

## APPENDIX 1

### Treasury Management Strategy (2020/21)

1. The Pension Fund holds cash as working balances. It operates separate bank accounts, keeping its cash separate from the County Council in accordance with LGPS (Management and Investment of Funds) legislation, and consequently also has a separate treasury management policy to West Sussex County Council. Working balances comprise funds required to pay pensions, to fund private equity and property investments and to pay day-to-day expenses. Surplus balances may be sent to the external fund managers (subject to current Pension Fund policy regarding levels of internally managed cash) for investment in accordance with their approved strategies. A charge will be incurred by the fund for the treasury management service supplied by West Sussex County Council.

### Annual Investment Strategy

2. Having due regard to the security of principal sums invested and the short term nature of deposits, no financial institution will be eligible to receive deposits for longer than seven days without the explicit approval of the Director of Finance and Support Services in consultation with the Chairman of the Pensions Panel. The administering authority will therefore utilise investments that are designed to offer both high liquidity and high security, with the minimum of formalities. Such investments will be denominated in Sterling and may be deposited with the UK Government, a UK Local Authority (including local authority administered pension funds) or a financial institution with 'high' credit quality (including short-term Money Market Funds).
3. In assessing counterparty creditworthiness the administering authority will consider credit ratings as provided by Fitch, Moody's and Standard and Poor's. Additionally the administering authority will consider other indicators when assessing creditworthiness including, credit default swap (CDS) prices, share prices, media coverage and market sentiment. In assessing credit ratings the Director of Finance and Support Services uses the 'Lowest Common Denominator (LCD)' approach, meaning that it uses the lowest rating of those provided by Fitch, Moody's and Standard & Poor's. The minimum credit rating criteria will be:
  - Short-term minimum: F1(Fitch); P1(Moody's); A1(S&P)
  - Long-term minimum: A-(Fitch); A3(Moody's); A-(S&P)
  - Sovereign minimum (Non-UK): AA+(Fitch); Aa1(Moody's); AA+(S&P)

Counterparty	Minimum short-term credit rating	Minimum long-term credit rating	Monetary limit
Financial Institutions	As Above	As Above	£5m per group
Lloyds Bank plc	As Above	As Above	See Paragraph 4
Money Market Funds (i)	-	AAA	£10m per fund (ii)
Local Authorities	-	-	£5m per Authority
UK Government	-	-	No limit

- (i) Funds that operate either under a constant net asset valuation (CNAV) or under a Low Volatility Net Asset Valuation (LVNAV).
- (ii) Exposure limit per fund set to £10m or 0.5% of the fund's net asset size, whichever is lowest.
4. The monetary limit per group will be subject to explicit approval by the Director of Finance and Support Services in consultation with the Chairman of the Pensions Panel and will be continually reviewed in-year. Such approval will relate to the institution rather than the particular investment and will remain in force until revoked. In particular, approval is given to hold cash deposits, including foreign currency (EUR/USD) held within separate bank accounts, in excess of the approved £5m monetary limit with the Pension Fund's main provider of banking services (currently Lloyds Bank Plc).
5. As at **27 January 2020** the current list of approved counterparties that meet the investment criteria and offer instant access deposit accounts are:

Counterparty (i)	Sovereign	ST Credit Ratings	LT Credit Ratings	Maximum time limit
Lloyds Bank Plc	UK	F1/P1/A1	A+/Aa3/A+	7 days
Handelsbanken Plc	UK	F1+/ /A1+	AA/ /AA-	7 days
National Westminster Bank plc	UK	F1/P1/A1	A+/A1/A	7 days
Santander UK Plc	UK	F1/P1/A1	A+/Aa3/A	7 days
Debt Management Office	UK	-	AA	7 days
<b>Money Market Funds (GBP)</b>	<b>Domiciled</b>			
Aberdeen Standard	Luxembourg	-	AAA	Overnight
Amundi	Luxembourg	-	AAA	Overnight
BlackRock	Ireland	-	AAA	Overnight
BNP Paribas	Luxembourg	-	AAA	Overnight
Deutsche	Ireland	-	AAA	Overnight
Federated Investors	UK	-	AAA	Overnight
Goldman Sachs	Ireland	-	AAA	Overnight
Insight	Ireland	-	AAA	Overnight
JP Morgan	Luxembourg	-	AAA	Overnight
Morgan Stanley	Luxembourg	-	AAA	Overnight
State Street	Ireland	-	AAA	Overnight

- (i) The consideration of UK Banks that only offer instant access accounts has reduced the number of approved financial institutions as shown above.
6. The administering authority will run a daily cash flow reconciliation of funds held by the Fund as working balances.

### **Borrowing Strategy**

7. The LGPS (Management and Investment of Funds) Regulations 2016 give a fund's administering authority explicit power to borrow for up to 90 days for the purpose of its pension fund:
- To pay benefits due under the scheme, or
  - To meet investment commitment arising from the implementation of a decision to change the balance between different types of investment

provided that if, at the time of borrowing, the authority reasonably believes that the sum borrowed and interest charged in respect of such sum can be repaid out of its pension fund within 90 days of the date of the borrowing.

8. The West Sussex Pension Fund currently has sufficient cash flow and cash balances not to have to borrow to pay benefits due under the scheme.