

## **Pension Fund Committee**

**14 September 2023**

## **Overall Value of Pension Fund Investments to 30 June 2023**



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## **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 June 2023, and;
  - (b) movement in the cash balance during the quarter.

### **Executive Summary**

2. The overall value of the Fund as at 30 June 2023 was £3.367 billion and the cash balance held in the Durham County Council Pension Fund bank account was £36.820 million. Fund managers also held cash of £29.628 million at that date.
3. Restructuring of the Fund's asset allocation has been undertaken, in line with decisions made by the Committee. During the Quarter, the Fund concluded investment into Investment Grade Credit, whilst planning for the Fund's Emerging Markets transitions continued – work which was successfully concluded after the Quarter's end. The completion of these investments through Border to Coast Pensions Partnership concludes the pooling of the liquid assets within the Fund's strategy. The Fund's cashflows will be remodelled to reflect the positive income generated from Investment Grade Credit.

### **Recommendation**

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

## **Value of the Pension Fund**

5. Reports from the five listed fund managers, namely:
  - AB
  - BCPP
  - CB Richard Ellis
  - Mondrian
  - Foresight

are included in Part B of today's agenda.

6. The value of the Fund at 30 June 2023 was £3.367 billion compared to £3.354 billion at 31 March 2023. This is an increase of £13 million (or 0.39%) in the first quarter of 2023/24.

## **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 When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers. As at 30 June 2023, the cash balance held in the Durham County Council Pension Fund bank account was £36.820 million. In addition to this, Fund Managers were holding cash of £29.628 million at 30 June 2023.
9. Since the last meeting of the Committee, the Fund has concluded investment into Border to Coast's Sterling Investment Grade Credit Fund. During the quarter transition planning for the Fund's Emerging Markets mandate continued – with transition to Border to Coast concluding after the Quarter's end. The Emerging Markets Fund provides accumulation units, but the Investment Grade Fund provides access to income units meaning that income will regularly be distributed back to the Fund.
10. Revised cashflow modelling will be provided to the Committee in December to reflect the implementation of the new strategic asset allocations and positive income generated from Investment Grade Credit. Additionally, the modelling will include enhanced variance analysis. It is proposed that enhanced reporting on cash flow information is presented to the Committee every six months.

## **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. Now that the restructuring of the Fund's liquid assets has been implemented, in line with decisions taken by the Committee, periodic rebalancing will be instigated in line with the revised strategic asset allocation. The revised rebalancing approach will reflect the change in the composition of the liquid assets held by the Fund. Due to asset transitioning undertaken, no rebalancing took place during the quarter.

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