

Pension Fund Committee

Title:	Treasury Management Service Level Agreement
Date:	Thursday 1 March 2018
Author:	Finance Director, Resources
Contact officer:	Julie Edwards – Pensions & Investments Manager, 01296 383910
Local members affected:	

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

At its meeting on 6 March 2017, the Pension Fund Committee agreed the arrangements for investing the Fund's surplus cash in a Service Level Agreement (SLA). This report updates the Committee on the provision of treasury management services by Buckinghamshire County Council to the Pension Fund in 2017 and asks the Committee to discuss and approve the arrangements for investing the Pension Fund's surplus cash balances in 2018/19.

Recommendation

The Committee is asked to approve the Pension Fund treasury management Service Level Agreement.

Supporting information to include the following if a decision is being requested:

Resource implications

There are none arising directly from this report.

Legal implications

There are none arising directly from this report.

Other implications/issues

- 1 The Pension Fund maintains relatively small balances of cash arising from the receipt of employer and employee contributions exceeding payments made on behalf of the Fund. Most of the Fund's cash is managed externally, either by the investment managers or the Bank of New York Mellon, the Fund's custodian. State Street replaced Bank of New York Mellon as the Fund's custodian on 13 December 2017. The cash held by the administering authority is usually less than 1.0%, or £20m, of the Fund's assets providing a working balance for the Fund to meet its short term commitments. From time to time, if surplus cash balances held approach £20m and are greater than the amounts required by the Fund's private equity managers, then they are invested with the Fund's investment managers in accordance with the Investment Strategy.
- 2 At its meeting on 6 March 2017, the Pension Fund Committee approved the SLA for 2017/18 setting out the arrangements in place for investing the daily cash balances. The SLA for 2018/19 has been updated to reflect the current practice of investing the Fund's cash balances in the interest bearing Pension Fund current account. Members are asked to review and approve the SLA for 2018/19 attached as Appendix 1.
- 3 During 2017 (2016) the Pension Fund earned £30.2k (£30.6k) interest on its working cash balances, representing 0.46% (0.64%) on an average balance of £6.6m (£4.8m). The cash balances ranged from £0m to £16.1m during 2017 (£0m to £10.3m during 2016). A separate bank account operates for the Pension Fund and the interest is paid into the Pension Fund bank account. The Council's treasury team invested all the Pension Fund's working cash in the Pension Fund bank account, call accounts or money market fund. The Pension Fund bank account receives interest on daily balances.
- 4 Local Government Pension Regulations (Management & Investment) 2009 gave the Pension Fund the power to arrange a temporary loan from a bank for up to 90 days in order pay benefits due under the Pension Fund Scheme or to meet investment commitments. However, there are no counterparties in the market that will temporarily lend cash to the Pension Fund. In previous years members of the Pension Fund Committee had indicated that they would prefer to borrow from the market rather than the County Council. However, with no external market willing to temporarily lend to the Fund, the Pension Fund Committee members agreed that they would prefer the Fund to borrow temporarily from the County Council rather than maintain a higher cash buffer to meet any unexpected cash requirements. There were no instances during 2017 where the Fund temporarily borrowed cash from the County Council.

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

Not applicable.

Background Papers

Treasury Management Strategy Report to County Council on 22 February 2018, Agenda Item 8.

<https://democracy.bucksc.gov.uk/documents/s109128/Report%20for%20Treasury%20Management%20Strategy.pdf>
