

Pension Fund Committee

24 June 2024

Overall Value of Pension Fund Investments to 31 March 2024



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 2024;
 - (b) movement in the cash balance during the quarter, and;
 - (c) rebalancing activity undertaken during the quarter 1 January – 31 March 2024.

Executive Summary

2. The overall value of the Fund as at 31 March 2024 was £3.665 billion and the cash balance held in the Durham County Council Pension Fund bank account was £29.428 million. Fund managers also held cash of £38.311 million at that date.
3. During March 2024, in order to maintain the strategic allocation to Private Markets and replenish working cash balances, £33.00m was transferred from Listed Alts as follows:
 - £18.96 million to Sterling Index Linked Bonds
 - £5.040 million to Emerging Markets Alpha
 - £9 million to cash.
4. Rebalancing reviews continue to be undertaken. No asset classes hit the trigger point for rebalancing requirements after the quarter end.

Recommendation

5. Members are asked to note and agree the information relating to the Fund value as at 31 March 2024.

Value of the Pension Fund

6. Reports from the four listed fund managers, namely:
 - AB
 - BCPP
 - CB Richard Ellis
 - Foresight

are included in Part B of today's agenda.

7. The value of the Fund at 31 March 2024 was £3.665 billion compared to £3.549 billion at 31 December 2023. This is an increase of £116 million (or 3.29%) in the fourth quarter of 2023/24. Details of the funds performance are provided later in the meeting.

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

8. 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.
9. When it is estimated that the Pension Fund will not have sufficient cash available as a working cash balance, cash is withdrawn from fund managers. The working cash balance requirement has been calculated as between £33 million and £35 million.
10. As at 31 March 2024, the cash balance held by the Pension Fund was £29.428 million. Cash of £9 million was drawn as part of a larger transfer from Listed Alts during March in order to replenish the cash balance to the working requirement. Timing delays as a result of the Easter bank holidays however, delayed receipt into Pension Fund until 2nd April 2024. The cash balance at this date was £36.428 million.

Fund Rebalancing

11. Fund rebalancing is the mechanism by which the Pension Fund ensures 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. In line with decisions taken by the Committee, periodic rebalancing is undertaken. The revised rebalancing approach reflects the change in the composition of the liquid assets held by the Fund.
13. During the quarter, no asset class hit a trigger point for rebalancing. However, as capital calls to Private Markets continued to be made and in line with the policy of Listed Alts being primarily held as a proxy for the BCPP Private Markets commitments, a withdrawal of £33 million from Listed Alts was undertaken and transferred as follows:
 - £18.96 million to Sterling Index Linked Bonds
 - £5.040 million to Emerging Markets Alpha
14. The remaining £9 million was transferred as cash as noted in earlier paragraphs.
15. The table below highlights the fund balance by fund manager and asset class as at 31 March 2024 following the above transfers:

Fund Manager and Asset Class	As of 31-03-24 Market Value £000's	Actual Weight	Current Target Weight
ALLIANCE BERNSTEIN *	185.95	5.07%	5.00%
CBRE 1 *	215.63	5.88%	8.61%
CBRE 2 *	50.81	1.39%	1.39%
BCPP GLOBAL EQUITY ALPHA FUND	1,575.81	42.99%	40.00%
BCPP STERLING INDEX LINKED BOND	371.00	10.12%	10.00%
BCPP PRIVATE MARKETS	246.58	6.73%	6.73%
BCPP MULTI ASSET CREDIT FUND	564.47	15.40%	15.00%
BCPP LISTED ALT FD	91.54	2.5%	3.19%
FORESIGHT REGIONAL INVESTMENT*	2.92	0.08%	0.08%
BCPP EMERGING MARKETALPHA FUND	182.70	4.99%	5.00%
BCPP INVESTMENT GRADE CREDIT	177.79	4.85%	5.00%
TOTAL	3,665.20	100.00%	100.00%

**Not within scope of rebalancing*

Background Papers

16. Investment Strategy Statement:
<https://www.durham.gov.uk/media/44693/Pension-Fund-Investment-Strategy-Statement/pdf/PensionFundInvestmentStrategyStatement.pdf?m=1716909339213>

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