	900,000	866,934	1,000,000	1,338,851	1,000,000
Gross Dividend & Interest	40,000	39,745	36,000	36,007	60,000	60,013	60,000	0	120,000
Total Income	26,123,000	27,903,325	29,336,000	29,685,266	26,860,000	24,764,685	28,226,382	29,331,367	26,520,000
Payroll Paysheets	19,000,000	19,229,113	19,300,000	19,394,550	19,400,000	20,200,100	20,200,000	20,428,758	20,500,000
Payables Paysheets (incl. Managers' fees)	10,000,000	7,087,332	8,000,000	9,971,636	8,000,000	7,433,343	10,000,000	8,269,280	9,000,000
Total Expenditure	29,000,000	26,316,445	27,300,000	29,366,186	27,400,000	27,633,443	30,200,000	28,698,038	29,500,000
Surplus / (Deficit)	(2,877,000)	1,586,880	2,036,000	319,080	(540,000)	(2,868,758)	(1,933,618)	633,329	(2,980,000)
Net Capital payments/(receipts)		7,033,969		0		0		110,000	
Balance at Bank (opening)		14,341,669		7,444,969		26,395,763		15,386,952	
Balance at Bank (closing)		7,444,969		26,395,763		15,386,952		14,024,338	
Money paid/(recovered) to/(from Manager)		0		(15,000,000)		0		0	

TABLE 2

Projected Cash Flow – including dividends received by Fund Managers for the period 31 December 2012 to 31 December 2013

Quarter Ended	31.12.12	31.03.13	30.06.13	30.09.13	31.12.13
	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
Contributions - DCC	16,400,000	18,800,000	20,000,000	20,000,000	20,000,000
- Other	6,800,000	7,100,000	7,250,000	7,250,000	7,250,000
Pensions Increase	1,200,000	1,100,000	1,100,000	1,100,000	1,100,000
Transfer Values	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Month end uncleared items	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross Dividend & Interest	120,000	60,000	60,000	60,000	60,000
Total Income	26,520,000	29,060,000	30,410,000	30,410,000	30,410,000
Payroll Paysheets	20,500,000	20,600,000	20,700,000	20,800,000	20,900,000
Payables Paysheets (incl. Managers' fees)	9,000,000	12,000,000	11,000,000	11,000,000	11,000,000
Total Expenditure	29,500,000	32,600,000	31,700,000	31,800,000	31,900,000
Surplus / (Deficit)	(2,980,000)	(3,540,000)	(1,290,000)	(1,390,000)	(1,490,000)
Dividends Received by Managers	6,300,000	7,350,000	11,900,000	9,450,000	6,300,000
Net Cash Flow Position	3,320,000	3,810,000	10,610,000	8,060,000	4,810,000