

Pension Fund Committee

8 December 2022

Overall Value of Pension Fund Investments to 30 September 2022



Report of Paul Darby, 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 September 2022;
 - (b) movement in the cash balance during the last four quarters.

Executive Summary

2. The overall value of the Fund as at 30 September 2022 was £3.152 billion and the cash balance held in the Durham County Council Pension Fund bank account was £28.592 million. Fund managers also held cash of £7.296 million at that date. Appendix 1 details the working cash balance position of the Pension Fund and actual cash flow for the last four quarters.

Recommendation

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

Background

Value of the Pension Fund

4. Reports from the four appointed fund managers, namely:

- AB
- BCPP
- CB Richard Ellis
- Mondrian

are included in Part B of today's agenda.

5. The value of the Fund at 30 September 2022 was £3.152 billion compared to £3.226 billion at 30 June 2022. This is a decrease of £74 million (or 2.29%) in the second quarter of 2022/23 which is mainly due to the ongoing global effects of the war between Russia and Ukraine.

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

6. 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.

7. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers.

8. Appendix 1 details the working cash balance position of the Pension Fund and actual cash flow for the last four quarters. As at 30 September 2022, the cash balance held in the Durham County Council Pension Fund bank account was £28.592 million. In addition to this, not included in this table, fund managers were holding cash of £7.296 million at 30 September 2022.

9. During the quarter ending 30 September 2022 further drawdowns totalling £15.094 million were made to BCPP to invest in private equity, infrastructure and private credit.

Fund Rebalancing

10. 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.

11. There was no rebalancing exercise this quarter, but shortly following the quarter-end it was necessary to rebalance the portfolio due to significant movement in the Index Linked Gilts market. The Fund became significantly overweight equity, whilst Gilts became significantly underweight relative to its strategic allocation within the portfolio. Officers therefore took steps to rebalance from the overweight equity position, into both Gilts and Multi-Asset Credit. This rebalancing will be reflecting in reporting for quarter end 31st December 2022.
12. Later in the agenda, the Committee will be asked to approve a policy approach to rebalancing.

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Actual Cash Flow – For the period 1 October 2021 to 30 September 2022

Quarter Ended	31.12.21		31.03.22		30.06.22		30.09.22	
	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
	£	£	£	£	£	£	£	£
Cash Inflows								
Contributions - DCC	16,400,000	16,062,865	16,400,000	16,522,541	16,400,000	17,833,757	16,500,000	16,997,176
Contributions - Other	12,500,000	13,008,928	12,900,000	13,194,458	12,900,000	13,871,960	13,500,000	13,842,779
Unfunded pensions recharges	1,050,000	989,384	1,050,000	972,201	1,050,000	944,910	1,050,000	672,966
Transfer Values	1,250,000	2,065,930	1,250,000	1,073,906	1,250,000	1,320,801	1,250,000	3,023,323
Other income	1,500,000	1,119,736	1,500,000	1,823,950	1,500,000	1,052,313	1,500,000	716,378
Funds recovered from Managers	0	20,000,000	50,000,000	49,904,456	16,000,000	9,616,000	11,400,000	25,130,445
Interest on short term investments	2,000	4,104	1,500	16,973	2,500	70,476	55,000	112,025
Total Cash Inflow	32,702,000	53,250,947	83,101,500	83,508,485	49,102,500	44,710,217	45,255,000	60,495,092
Cash Outflows								
Payroll Paysheets	28,200,000	28,679,140	28,400,000	28,318,989	29,500,000	29,172,331	29,700,000	29,478,766
Payables Paysheets (incl. Managers' fees)	10,000,000	10,561,452	10,000,000	10,243,308	10,000,000	14,691,628	11,000,000	10,348,715
Funds transferred to Managers	7,000,000	29,768,186	19,000,000	13,329,520	24,000,000	9,646,960	21,500,000	16,975,527
Other Expenditure	1,000	876	1,000	853	1,000	910	1,000	883
Total Cash Outflows	45,201,000	69,009,654	57,401,000	51,892,671	63,501,000	53,511,829	62,201,000	56,803,890
Net Cash Inflow / (-) Outflow	-12,499,000	-15,758,707	25,700,500	31,615,815	-14,398,500	-8,801,612	-16,946,000	3,691,201
Balance at Bank (opening)		30,642,471		14,922,665		46,805,379		37,701,207
Balance at Bank (closing)		14,922,665		46,805,379		37,701,207		28,592,226