

AVON PENSION FUND – PROPOSED TREASURY MANAGEMENT POLICY 2012

- 1 The management of the pension fund cash will be delegated to the Treasury Management team.
- 2 The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back in to the Pension Fund bank account.
- 3 The Pension Fund's limits are in addition to the Council's limit in any single counterparty.
- 4 The Fund will invest its short term cash balances in bank call accounts and Money Market Funds (with maximum notice requirements of three days) that fall within the credit rating criteria stated below.
- 5 In the event that call accounts and Money Market Funds are not available the Fund will invest its short term balances with counterparties meeting the same ratings criteria.
- 6 In the absence of alternative or more preferred counter parties the Fund will invest its short term balances with the Government's Debt Management Office.
- 7 The criteria for acceptable counter parties and their limits are:-

	Maximum Monetary limit	Time limit
UK Banks and building societies holding long-term credit ratings no lower than A- or equivalent, short-term credit ratings no lower than F1 or equivalent and a Fitch Support Rating (where given) no lower than 3.	£10m each ¹	2 months
Money market funds ² holding the highest possible credit ratings (AAA) or equivalent.	£10m each	3 months

Where the above counterparties are considered unavailable for any reason:-

UK Local Authorities ³ (irrespective of ratings)	£5m each	2 months
UK Central Government (Including Debt Management Agency Deposit Facility)	no limit	no limit

¹, Banks within the same group ownership are treated as one bank for limit purposes.

², as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003

³, as defined in the Local Government Act 2003

- 8 The cash retained as a working balance will target £5 million.
- 9 The Treasury Manager will inform the pension Fund of any changes to the counterparty credit ratings.
- 10 All Treasury Management activity related to the Pension Fund will be reported to the Pension Fund Finance and Systems Manager on a regular basis.

11 For reference the rating agencies equivalent ratings are as shown below.

Fitch		Moody's		S&P	
Short term	Long term	Short term	Long term	Short term	Long term
	AAA		Aaa		AAA
	AA+		Aa1		AA+
	AA		Aa2		AA
	AA-		Aa3		AA-
	A+		A1		A+
	A		A2		A
	A-		A3		A-
F1+		P-1		A-1+	
F1		P-1		A-1	

12 The current credit ratings of counter-parties that would be accepted under the proposed policy are given below.

Counterparty Name	FITCH RATINGS			MOODY'S RATINGS		S&P RATINGS	
	S/Term	L/Term	Sup	S/Term	L/Term	S/Term	L/Term
Barclays Bank plc.	F1	A	1	P-1	Aa3	A-1	A+
HSBC Bank plc.	F1+	AA	1	P-1	Aa2	A-1+	AA-
Lloyds Banking Group							
→ Bank of Scotland plc.	F1	A	1	P-1	A1	A-1	A
→ Lloyds TSB Bank plc.	F1	A	1	P-1	A1	A-1	A
Royal Bank of Scotland Group							
→ National Westminster Bank plc.	F1	A	1	P-1	A2	A-1	A
→ Royal Bank of Scotland plc.	F1	A	1	P-1	A2	A-1	A
Standard Chartered Bank	F1+	AA-	1	P-1	A1	A-1+	AA-
UK Building Societies							
Nationwide	F1	A+	1	P-1	A2	A-1	A+