

MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD HELD ON WEDNESDAY, 30TH SEPTEMBER, 2020

MEMBERS:

Councillor Sinan Boztas (Employer Nominated Member)
Cllr Ahmet Oykenner (Employer Nominated Member)
Paul Bishop (Employee Nominated Member - Active)
Tracey Adnan (Employee Nominated Member - Active)
Pauline Kettless (Employee Nominated Member - Retired)
Victor Ktorakis ((Employee Nominated Member - Admitted Body)

Officers: Bola Tobun (Finance Manager), Tim O'Connor (Pension Manager) and Susan O'Connell (Governance & Scrutiny Officer)

1. WELCOME AND APOLOGIES

Local Pension Board members were welcomed to the meeting.

Apologies were received from Alison Cannur (Employer Nominated Member – Admitted Body) and for lateness Tim O'Connor.

2. ELECTION OF CHAIR AND VICE CHAIR (5 MINUTES)

Pauline Kettless was appointed the Chair of the Local Pension Board Committee.

Cllr Ahmet Oykenner was appointed as Vice Chair of the Local Pension Board Committee.

3. DECLARATIONS OF INTEREST (5 MINUTES) CHAIR

Pauline Kettless declared a non-pecuniary interest as a member of a Local Government Scheme.

Paul Bishop declared a non-pecuniary interest as a member of a Local Government Scheme.

Tracey Adnan declared a non-pecuniary interest as a member of a Local Government Scheme.

Victor Ktorakis declared a non-pecuniary interest as a member of a Local Government Scheme.

Cllr Oykenner declared a non-pecuniary interest as a family member is a member of a Local Government Scheme.

4. MINUTES OF THE MEETING 23 JANUARY 2020 (5 MINUTES) CHAIR

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The minutes of the meeting 23 January 2020 were agreed.

Matters arising:

- The normal standing items had not been included on today's agenda. These had been omitted as there are three new members to the board. They will be included on future agendas.
- The meeting in January talked about the Pension Fund AGM and this was not on today's agenda. This item will be covered under any other business on the agenda.
- The meeting also covered procurement of services, reviewing our actuarial investment consultants. Again, this was not on the agenda. An update on this will be covered as a verbal update under any other business on the agenda.
- The consultation process on divesting fossil fuels, looking at the carbon footprint is not on the agenda. The update on this will be covered under agenda item 9 or any other business on the agenda.

5. PRESENTATION - OVERVIEW OF LOCAL GOVERNMENT PENSION SCHEME (LGPS) INCLUDING THE GOVERNANCE ARRANGEMENTS (20 MINUTES) BOLA TOBUN

Bola Tobun explained this item had been added to the agenda to assist in familiarising the new members with the structure of the LGPS.

Bola Tobun gave a quick overview of the legislation governing LGPS and how the benefits structure has evolved over the years; the relevant Acts and the main focus for LGPS; the Governance Framework, the Pension Regulators, who's who and what are their roles. She advised there is a requirement to publish an Annual report and went through the key policy documents that must be included in this.

The presentation will be circulated by email to Board members. Bola Tobun advised that another session could be arranged to go through the presentation in detail.

6. LOCAL PENSION BOARD GENERAL REMIT AND ENFIELD PENSION BOARD WORK PLAN (10 MINUTES) BOLA TOBUN

Bola Tobun advised Board Members to note the contents of the report which included the terms of reference for Board and to approve the work programme for the year. Items could be added or taken away as deemed necessary.

The work programme had been drafted in conjunction with the previous board members and was very similar to last year's programme.

Board members agreed to review the work programme and to email Bola Tobun any comments that they wished to make on this.

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The Board noted that there was not a report on training on the agenda. Bola Tobun advised there is there is a Training and Development Policy in the annual report and will be covered in more detail under this item.

It was agreed that the form that individual board members need to complete on training will be sent to the board members by email by Bola Tobun.

7. PENSION ADMINISTRATION PERFORMANCE AND UPDATE (10 MINUTES) TIM O'CONNOR

This report provides the Board with an update on issues, development and performance.

The impact of Covid-19 has meant that the Pensions Team is now completely working from home. There were a few issues initially such as connectivity and IT, but these have mostly been resolved.

The Member Self Service is now live and currently available to active members. This will shortly be rolled out to deferred members and then to pensioners in January.

The branding is being looked at and is attached as Appendix One, any feedback from board members would be welcome.

The Pensions Team now has access to the Tell Us Once Service, enabling the team to access registered deaths in the UK and cross referencing against membership data. This has assisted in speeding up the process and stopping overpayment.

The Annual Benefits statement were sent out in August which has generated an increase in contact and queries,

The performance data was set out in the agenda report. Board Members attention was drawn to the reduction in transfers out during lockdown and the number of Statutory notices for new starters.

8. DRAFT ENFIELD PENSION FUND ANNUAL REPORT (15 MINUTES) BOLA TOBUN

Bola Tobun introduced the Draft Annual Report which contains a statement of accounts for the financial year 2019/20. This is for the Board to note, consider and provide opinion on this and for members to be aware of the financial state.

Bola Tobun advised the net assets of the Pension Fund was£1.15bn at the end of 31 March 2020. The market was very volatile at this time due to the Covid 19 issue. The asset has now bounced back and gained almost 100m.

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At the last board meeting the pension fund, funding level as at 31st March 2019 when the actuary undertook the valuation was 103% meaning the Fund was in surplus by £39m. When putting together the accounts for end of financial year 31st March 2020, the actuary was asked for an update, a rough estimate of the funding level, this showed a loss of 7% and the funding level went down to 96%. However, this has now been gained back.

The main Appendix One is the Annual report, presently there is no Chairs foreword yet as this report is still a work in progress because the auditors have not yet finished. This foreword will be in the final version of the annual report.

Bola Tobun advised the annual report contains a lot of appendices from page 67-160. Members attention was drawn to:

- Funding Strategy Statement, this comes from our actuary and this covers how a funding gap can be bridged should there be one. Currently it is overfunded by 3%.
- Investment strategy Statement (pages 96-108), this covers the kind of assets we hold, who manages them and the risks.
- Appendix 3 is the Governance Compliance Statement which covers who is responsible for what for the scheme
- Appendix 4 is the Communication Policy Statement
- Appendix 5 is the Training and development policy (starting at page 124). This covers what the team is doing to make sure that everyone involved in this scheme gets the training and knowledge needed to have an effective and efficient scheme. External training can be used if information is received for relevant external training this will be shared with both the board and the PPIC. The CIPFA policy framework is followed, this has 6 pillars. Training will be provided around all the relevant areas and how to look at the actuary reports. Page 182 contains the CIPFA information as to what members need to be aware of and what knowledge area members need to acquire. Page 183 Appendix 2 breaks down these areas further. Members are asked to look to see if they have knowledge in these areas and to what level. A document will be sent for members to complete so the appropriate training can be arranged. Members found virtual training very helpful.

A query was raised on figures from the pension fund budget, page 76 of the agenda pack, relating to contributions and projections going forward to 2022/23. The contributions are going to reduce from the current level of 11m going down 7.9m in 2022/23. Why is this figure reducing? Officers advised that a going concern must be produced to the auditors, information is factored in, this is the assumption that has been made that employee contributions will be reducing as there has been an increase in people opting out of the fund. Specific research will be undertaken on this to see Enfield's projected position will be. The cost of pensions is also reducing paying out just under £36m now reducing to £34m in 2 years' time. It has been factored in that due to Covid 19 there has been an increase in deaths, when comparing May 19 to May 20 there has been a 40% in deaths, more information on this will be provided to the board in future. Those opting out of the scheme tend to be high earners and this has a big impact.

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Following discussion on the 95k Cap a full update on this will come to the next board meeting.

9. PENSION POLICY AND INVESTMENT COMMITTEE UPDATE (15 MINUTES) BOLA TOBUN

Board members were advised that the minutes are not yet available from the Pension Policy and Investment Committee (PPIC) meeting from the 17 September. Bola Tobun agreed to circulate these by email once available.

Members felt it was very beneficial to have a close working relationship with the PPIC. They would like to ensure that the Chair is invited to all Board meetings and if he was unable to attend perhaps an alternative committee member could attend. Officers reminded board members that they can attend the PPIC should they wish, and that future training will be planned with both board and committee members attending together.

10. ANY OTHER BUSINESS

There were three items to be discussed

- AGM. This had not happened due to Covid but had been discussed at the last PPIC how this could be achieved virtually. Board members were invited to give their view or suggestions. Members felt that virtual meetings may actually increase attendance and communications about what is to be presented can be undertaken by email as the board does not meet again until December the 2nd.
- Procurement of investment consultants. There were 3 bids received and delays were experienced again due to Covid 19. Presentations have been made virtually to the PPIC and the appointment of investment consultants is being finalised at present. The independent advisor tendering exercise will also be undertaken virtually and further updates on this will be provided to the board. The actuarial tendering process has not yet started and is expected to start in the new year.
- Consultation with members and the need to look at the London CIV and plans for divestment. Divestment from fossil fuel. Bola Tobun went through some slides to update the Board on what the PPIC have done on this to date. The PPIC decided to align the Pension Fund Investments and objectives with the Council overall goal on this issue. Aiming to achieve this alignment with no or a minuscule financial penalty to the pension scheme beneficiaries. An expert called Karen Shackleton was commissioned and went through the spectrum of capital with the PPIC; the spectrum of capital, span from stage 1 through to stage 8 over 5 different investment approaches, namely: traditional, responsible, sustainable, impact driven and philanthropy. From this analysis, it appears Enfield Pension Fund is currently operating at stage 2, of the spectrum of capital under responsible investment approach. The Committee noted in order to align the Fund investments closer to the objective of reducing the carbon footprint of

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the Fund significantly or for the Fund to be carbon neutral by 2030, the Fund need to at least be at stage 3 of the spectrum of capital with implementation of sustainable investment approach. It was also demonstrated to the PPIC that majority of LGPS are in the “responsible investment” part of the spectrum of capital, with the following characteristics:

- 1) Carbon footprint, gender diversity statistics, living wages
- 2) Engagement with management (also via LAPFF)
- 3) Voting (PIRC)

Karen Shackleton took the Committee through the UNIPRI’s 7 steps of implementing a sustainable investment approach and also the blueprint to achieve a better and more sustainable future by introducing the 17 UN SDGs (United Nation Sustainable Development Goals). The goals addressed the global challenges we face. The goals are interconnecting, and the aim is to achieve each goal and target by 2030.

The PPIC agreed SDGs to be prioritise in the Enfield Pension Fund’s Investment strategy, the agreed SDGs are:

- 1) SDG 7 – Affordable and Clean Energy
- 2) SDG 9 – Industry, Innovation and Infrastructure
- 3) SDG 11 - Sustainable Cities and Communities
- 4) SDG 12 - Responsible Consumption and Production
- 5) SDG 13 – Climate Action / Change

It was concluded that the Fund should explore ways in which to support progress towards a low carbon economy through positive investment in renewable energy, clean energy and associated technologies.

The Committee expects its managers to exercise the voting right fully and reserves the right to direct votes where appropriate.

And in all the Fund main objective is to get the maximum risk adjusted return on each portfolio.

At the last meeting of the PPIC they looked at the kinds of investments. Officers An investment strategy review is about to be undertaken. It was agreed that these slides would be circulated to board members by Bola Tobun and offered to have a further meeting outside of the board meetings in October to go through the presentation again. The board confirmed that this would be useful.

11. DATES OF FUTURE MEETINGS

The dates of future meetings were noted.