

MUNICIPAL YEAR 2019/2020 REPORT NO. 21

MEETING TITLE AND DATE:

Pension Policy & Investment
Committee – 13th June 2019

REPORT OF:

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Agenda – Part:1

Item: 7

**Subject: Pension Strategy Business Plan
2019/20**

**Wards: all
Key Decision No:**

Cabinet Member consulted:

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this document is to provide an overview of a proposed Investment Strategy Business Plan for 2019/20 for the London Borough of Enfield Pension Fund.
- 1.2. 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.
- 1.3. The timelines within this business plan are approximate and should be used as a guideline for discussions and agreement with the Committee.

2. RECOMMENDATIONS

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

3. BACKGROUND

- 3.1. At the heart of setting a robust investment strategy over the long term is strategic asset allocation. The Fund undertook an investment strategy review in September 2017 to reflect the 31 March 2016 actuarial valuation and experience up to 31 March 2017 and this remains appropriate as a starting point for the Committee to understand the investment strategy. The strategic asset allocation remains appropriate and there is no anticipation of undertaking another detailed investment strategy review until after the completion of the 31 March 2019 actuarial valuation.
- 3.2. Rather than focussing just on individual managers it is important for the Committee to consider each "building block" or asset class of the investment strategy. There may be managers within each building block who require the Committee's attention due to changes at the investment manager or performance issues and these will be raised with the Committee as dictated by developments over the year.
- 3.3. The London CIV's pipeline of opportunities together with the outcomes of MHCLG consultation paper of moving assets into Pools will also be factored in

over the year and may alter the order of priority below, should the Committee wish to consider these areas first

4. BUSINESS INVESTMENT PLAN

- 4.1. The business plan below sets out the Fund's current strategic weighting to the individual asset classes and then considers these areas in decreasing priority alongside our rationale for this.
- 4.2. The existing Strategic Allocation is set out below.

| Asset class | Strategic weight |
|--------------------------------------|-------------------------|
| Public Equity | 35% |
| Private Equity | 5% |
| Hedge Funds | 10% |
| Property | 10% |
| Infrastructure | 6% |
| Bonds | 24% |
| Inflation protecting illiquid assets | 10% |
| Total | 100% |

- 4.3. The following priority ordering is proposed:

a) Bond portfolio

The bond portfolio should be the Fund's priority given it will be a continuation of discussions undertaken across 2018. The Fund undertook changes to its bond portfolio during 2018 with the increased allocation (funded by a reduction in equities) and the introduction of a Multi Asset Credit mandate to diversify credit risk.

Further discussions on the Fund's absolute return bond mandate and corporate bond mandate are warranted. It is expected that discussions on the bond portfolio to continue throughout the year. This matter is discussed further in item

b) Infrastructure portfolio

The Fund considered the allocation to Infrastructure in Q4 2018 and it is envisaged conversations will continue to develop into 2019, in conjunction with the London CIV's infrastructure offering.

c) Hedge Fund portfolio

The Fund's hedge fund portfolio has reduced over time and the Fund's composition has also drifted from its original construction. This has been due to changes to the portfolio and the reduction of the global macro component

within the hedge fund portfolio. The Committee could consider the overall allocation to hedge funds and its composition.

d) Property portfolio

The Fund is currently underweight to its property allocation and the Fund could consider this position and rebalancing towards the strategic weight.

There is a discussion to be had on the composition of the current portfolio, which is predominantly UK core commercial property and split across two managers. The London CIV is scheduled to consider property during 2019.

e) Equity portfolio

The Fund has recently restructured the equity portfolio, decreasing the actual allocation and reorganising the manager composition within this part of the portfolio. Given the recent changes and analysis undertaken ahead of these changes, it is not believed that there is an immediate need to review the composition of the portfolio or its managers.

f) Inflation protecting illiquid assets

The M&G fund is closed and it is not possible to increase the allocation to this Fund unless secondary units become available (as was the case in December 2018). The Fund has recently been notified that it has been successful in purchasing an additional £25M of units from a redeeming investor. The Fund has also committed £45M to the CBRE fund which is expected to draw down capital over time. The Fund is now expected to be close to its strategic allocation to this area and therefore an immediate need to review this area further is not envisaged.

g) Private Equity

The Fund's allocation to private equity is close to its strategic allocation and it is not believed that there is any immediate need to reconsider this. The Fund continues to have conviction in the investment manager, Adams Street Partners, and the Fund recently committed to the 2019 programme. The Q4 2019 subscription window will provide an opportunity for the Fund to reassess the actual position versus the strategic weight for private equity.

5 PENSION FUND GOVERNANCE

5.1 Fund Valuation

5.2 Work is underway on the 2019 Actuarial valuation (this is undertaken every three years – triennially). The valuation process will assess the funding level of the Pension Fund (at the last valuation the Fund this was at 87%) The outcome of the valuation will set the employer contributions for the next three years from 1st April 2020. This matter is discussed further in agenda item 9.

5.3 Appendix 1 set out the workplan of the Committee over the next year.

6 FINANCIAL IMPLICATIONS

6.1 The financial implications are contended in the body of the report and costs will be met from the Pension Fund

7. LEGAL IMPLICATION

7.1 All investment decision will be made in line with the LGPS regulations and will be consistent with the Investment Strategy Statement.

Appendix 1

| | 2019/20 |
|--|----------------|
| Pension Administration | |
| Valuation- collection of data | Apr to Jul |
| Valuation results to employers | Sept to Mar |
| Auto-Enrolment | Apr to Mar |
| Guaranteed Minimum Pension Outcome | Dec |
| Monthly submission of data from employers (i connect) | Apr to Mar |
| I –connect project – Self service | Apr to Mar |
| Communications | |
| Member Self-service | Apr to Mar |
| Annual Benefits Statements | Jul to Aug |
| Communication Policy review | Aug to Dec |
| Member newsletters | Half yearly |
| Employers meeting | Dec |
| Governance | |
| Pension Fund Accounts | Apr to May |
| Approve Final Pension Annual report | July |
| Review Risk Register | Sept |
| Investment strategy statement | Sept/Oct |
| Setting & reviewing members' training programme | July |
| ESG review | Apr- Dec |
| LAPFF | Ongoing |
| Investment consultant service re-tender | Dec |
| Actuary service re-tender | Mar |
| Governance CIPFA Review (including risk, responsible investor and Pooling) | Sept |
| Pension Regulators KPI's | Sept |
| Investments | |
| Asset allocation review | Apr-Dec |
| Investment strategy statement | On-going |
| Investment performance review | Quarterly |
| Investment Pooling | Ongoing |
| Funding | |
| Triennial valuation | July-Dec |