

Pension Fund Committee

5 December 2013

Overall Value of Pension Fund Investments to 30 September 2013



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as at 30 September 2013 and of any additional sums available to the Managers for further investment or amounts to be withdrawn from Managers.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 five appointed Managers:

- AllianceBernstein
- Barings
- BlackRock
- CBRE
- Royal London

are included in other papers within this agenda. The value of the Fund at 30 September 2013 was £2,057,090,000.

3. The value of the Fund as at 30 June 2013 was £2,015,970,000. The value of the Fund therefore increased by £41,120,000 in the second quarter of 2013/14.

Allocation of New Money

4. Appendix 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 30 September 2013. 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 £ 21,645,541 as at 30 September 2013.
5. 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.
6. 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recommended that £15m be withdrawn from the sums allocated to the Managers for investment in the quarter. In order to reduce transaction costs, pending a full re-balancing upon completion of the review, it is recommended that this amount be withdrawn from the BlackRock Pooled Fund.

Fund Rebalancing

7. 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 2013/14

8. Appendix 2 shows the forecasted cash flow for the Pension Fund for 2013/14
9. This 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.
10. 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.
11. The assumptions which have been used to calculate the cash flow forecast are:
 - Income for 2013/14 estimated at £32m based on last year's actual figures to March 2013.
 - Income is profiled to be received in the same pattern as last year i.e.

○ Quarter ended 30 June	34%
○ Quarter ended 30 September	27%
○ Quarter ended 31 December	18%
○ Quarter ended 31 March	21%.
 - Increases in contributions in line with the Actuarial Valuation are included.
 - 'Transfers in' estimated at £500k 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 2012/13.
 - Payroll Paysheets are forecast to increase by £100k 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.
12. 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

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

Contact: Hilary Appleton Tel: 03000 266239

Cash Flow – Estimated and Actual for the period 31 December 2012 to 31 December 2013

Quarter Ended (1)	31.12.12		31.03.13		30.06.13		30.09.13		31.12.13
	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
	£	£	£	£	£	£	£	£	£
Contributions - DCC	16,400,000	16,056,854	16,000,000	18,102,207	18,500,000	18,650,306	18,500,000	16,500,466	16,500,000
- Other	6,800,000	7,285,052	7,100,000	5,358,443	5,200,000	5,376,269	5,300,000	7,592,559	7,300,000
Pensions Increase	1,200,000	1,242,263	1,200,000	1,150,005	1,000,000	919,281	1,000,000	1,221,180	1,000,000
Transfer Values	1,000,000	451,820	500,000	1,008,627	700,000	742,328	500,000	607,420	500,000
Month end uncleared items	1,000,000	2,125,200	2,000,000	404,953	400,000	428,496	1,000,000	1,300,000	1,000,000
Gross Dividend & Interest	120,000	139,171	65,000	117,192	75,000	78,593	80,000	22,751	23,000
Total Income	26,520,000	27,300,360	26,865,000	26,141,427	25,875,000	26,195,273	26,380,000	27,244,376	26,323,000
Payroll Paysheets	20,500,000	20,621,401	20,700,000	20,382,254	20,500,000	20,978,262	21,000,000	21,128,081	21,200,000
Payables Paysheets (incl. Managers' fees)	9,000,000	5,714,831	9,000,000	10,421,168	8,000,000	6,637,706	8,000,000	6,623,383	7,000,000
Total Expenditure	29,500,000	26,336,232	29,700,000	30,803,422	28,500,000	27,615,968	29,000,000	27,751,464	28,200,000
Surplus / (Deficit)	(2,980,000)	964,128	(2,835,000)	(4,661,995)	(2,625,000)	(1,420,695)	(2,620,000)	(507,088)	(1,877,000)
Net Capital payments/(receipts)		0		0		1,600,000		0	
Balance at Bank (opening)		14,024,338		24,538,401		21,217,826		14,369,891	
Balance at Bank (closing)		24,538,401		21,217,826		14,369,891		12,515,667	
Money paid/(recovered) to/(from Manager)		(10,000,000)		0		0		0	

Projected Cash Flow – including dividends received by Fund Managers for the period 31 December 2013 to 31 December 2014

Quarter Ended	31.12.13	31.03.14	30.06.14	30.09.14	31.12.14
	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
Contributions - DCC	16,500,000	16,500,000	16,700,000	16,800,000	16,800,000
- Other	7,300,000	7,300,000	7,400,000	7,400,000	7,400,000
Pensions Increase	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfer Values	500,000	500,000	500,000	500,000	500,000
Month end uncleared items	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross Dividend & Interest	23,000	25,000	25,000	25,000	25,000
Total Income	26,323,000	26,325,000	26,625,000	26,725,000	26,725,000
Payroll Paysheets	21,200,000	21,300,000	21,400,000	21,500,000	21,600,000
Payables Paysheets (incl. Managers' fees)	7,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total Expenditure	28,200,000	31,300,000	31,400,000	31,500,000	31,600,000
Surplus / (Deficit)	(1,877,000)	(4,975,000)	(4,775,000)	(4,775,000)	(4,875,000)
Dividends Received by Managers	5,760,000	6,720,000	10,880,000	8,640,000	5,760,000
Net Cash Flow Position	3,883,000	1,640,000	6,105,000	3,865,000	885,000