

**MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT
COMMITTEE
HELD ON THURSDAY, 10 JUNE 2021**

COUNCILLORS

PRESENT Tim Leaver, Claire Stewart, Doug Taylor, Edward Smith and Terence Neville OBE JP

ABSENT

OFFICERS: Matt Bowmer (Interim Director of Finance), Bola Tobun (Finance Manager (Pensions and Treasury) and Julie Barker (Head of Exchequer Services) Koulla Panaretou (Secretary)

Also Attending: Carolan Dobson (Independent Advisor), Daniel Carpenter (Aon), and Joe Peach (Aon)
Neil Sellstrom (PIRC) (Item 5 only)
Councillors Ahmet Oykener and Sinan Boztas (Local Pension Board Members)

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WELCOME AND INTRODUCTIONS

The Chair, Cllr Tim Leaver, welcomed everyone to the meeting and all attendees introduced themselves.

Apologies for absence were received from Carolan Dobson (Independent Advisor).

2

DECLARATIONS OF INTERESTS

There were no declarations of interest in respect of any items on the agenda.

3

MINUTES FROM THE LAST MEETING

The minutes of the last meeting held on the 25th March 2021 were agreed.

4

PENSION BOARD FEEDBACK

Bola Tobun advised that the Chair and Vice Chair of the Local Pension Board were unable to attend the meeting but provided an update on the work carried out to date. The Board were working well and following up on the responsible investment strategy review and the de-carbonising of the fund.

They will meet again before the end of September with a view to arranging the AGM by the end of the year.

Pauline Kettless is the Chair and Cllr Ahmet Oykener is the Vice Chair. It was pleasing to hear that Cllr Chris Dey attended the meeting and will hopefully be a regular member in order provide consistency.

5

REVIEW AND APPROVAL OF ADMISSION POLICY

The Committee received a report from Julie Barker, Head of Exchequer Services on the Enfield Pension Fund Admissions Policy, highlighting revisions to the current policies with a view to seeking approval for the changes. The following comments were received:

1. Concern was raised that contractors (e.g. school catering contractors etc) may leave the pension funds. It was noted that the Pensions team are having discussions with the schools and academies to make them aware that the contracts are for three years.
2. Julie explained that the policies provide flexibility and allows contractors to pay 2% increases in their contributions. The agreement will cover large and small contracts and give staff some flexibility to protect those involved.
3. It was confirmed that all the organisations who join the scheme are scheduled and admitted bodies. The number of people in each body was requested and the timings for smooth transitions from one to another. Julie to submit updated information on these annually to include joiner and leavers figures. **ACTION: Julie Barker**

Following these discussions, the Committee noted and formally approved the report.

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QUARTERLY INVESTMENT PERFORMANCE REPORT DATED 31ST MARCH 2021

The Committee received the Quarterly Investment Performance Report covering investment information over a three-month period to 31st March 2021 from Bola Tobun - Finance Manager (Pensions and Treasury).

In summary the Fund assets increased by £31m over the quarter to 31 March 2021 the Fund posted a return of 2.3%. All Equity markets delivered positive returns in both local currency and sterling terms. The Fund outperformed its benchmark by 1.65%.

Fourteen out of twenty mandates delivered returns, matching or achieving returns above the set benchmark. The six mandates lagging behind the set

benchmark for the quarter were CFM Stratus, M & G, York Capital, Adam Street and Brockton Capital.

For the 12 months to March 2021, sixteen out of twenty mandates outperformed their respective benchmarks or targets. The mandates that delivered negative returns or underperformed their respective benchmark/target were MFS Global Equity, LCIV Longview, Adam Street and York Capital.

The three-year return for the Fund was 1.23% per annum above its benchmark return and for over five years, the Fund posted a strong return of 8.63% outperforming the benchmark return of 7.90% by 0.72% per annum.

As at 31 March 2021, the MSCI All Country World Index had a 13% exposure to Emerging Markets. the Fund's equity portfolio has £99.7m, an improvement in value by £15.2m from 31 December 2020 valuation of £84.5m.

At this quarter end c.7.1% of the Fund's total assets are invested in Emerging Markets which equates to 16.5% of the Fund's equity portfolio.

The distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight, albeit there is a need to rebalance the assets and equities is mildly overweight. The overweight position in equities has helped the fund's performance in recent months.

The following comments were received:

1. Cllr Neville asked in respect of the cash fund, what is being earned on this short-term profit.
2. In response, Bola confirmed that the interest rates at present is ultra low, albeit Enfield is doing better than other Boroughs that left deposits with DMO UK Debt Management Office and end receiving negative interest on their deposits.
3. Matt Bowmer added we were able to make use of the additional Money Market Funds (MMF) facility as we increased our monetary limit from £15m and £20m to £25m and the overall counterparty limitation through our treasury management reporting system for the full council approval in November 2020.
4. The Chair confirmed that the overall strategy was good and a decision on the cash reserve should be prioritised in the coming months.

The report was noted and agreed.

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ECONOMIC AND MARKET OUTLOOK

A verbal presentation was received from Daniel Carpenter of AON in respect of Economic and Market Outlook.

The following information as received:

1. In the first quarter, the UK markets have done relatively well, including the energy and financial sector.
2. Markets such as Equities, Government Bond Yields, VIX, UK Gilt Yield, Investment Grade Credit Spreads, Crude Oil Spot Price, Real Yields and Sterling Exchange Rates are recovering and expected to increase as we go forward.
3. Equity markets have increased due to private infrastructure and hedge fund successes.
4. Inflation has risen from 4% this time last year and currently 5%. Causes for this rise in inflation since last year may be driven by supply chain issues struggling to get back to normal. A short-term effect of spike in inflation has been seen.
5. Cllr Smith suggested that the change in corporation tax will be likely to assist with inflation, but it was confirmed that there is no timescale for this to progress at present.
6. Cllr Taylor commented on the effect of inflation on consumer spending. Will this be sustained, or concern raised regarding individual employment issues and a continuation in serial saving, looking to provide more confidence in residential purchases over the next 3 or 4 years.
7. In response, Daniel Carpenter confirmed that rising production costs could allow inflation to increase in the long term and will circulate interesting papers around this separately. **ACTION: Daniel Carpenter**
8. The Chair advised that healthy returns on pension fund allocations was unexpected last year. The real impact on Brexit on shortfall of imports is not currently clear. A second recession cannot be ruled out and it is our responsibility to monitor the pension fund. A review is required from AON every three months with a view to an update every 6 months. **ACTION: AON**

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KEY DEVELOPMENTS ON INVESTMENTS & ASSET MANAGERS UPDATE

The Committee received a presentation from Joseph Peach of AON on the key developments on investments and an asset manager's update.

In response the following comments were received:

1. The Chair requested a monthly meeting to raise any issues with the fund managers. **ACTION: Bola to prepare 4 standard slides for ease of reference**
2. Cllr Smith asked for some insight from AON on performance and management and their advice on how these vary. In response, Matt Bowmer

agreed that a structured programme is to be devised for the year showing month by month progress to help members to come up with questions they wish to ask with feedback from AON. **ACTION: Bola to liaise with AON to devise programme.**

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LGPS UPDATE

The Committee received a report from the Finance Manager - Pensions & Treasury. The following points were noted:

1. The Chair requested that the report was restructured in future, summarising details so the content is shorter. Other committee members agreed that strategies need to be streamlined to aid decision making. The Chair asked for a shortened precise version of this report to be circulated.
ACTION: Bola

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REVIEW OF WORK PLAN FOR 2021-2022

The Committee received the work plan covering the Municipal Year 2021-2022.

The following comments were received:

1. The work programme is to be amended to incorporate the changes agreed and additional reports to be circulated to Committee Members and request comments. **ACTION: Bola**
2. The Chair requested that the AGM to arranged for late October/November.
ACTION: Bola to arrange
3. Cllr Taylor requested that two separate meetings be set up for current employees (ongoing contributors) and retired members and they both have different issues. Bola advised that the meeting can be one, have a general meeting first then two different workshops afterwards where attendees can then choose a relevant workshop focussing on their scheme members' category.

In Summary, the work programme for Municipal Year 29021-2022 was noted.

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BREAK (10 MINS)

The Committee had a five minute comfort break.

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ANY OTHER BUSINESS

The following comments were received:

1. The Chair requested a paper from AON to be circulated together with a position statement in respect of carbon and divest by the end of June for agreement by the Committee by email. **ACTION: Bola**
2. AON to complete analysis on a quarterly basis to respond to press releases and concerns as Divest have misstated our exposure on fossil fuels. AON have produced a methodology from information from the fund managers although Enfield Council are the guardians of the Pension Fund.
3. Cllr Taylor asked which assets are classed as overstated and which ones were more accurate. In response Daniel from AON advised that the details are in the papers and can be highlighted in future for ease of reference and going forward structure each quarter providing information in order to take positive steps.
4. Cllr Stewart asked what AON have achieved with other Borough Councils. In response Jo and Daniel from AON advised that there are many ways of approaching this, working with other schemes and directing to information available on-line which is readily available.

In conclusion, the Chair requested a summary to be circulated to track what the members of the Committee have asked and this is to be shared to monitor progress and help to meet objectives set.

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STRATEGIC OBJECTIVES FOR THE INVESTMENT CONSULTANT

The Committee received a verbal update from Bola Tobun - Finance Manager of Pensions & Treasury, Joe Peach and Daniel Carpenter of AON on the Investments Considerations and LCIV Investment Offerings update.

After discussions were held, it was agreed that a review takes place and details be brought back to this Committee in September, after meeting with LCIV. **ACTION: Bola**

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INVESTMENT STRATEGY REVIEW UPDATE

The Committee received a restricted report on the Investment Strategy Review from the Finance Manager of Pensions & Treasury, Joe Peach and Daniel Carpenter of AON.

After discussions, it was agreed that Option 2 of the report be adopted and monitored quarterly. **ACTION: Bola to implement.**

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INVESTMENTS CONSIDERATIONS & LCIV INVESTMENT OFFERINGS UPDATE

The Committee received a presentation on the Strategic Objectives for the Investment Consultant.

The Committee agreed to defer this item until the next meeting on the 29th July and in the meantime for the relevant information to be circulated to the Committee members prior to the meeting. **ACTION: Bola**