

Agenda item:

Pensions Committee

On 1 November 2010

Report Title. **Pension Fund Treasury Management Strategy Statement**

Report of **Director of Corporate Resources**

Signed :

J Kevin Beath for DoCR

Contact Officer : **Nicola Webb – Corporate Finance**
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Wards(s) affected: **All**

Report for: Non key decision

1. Purpose of the report

- 1.1 To consider a proposed revision to the treasury management strategy statement for the investment of pension fund cash.

2. Introduction by Cabinet Member

- 2.1 Not applicable.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1 Not applicable.

4. Recommendations

- 4.1 That the extension to the use of Money Market Funds as part of the Treasury Management Strategy Statement for pension fund cash, as set out in 15.3 be

approved.

5. Reason for recommendations

5.1. To ensure the Pension Fund Treasury Management Strategy Statement continues to mirror the Council's strategy.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1 Pensions Committee approved a treasury management strategy for the investment of pension fund cash at its meeting on 16th September 2010. The Council agreed to change the Council Treasury Management Strategy Statement to extend the use of money market funds on 18th October 2010 and it is proposed this change is reflected in the Pension Fund strategy.

8. Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted on the content of this report and comments that its content and recommendation are within the policy agreed by Council and consistent with the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. In considering the report Members must take into account any expert financial advice given at the meeting of the Committee.

9. Equalities & Community Cohesion Comments

9.1 There are no equalities issues arising from this report.

10. Consultation

10.1 Not applicable.

11. Service Financial Comments

11.1 The extension of the use of money market funds will provide greater flexibility to the Pension Fund in the investment of cash enabling funds required to be kept on call for drawdowns to earn a reasonable rate of return.

12. Use of appendices /Tables and photographs

12.1 None

13. Local Government (Access to Information) Act 1985

- Treasury Management report to Council 18th October 2010

14. Background

- 14.1 The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2009 set out the parameters within which Local Government Pension Funds should invest their funds. These regulations require that Pension Funds operate a separate bank account for pensions from 1st April 2011.
- 14.2 The bank account is now up and running and as part of ensuring all arrangements are transparent, Pensions Committee approved the Pension Fund Treasury Strategy Statement on 16th September 2010.
- 14.3 On 18th October 2010 full Council approved a revision to the Council's Treasury Management Strategy Statement to provide greater capacity and improved yield, whilst ensuring the security of the Council's funds is not compromised.

15. Money Market Funds

- 15.1 The change to the Council's Treasury Management Strategy Statement was to extend the use of money market funds. Money Market Funds are AAA rated funds which provide an investor with a way to buy units of highly diversified funds. The Funds must maintain a high level of liquidity to enable them to provide instant access. The money market funds used by the Council and the Pension Fund do not vary in value, but have a constant net asset value.
- 15.2 The current Pension Fund treasury management strategy statement enables the Pension Fund and the Council to invest in money market funds with an individual limit on each of £15m and a group limit of £45m. In addition the Pension Fund, unlike the Council, has a £30m limit with a government stock only money market fund as a default option in the absence of the availability of the government guaranteed Debt Management Office to Pension Funds.
- 15.3 It is proposed to implement the change already agreed by Council for the Council's funds for the Pension Fund cash. This is to increase the individual limit for each money market fund to £20m, which is consistent with the limits of the banks in the strategy and increase the group limit to £100m. In putting this proposal forward the following controls will be adhered to:
- No more than 15% of the value of the Council and Pension Fund cash held will be placed in any one money market fund.

- Only money market funds recommended by the Council's treasury management advisers will be used.
- Additional money market funds are only used following a selection procedure involving officers and the Council's treasury management advisers.