

London Borough of Enfield

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 29 July 2021**

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**Subject:** Liquid Credit Update June 2021

**Cabinet Member:** Cllr Maguire

**Executive Director:** Fay Hammond

**Key Decision:** [ ]

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This report informs Members of identified Liquid Credit Strategies that the Fund can invest some proportion of the current excess cash in. The principle and the process are explained further in Appendix 1 to this report.

**Purpose of Report**

1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pension Policy & Investment Committee.
3. This is an update report to the Committee on the progress of exploring different implementation options for an investment into Liquid Credit and to outline the next steps to be taken.

**Proposal(s)**

4. Pension Policy and Investments Committee are recommended to note the contents of this report and the contents of the attached Appendix.

**Reason for Proposal(s)**

5. The report informs the Pension Policy and investment Committee of the performance of pension fund managers and the overall performance of the Enfield Pension Fund.

**Relevance to the Council's Corporate Plan**

6. Good homes in well-connected neighbourhoods.

7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

### **Background**

9. At the 10 June 2021 PPIC meeting, as part of the discussions in relation to the Fund's investment strategy, the matter of investing the Fund's excess Cash balance was highlighted.
10. As at 31 May 2021 the Fund had c.£95m held in Cash and it was agreed that £50m - £70m of this would be available for investment, with the remainder being retained to meet outgoings and known future commitments to current illiquid managers in the short term.
11. Aon highlighted an opportunity to the PPIC, in terms of investing this available balance into Liquid Credit as, given the current low interest environment, we believe that the Fund could achieve better returns, without compromising liquidity or capital stability, by considering investing in low risk, Liquid Credit as an alternative to Cash.
12. The particular areas of Liquid Credit that were highlighted at the June meeting were Short-Dated Credit and Asset-Backed Securities ("ABS"), with the expectation being that these asset classes would generate a return of around 1%-2% p.a. in excess of Cash.
13. An allocation to Liquid Credit could be seen as a medium-term holding whilst the Fund's revised investment strategy is implemented, but equally it could become an integral part of the Fund's Bond allocation; something which can be evaluated over time.

### **Workforce Implications**

14. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

### **Property Implications**

15. None

### **Other Implications**

16. None

### **Options Considered**

17. To continue investing the cash balances in Money Market Funds (MMFs).

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Date of report 18<sup>th</sup> July 2021

**Appendices**

Appendix 1 - Liquid Credit Update (**Confidential – Exempt Report**)

**Background Papers**

None