


<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 04</b>	
<b>Date: 28 February 2024</b>		

## **Essex Pension Fund Treasury Management Strategy 2024/25**

Report by the Director for Essex Pension Fund

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**This Report requires a decision**

### **Executive Summary**

**Report Type: Governance**

The Strategy's content is largely unchanged from last year. However, the following can be observed:

- forecasts have been revised throughout with a surplus cashflow projection for both 2023/24 and 2024/25; and
- the Institutional Counterparty Lending List has been revised. The maximum investment limit for Lloyds Banking Group, the Fund's 'in house' banking facility, has been increased from **£5m** to **£10m**. The Aberdeen Standard Liquidity Fund (Money Market Fund (MMF)) has also been added to the Counterparty Lending List, with a maximum investment limit of **£10m**. These revisions were based on recommendations from Essex County Council's (ECC's) Treasury Management Team.

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

- 1.1 To present the 2024/25 Essex Pension Fund Treasury Management Strategy.

#### **2. Recommendation**

- 2.1 That the 2024/25 Essex Pension Fund Treasury Management Strategy be **approved**, and the content of the report be noted.

### **3. Essex Pension Fund Treasury Management Strategy**

- 3.1 The 2021 CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (referred to as the Treasury Management Code) and Statutory Guidance require an annual Treasury Management Strategy to be agreed. The Treasury Management Strategy for the Essex Pension Fund has been prepared having regard to the Treasury Management Code and Statutory Guidance.
- 3.2 The 2024/25 Treasury Management Strategy for the Essex Pension Fund, attached at Appendix B, 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.
- 3.3 Section A of the attached Strategy reflects the arrangements in place with Essex County Council in managing 'in house' cash.
- 3.4 The Fund's global custodian is Northern Trust. The principles of the custodian cash management arrangements are highlighted in Section B.
- 3.5 Section C, Cashflow Management Arrangements has been updated to reflect the revised Finance Schedule, attached at Appendix A. The forecast for 2023/24 predicts a surplus of c£9m. This is largely attributable to an increase in the estimated costs of retirement pensions and retirement lump sums, offset by increased employer contributions.
- 3.6 The forecast for 2024/25 predicts a surplus for the year. This is largely driven by increased employer ongoing contribution income, partially offset by an increase in the estimated costs of retirement pensions driven by a CPI of 6.7%.
- 3.7 The Strategy is largely unchanged from last year. The main revision is in regard to Annex 3 where, following recommendations from ECC's Treasury Management Team, the Fund has revised its Institutional Counterparty List to increase its 'in-house' banking arrangement facility with Lloyds Banking Group from a £5m limit to £10m. In addition, a third MMF, Aberdeen Standard Liquidity Fund has been added with a maximum limit of £10m, bringing the total limit of MMFs to £30m.

#### **4. Recommendation**

- 4.1 That the 2024/25 Essex Pension Fund Treasury Management Strategy be approved.

#### **5. Financial and Resource Implications**

- 5.1 The cost of Essex County Council providing Treasury Management provision for the Fund for 2024/25 will be met within the 2024/25 Budget. The cost of this provision is estimated to be £29k for 2024/25 (£29k for 2023/24).

#### **6. Background Papers**

- 6.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 6.2 2021 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued by CIPFA.
- 6.3 Northern Trust Global Funds PLC prospectus January 2022.
- 6.4 BNP Paribas Insticash prospectus August 2023.
- 6.5 Finance Schedule updated February 2024 (Appendix A).
- 6.6 Treasury Management Strategy 2024/25 (Appendix B).



## Appendix A

### Finance Schedule

		2022/23 actual £ (000)	2023/24 estimate £ (000)	2024/25 forecast £ (000)
EXPENDITURE	Retirement Pensions	237,646	265,104	285,517
	Retirement Lump Sums	35,147	46,450	48,401
	Death Benefits	6,379	9,144	9,601
	Leavers' benefits	20,546	29,703	31,188
	Expenses	3,100	3,718	4,044
	Pooling expenses	107	144	155
<b>TOTAL</b>		<b>302,925</b>	<b>354,263</b>	<b>378,906</b>
INCOME	Employees' Contributions	73,663	76,662	83,695
	Employers' Contributions			
	Ongoing	222,175	255,766	287,550
	Deficit	16,498	2,653	3,142
	Financial Strain	1,986	2,535	2,789
	Transfer Values in	17,821	23,004	24,154
	Other income	2,121	2,370	2,489
<b>TOTAL</b>		<b>333,264</b>	<b>362,990</b>	<b>403,819</b>
<b>Net cash flow excl. Investment Income</b>		<b>31,339</b>	<b>8,727</b>	<b>24,913</b>

Note: cashflow positive /(cashflow negative)