

## London Borough of Enfield

### PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 29 March 2023

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**Subject:** Enfield Pension Fund Cash Flow analysis

**Cabinet Member:** Councillor Leaver

**Executive Director:** Fay Hammons

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#### **Purpose of Report**

1. To introduce a report from Aon (The Pension funds Actuary) presenting the Fund's cashflow projects over the next 10 years.

#### **Proposal(s)**

2. Members are asked to note the contents of the report and take into consideration cash flows to ensure future benefit payments are met when they fall due and when considering new investments or changes to the strategic benchmark asset allocations.

#### **Reason for Proposal(s)**

3. The Fund is required to have sufficient cash available to enable it to make pension payments when they become due and therefore appropriate planning and forecasting of the Fund's cash flows is required to ensure this obligation is met. Alongside this, investments in illiquid assets should be considered carefully to ensure cash is available when required.

#### **Relevance to the Council Plan**

4. An economy that works for everyone

#### **Background**

5. The Fund receives a few cash inflows, primarily from Employer and Employee contributions and Investment returns. Employer and Employee Contributions are considered stable and predictable in the short term but can however change in the longer term with changes in the number of employees by employing organisations within the fund.
6. Investment returns are more unpredictable and can take the form of dividends or asset sales. Asset sales can be difficult for particular asset classes that are illiquid such as Private equity and property.
7. The fund also has 2 primary cash outflows. The most significant of these is pension payments to those individuals who are in receipt of a pension. There are also

investment management and pension administration costs that are incurred to ensure the effective management of the pension fund.

### **Main Considerations for the Committee**

8. The Committee must ensure that future cashflows are adequate in order to meet pension payments when they become due.
9. The Committee must consider the implications of the cashflow report when making any new investment decisions particularly when illiquid assets such as Private equity, Property and Infrastructure are considered
10. A number of different scenarios are considered in the presentation. Under the base case cash flow is forecast to be positive for the next 5 years. After that point cash flows are forecast to turn negative, gradually increasing to a net cash outflow of £10.1m in 2032/33. This forecast needs to be considered when planning fund investments, sales and changes in strategic benchmark allocation.

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### **Appendices**

Appendix 1 : Cashflow Projections