

**Pension Fund Committee  
4 June 2015**

**Overall Value of Pension Fund  
Investments to 31 March 2015**



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**Don McLure, Corporate Director Resources**

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**Purpose of the Report**

1. To inform Members of the overall value of the Pension Fund as at 31 March 2015 and of any additional sums available to the Managers for further investment or amounts to be withdrawn from Managers.

**Value of the Pension Fund**

2. Reports from the seven appointed Managers:

- Aberdeen
- AllianceBernstein
- BlackRock
- Bank of New York (Walter Scott)
- CB Richard Ellis
- Mondrian
- Royal London

are included in other papers within this agenda. The Value of the Fund at 31 March 2015 was £2 billion, 284.41million

3. The value of the Fund as at 31 December 2014 was £2 billion, 198.32 million. The value of the fund therefore increased by £86.09 million in the last quarter of 2014/15.

**Allocation of New Investment Money and Withdrawal of Investment Money to Deal with Estimated Deficit**

4. New investment money is allocated to Investment Managers when the Pension Fund has cash which is not needed to be available as a working cash balance, for example for the payment of pensioners or fees.
5. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from Investment Managers.
6. Appendix 1 details the working cash balance position of the Pension Fund and cash flow for the last four quarters, and an estimated cash flow for the quarter ending 30 June 2015. This table includes only cash held by Durham

County Council Pension Fund Bank Account. It does not include cash balances of £54.467m held by the Managers as at 31 March 2015.

7. In determining the amount of cash to be allocated to Managers at the quarter ended 31 March 2015, 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.
8. The amount allocated to each Manager is subject to the need to retain enough money in the Durham County Council Pension Fund Bank account to meet the Fund's estimated 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.

### **Cash Flow Forecast 2015/ 2016**

9. Appendix 2 shows the projected cash flow for the Pension Fund for the period June 2015 to June 2016.
10. This table shows that the Pension Fund 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 is forecasted to have a positive cash flow.
11. 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.
12. The following assumptions have been used to calculate the cash flow forecast:
  - Dividend income receivable in 2015/16 is estimated to be £31m, which is based on the actual figures to 31 March 2014. This income is profiled to be received in the same pattern as then, that is:

○ Quarter ended 31 March	21%
○ Quarter ended 30 June	34%
○ Quarter ended 30 September	27%
○ Quarter ended 31 December	18%
  - Increases in contributions in line with the Actuarial Valuation are included.
  - 'Transfer values in' are estimated at £0.500m per quarter. It is anticipated that transfers in will continue as LGPS will remain relatively attractive to employees.
  - Pension increases will be at broadly the same level as 2014/15.

- Payroll Paysheets (payments to pensioners) are forecast to increase by £0.100m per quarter. This figure will alter if there are large numbers of retirements in the employing authorities. It is anticipated, however, that the actual figure will not be materially different to the forecast since the position of the County Council, being the largest employer in the Fund, has been taken into account.
  - Payable Paysheets are forecast on the basis of the last year's profile, adjusted for known one-offs, although this can be the most volatile figure as it includes payments of lump sums and fees to Managers. This assumption errs on the side of prudence, in that this is an average figure taken from previous quarterly payments.
13. This is an early indication of the likely impact on the Pension Fund's cash flow forecast over the next year. It will continue to be reviewed each quarter and refined to take into account new information as it becomes available.

### **Fund Rebalancing**

14. Fund rebalancing is the mechanism by which the Pension Fund ensures that the asset allocation to Investment Managers is maintained at the levels agreed by the Pension Fund Committee and set out in the Statement of Investment Principles.
15. The Fund was rebalanced during May 2015 for the asset allocation as at 31 December 2014. It is recommended that no rebalancing of the Fund as at 31 March 2015 takes place to allow the impact of the cash placed with the Fund Managers in May to be realised.
16. Rebalancing the Fund as at 30 June 2015 will be considered at September's committee meeting.

### **Recommendation**

17. Members are asked to agree the information contained in this report.

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## Cash Flow – Estimated and Actual for the period 30 June 2014 to 30 June 2015

Quarter Ended	30.06.14		30.09.14		31.12.14		31.03.15		30.06.15
(1)	Estimate (2)	Actual (3)	Estimate (4)	Actual (5)	Estimate (6)	Actual (7)	Estimate (8)	Actual (9)	Estimate (10)
	£	£	£	£	£	£	£	£	£
<b>Income</b>									
Contributions - DCC	16,400,000	16,204,146	16,500,000	16,459,409	16,500,000	16,350,731	16,400,000	16,780,619	16,800,000
Contributions - Other	7,400,000	7,377,362	7,400,000	7,164,058	7,400,000	7,616,148	7,400,000	7,411,292	7,400,000
Pensions Increase	1,200,000	1,206,808	1,200,000	1,201,297	1,200,000	1,273,523	1,200,000	1,242,761	1,200,000
Transfer Values	500,000	515,403	500,000	491,294	500,000	487,359	500,000	323,361	300,000
Other income	500,000	0	500,000	497,701	500,000	2,000	10,000	265,586	250,000
Money recovered from Managers	0	0	0	34,100,000	0	-35,000,000			
Interest on short term investments	20,000	23,653	35,000	29,773	11,000	31,293	30,000	60,268	40,000
<b>Total Income</b>	<b>26,020,000</b>	<b>25,327,372</b>	<b>26,135,000</b>	<b>59,943,532</b>	<b>26,111,000</b>	<b>-9,238,946</b>	<b>25,540,000</b>	<b>26,083,887</b>	<b>25,990,000</b>
<b>Expenditure</b>									
Payroll Paysheets	21,300,000	21,722,746	21,500,000	21,967,128	22,000,000	22,150,713	22,200,000	22,084,713	22,300,000
Payables Paysheets (incl. Managers' fees)	7,000,000	9,255,551	8,000,000	34,339,979	7,000,000	7,134,963	7,000,000	5,972,281	9,000,000
<b>Total Expenditure</b>	<b>28,300,000</b>	<b>30,978,297</b>	<b>29,500,000</b>	<b>56,307,107</b>	<b>29,000,000</b>	<b>29,285,676</b>	<b>29,200,000</b>	<b>28,056,994</b>	<b>31,300,000</b>
<b>Surplus / (-) Deficit</b>	<b>-2,280,000</b>	<b>-5,650,925</b>	<b>-3,365,000</b>	<b>3,636,425</b>	<b>-2,889,000</b>	<b>-38,524,622</b>	<b>-3,660,000</b>	<b>-1,973,107</b>	<b>-5,310,000</b>
Balance at Bank (opening)	27,017,268		20,697,641		24,421,753		56,156,417		
Balance at Bank (closing)	20,697,641		24,421,753		56,167,417		54,689,000		

**Projected Cash Flow** – including forecasted dividends receivable by Fund Managers for the period 30 June 2015 to 30 June 2016

Quarter Ended	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16
	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£
<b>Income</b>					
Contributions - DCC	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000
Contributions - Other	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000
Pensions Increase	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Transfer Values	300,000	500,000	500,000	500,000	500,000
Other income	250,000	500,000	500,000	500,000	500,000
Gross Dividend and Interest	40,000	30,000	20,000	20,000	20,000
<b>Total Income</b>	25,990,000	26,430,000	26,420,000	26,420,000	26,420,000
Payroll Paysheets	22,300,000	22,400,000	22,500,000	22,600,000	22,700,000
Payables Paysheets (incl. Managers' fees)	9,000,000	10,000,000	8,000,000	8,000,000	8,000,000
<b>Total Expenditure</b>	31,300,000	32,400,000	30,500,000	30,600,000	30,700,000
<b>Surplus / (-) Deficit</b>	-5,310,000	-5,970,000	-4,080,000	-4,180,000	-4,280,000
Dividends Received by Managers	6,510,000	10,540,000	8,370,000	5,580,000	6,510,000
<b>Net Cash Flow Position</b>	1,200,000	4,570,000	4,290,000	1,400,000	2,230,000