

**ITEM No ...4.....**

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES  
COMMITTEE & PENSION BOARD– 7 MARCH 2016**

**REPORT ON: TREASURY MANAGEMENT STRATEGY**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 101-2016**

**1 PURPOSE OF REPORT**

This report reviews the Treasury Management Strategy for Tayside Pension Fund.

**2 RECOMMENDATIONS**

The Committee are asked to approve the Treasury Management Strategy including list of permitted counterparties.

**3 FINANCIAL IMPLICATIONS**

The Pension Fund will pay a fee of £7,000 per annum to Dundee City Council for the provision of a treasury management service.

**4 BACKGROUND**

From 1 December 2009, the Tayside Pension Fund has operated a separate bank account from that of Dundee City Council. This is a requirement of legislation and ensures greater transparency of Pension Fund money.

Although the Pension Fund's investments are all managed externally there are frictional cash balances which are held internally. These arise from timing differences between receipt of pension contributions and payment of pensions within the month.

The fourth Treasury Management Strategy for the Pension Fund (Article IV of the Minute of Meeting of the Pension Investment Sub-Committee of Policy and Resources Committee of 2 March 2015, Report No 99-2015 refers) reviews this strategy.

**5 TREASURY MANAGEMENT STRATEGY 2016/2017**

The Pension Fund's Treasury Management Strategy will be based on cash flow management to ensure that sufficient funds are held to make all necessary payments.

The primary concern will be to ensure the security of cash to allow the capital to be preserved. Secondly the cash must be easily accessible. The return earned will only be considered once the first two conditions are satisfied.

The most suitable vehicles will be call accounts with the major clearing banks.

A suggested list of permitted counterparties with limits is shown at Appendix 1.

**6 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

**7 CONSULTATION**

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

**8 BACKGROUND PAPERS**

None

**MARJORY M STEWART  
DIRECTOR OF CORPORATE SERVICES**

**26 FEBRUARY 2016**

## APPENDIX 1

### PERMITTED COUNTERPARTIES FOR INVESTMENT TRANSACTIONS

<u>Approved Lending Bodies</u>	<u>Short Term Credit Rating**</u>	<u>Maximum Deposits £m</u>
<u>Banks</u>		
Royal Bank Of Scotland Plc	F2	5*
Lloyds Banking Group (Inc HBOS)	F1	5
Handelsbanken	F1+	8
Santander	F1	5

\* This £5m limit applies to the call account. Additional smaller frictional cash balances (less than £1m) may also be held in the current account as RBS are Tayside Pension Funds bankers.

Any institution whose credit rating falls below the limits F2 will no longer be a permitted counterparty for further transactions (subject to advice from Treasury Advisor).

\*\* Fitch Ratings Definition - Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality - Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

