

## **Pension Fund Committee**

**10 September 2020**

## **Overall Value of Pension Fund Investments to 30 June 2020**



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## **Report of John Hewitt, Corporate Director of Resources**

### **Purpose of the Report**

1. To provide an update to Members on the:
  - (a) overall value of the Pension Fund's investments at 30 June 2020;
  - (b) movement in the cash balance during the last four quarters.

### **Executive Summary**

2. Appendix 1 details the working cash balance position of the Pension Fund and actual cash flow for the last four quarters. At 30 June 2020 the value of the Fund was £3.112 billion and the cash balance held in the Durham County Council Pension Fund bank account was £47.223 million. Fund Managers also held cash of £107.744 million at that date.
3. The Pension Fund received Durham County Council's pension deficit contribution £29.720 million relating to 2020/21 to 2022/23 in one lump sum in April 2020.

### **Recommendation**

4. Members are asked to note the information contained within this report.

### **Background**

#### **Value of the Pension Fund**

5. Reports from the six appointed fund managers, namely:
  - AB
  - BlackRock
  - BCPP
  - CB Richard Ellis
  - Mondrian

- Royal London

are included in Part B of today's agenda.

6. The value of the Fund at 30 June 2020 was £3.112 billion compared to £2.746 billion at 31 March 2020. This is a increase of £366 million or 13.35% in the first quarter of 2020/21.

### **Allocation of New Investment Money/ Withdrawal of Investment Money to Deal with Estimated Shortfall**

7. New investment money is allocated to fund managers when the Pension Fund has cash which is not required to be available as a working cash balance, for example to pay pensioners or fees.
8. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers.
9. Appendix 1 details the working cash balance position of the Pension Fund and actual cash flow for the last four quarters. As at 30 June 2020 the cash balance held in the Durham County Council Pension Fund bank account was £47.223 million. In addition to this, not included in this table, fund managers were holding cash of £107.744 million at 30 June 2020.
10. During the last two quarters further drawdowns totalling £7.973 million were made to BCPP, made up of £1.856 million investment in private equity, £4.315 million investment in infrastructure and £1.802 million investment in private credit.

### **Fund Rebalancing**

11. Fund rebalancing is the mechanism by which the Pension Fund would ensure that the asset allocation to fund managers is maintained at the target levels previously agreed by the Pension Fund Committee and as set out in the Investment Strategy Statement. It is also the means by which cash is moved to or from managers as a consequence of the cash flow forecasts.
12. Due to the current suspension of fund rebalancing, there was no rebalancing exercise during this quarter.

## Actual Cash Flow – For the period 1 July 2019 to 30 June 2020

Quarter Ended	30.09.19		31.12.19		31.03.20		30.06.20	
	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
	£	£	£	£	£	£	£	£
<b>Cash Inflows</b>								
Contributions - DCC	15,100,000	15,268,926	15,250,000	15,254,601	15,250,000	15,291,976	46,070,000	45,283,011
Contributions - Other	9,950,000	10,480,363	10,480,000	10,510,402	10,480,000	10,584,857	10,480,000	11,331,498
Unfunded pensions recharges	1,080,000	1,220,458	1,080,000	440,628	1,080,000	1,705,261	1,080,000	1,020,500
Transfer Values	1,250,000	2,092,081	1,250,000	3,509,472	1,250,000	2,658,626	1,250,000	1,276,938
Other income	2,000,000	1,070,689	2,000,000	1,483,864	2,000,000	2,592,811	2,000,000	1,002,018
Funds recovered from Managers	0	0	20,000,000	20,122,522	0	0	0	0
Interest on short term investments	84,000	84,864	65,000	70,530	65,000	73,147	75,000	70,000
<b>Total Cash Inflow</b>	<b>29,464,000</b>	<b>30,217,381</b>	<b>50,125,000</b>	<b>51,392,019</b>	<b>30,125,000</b>	<b>32,906,678</b>	<b>60,955,000</b>	<b>59,983,965</b>
<b>Cash Outflows</b>								
Payroll Paysheets	27,100,000	26,802,176	27,350,000	27,102,239	27,600,000	26,805,305	27,820,000	27,259,803
Payables Paysheets (incl. Managers' fees)	12,000,000	14,159,792	12,000,000	13,142,293	12,000,000	8,815,465	12,000,000	14,118,012
Funds transferred to Managers	0	1,303,736	0	881,383	0	3,917,330	0	4,164,024
Other Expenditure	1,000	1,293	1,000	1,282	1,000	1,298	1,000	1,169
<b>Total Cash Outflows</b>	<b>39,101,000</b>	<b>42,266,998</b>	<b>39,351,000</b>	<b>41,127,196</b>	<b>39,601,000</b>	<b>39,539,397</b>	<b>39,821,000</b>	<b>45,543,008</b>
<b>Net Cash Inflow / (-) Outflow</b>	<b>-9,637,000</b>	<b>-12,049,617</b>	<b>10,774,000</b>	<b>10,264,822</b>	<b>-9,476,000</b>	<b>-6,632,719</b>	<b>21,134,000</b>	<b>14,440,957</b>
Balance at Bank (opening)		42,645,995		29,882,861		39,426,392		32,792,549
Balance at Bank (closing)		29,882,861		39,426,392		32,792,549		47,222,886