

Investment Steering Committee	AGENDA ITEM 4
date: 28 March 2018	

Essex Pension Fund Treasury Management Strategy 2018/19

Report by the Director for Essex Pension Fund

Enquiries to Kevin McDonald on 0333 0138 488

1. Purpose of the Report

- 1.1 To present the 2018/19 Essex Pension Fund Treasury Management Strategy.

2. Recommendation

- 2.1 That the 2018/19 Essex Pension Fund Treasury Management Strategy be approved.

3. Background

- 3.1 The Treasury Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires an annual Treasury Management Strategy to be agreed. The attached Treasury Management Strategy for the Essex Pension Fund has been prepared having regard to the Treasury Management Code and informal guidance issued by the DCLG.

4. Essex Pension Fund Treasury Management Strategy

- 4.1 The 2018/19 Treasury Management Strategy for the Essex Pension Fund replicates to a large extent the Treasury Management Strategy already approved for Essex County Council, but has been adapted to reflect the limited borrowing requirements, use of global custodian and the separate governance arrangements of the Pension Fund.
- 4.2 Tracked additions are highlighted in coloured text and deletions highlighted in strikethrough ~~coloured text~~.
- 4.3 The Fund's global custodian is Northern Trust. The principles of the custodian cash management arrangements are highlighted in Section B of the attached strategy. Furthermore a series of questions highlighting operational aspects of the custodian cash management arrangements form Annex 2 of the attached strategy.
- 4.4 Section C, Cashflow Management Arrangements has been updated to reflect the revised Finance Schedule, attached at appendix 1. The forecast for 2018/19 predicts a shortfall of £27m this is offset by the net positive cashflow received in 2017/18.

5. Background Papers

- 5.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 5.2 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued by CIPFA.
- 5.3 Northern Trust Global Funds PLC prospectus June 2017.
- 5.4 BNP Paribas Insticash prospectus December 2017.
- 5.5 Finance Schedule updated March 2017

Appendix 1

Finance Schedule

		2016/17 actual £ (000)	2017/18 estimate £ (000)	2018/19 forecast £ (000)
EXPENDITURE	Retirement Pensions	183,131	188,565	197,993
	Retirement Lump Sums	36,481	35,843	36,560
	Death Benefits	5,693	5,322	6,121
	Leavers benefits	12,948	13,062	13,715
	Expenses	2,580	2,900	3,058
	Pooling expenses	80	90	250
TOTAL		240,913	245,782	257,696
INCOME	Employees Contributions	54,497	55,138	56,517
	Employers Contributions			
	Ongoing	116,907	137,289	138,865
	Deficit	48,616	63,831	19,407
	Financial Strain	4,339	3,133	2,800
	Transfer Values in	12,465	11,568	11,684
	Other income	1,720	1,787	1,876
TOTAL		238,544	272,746	231,149
Net cash flow excl. Investment Income		(2,369)	26,964	(26,547)