

<b>Title of Report</b>	London Borough of Hackney Pension Fund - Treasury Management Strategy
<b>For Consideration By</b>	Pensions Committee
<b>Meeting Date</b>	30 March 2026
<b>Classification</b>	Open
<b><u>Ward(s) Affected</u></b>	All
<b><u>Group Director</u></b>	Naeem Ahmed, Group Director Finance & Corporate Resources
<b>Report Author</b>	Miriam Adams, Assistant Director Pension Investments and Administration <a href="mailto:miriam.adams@hackney.gov.uk">miriam.adams@hackney.gov.uk</a>

## 1. **Introduction**

- 1.1. This report proposes the Treasury Management Strategy for the Pension Fund for 2026-2029 for the operational cash balances that the Administering Authority maintains to manage daily transactions of the Fund. These transactions include the payment of pensions and transfers out together with the receipt of contributions from employers and payment of invoices. These balances are invested separately from the Council's own cash.
- 1.2. The draft 2026 LGPS Regulations require investment cash to be managed by the LGPS asset pool (London CIV). However, operating cash will still need to be held at the Fund, this operating cash held at the Fund will be managed following the same principles and practices detailed within this policy, where applicable.

## 2. **Recommendations**

- 2.1. **The Pensions Committee is recommended to:**
  - **Approve the Treasury Management Strategy for the Pension Fund for 2026-2029 (Appendix 1)**
  - **Delegate responsibility for Pension Fund treasury management to the Group Director, Finance and Corporate Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as**

**necessary in line with the Council's own creditworthiness policy.**

**3. Reason(s) for Decisions**

- 3.1. The approval of the treasury management strategy for Hackney Pension Fund forms part of the governance arrangements of Hackney Pension Fund. The strategy is broadly consistent to that agreed for 2023 - 2026. From April 2026, the Treasury Management Strategy will only apply to cash held for the purpose of paying pensions in the short term. Investment cash will be managed by the London CIV.

**Related Decisions**

- 3.2. Pensions Committee 20 September 2023 - Pension Fund Treasury Management Strategy 2023 - 2026
- 3.3. Pensions Committee 30 September 2020 - Pension Fund Treasury Management Strategy 2020-2023

**4. Background to the report**

- 4.1. Treasury management activities are defined as: management of the Fund's cashflows, its banking, money market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks
- 4.2. The Treasury Management Strategy relates to money managed in-house, it excludes cash balances held by investment managers regarding external mandates.
- 4.3. The draft 2026 LGPS Regulations require that from April 2026 onwards, investment cash will be managed by the asset pool, London CIV. However operating cash held by the Fund will be managed following the same principles and practices detailed in this strategy where applicable.
- 4.4. The Fund does not borrow; therefore, the strategy concerns only cash at bank and cash deposits. The Fund will maintain minimal cash balances to pay pensions and meet other obligations such as paying invoices and reimbursing the Council for Fund staff salaries and other recharges. The core position is 0 - 2.5% of Fund assets as agreed in the Investment Strategy Statement (ISS) and Strategic Asset Allocation.
- 4.5. Counterparties are reviewed inline with the Council's Treasury Management Strategy using a range of information sources including credit rating agencies and advice from treasury management consultants. The Council's 2026/27 Treasury Management Strategy was approved by Council in March

2026.

- 4.6. The improved funding position resulting from the 2025 triennial valuation, combined with the reduction in employer contribution rates for most employers (including Hackney Council the largest employer), will reduce contribution income during the financial years 2026/27 to 2028/29.
- 4.7. In accordance with the Regulations, the Hackney Pension Fund maintains two bank accounts separate from the Council. Surplus cash is invested separately to the Council's General Fund in accordance with the Fund's Treasury Management Strategy, which outlines arrangements for managing Pension Fund cash.
- 4.8. The Pension Fund's cash is held across 3 locations:
  - Two Pension Fund bank accounts
    - One bank account managed inhouse but held solely for administering benefit activities such as benefit payments and transfers to other pension funds on behalf of former members. The Fund operates a shared service outsourced function provided by Local Authority Pensions Partnership (LPPA). The bank account is monitored daily to ensure sufficient liquidity for LPPA to fulfill its functions.
    - One bank account held to make fund management payments such as invoices and recharges to the Council. Balances are managed by the Treasury Team using a range of deposits and Money Market Funds.
  - Cash held with the Pension Fund custodian, Northern Trust, assists the Fund's fixed income manager, Columbia Threadneedle in managing derivative margin calls, meeting capital calls and income distributions from the Fund's private debt and infrastructure managers and receiving historic dividend and income receivable from former investment managers.
- 4.9. From April 2026 (subject to the 2026 LGPS regulations being in place) the cash held with the custodian is excluded from the Fund's internal team management. The asset pool London CIV becomes responsible for managing investment cash.
- 4.10. The Council's Treasury Team manages the cash held in the Pension Fund bank accounts as part of the Council's overall treasury process, with sums invested in money market funds separately from the main Council monies. The Treasury Management Strategy developed for the Council has a restricted list of counterparties; these restrictions apply equally to the Pension Fund's cash balances. Pension Fund cash is therefore invested only with counterparties included on the wider Council lending list.
- 4.11. Where sums collected exceed the requirements to pay out benefits and

transfers, excess cash will be invested in Money Market Funds. If cash held in both bank accounts falls below certain levels, cash will transfer back from the custodian to the bank accounts to ensure sufficient funds for meeting LPPA's daily BACS demands for benefit, transfer payments and invoice payments.

- 4.12. The Treasury Management Strategy has been updated to reflect the changes made to the 3rd party pension administrator arrangement such that a new pension fund bank account was opened in September 2025 solely for the benefit activities of the newly appointed administrator LPPA.

#### Cash Balances

- 4.13. The table below shows operational cash held in money market funds managed by the Treasury Team:

<b>Money Market Fund</b>	<b>Cash at 28 Feb 2026 £m</b>
Invesco Sterling Liquidity Portfolio (Institutional)	4.250m
Fidelity Institutional Liquidity Sterling Fund (Class F)	4.526m
BlackRock Institutional Sterling Liquidity Fund (Heritage)	2.733m
Aberdeen Standard Liquidity Fund (Lux) - Sterling Fund (Class L1)	5.000m
<b>Total</b>	<b>16.509m</b>

- 4.14. Pension Fund bank balances fluctuate on a daily basis. The table below shows pension fund bank account balances at 28 February 2026:

<b>Bank Account</b>	<b>Balance at 28 Feb 2026 £m</b>
LB of Hackney Pension Fund	1.032m
LB Hackney Pension Fund (LPPA)	16.442m
<b>Total</b>	<b>17.474m</b>

#### **Pension Fund Investment Strategy Statement (ISS)**

- 4.15. The table below shows the Pension Fund Investment Strategy Statement approved by the Committee in November 2025.

	<b>Asset Allocation (%)</b>	<b>Tolerance Range (+/-%)</b>
Listed Equity	45.0	45.0 - 50.0
Private Equity	0.00	0.0 - 2.0
Private Credit	7.0	4.0 - 10.0
Property/Real Estate	12.0	10.0 - 14.0
Infrastructure	5.0	3.0 - 7.0
Other Alternatives	9.0	6.0 - 12.0
Credit	5.0	3.0 - 7.0
UK Government Bonds	17.0	14.0 - 20.0
Cash*	1.0	1.0 - 5.5
- Investment Cash	0.0	0.0 - 3.0
- Operational Cash	1.0	0.5 - 2.5

\*Fund is responsible for managing operational cash at the Fund.

### **Risk Management Implications**

- 4.16. Actions outlined in this report and appendix contribute to the management of the risk around imbalance in cashflows.
- 4.17. Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them. This report together with the rigorous internal controls will enable the Fund to manage the risks associated with Treasury Management activities and the potential for financial loss.

### **5. Financial implications**

- 5.1. Appropriate management of the Pension Fund's cash position helps to ensure the security of the Fund's cash deposits, minimising losses, and ensuring sufficient availability to meet immediate demand, preventing the Fund from becoming a forced seller of assets. Both are essential to maintain the financial health of the Fund.
- 5.2. Whilst the Pension Fund operates two separate bank accounts to meet regulatory requirements by ensuring the segregation of Pension Fund and General Fund/HRA monies, the treasury management function for the Fund is undertaken by the Council's Treasury and Banking Team.

- 5.3. Costs incurred by the service in managing Pension Fund cash are recharged to the Fund as necessary. Appropriate management of the Fund's cash position is both essential to the Fund's financial health and a legal requirement; any cost is outweighed by the financial benefit to the Fund.

Financial Implications prepared on behalf of the Group Director Finance & Corporate Resources by: Deidre Worrel, Director Financial Management  
Email: deidre.worrell@hackney.gov.uk  
Date: 19 March 2026

6. **Legal implications**

- 6.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 stipulate that the Fund must have its own bank account, separate to that of its host authority and that it must invest any money not immediately needed to make payments from the Fund (Regulation 7(8)).
- 6.2. This report, and the proposed Treasury Management Strategy, help the Committee to ensure that it is meeting these requirements and managing the Fund's cash deposits in an appropriate manner.
- 6.3.

Legal implications prepared on behalf of the Director of Legal, Democratic & Electoral Services by: Georgia Lazari , Team Leader-Places  
Email: georgia.lazari@hackney.gov.uk  
Date: 16 March 2026

**Appendices**

Appendix 1 - Pension Fund Treasury Management Strategy

**Background documents**

Hackney Council 2026/27 Treasury Management Strategy