

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 04</b>
<b>Date: 27 March 2019</b>	

## **Essex Pension Fund Treasury Management Strategy 2019/20**

Report by the Director for Essex Pension Fund

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### **1. Purpose of the Report**

- 1.1 To present the 2019/20 Essex Pension Fund Treasury Management Strategy.

### **2. Recommendation**

- 2.1 That the 2019/20 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 2019/20 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 2019/20 predicts a shortfall of £26m. Plans to address this using balances and investment income are in place.

### **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 November 2018.
- 5.4 BNP Paribas Insticash prospectus May 2018.
- 5.5 Finance Schedule updated March 2019.

## Appendix 1

### Finance Schedule

		2017/18 actual £ (000)	2018/19 estimate £ (000)	2019/20 forecast £ (000)
EXPENDITURE	Retirement Pensions	189,425	199,843	209,835
	Retirement Lump Sums	35,072	38,308	39,074
	Death Benefits	5,526	5,853	6,146
	Leavers benefits	12,266	12,365	12,983
	Expenses	3,242	3,650	4,380
	Pooling expenses	90	115	110
<b>TOTAL</b>		<b>245,621</b>	<b>260,134</b>	<b>272,528</b>
INCOME	Employees Ctbns	56,186	57,614	57,943
	Employers Ctbns			
	Ongoing	140,926	143,753	149,363
	Deficit	75,342	18,223	19,939
	Financial Strain	3,664	5,409	5,409
	Transfer Values in	10,877	11,332	11,445
	Other income	2,155	2,007	2,108
<b>TOTAL</b>		<b>289,150</b>	<b>238,338</b>	<b>246,207</b>
<b>Net cash flow excl. Investment Income</b>		<b>43,529</b>	<b>(21,795)</b>	<b>(26,321)</b>