



London Borough of Enfield

Report Title	Investment performance 2023-24
Report to	Pension Board
Date of Meeting	26 June 2024
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Fay Hammond
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Purpose of Report

1. This report presents the investment performance of the Enfield Pension Fund ("Fund") Local Government Pension Scheme for the financial year 2023-24.

Recommendations

2. The Pension Board is recommended to note the contents of this report and the attached Appendix and provide any feedback to the Pension, Policy & Investment Committee (PPIC).

Background and Options

3. Enfield Council (the Council) is the Administering Authority of the Enfield Pension Fund Local Government Pension Scheme. In this capacity, the Council has responsibility to ensure the proper management of the Fund.
4. The Council has delegated to PPIC "all the powers and duties of the Council in relation to its functions as Administering Authority except for those matters delegated to other committees of the Council or to an officer."
5. A local pension board has been in place since April 2015 to assist in:
 - a) securing compliance of Fund matters; and
 - b) ensuring the efficient and effective governance and administration of the Fund.

6. The primary objective of the pension fund is to provide benefits to the members, now and in the future, in accordance with the scheme rules and to meet the statutory funding requirements. In order to do this, the pension fund has significant assets, built up from member and employer contributions. These assets are invested in order to generate a return to keep pace with inflation and ensure that there are sufficient funds to meet current and future liabilities.
7. Therefore, the secondary objective is to achieve a long-term return on the assets that exceeds the liabilities, while maintaining an appropriate level of risk and liquidity.
8. The Fund has a paramount duty to seek the best possible return on its investment taking into account a properly considered level of risk. A well governed and well-managed pension fund will be rewarded by good investment performance in the long term.
9. The fund employs a diversified portfolio of assets, including equities, bonds, property, and alternatives, to achieve its objectives.
10. This report provides an overview of the investment performance of the Fund in the financial year 2023/24. It does not focus on the reasons for individual investment manager performance as this is the remit of the PPIC. The pension board is asked to provide any feedback for PPIC to take under consideration.

2023/24 Investment Performance

11. The overall investment performance for the Fund in 2023/24 was 8.8%. This compares to a –5.5% in 2022/23. The 3- and 5-year annualised performance was 4.0% and 5.7% respectively.
12. The Fund is a long-term investor and therefore it is important to analyse performance over long periods of time rather than taking individual years performance in isolation.

13. Individual asset class annualised performance is presented in the table below:

Asset class	One year	3 year	5 year
	%	%	%
Equities	18.2	8.1	10.7
Benchmark	21.3	9.9	11.4
<i>Excess return</i>	<i>(3.1)</i>	<i>(1.8)</i>	<i>(0.7)</i>
Bonds	5.8	(2.0)	0.2
Benchmark	4.5	(1.3)	0.5
<i>Excess return</i>	1.3	<i>(0.7)</i>	<i>(0.3)</i>
Inflation protection illiquid	(0.2)	(5.5)	(2.1)
Benchmark	4.8	5.7	4.8
<i>Excess return</i>	<i>(5.0)</i>	<i>(11.2)</i>	<i>(6.9)</i>
Private Equity	(1.8)	11.5	15.9
Benchmark	21.0	10.2	11.6
<i>Excess return</i>	<i>(22.8)</i>	1.3	4.3

Infrastructure	(6.0)	(0.8)	4.0
Benchmark	(8.5)	(4.8)	0.7
<i>Excess return</i>	2.5	4.0	3.3
Property	(2.3)	0.3	1.1
Benchmark	(0.7)	1.5	1.4
<i>Excess return</i>	(1.6)	(1.2)	(0.3)
Cash	6.0	4.8	2.6
Overall Fund Performance	8.8	4.0	5.7
Benchmark	8.6	4.5	5.6
Excess return	0.2	0.5	0.1

14. Overall Fund performance is line with the benchmark over 1, 3 and 5 years.
15. Equities was the best performing asset class for the Fund in 2023/24 at 18.2%. There were a few underlying factors that led to this positive performance:
- Monetary pauses by the major central banks and increasing expectation of rate cuts.
 - A handful of US technology stocks that have been boosted by the Artificial Intelligence theme, Not only has this driven the performance of the US market, but it also skewed the results for the MSCI World index.
16. Infrastructure assets had a small decrease in the year due to valuations decreasing in the light of a rising interest rate environments.
17. Similarly, the high interest rate environment during the year meant that the Fund earned a 6% return on the cash it was holding.
18. At the time of writing comparative performance with other Local Government Pension Funds is not available. This data will be brought to a future pension board meeting.

Financial Implications

19. Investment returns have a direct correlation to contribution rates from Employers in the Fund. Any additional investment returns may result in lower future pension contributions from Employers resulting in those employers (including Enfield Council) having additional funds to spend on front line services.

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Appendices

Appendix 1: Northern Trust investment performance