



PENSIONS COMMITTEE

19 MARCH 2024

REPORT TITLE:	TREASURY MANAGEMENT POLICY FOR 2024/25 AND ANNUAL REPORT FOR 2022/23
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund (MPF) for the year 2024/25.

RECOMMENDATION/S

The Pensions Committee be recommended to approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund for the financial year 2024/25.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of the treasury management policy statement and the treasury management practices for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

3.0 BACKGROUND INFORMATION

- 3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.2 The Treasury Management Policy relates to money managed in-house. It excludes cash balances held by investment managers in respect of the external mandates and the internal equity investment managers.
- 3.3 The Fund does not borrow and therefore the policy is concerned with cash deposits only.
- 3.4 The main aims when managing liquid resources are the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.
- 3.5 Effective management and the control of risk are prime objectives of the treasury management policy and practices.
- 3.6 The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 1% of Fund assets as agreed within the strategic asset allocation.
- 3.7 Internally managed investment cashflows will continue to be channelled through the Custodian, to maximise benefits and efficiencies agreed under the contract.
- 3.8 Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the

aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

- 3.9 The Fund's cash flows for dealings with members remains negative with outflows to pensioners exceeding income from contributions. With the 2022 triennial valuation's improved results reducing deficit payments, this reduced contribution income further. The Fund's cashflows has been and will continue to be closely monitored throughout 2024/25. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and needs effective management with daily cashflows and regular reporting being essential.
- 3.10 The Bank of England maintained Bank Rate at 5.25% in February 2024. This followed a 0.25% rise in August and the thirteenth successive rise since December 2021.
- 3.11 MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.
- 3.12 The policy statement for 2024/25 (Appendix 1). There are no changes to the policy approved by Pensions Committee for 2023/24.

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- 3.13 In accordance with the Treasury Management Policy for 2022/23, the following items provide a report on treasury management activities for that year:
- Managing counterparty risk continued to be the overarching investment priority.
 - Investments during the year included call (instant access) accounts and deposits with UK banks, and investments in AAA rated money market funds with a constant Net Asset Value.
 - Over the twelve-month period, Northern Trust calculated the cash performance to be 2.19% against a benchmark performance (7-day SONIA) of 2.13%.
 - Transactions were undertaken to reflect the day-to-day cash flows of the Fund.
 - There was one incidence when the Fund was non-compliant with the Treasury Management Policy throughout 2022/23. The Fund breached the deposit limit held with its current bankers, Lloyds, this was rectified the next working day, with no financial disadvantage to the Fund.

4.0 FINANCIAL IMPLICATIONS

- 4.1 As set out in the report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no implications arising directly from this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The treasury management policy statement is concerned mainly with the mitigation of financial and counterparty risks.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environmental or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The Treasury Management Policy Statement 2024/25 is appendix 1 to this report.

BACKGROUND PAPERS

CIPFA Treasury Management Code of Practice and Guidance Notes.

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	21 February 2023 23 February 2022 2 February 2021