



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	24 June 2021
Classification:	Public
Title:	Cash Management
Wards Affected:	None
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1 Executive Summary

- 1.1 This paper provides the Pension Fund Committee with a summary of the Northern Trust Sterling Conservation Ultra Short ESG Bond fund, with recommendations for the effective management of cash for the Pension Fund.

2 Recommendation

- 2.1 The Pension Fund Committee is requested to:
- note the key details of the Northern Trust Ultra Short Bond fund; and
 - approve the account opening and use of Northern Trust as the main account for any future asset transitions involving cash receipts.

3 Background

- 3.1 The Pension Fund currently manages its cash using the pension fund bank account with Lloyds Bank and within the bank account held at custody.

- 3.2 The Lloyds bank account is the Fund's main account for day-to-day transactions which include receiving member contributions and transacting out pension payments to scheme members. Following the fall in Bank of England base rate to 0.1% during March 2020, the Lloyds bank account now attracts a nominal interest rate of 0.0%.
- 3.3 Fund manager distributions, deficit recovery receipts and proceeds from the sale of assets, are paid into the Fund's custody account at Northern Trust. These income distributions are largely from the Baillie Gifford Global Alpha and CQS Multi Asset Credit mandates. Following the sale of the Hermes property mandate in January 2021, the cash balance held at Northern Trust is circa £60m. This account currently attracts a nominal interest rate of 0.0% on Sterling balances.

4 Proposal

- 4.1 The Northern Trust Sterling Conservative Ultra ESG Fund seeks to provide a yield in excess of money market funds, with a lower volatility than short duration bond funds. The target duration of the fund is 0.5 years and is suitable for investors with a three to nine-month investment horizon. The fund invests within sterling denominated investment grade government, corporate and asset backed securities. An ESG exclusionary screening is integrated into the investment process to ensure sustainability of the investment.
- 4.2 The table below details the key features of the Northern Trust Ultra Short ESG Bond Fund.

	Northern Trust ESG Bond Fund
Return Rate since inception	0.805%
Fees	0.10%
Investment Dealing Cut-off	2pm on the dealing date
Settlement Details	Trade plus two days

- 4.3 The fund offers high security and the likelihood of it ceasing operation unexpectedly is very low.
- 4.4 The fund is benchmarked against the Bloomberg Barclays Sterling Gilt 0 to 12 months GBP Unhedged and has returned 0.805% since inception in August 2019, outperforming the benchmark by 0.495%. Over the one-month period to 30 April 2021 the fund returned 0.046% and 1.054% over the year.
- 4.5 Northern Trust offers liquidity of trade plus two working days and should allow sufficient time to meet requirements for emergency payments and short notice capital calls.

- 4.6 The Committee is recommended to approve the transfer of the funds in the Ultra Short ESG Bond fund and use Northern Trust as the main account for transition cash receipts going forward.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Northern Trust Sterling Ultra Short Fund Fact Sheet at 30 April 2021

Appendix 2: Northern Trust Conservative Ultra Short ESG Strategy Profile