

AVON PENSION FUND

– DRAFT TREASURY MANAGEMENT POLICY 2024

- 1 The management of the pension fund cash will be delegated to B&NES Council 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 into 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
Banks and building societies based outside the Eurozone holding long-term credit ratings no lower than A- or equivalent. (see note 1)	£10m each	2 months
Money market funds (see note 2) holding the highest possible credit ratings (A-) or equivalent.	£10m each	2 months
CCLA LA Deposit Fund (<i>Limit amended March 2024</i>)	£5m	2 months
Invesco AIM (<i>Added March 2023</i>)	£7m	2 months
NatWest Bank (as the Council / Pension Fund's Banker), rating and limits as other UK banks or, if rating below that, but no lower than BBB-	£10m	To next working day.

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

UK Local Authorities (see note 3) (irrespective of ratings)	£10m 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 2023
- 3, as defined in the Local Government Act 2003

- 8 The cash retained as the required working balance will target £20 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 A guide to the rating agencies equivalent ratings and to the credit ratings themselves is given below.

Credit Rating Comparison Table

Fitch		Moddy's		S&P			
L-Term	S-Term	L-Term	S-Term	L-Term	S-Term		
AAA	F1+	Aaa	P-1	AAA	A-1+	Prime	Investment Grade
AA+		Aa1		AA+		High Grade	
AA		Aa2		AA		High Grade	
AA-		Aa3		AA-		High Grade	
A+	F1	A1	P-2	A+	A-1	Upper Medium Grade	
A		A2		A		Upper Medium Grade	
A-	F2	A3	P-2	A-	A-2	Upper Medium Grade	
BBB+		Baa1		BBB+		Upper Medium Grade	
BBB	F3	Baa2	P-3	BBB	A-3	Lower Medium grade	
BBB-		Baa3		BBB-		Lower Medium grade	
BB+	B	Ba1	Not Prime	BB+	B	Non-Investment Grade (Speculative)	Non-Investment Grade (junk)
BB		Ba2		BB		Non-Investment Grade (Speculative)	
BB-		Ba3		BB-		Non-Investment Grade (Speculative)	
B+		B1		B+		Highly Speculative	
B		B2		B		Highly Speculative	
B-		B3		B-		Highly Speculative	
CCC	C	Caa1	Not Prime	CCC+	C	Substantial Risk	
		Caa2		CCC		Extremely Speculative	
		Caa3		CCC-		Extremely Speculative	
CC		Ca		CC		Default imminent with little prospect for recovery	
C		Ca		C		Default imminent with little prospect for recovery	
D		/		D		In Default	

12, The current credit ratings of counter-parties that would be accepted under the proposed policy are given in Appendix 2.