

Cash Management Policy

The Fund's cash will be managed as follows:

- 1 A model, based on set assumptions, is used to forecast the Fund's cash flows and generates forecasts for Best, Neutral and Worst case cash flow scenarios.
- 2 The cash flow model is updated with actual data each month to monitor the forecast cash flow against actual cash flow and consequently allow the review and possible adjustment of Best, Neutral and Worst case assumptions.
- 3 The cash position is monitored on a monthly basis by the Investments Manager and the Finance and Systems Manager. The Head of Business Finance and Pensions will be informed of the Fund's cash position on a quarterly basis or more frequently if required.
- 4 Investment income will be utilised to meet any shortfall in cash. The passively managed gilt and index linked gilt income is no longer automatically reinvested. The passively managed pooled equity funds will be invested in distributing units.
- 5 Investment income will only be reinvested at the discretion of the Investment Manager taking account of the Fund's cash flow requirements.
- 6 As it becomes necessary as a result of the cumulative reduction in cash balances, divestments will be made from the Fund up to the forecast annual requirement of £15m. During any year, if the cashflow requirement exceeds this annual forecast, divestment will only occur following consultation with the Chair and Divisional Director - Finance.
- 7 Divestments will be implemented following these principles:
 - a. to bring asset allocation in line with the strategic policy, taking into account any tactical asset allocation
 - b. to divest from portfolios that exceed their strategic allocation, taking into account any tactical allocation
 - c. if no manager significantly exceeds their strategic allocation, to divest from the passive portfolio
 - d. if the Fund does not deviate from the strategic allocation to divest pro-rata between bonds and equities.
- 8 Implementation of the policy is delegated to Officers.
- 9 The Committee will be informed of all divestments, and of any significant changes in the forecast of cash balances or the level of investment income, through the quarterly investment monitoring report.

To be approved by Avon Pension Fund on 21 June 2013