

Oxfordshire Pension Fund Cash Management Policy

Introduction

The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions. The incoming cash currently exceeds the amount of payments made by the Fund. This situation is forecast to continue over the short-term. However, the Fund is maturing and the latest long-term cashflow forecast produced for the fund predicts that the fund will become cashflow negative within the next two years.

As well as cash coming into the Fund from contributions the Fund generates income from the investments it makes. For example, receipt of dividends from equity investments and interest payments on bonds. At present, income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. Were the Pension Fund's cashflow to turn negative the Fund could look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. This could be achieved by switching to income share classes within a number of Brunel portfolios. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments.

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund.

This Policy covers two areas; firstly, how the Fund intends to manage cashflows at a whole Fund level in particular the arrangements to deal with becoming cashflow negative, and secondly, how operational cash is to be managed. Operational cash is considered to be non-investment cash relating to the receipt of contributions and payment of pensions as well as payments required to be made in the Fund's normal course of business. Investment cash will be managed by the Fund's Asset Pool including managing cash for call payments on private market investments.

Fund Level Cashflows

Where the Fund is forecast to have a negative cashflow position on the balance of contributions received and pensions paid it will first seek to cover the shortfall through the use of investment income. Based on current forecasts investment income should be sufficient to cover any cashflow shortfalls over the next 20 years. The Fund will work with its Asset Pool to ensure there are appropriate options for the distribution of income on its investment portfolios.

The Fund could also generate income through the sale of investment assets. However, this is considered less preferable to the use of investment income as the Fund could

be a forced seller resulting in the Fund having little control over the timing and price at which assets are sold.

Where the level of cash required by the Fund could not be met through investment income alone it will seek to understand the timings of the cash requirements in order that sales can be executed in the most efficient manner possible.

Actual cashflows are monitored on a monthly basis and are reviewed against forecasts to identify any unexpected changes. Where changes are considered to represent a fundamental change in the Fund's cashflow profile a review of the Fund's position would be undertaken and any adjustments put in place, such as switching an investment portfolio from accumulating to distributing.

Reporting of cashflows and how this compares to the forecast position will be reported to the Pension Fund Committee at least annually.

Management Arrangements for Operational Cash

The Pension Fund cash balances are managed by the Council's Treasury Management team and Pension Fund Investments team. Cash balances are reviewed on a daily basis and withdrawals and deposits arranged in accordance with the current strategy. Pension Fund cash deposits are held separately from the County Council's cash.

The Fund's cash balance is regularly monitored and reviewed. In general, a minimum operational cash balance of £20m will be held to provide an appropriate buffer to deal with fluctuations in the Fund's cashflow profile. Arrangements will be made for cash balances which are not required for operational cashflow purposes, to be transferred to the Pension Fund's investment portfolios.

Investment Strategy for Operational Cash

The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-

- (a) The security of capital
- (b) The liquidity of investments
- (c) Optimum return on investments commensurate with proper levels of security and liquidity

Investment of Operational Pension Fund Cash

Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.

The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account

deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.

Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 11th February 2025 are shown in annex 2. There will be a limit of £30m for cash held with each counterparty.

Borrowing for the Pension Fund

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 give administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cashflow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time, and in transition management situations when the allocation of a pension fund's assets is being amended. Money can only be borrowed for these purposes if, at the time of borrowing, the administering authority reasonably believes that the sum borrowed, and any interest charged as a result, can be repaid out of the pension fund within 90 days of the date when the money is borrowed.

Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.

Under this Policy the Deputy Chief Executive (Section 151 Officer) is delegated authority to borrow money for the Pension Fund in accordance with the Regulations but only in exceptional circumstances.

August 2026

Oxfordshire County Council Approved Specified Investments for Maturities up to one year

Investment Instrument	Minimum Credit Criteria
Debt Management Agency Deposit Facility	N/A
Term Deposits – UK Government	N/A
Term Deposits – other Local Authorities	N/A
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+
Certificates of Deposit issued by Banks and Building Societies	A1 or P1
Money Market Funds	AAA
Other Money Market Funds and Collective Investment Schemes ¹	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.
Reverse Repurchase Agreements – maturity under 1 year from arrangement and counterparty of high credit quality (not collateral)	Long-term Counterparty Rating A-
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-
UK Government Gilts	N/A
Treasury Bills	N/A

¹ I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Approved Counterparties

abrdn Liquidity Fund (Lux) – Sterling Fund
Federated Hermes Short-Term Sterling Prime Fund
Insight Sterling Liquidity Fund
Morgan Stanley Sterling Liquidity Fund
State Street Bank & Trust Company
Lloyds Bank Plc
Other Local Authorities