

REPORT TO: PENSION SUB-COMMITTEE OF THE CITY GOVERNANCE COMMITTEE & PENSION BOARD – 23 MARCH 2026

REPORT ON: TREASURY POLICY STATEMENT 2026/2027

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 80-2026

1 PURPOSE OF REPORT

This report revises the Fund's Treasury Policy Statement following Isio's review of compliance with the Pension Regulators Revised Code.

2 RECOMMENDATION

The Sub-Committee is asked to approve the policies and procedures laid out in the Treasury Policy Statement 2026/2027, noting that the policy must be reviewed annually, and that there are no changes.

3 FINANCIAL IMPLICATIONS

None.

4 INTRODUCTION

The Pension Sub-committee of the City Governance Committee and Pension Board approved an amended Treasury Policy Statement on 22 September 2025 (Report no 260-2025) which incorporated activities of Tayside Pension Fund. The statement is subject to annual review each March or earlier in the event of a major policy change.

5 TREASURY POLICY STATEMENT

This document sets out the policies and objectives of Tayside Pension Fund's Treasury Management activities and the practices which will be used to achieve these.
It contains:

- Treasury Management Policy Statement
- Delegations of Authority and Governance
- Creditworthiness & Permitted Counterparties
- Cash & Liquidity Management Policies
- Treasury Management Practices (Main Principles in 12 key areas)
- Rebalancing

6 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment. The major issues identified relate to Risk Management and these are addressed in Treasury Management Practices.

7 CONSULTATION

The Chief Executive and the Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

**PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

13 MARCH 2026

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**TREASURY POLICY
2026-2027**

Executive Director of Corporate Services
Dundee City Council, Administering Authority
March 2026

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1. TREASURY MANAGEMENT POLICY STATEMENT

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 13 of its Financial Regulations. Investment policy and decisions (including those relating to Treasury Management) are delegated to the Pension Sub-Committee of the Policy and Resources Committee. The Pension Board assist the Sub-Committee with securing compliance to the regulations.

The primary objective of the Tayside Pension Fund is to provide for scheme members' pension and lump sum benefits on their retirement or for their dependants on death before or after retirement, on a defined benefits basis. There is limited discretion to vary these benefits.

Dundee City Council in its administering role, defines its treasury management activities as:

"The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

It regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

It acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

All treasury management activities must comply with the appropriate regulations, codes and guidance as stated in the Treasury Management Policy Statement of Dundee City Council.

2. DELEGATIONS OF AUTHORITY & GOVERNANCE

The scheme of delegation for treasury management of Tayside Pension Fund are in accordance with that for Dundee City Council and referred to in their Treasury Management Policy Statement

3. CREDIT WORTHINESS & PERMITTED COUNTERPARTIES

In undertaking treasury management for the Fund, the Council's investment priorities (as stated in their policy) will be security first, liquidity second and then return. The Council manage Credit Worthiness of counterparties in line with their own policy and the following are permitted Counterparties for investment transactions:

The Council will only use UK regulated institutions, with the maximum deposit will be in line with counterparty credit rating as follows:

Short Term Credit Rating**

- | | |
|--|------|
| • F1+ | £10m |
| • F1 | £5m |
| • AAAMf - Money Market Funds | £10m |
| • Part-Nationalised UK Banks | £5m |
| (with a minimum holding of 20% as per MUFG approach) | |

Any institution whose credit rating falls below the limits F2 will no longer be a permitted counterparty for further transactions (subject to advice from Treasury Advisor).

**** Fitch Ratings Definition - Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance**

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this

means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality - Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

4. CASH & LIQUIDITY POLICY

The Fund's policy is to ensure the efficient and effective management of cash resources to maximise investment income while ensuring sufficient cash on hand to meet obligations and avoid funding shortfalls.

This policy also contributes towards meeting the Fund's obligations to all relevant parties by ensuring the existence of an effective cash management system to provide for the payment and investment of cash, transmitting timely and reliable cash flow forecasts and ensuring compliance with relevant statutory and regulatory requirements.

Monies managed for Treasury purpose will be low value and short-term in nature, used to provide payment of pension benefits. Any higher balances are transferred to external pension investment managers, who invest per their individual investment mandates.

In addition to the above, as part of their remit, the Pension Fund's custodian undertakes short term cash management investment activities on behalf of the fund and operate to pre-agreed criteria within their mandate.

5. TREASURY MANAGEMENT PRACTICES

Dundee City Council in its administering role will follow the main principles as detailed in their separate policy, listed as:

- TMP 1 Risk Management
- TMP 2 Performance Measurement
- TMP 3 Decision-making and analysis
- TMP 4 Approved Instruments, Methods and Techniques
- TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements
- TMP 6 Reporting Requirements and Management Information Arrangements
- TMP 7 Budgeting, Accounting and Audit Arrangements
- TMP 8 Cash and Cash Flow Management
- TMP 9 Money Laundering
- TMP 10 Training and Qualifications
- TMP 11 Use of External Service Providers
- TMP 12 Corporate Governance

6. REBALANCING

Rebalancing is the process of adjusting the mix of investments in the Fund to keep it aligned with its target asset allocation and risk level, and also to ensure that the Fund has sufficient liquidity to pay benefits as required. This involves buying or selling assets to maintain the desired balance.

Rebalancing helps protect the Fund from taking on too much risk, either within specific asset classes or with individual investment managers. It can also improve returns by selling assets that have increased in value (and may now be overpriced) and buying those that have underperformed (and may offer better value). Portfolio managers undertake these exercises at individual asset level and are responsible for ensuring that their portfolios remain within the tolerances set within their individual investment management agreements.

The overall goal of rebalancing is to keep the Fund's overall risk at its intended level. However, since rebalancing involves transaction costs, it should only be done when necessary as frequent small adjustments can lead to unnecessary costs without significantly improving the Fund's risk-return profile. Therefore, a fixed annual rebalancing is not required, as it may result in excessive trading and added costs without clear benefits. Rebalancing is guided by review ranges, which are set with some flexibility. Each asset class has its own tolerance range, taking into account its volatility and the cost of trading.

Where possible, cash inflows, outflows, or income generated by the Fund's assets should be used to help bring asset allocations closer to target.

The Fund's asset allocation is presented to members at each meeting and they are informed of any rebalancing undertaken in the quarter. If a review range is breached between meetings, it will be documented and reported on, as well as remedy undertaken.

The central allocations for each asset class and also for each manager are formally reviewed and approved annually as part of the review of the Investment Strategy Statement but is also reviewed following actuarial valuation. Review ranges have been set around central positions and are not expected to be breached often.

The current central allocations and ranges are as follows:

Asset Class	Portfolio	Target Allocation	Range
Equities – Active 40% (+/-5%)	Fidelity	20%	+/-3%
	Baillie Gifford Global Alpha	17%	
	Baillie Gifford UK Core	3%	
Equities – Passive 25%	LGIM	25%	
Fixed Income 13%	Fidelity	9%	+/-3%
	LGIM Buy & Maintain	2%	
	Apollo Multi-Asset Credit	2%	
Property 12%	Schroders	12%	+/-5%
Alternatives 10%	Partners Group	5%	+/-5%
	To be allocated	5%	

Officers monitor the Fund's asset allocation at least quarterly to identify any significant drift from the strategic targets. In the event of a breach of either an individual portfolio or an asset class, the processes are detailed below:

- **Liquid Assets**

The equity allocation is reviewed first. If it falls outside the 60%–70% range, action must be taken to return it to the central target of 65%. This is done by adjusting holdings with the most significant over- or underweight positions, starting with the most misaligned equity manager and moving to the next as needed. If equities are sold, proceeds should be directed to cash (to pay benefits), or to the most underweight illiquid asset class, provided it is practical to increase that allocation. If it is equities that are underweight, funding should come from available cash or from liquidating assets in an illiquid class that can be easily realised. In rare cases, rebalancing may not be carried out, for example, if no suitable alternatives are available. Holding additional cash is allowed but only if necessary. Any rebalancing activities will be reported at the next quarterly meeting.

The Fund has a proportion of fixed income to hold until maturity, and therefore no sell trigger is set. A breach of -3% will trigger review and rebalance.

- **Illiquid Assets**

If the property review range is triggered due to a fall in market value, the Fund will consider increasing commitments and acquiring further property. In the event the review range is triggered due to an increase in market value, the Fund will review the valuations for a period of at least 12 months before considering sale of assets.

The Fund takes a broad approach to the alternatives strategic target by modelling commitments to meet the 5% allocation target. It is recognised that achieving the desired exposure level can take a long time. If the projected exposure to alternatives exceeds the review range, a reduction or pause of future commitments will be considered. The allocation will be monitored until it falls back into line with the strategic target. If the asset allocation falls below the review range, the Fund will consider up to date modelling of additional commitments to bring the exposure back into line with the strategic allocation.

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