

Essex Pension Fund Investment Steering Committee	ISC 04
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Essex Pension Fund Treasury Management Strategy 2020/21

Joint Report by the Interim Director for Essex Pension Fund and Investment
Manager

Enquiries to Jody Evans on 03330 138489

1. Purpose of the Report

1.1 To present the 2020/21 Essex Pension Fund Treasury Management Strategy.

2. Recommendation

2.1 That the 2020/21 Essex Pension Fund Treasury Management Strategy be approved.

3. Background

- 3.1 The 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 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 Statutory Guidance.

4. Essex Pension Fund Treasury Management Strategy

- 4.1 The 2020/21 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.
- 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.
- 4.4 Officers have taken the opportunity to revisit the limits for the Northern Trust and BNP Paribas Global Liquidity Funds (GLF), noting that the limits were originally set in March 2013 when the Fund was valued at £3.6bn. It is therefore proposed that the limits be increased from £80m to £120m (on an operational basis) and £130m to £200m (on a temporary basis) to reflect the growth in the value of the Fund and to facilitate the deployment of assets.
- 4.5 Furthermore, a series of questions highlighting operational aspects of the custodian cash management arrangements form Annex 2 of the attached Strategy.
- 4.6 Section C, Cashflow Management Arrangements has been updated to reflect the revised Finance Schedule, attached at Appendix A. The final outturn for 2019/20 was a shortfall of c£21m. Plans to address this using balances and investment income are currently in place and are reviewed periodically.
- 4.7 The forecast for 2020/21 predicts a surplus for the year. This is largely attributable to an increase in employer contribution income and reflects the decisions by a number of tax-raising bodies to exercise the option within the

Funding Strategy Statement allowing payment of three years' deficit at the start of the valuation period.

- 4.8 A clean copy of the Treasury Management Strategy has also been provided at Appendix C.

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 March 2019.
- 5.5 Finance Schedule updated as at 31 March 2020.

Appendix A

Finance Schedule

		2018/19 actual £ (000)	2019/20 actual £ (000)	2020/21 forecast £ (000)
EXPENDITURE	Retirement Pensions	200,611	211,869	223,560
	Retirement Lump Sums	38,334	41,130	43,393
	Death Benefits	5,599	7,178	7,150
	Leavers benefits	31,024	24,233	26,275
	Expenses	3,253	3,704	4,198
	Pooling expenses	116	74	98
TOTAL		278,937	288,188	304,674
INCOME	Employees Contributions	57,799	60,772	60,831
	Employers Contributions			
	Ongoing	146,065	154,216	192,532
	Deficit	30,313	33,141	44,560
	Financial Strain	5,609	4,363	4,697
	Transfer Values in	10,796	12,253	12,464
	Other income	2,423	2,318	3,135
TOTAL		253,005	267,063	318,219
Net cash flow excl. Investment Income		(25,932)	(21,125)	13,545