



PENSIONS COMMITTEE

15 December 2015

Subject Heading:

**INTERNAL CASH MANAGEMENT
POLICY REVIEW**

CMT Lead:

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Policy context:

To maintain a cash flow policy for internally managed pension fund cash in order that the fund can meet its ongoing benefit payments

Financial summary:

To establish and manage minimum and maximum working cash balances

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The attached report, Appendix 1 presents an Internal Cash Management Policy, setting out the rules relating to the balance of cash held by the fund based on short- term cash flow forecasts.

RECOMMENDATIONS

The Committee consider and agree the reviewed Cash Management Policy.

REPORT DETAIL

1. Background

1. Hymans Robertson, the Havering Pension Fund's Investment Advisor developed the internal cash management policy and this was presented to the Pensions Committee at the 25 June 2012. This policy has now been reviewed and follows on from the original work undertaken by Hymans and the cash flow analysis used to review the policy covers the period from 1 April 2012 to 31 March 2015.
2. Cash flow management is an essential part of the administration of the pension scheme as the fund has to meet its ongoing benefit payments. The Fund provides benefits for employees, which include retirement pensions, death grants and other lump sum payments.
3. These benefit payments can be split between the more predictable payments, such as monthly pension payroll or the more unpredictable payments such as transfer value payments, retirement lump sums or death benefits.
4. The Fund is financed by contributions from employees, employers and from profits, interest and dividends on its investments.
5. The attached report contains :
 - Policy
 - Introduction
 - Analysis of Cash Flow, both Predictable and Unpredictable
 - Working Cash Balance
 - Trigger levels
 - Disinvestment arrangements

IMPLICATIONS AND RISKS

Financial implications and risks:

Developing and maintaining a cash flow management policy will offer some degree of certainty that the fund can meet its on-going payments.

It is therefore desirable that;

- The cash balance maintained is not so large as to reduce the potential for future investment returns
- The cash balance maintained is not so small so as to create the risk that the balance will be easily exhausted, and thus disinvestments will be required either frequently or at short notice.
- Assets are realised in the most efficient manner possible.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List

Pension Fund Cash Flow Analysis 1 April 2012 to 31 March 2015