

WILTSHIRE PENSION FUND **TREASURY MANAGEMENT STRATEGY**

Operational Context

1. The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceed the pensions, transfers-out and costs paid out.
2. The surplus cash accumulated ("Trowbridge Cash") is allocated to one (or more) of the Fund's investment managers on a monthly basis. It is sent to the Fund's custodian BNY Mellon, who invest the cash held on behalf of each investment manager in Money Market Funds, under the terms of the Custody Agreement. These investments are not within the scope of this Strategy.
3. However, approximately one month's net inflow (£1.5 - £2 million) is held back as a float for cashflow purposes. This is necessary to avoid the Fund having to borrow from Wiltshire Council or elsewhere for short-term cashflow purposes within the month.

Regulatory Context

4. The Fund will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010, and from 1 April 2010 will not pool pension fund cash with Wiltshire Council's own cash balances for investment purposes. Any investments made by the pension fund directly with Wiltshire Council after 1 April 2010 will comply with the requirements of SI 2009 No 393 (ie. will be treated in the same way as any other external investment).
5. The Fund will also have regard to:
 - a) The Department for Communities and Local Government's (DCLG's) Guidance on Local Government Investments ("the Guidance") issued in March 2004 and any revisions to that Guidance;
 - b) The Audit Commission's report on Icelandic investments;
 - c) The 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code");
 - d) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 more widely.

Investment Policy

6. The general investment policy of the Fund is the prudent investment of any surplus cash balances, the priorities of which are:
 - a) The security of capital; and
 - b) The liquidity of investments.

7. The Fund will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
8. All cash investments will be in sterling.
9. The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back into the Pension Fund bank account.
10. Trowbridge Cash will target a range of £1.5 - £7 million, with the highest balances held between the 19th of the month (ie. when all contributions have to be paid over by employers) and 25th of the month (pensions payroll). The float held in-month for cashflow purposes will target £1.5 - £2 million. For the avoidance of doubt, these are indicative amounts, not absolute limits.
11. The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - a) A maximum of £5 million with any single counterparty.
 - b) No investment will be made in the same money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
 - c) For the avoidance of doubt, the Pension Fund's limits are in addition to Wiltshire Council's own limit in any single counterparty.
12. Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - a) Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out below; or
 - b) Money Market Funds managed by an approved investment manager.
13. For the avoidance of doubt, direct investments with counterparties are not permitted (eg. direct deals with banks or other local authorities for fixed time periods).
14. The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
15. An extract of the appropriate parts from Wiltshire Council's latest Treasury Management Strategy (2010-11) is given in the Annex for information.

Borrowing Policy

16. The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of (overleaf):

- a) Paying benefits due under the Scheme; or
- b) Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.

Management Arrangements

- 17. The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement. All treasury management activity related to the Pension Fund will be reported to the Head of Pensions on a monthly basis.
- 18. The Treasury Management Team will inform the Head of Pensions of any change in the criteria for the counterparty list.

Approved by Wiltshire Pension Fund Committee on 25 February 2010