

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION FUND COMMITTEE REPORT

19 SEPTEMBER 2018

STRATEGIC DIRECTOR FINANCE, GOVERNANCE & SUPPORT – JAMES BROMILEY

TREASURY MANAGEMENT REPORT

1. PURPOSE OF THE REPORT

- 1.1 To report on the treasury management of the Fund's cash balances, including the methodology used.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no particular implications arising from this report.

4. BACKGROUND

- 4.1 The Fund holds cash balances made up from investment income and contributions from employers and employees that are available for investments and to make pension payments. The balance of cash held varies from time-to-time, primarily as a result of the Investment Advisors' recommendations. The balances are managed as part of the Council's treasury management operation. The Pensions Officer - Investments is part of the Pensions, Governance & Investments section.

5. THE CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT

- 5.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) sets out how cash balances should be managed.
- 5.2 The Code states that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested is more important than the interest rate received.
- 5.3 Middlesbrough Council adopted the Code on its inception and further determined that the cash balances held by the Fund should be managed using the same criteria. The policy establishes a list of counterparties (banks, building societies and others to whom

the Council will lend) and sets limits as to how much it will lend to each counterparty. The counterparty list and associated limits are kept under constant review by the Interim Head of Pensions, Governance & Investments and changes were made on several occasions as the banking crisis unfolded.

- 5.4 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.
- 5.5 In the interests of good governance it is required that a quarterly report on the Fund's treasury management policy and current position be presented.

6. TREASURY MANAGEMENT POLICY

- 6.1 In order to keep abreast of a volatile market, which is often fuelled by rumours, the policy can be changed at any time by the Strategic Director Finance, Governance and Support, with subsequent reporting to this committee. The Interim Head of Pensions, Governance & Investments or the Pensions Officer - Investments can delete names from the list, but cannot add them, and can reduce limits but cannot increase them.
- 6.2 As at 30 June 2018, the Fund had £690.8 million invested with approved counterparties at an average rate of 0.60%. This is an increase of £204.9 million over the last quarter. Cash levels have been allowed to rise as the Fund sells out of equities and in preparation to transfer assets into the Borders to Coast Pension Partnership and passive index tracking vehicles.
- 6.3 The attached graph (Appendix A) shows the maturity profile of cash invested. It also shows the average rate of interest obtained on the investments for each time period.

CONTACT OFFICER: Paul Campbell – Interim Head of Pensions, Governances & Investments
TEL. NO.: (01642) 729024

APPENDIX A - Outstanding maturities, as at the end of June 2018

