

Agenda Item 7

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

INVESTMENT COMMITTEE – 15 APRIL 2024

REPORT BY THE TRI-BOROUGH DIRECTOR OF TREASURY AND PENSIONS

PENSION FUND LIQUIDITY POLICY

The purpose of this report is to introduce the drafted liquidity policy that Members asked to be drafted at the last Investment Committee meeting. The report invites Members to review and comment on the policy.

FOR DECISION

1. BACKGROUND

- 1.1 The Terms of Reference for the Investment Committee require it to consider and decide all matters pertaining to the Council's Pension Fund.
- 1.2 At the meeting held on 24 January 2024, members requested that officers draft a liquidity management policy for the next meeting to detail the Fund's approach to holding surplus cash.

2. LIQUIDITY POLICY

- 2.1 The draft policy (Appendix 1) sets out the principles and procedures governing the management of surplus cash within the Fund.
- 2.2 The strategic asset allocation may not have a provision for cash, but the Fund may hold surplus cash due to periodic cash inflows, capital distributions, or timing discrepancies in deploying funds to illiquid assets (which typically require longer periods for investment execution).
- 2.3 The objectives are in line with the Fund's Investment Strategy Statement and align to the Fund's risk appetite.
- 2.4 The policy details the methodology for dealing with surplus cash, and the ongoing monitoring and reporting to Members of the cash position.
- 2.5 The policy outlines the hierarchy for allocating surplus cash, beginning with deployment in line with the strategic asset allocation where possible. If this option is not viable, cash is held with the custodian, which allows daily access for withdrawal at no extra cost. If the custodian cannot provide a satisfactory deposit account, the Fund will explore other short-term investment options.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Investment Committee:

1. Note the content of this report and the attached appendix.
2. Comment and agree the implementation of the proposed liquidity policy.

FOR DECISION

Phil Triggs
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LIST OF APPENDICES:

Appendix 1: RBKC Pension Fund Liquidity Policy – Draft 1