

MINIUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 28TH FEBRUARY, 2019

MEMBERS: Councillors Mahmut Aksanoglu, Ergun Eren, Derek Levy, Terry Neville, Claire Stewart and Doug Taylor (Chair)

Officers: Matt Bowmer (Interim Director of Finance), Paul Reddaway (Head of Finance Pension Investments) and Tariq Soomauroo (Governance & Scrutiny)

Also Attending: Daniel Carpenter (Aon), Rohan Meswani (Aon) and Carolan Dobson (Independent Advisor)

117. WELCOME & APOLOGIES

The Chair welcomed all attendees to the meeting.

Apologies for absence were received from Councillors Mahmut Aksanoglu and Ergun Eren.

Apologies for lateness received from Councillor Claire Stewart and Carolan Dobson.

118. DECLARATION OF INTERESTS

Carolan Dobson declared she is a non-executive director of the London CIV.

119. STANDING ITEMS:

- A. Risk Register – Matt Bowmer (Interim Director Finance) updated the Committee on Saving proposals, Organisation Reviews including two officer posts being combined into one (Treasury & Corporate Finance)
- B. Pension Fund Governance – Paul Reddaway (Head of Finance Pension Investments) advised that a review was conducted on 20.12.18 from 2015-2019 which demonstrated good improvement over the period.
- C. Corporate Governance – ESG Dates to be rescheduled accordingly, proposed date 12.03.19 was not suitable for members.
- D. LCIV update – New Chief Investment Officer appointed.

120. MINUTES OF PREVIOUS MEETINGS: 10TH DECEMBER

The minutes of the meeting held on 10 December 2018 were agreed as a correct record.

121. PRESENTATION FROM WESTERN ASSET MANAGEMENT

Received a presentation pack on London Borough of Enfield Pension Fund from Matthew Jackson (Senior Portfolio Manager Western Asset) and Catherine Matthews (Product Manager Western Asset)

The Committee thanked Western Asset for their presentation.

Noted:

- Returns are being adequately represented
- Although there are alternative companies, Western have been long standing since 2003
- Western have moved away from MAC (Multi Asset Credits)
- Western have moved away from US market to European markets
- So far there hasn't been an impact with pooling
- Target to outperform (7 per Annum)

Agreed:

- Enfield to continue to work with Western Asset.

122. MINISTRY OF HOUSING

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance on asset pooling in the Local Government Pension Scheme consultation.

Noted:

- The MHCLG has been preparing new statutory guidance on LGPS asset pooling. This guidance will set out the requirements on administering authorities, replacing previous guidance, and builds on previous ministerial communications and guidance on investment strategies
- MHCLG is now inviting views on the draft guidance and the consultation process will close on 28 March 2019

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- A comment was raised that there was a strong response to the consultation regarding that there should be a link between the employer and LCIV members.

Agreed:

- Paul Reddaway to draft guidance on pooling and express any desired feedback for the consultation process.

123. INVESTMENT STRATEGY WORK PROGRAMME 2019/20

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Enfield's Investment Strategy Business Plan 2019/20.

Noted:

- The Plan provides a strategy which can be used in conjunction with the Committee's wider work plan. This will allow committee meetings to have a clear structure throughout the next financial year
- The timelines within this business plan are approximate and should be used as a guideline for discussions and agreement with the Committee.

Agreed:

- The Committee is asked to note the report and agree to move forward based on the investment business plan set out in the body of the report.

124. EQUITY PROTECTION STRATEGIES

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Equity Protection Strategies - Downside Protection.

The Committee noted the report.

125. INFRASTRUCTURE STRATEGIC OPTIONS

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Asset allocation to infrastructure.

Noted:

- There are two main options to consider a single manager approach which has a fixed period life time or to invest in the LCIV infrastructure programme which invests in underlying funds on behalf of the Fund on a continual basis
- London CIV presentation an attractive alternative to Antins proposals.
- Proposals not too far below the asset allocation.

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Agreed:

- Wait for the LCIV infrastructure programme before deciding on an approach.

126. ABSOLUTE BOND REVIEW & COMMITTING SURPLUS THE NEXT STEPS

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Bond Portfolio Considerations.

Noted:

- As at 31 December 2018, the Fund was underweight to its strategic allocation to bonds. The relative underweight position is c. £30m (c. 2.5%)
- The composition of the bond portfolio is important; the Committee is currently debating the merits of absolute return bond strategies ("ARBS") within this portfolio
- Should the Committee decide to redeem from the Insight ARBS mandate, the Aon report makes several rebalancing solutions within bonds to maintain the strategic weight.

Recommendations:

- It is recommended the Committee consider whether the Fund should rebalance towards its strategic weighting to bonds.
- The composition of the bond portfolio is important; the Committee is currently debating the merits of absolute return bond strategies ("ARBS") within this portfolio.
- Should the Committee decide to redeem from the Insight ARBS mandate, we recommend rebalancing within bonds to maintain the strategic weight.

Agreed:

- Terminate the Insight mandate – invest into Blackrock ILB
- Use £30m cash into – invest into Blackrock ILB
- Respond to MCLGH – on pooling
- Respond to SAB on Cost Cap
- Not to invest in the Antin IV fund

127. QUARTERLY PERFORMANCE REPORT

Received a report from Paul Reddaway (Head of Finance Pension Investments) on Quarterly Investment Report (Q4 2018)

Noted:

- The Fund value fell by 4.2% over the quarter ended 31st December 2018 and underperforming the benchmark by 0.1%. The Fund has

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made an annual return of 0.1% against a benchmark of -0.1%. The biggest negative contribution in the quarter have been through the -10% fall in global equities. Since 1st April 2018 the Fund has grown by 6.9% The latest funding projection shows the Fund is close to 100% funding with only a £1.6m deficit.

Members noted the Aon quarterly Investment report ended 31st December 2018.