

Pension Fund Committee

15 June 2023

Overall Value of Pension Fund Investments to 31 March 2023



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 31 March 2023;
 - (b) movement in the cash balance during the last four quarters.

Executive Summary

2. The overall value of the Fund as at 31 March 2023 was £3.354 billion and the cash balance held in the Durham County Council Pension Fund bank account was £41.257 million. Fund managers also held cash of £20.685 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 five listed fund managers, namely:
 - AB
 - BCPP
 - CB Richard Ellis
 - Mondrian
 - Foresight

are included in Part B of today's agenda.

5. The value of the Fund at 31 March 2023 was £3.354 billion compared to £3.232 billion at 31 December 2022. This is an increase of £123 million (or 3.8%) in the fourth quarter of 2022/23.

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 When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers.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 31 March 2023, the cash balance held in the Durham County Council Pension Fund bank account was £41.257 million. In addition to this, not included in this table, fund managers were holding cash of £20.685 million at 31 March 2023.
9. During the quarter ending 31 March 2023 further drawdowns totalling £21.665 million were made to BCPP to invest in private equity, infrastructure and private credit. No drawdowns were made to Foresight Regional Investment IV LP.
10. During the quarter ending 31 March 2023, actual net cash varied by £4.525 million to budget. Cash Inflows exceeded budget by £7.386 million. The main reasons being as follows:

- Additional contributions from scheme members - £2.526 million;
 - Additional transfer values - £1.707 million;
 - Funds recovered from Managers to support cash flows - £2.842 million.
11. Cash outflows exceeded budget by £2.861 million mainly relating to the timing of year end creditor payments (eg. fund manager, professional and advisory fees)
 12. Movement in scheme membership including transfers from other schemes along with the agreement of annual pay awards can be significant and complex and can make both membership and cash flow forecasting challenging. Pensions Accountancy and Administration teams work closely to ensure assumptions are applied consistently across forecasted data.

Fund Rebalancing

13. 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.
14. Rebalancing was reported to Members at the 16 March Committee meeting transferring funds from Global Equity Alpha to Sterling Index linked bonds and Multi Asset Credit (MAC).
15. During February 2023 further rebalancing transactions were undertaken as follows:
 - £54.656 million transfer from Global Equity Alpha;
 - £11.056 million to Sterling Index-Linked Bonds;
 - £43.600 million to Listed Alts.
16. The strategic allocations have been amended as per the committee meeting decision in March 2023. There have been no further rebalancing exercises since February 2023 and rebalancing has been temporarily

suspended until the upcoming transfers into the pool have been completed in order to achieve those strategic allocations.

17. In addition, £16.000 million was drawn down from Global Equity Alpha in March for cashflow purposes.

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Actual Cash Flow – For the period 1 April 2022 to 31 March 2023

Quarter Ended	30.06.22		30.09.22		31.12.22		31.03.23	
	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
	£	£	£	£	£	£	£	£
Cash Inflows								
Contributions - DCC	16,400,000	17,833,757	16,500,000	16,997,176	17,500,000	19,549,856	17,500,000	18,690,538
Contributions - Other	12,900,000	13,871,960	13,500,000	13,842,779	13,500,000	15,335,155	13,800,000	15,135,086
Unfunded pensions recharges	1,050,000	944,910	1,050,000	672,966	1,050,000	1,264,128	1,050,000	1,073,708
Transfer Values	1,250,000	1,320,801	1,250,000	3,023,323	1,250,000	1,805,173	1,250,000	2,957,084
Other income	1,500,000	1,052,313	1,500,000	716,378	1,500,000	1,072,000	1,500,000	1,675,539
Funds recovered from Managers	16,000,000	9,616,000	11,400,000	25,130,445	36,000,000	34,006,550	23,100,000	25,941,561
Interest on short term investments	2,500	70,476	55,000	112,025	45,000	196,816	185,000	297,673
Total Cash Inflow	49,102,500	44,710,217	45,255,000	60,495,092	70,845,000	73,229,679	58,385,000	65,771,188
Cash Outflows								
Payroll Paysheets	29,500,000	29,172,331	29,700,000	29,478,766	29,900,000	30,251,207	30,100,000	29,931,803
Payables Paysheets (incl. Managers' fees)	10,000,000	14,691,628	11,000,000	10,348,715	11,000,000	11,138,617	11,000,000	13,691,599
Funds transferred to Managers	24,000,000	9,646,960	21,500,000	16,975,527	25,000,000	30,781,357	23,000,000	23,336,647
Other Expenditure	1,000	910	1,000	883	1,000	1,420	1,000	2,057
Total Cash Outflows	63,501,000	53,511,829	62,201,000	56,803,890	65,901,000	72,172,601	64,101,000	66,962,107
Net Cash Inflow / (-) Outflow	-14,398,500	-8,801,612	-16,946,000	3,691,201	4,944,000	1,057,078	-5,716,000	-1,190,919
Balance at Bank (opening)		46,805,379		37,701,207		28,592,226		30,950,576
Balance at Bank (closing)		37,701,207		28,592,226		30,950,576		41,257,461