

**MEETING: PENSIONS COMMITTEE**

**DATE: 25 MARCH 2021**

**TITLE: TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2021/22**

**PURPOSE: To ask the Pensions Committee to adopt the strategy and confirm pooling arrangements**

**RECOMMENDATION: RECEIVE THE REPORT FOR INFORMATION**

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## **1. THE PENSION FUND'S INVESTMENT STRATEGY**

In accordance with the Welsh Assembly Government's Statutory Guidance on Local Government Investments, which requires an authority to produce an Annual Investment Strategy, it is considered best practice for the Gwynedd Pension Fund (the "Fund") to adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2021/22, as amended for the purpose of the Pension Fund (which is attached as Appendix A). Gwynedd Council's TMSS for 2021/22 was approved by the full Council on 4<sup>th</sup> March 2021.

## **2. THE PENSION FUND'S CASHFLOW**

The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceeds the pensions, transfers out and costs paid out. Once there is sufficient surplus cash, it is transferred to one or more of the Fund's investment managers. Normally up to around £5 million is held back for cashflow purposes, in particular in respect of pension payments and funding calls from the private equity funds. However in the past, due to known commitments, there have been times when the surplus cash held in the Fund's bank accounts with Gwynedd Council has been over £25 million.

## **3. POOLING IN ORDER TO MAXIMISE RETURNS**

Currently all the Fund's surplus cash is pooled with the cash balances of Gwynedd Council and invested with counterparties in accordance with Gwynedd Council's Treasury Management Strategy Statement. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund based on the Fund's daily balances over the year. This can continue if the Pensions Committee requests that the Pension Fund's surplus cash balances are pooled with the Council's cash balances. It is apparent that by pooling, the Fund can take advantage of economies of scale, and as a result can attract better interest rates, reduce bank costs and avoid the duplication of work within the Council. The report approved by the full Council on 4<sup>th</sup> March 2021 included agreement to continue the pooling arrangement with the Pension Fund following any request from the Pensions Committee.

#### **4. RECOMMENDATIONS**

- 4.1 The Pensions Committee is asked to adopt the attached Treasury Management Strategy Statement for 2021/22, as amended for the Gwynedd Pension Fund (Appendix A).
- 4.2 The Pensions Committee is also asked to make a request to the Council (even though it is not a separate body) to allow the Pension Fund's surplus cash balances to be pooled with the Council's general cashflow from 1 April 2021 onwards.