Appendix B

Essex Pension Fund

Treasury Management Strategy 2024/25

lgps | Local Government Pension Scheme

Introduction

The treasury management activities covered by this Document are comprised of three separate areas:

Section A

The day to day management of the Pension Fund's cash flows and associated short term cash investments known as "In house cash". These activities are undertaken by Essex County Council on behalf of the Pension Fund under a service level agreement.

Section B

The cash held and managed by the Global Custodian as part of the Fund's Investment Strategy.

Longer term investments are administered separately by external fund managers and these activities are covered in the Pension Fund Investment Strategy Statement (ISS) agreed by the Investment Steering Committee.

A copy of the latest ISS can be found on the Fund's website at:

https://www.essexpensionfund.co.uk/resources/investment-strategy-statement-2023/

Section C

The requirement to realise investment income in order to meet a shortfall in income to meet a proportion of future benefit payments.

Essex Pension Fund
Treasury Management Strategy 2024/25

Section A – "In House Cash" Treasury Management Arrangements

In undertaking the treasury management activities for the Essex Pension Fund, in the absence of any specific guidance on treasury management for Local Government Pension Scheme funds, Essex County Council will comply with the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Statutory Guidance.

A fundamental aim of treasury management is to effectively control the risks associated with treasury management activities and to pursue value for money, in so far as this is consistent with the effective management of risk.

The Treasury Management Code requires the following:

- A Policy Statement which states treasury management policies, objectives and approach to risk management. This is shown at Annex 1.
- Treasury Management Practices (TMPs) which set out the manner in which the organisation will seek to achieve those policies and objectives and prescribe how these activities will be managed and controlled. The TMPs are detailed in Annex 2.
- An annual Treasury Management Strategy that outlines the expected treasury activity. The strategy must define the organisation's policies for managing its investments and for giving priority to the security and liquidity of those investments.

  The Treasury Management Strategy is set out in the subsequent paragraphs.

Essex Pension Fund
Treasury Management Strategy 2024/25

Treasury Management Strategy

Short Term Cash Investment Strategy

Key objectives

The primary objectives of investment activities are:

- ◊ Firstly, to **safeguard** the principal sums invested;
- ◊ Secondly, to ensure adequate **liquidity**; and
- ◊ Lastly, to consider investment returns or **yield**.

Surplus cash balances will only be invested on a short-term basis (up to a maximum period of 364 days) until the funds are next required. Longer term investments are outside the scope of this document.

Investment counterparty selection criteria

Funds will be invested according to the Secretary of State's definition of specified investments, these being sterling deposits made for periods of less than one year, offering high security and high liquidity. Specified investments may include deposits with the UK Government, other local authorities, money market funds and bodies of high credit quality.

A lending list will be compiled to include counterparties satisfying the criteria set out within **Annex 3**. The lending limits that will be applied to counterparties satisfying these criteria are also set out within **Annex 3**. Additional operational market information (e.g. Credit Default Swaps, negative rating watches/outlooks) will also be considered before making any specific investment decisions.

The criteria for choosing counterparties provide a sound approach to investment in normal market circumstances. However, the Executive Director, Corporate Services will determine the extent to which the criteria set out within **Annex 3** will be applied in practice (i.e. according to prevailing market circumstances).

Liquidity

Liquidity is defined as having adequate but not excessive cash resources, borrowing arrangements and overdraft or standby facilities to ensure that funds are available, at all times, for the achievement of the Pension Fund's objectives. In this respect, the Pension Fund will seek to maintain a contingency of at least **£1m** of cash available with a week's notice. This will be in excess of amounts available at short notice for managing expected cash flows.

Performance

Performance on cash invested short term, in order to maintain liquidity of funds, will be benchmarked against the Sterling Overnight Index Average (SONIA) rate, the aim being to achieve investment returns that are equivalent to, or greater than, the average SONIA rate for the year.

Essex Pension Fund
Treasury Management Strategy 2024/25

Interest Rates

An estimate of the movement in interest rates over the forthcoming three years is provided below:

Expected movement	2023/24 Actual	2024/25(@ Dec 23)	2025/26	2026/27
Bank rate (at each 31 March)	5.25%	4.0%	3.0%	3.0%

Source: Link Asset Services (December 2023)

The estimated average balance for "In house cash" is around **£34m**. A **0.25%** movement in interest rates would affect the level of income earned from short term investments by **£85,000**.

Given the short-term nature of "In house cash", no limits are proposed on the maximum exposure to fixed or variable rates of interest.

Borrowing

The Administering Authority does not have the power to borrow on behalf of the Pension Fund, other than temporary borrowing for the following specific purposes detailed in Section 5 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016:

- paying benefits due under the Scheme, or
- to meet investment commitments arising from the implementation of a decision by the Fund to change the balance between different types of investment.

In the context of this Strategy, short term borrowing will only be undertaken in exceptional circumstances to manage unexpected cash flow fluctuations which occur as a result of the above circumstances.

If short term borrowing is necessary, this will be secured via an overdraft facility with the Fund's bankers or by borrowing from the money markets or other local authorities.

Treasury Management Advisers

Essex County Council currently employs **Link Asset Services** (**Treasury Solutions)** as its Treasury Management Adviser. Link Asset Services provide a range of services, including technical advice on treasury matters, economic and interest rate analysis and credit worthiness information. Notwithstanding this, the final decision on treasury matters remains vested with the Essex Pension Fund Investment Steering Committee, and for day to day treasury management, with the Executive Director, Corporate Services.

The services received from the Treasury Management Advisers are subject to regular review.

Section B – Custodian Cash Management Arrangements

One of the functions provided by the Fund's custodian, Northern Trust, is a banking service. A separate bank account is set up in each currency required by each mandate. At 31 December 2023 the Fund held £153.3m in cash at the Custodian. The details are set out in the table below:

	£m	%
Sterling	89.2	58.2%
Dollar	58.0	37.8%
Euro	6.0	3.9%
Other	0.1	0.1%
Total	153.3	100.0%

If no other action were taken, these monies would remain on deposit with Northern Trust earning interest at the Custodian's rates.

However, to maximise the interest earned where possible, a "cash sweep" is in place for amounts held in sterling and US dollar. This ensures that balances (not required to settle trades) in these currencies across the Funds are swept each day into Global Liquidity Funds (GLFs) managed by either BNP Paribas Investment Partners UK Limited or Northern Trust Global Funds PLC where they earn a higher rate of interest. The two currencies subject to the sweep typically constitute over 90% of all custodian cash balances.

The Fund is also able to utilise the Euro GLF sweep. However, in the previous negative interest rates environment this facility was discontinued. Due to the recent interest rate increases Officers are investigating possibly utilising this facility going forward. The GLF vehicles used have obtained and seek to maintain an Aaa/Mf+ rating from Moody's and an AAA rating from Standard & Poor's. The GLFs operate a soft limit of 10% in any single security, although there are circumstances in which higher holding levels are permitted. A listing of the investment restrictions for both the Northern Trust GLFs and BNP Paribas GLFs is available on request.

The GLFs are open-ended collective investment companies (OEIC). This means that in placing monies in the GLFs via the cash sweep, the Essex Pension Fund becomes a shareholder and has a share in the pool of investments. A GLF must appoint a board of directors, an investment manager, an administrator and custodian. Clients invest not with the fund manager but in the fund run by the fund manager. The manager manages the investments of the fund, an administrator runs the back office and the assets are kept in safe keeping for the fund by the custodian.

The GLFs' overall ratings have two components: a credit risk rating (normally AAA) and a market risk rating. To achieve and maintain the rating, the funds must meet rigorous standards on investment quality, diversification, and liquidity profile. Both internal management and the rating agencies ensure compliance with regulatory, prudential, investment and credit policy guidelines. The processes are monitored further by administrators, custodians and auditors.

In order to limit the exposure of the Fund to any single financial institution a maximum limit is set for both the Northern Trust and BNP Paribas GLFs.

Further details on the how the GLFs operate in practice are available on request.

Impact of lump sum deficit contributions and income realisation

In addition to the working balances of the investment managers, cash management arrangements now need to accommodate the impact of lump sum deficit payments and income realisation.

Under the terms of the current Funding Strategy Statement, it is possible for certain fund employers to opt to pay deficit "up front" in April (rather than the traditional 12 monthly instalments). Furthermore, as highlighted in Section C, it is forecast that from time to time some investment income will need to be used rather than automatically reinvested in order to finance part of the Fund's benefit expenditure going forward.

As a consequence, the GLFs will be used in order to allow the most effective management of monies immediately prior to being allocated to fund managers or directed to pay benefits.

GLF Limits

At its meeting of 21 February 2018, the ISC agreed principles in respect of any reallocation of equities to the alternative and bond mandates. It was agreed that up to 1% of the Fund's assets can be held in cash (separate to that the managers may hold for efficient portfolio management) in expectation of a drawdown notice or other cash flow requirement for the Fund.

The limits for 2024-25 are set out below for both the Northern Trust GLF and BNP Paribas GLF to reflect the circumstances outlined:

Northern Trust GLF -	**£120m**	(no change on an operational basis)
Northern Trust GLF -	**£220m**	(no change on a temporary basis to facilitate the redeployment of assets)
BNP Paribas GLF -	**£120m**	(no change on an operational basis)
BNP Paribas GLF -	**£220m**	(no change on a temporary basis to facilitate the redeployment of assets)

Section C – Cashflow Management Arrangements

The Fund is maturing, and analysis has been undertaken to forecast when new contributions (employees and employers including deficit) are not enough to meet all benefit payments falling due. This is normal for a pension scheme and reflects the purpose of the Fund (accumulate monies and then pay it out in benefits).

The current position is that the Fund is broadly cash positive/neutral, with differences between the income and expenditure in the years analysed in the table below.

Table: Fund cashflow forecast

	2022/23 actual £(000)	2023/24 estimate £(000)	2024/25 forecast £(000)
Expenditure (benefits, transfers out and expenses)	302,925	354,263	378,906
Income (ongoing contributions, deficit contributions and transfers in)	334,264	362,990	403,819
Net cashflow excl. investment income	**31,339**	**8,727**	**24,913**

The cashflow forecast will be subject to regular periodic review.

Income Realisation Strategy

In order to meet the short to medium term cashflow requirements, the Investment Steering Committee at its 23 February 2015 meeting agreed to realise income from the Fund's UK property portfolio, when required.

Realised income may be held in cash short term in order to meet a proportion of benefit payments.

The income realisation strategy will be subject to regular periodic review.

Treasury Management Policy Statement — Annex 1

Purpose

The purpose of the **Treasury Management Policy Statement** is to define the policies and objectives of the Pension Fund's treasury management activities.

Definition of treasury management activities

Treasury management activities are defined as the:

- management of the Pension Fund's cash flows and associated short-term investments, its banking, money market and capital market transactions;
- effective control of the risks associated with those activities; and
- pursuit of optimum performance consistent with those risks.

Policies and objectives

The Pension Fund regards the successful identification, monitoring and control of risks to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Pension Fund.

The Pension Fund acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

Treasury Management Practices (TMPs) Annex 2

The Treasury Management Practices below are based on the guidance included in the 2021 edition of CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes.

Policy Details
TMP1 Risk Management
Arrangements are in place for the identification, management, and control of treasury management risk. Specifically:
1. Credit and counter party risk management The Pension Fund (the Fund) will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. The Fund's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the Fund's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.
2. Liquidity risk management The Fund will ensure it has adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Fund will only borrow in advance of need where there is a clear business case for doing so and will only do so for the achievement of its objectives.
3. Interest rate risk management The Fund will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or revenues in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements.

Policy Details
TMP1 Risk Management
3. Interest rate risk management (cont.) It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy.
4. Exchange rate risk management It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.
5. Inflation risk management The Fund will keep under review the sensitivity of its treasury management assets and liabilities to inflation and will seek to manage the risk accordingly in the context of its wider exposure to inflation.
6. Refinancing risk management The Fund will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, that are competitive and as favourable to the Fund as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.
7. Legal and regulatory risk management The Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority, and compliance in respect of the transactions they may effect with the Fund, particularly with regard to duty of care and fees charged.

Policy Details
TMP1 Risk Management
7. Legal and regulatory risk management (cont.) The Fund recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonable able to do so, will seek to manage the risks of these impacting adversely.
8. Operational Risk, including Fraud, error and corruption The Fund will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
9. Price risk management The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Policy Details
TMP2 Performance Measurement
The Fund is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement (Annex 1). Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Pension Fund's business or service objectives and performance will be measured against relevant benchmarks.

Policy Details
TMP3 Decision making and analysis
The Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered.

Policy Details
TMP4 Approved instruments, methods and techniques
The Fund will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Investments Strategy, and within the limits and parameters defined in TMP1 Risk management. The Fund has reviewed its classification with financial institutions under MIFID II and will set out in its annual Investment Strategy those organisations with which it is registered as a professional client.

Policy Details
TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements
The Fund considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function. If and when it is intended, as a result of lack of resources or other circumstances, to depart from these principles, the Executive Director, Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated. The Executive Director, Corporate Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. They will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The Executive Director, Corporate Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The delegations to the Executive Director, Corporate Services in respect of treasury management are set out in the Council's Financial Regulations and Scheme of Delegation for Financial Management. The Executive Director, Corporate Services will fulfil all such responsibilities in accordance with the Council's Policy Statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

Policy Details
TMP6 Reporting requirements and management information arrangements
The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function. As a minimum, the Investment Steering Committee will receive an annual report on the strategy and plan to be pursued in the coming year. The Investment Steering Committee may receive reports on the performance of the treasury management function, and on any circumstances of non-compliance with the Treasury Management Policy Statement and TMPs, as part of its reporting. The Investment Steering Committee will have responsibility for the scrutiny of treasury management policies and practices.

Policy Details
TMP7 Budgeting, accounting and audit arrangements
The annual Pension Fund Business Plan's Budget will include provision for the annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the Budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance Measurement, and TMP4 Approved instruments, methods and techniques. The Executive Director, Corporate Services will exercise effective controls over this Budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements. The Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

Policy Details
TMP8 Cash and cash flow statement
Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Fund will be under the control of the Executive Director, Corporate Services and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Executive Director, Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] liquidity risk management.

Policy Details
TMP9 Money Laundering
The Fund is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the of the Officer to whom reports should be made, are in the Council's Anti-Money Laundering Policy.

Policy Details
TMP10 Training and Qualifications
The Fund recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills. The responsible officer will recommend and implement the necessary arrangements. The responsible officer will ensure that the committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

Policy Details
TMP11 Use of External Service Providers
The Fund recognises that the responsibility for treasury management decisions remains with the Pension Fund at all times. However, the Fund also recognises that there may be value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service suppliers, it will do so following a full evaluation of the costs and benefits and will also ensure that the terms of their appointment are properly agreed and documented, and subject to regular review. When services are subject to formal tender or re-tender arrangements, legislative requirements will also be observed. The monitoring of such arrangements rests with the Executive Director, Corporate Services.

Policy Details
TMP12 Corporate Governance
The Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability. The Fund has adopted and has implemented the key principles of the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Counterparty Criteria for Investments – In House Cash Annex 3

Lending List

The Pension Fund will only invest its short term funds with UK banks and building societies, and non UK banks domiciled in a country with a minimum sovereign long term rating of **AA-**, that have credit ratings equivalent to or better than the following:

Rating Category	Credit Rating Agencies		
	Fitch	Standard and Poor	Moody's
Short-term rating	F1	A-1	P-1
Long-term rating	A	A	A2

The above ratings will be used to determine the pool of counterparties with whom the Pension Fund can transact. Where the counterparty is rated by more than one credit rating agency, the lowest ratings will be used to determine whether or not it is included on the counterparty list. However, financial institutions will only be considered for inclusion if they have a credit rating in both of the rating categories.

The criteria outlined above will ensure that funds are only invested with high quality counterparties. The short and long-term ratings will be used to determine the maximum amount that can be invested with each of these counterparties, and for what period (see lending limits section).

In addition, the Pension Fund may invest its funds with:

- the UK Government;
- other local authorities;
- pooled investment vehicles (i.e. Money Market Funds) that have been awarded an **AAA** credit rating;
- financial institutions fully or part nationalised by the UK Government whose credit ratings do not meet the above criteria; and
- bank subsidiaries and treasury operations which do not have a full set of credit ratings, provided the parent bank has the necessary ratings outlined above. In addition, the subsidiary must itself have a short and long-term rating meeting the above criteria or have an unconditional guarantee from the parent bank.

In the event that the Pension Fund's own banker falls below the minimum credit rating criteria outlined above, and is not nationalised or part nationalised, the bank will be used for transactional purposes only, and not as an active outlet for investments.

Notes:

There are three main credit rating agencies that assign ratings to financial institutions, namely Fitch, Standard and Poor's and Moody's. When these agencies assign ratings, they take account of any country-specific circumstances. Ratings are therefore applicable worldwide, hence the risk of investing with two different counterparties that have similar ratings is the same, irrespective of their country of origin.

Full details of definitions of the credit ratings of the three main credit rating agencies are available upon request.

Credit ratings are continually monitored, with changes in credit ratings being notified by the Council's Treasury Management Advisers. Counterparties will be removed from the Pension Fund's lending list in the event that they receive a downgrading to their credit rating status below the minimum criteria outlined above.

Counterparties that are placed on 'negative ratings watch' will remain on the Pension Fund's lending list at the discretion of the Executive Director, Corporate Services in consultation with the Chairman of the Pension Fund Investment Steering Committee (or Vice Chairman if the Chairman is unavailable).

Money Market Funds (MMFs) are short term pooled investments that are placed, by a manager, in a wide range of money market instruments. The size of the investment pool of a MMF enables the manager to not only offer the flexibility of overnight and call money, but also the stability and returns of longer dated deposits. Strict rules and criteria are set down by the official rating agencies covering the types of investment counterparties used, the maturity distribution of the funds and investment concentrations. The MMFs that the Pension Fund uses will be denominated in sterling and be regulated within the EU.

Further details of the Custodian cash balance arrangements are available upon request.

Lending Limits

For banks and building societies satisfying the 'lending list' criteria, lending limits will be determined with reference to the counterparties' short and long-term credit ratings, as follows:

Investment limit of **£7.5m** for investments of up to **1** year:

Rating Category	Credit Rating Agencies		
	Fitch	Standard and Poor	Moody's
Short-term rating	F1+	A-1+	P-1
Long-term rating	AA-	AA-	Aa3

Investment limit of **£5m** for investments of up to **1** year:

Rating Category	Credit Rating Agencies		
	Fitch	Standard and Poor	Moody's
Short-term rating	F1	A-1	P-1
Long-term rating	A	A	A2

Lending limits for other counterparties will be as follows:

An investment limit of **£10m** will be applied for investments of up to **one** year with individual Money Market Funds.

An investment limit of **£7.5m** will be applied for investments of up to **one** year with individual top tier local authorities. Top tier local authorities will include county councils, unitary and metropolitan authorities, and London boroughs.

An investment limit of **£5m** will be applied for investments of up to **one** year with individual lower tier local authorities. Lower tier local authorities will include district / borough councils, and police and fire authorities.

From 1 April 2024 the Institutional Lending List has been revised to allow for greater capacity and flexibility in accommodating the cashflow movements resulting from increased monthly expenditure and income. The maximum investment limit for Lloyds Banking Group has been increased from **£5m** to **£10m**. The Aberdeen Standard Liquidity Fund has also been added to the list, with a maximum investment limit of **£10m**.

In addition to the limits outlined above, a further restriction will be applied in respect of investments with non-UK financial institutions; that is, a country limit of **£5m** will be applied. The country limit will restrict the total amount that can be invested within any one country outside of the UK at any one time.

Essex Pension Fund
Treasury Management Strategy 2024/25

Revised Institutional Counterparty Lending List as at April 2024

Essex Pension Fund Counterparty List		Investment Limit £m	Maximum Duration
UK BANKS			
	HSBC	5.0	364 days
	Lloyds Banking Group	10.0	364 days
	Royal Bank of Scotland	5.0	364 days
	Santander	5.0	364 days
UK BUILDING SOCIETIES			
	Nationwide	5.0	3 months
FOREIGN BANKS (Country limit £5m)			
Sweden	**Total country limit**	5.0	364 days
	Svenska Handelsbanken	5.0	364 days
OTHER			
Money Market Funds			
	Black Rock - institutional Sterling Liquidity Fund	10.0	364 days
	LGIM Sterling Liquidity Fund	10.0	364 days
	Aberdeen Standard Liquidity Fund	10.0	364 days
LOCAL AUTHORITIES			
Top Tier Local Authorities*			
	Individual authority considered at point of trade	7.5	364 days
Lower Tier Local Authorities*			
	Individual authority considered at point of trade	5.0	364 days

* Although Top and Lower Tier Local Authorities meet the Fund's lending list criteria as set out on page 19, the Director for Essex Pension Fund has made the decision that the Fund will not utilise these facility facilities.

Further Information

If you require further information about anything in or related to this Strategy, please contact:

Jody Evans, Director for Essex Pension Fund

Email: Fund.Manager@essex.gov.uk

Essex Pension Fund

Seax House

Chelmsford

Essex

CM1 1QH