

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 21ST NOVEMBER, 2019

MEMBERS: Councillors Tim Leaver, Yasemin Brett, Doug Taylor and Terence Neville OBE JP

Officers:

Finance Manager (Pensions and Treasury) and Head of Corporate Finance

Also Attending: Daniel Carpenter (AON), Jo Peach (AON) , Jonathan Teasdale (AON)

1. WELCOME AND INTRODUCTION (1 MINUTE)

The Chair welcomed everyone to the meeting and introductions were made.

Apologies for absence were received from Councillors Ergun Eren, Claire Stewart and Matt Bowmer (Director of Finance).

2. DECLARATION OF INTERESTS (4 MINUTES)

Councillor Tim Leaver declared a non-pecuniary interest as a director of Housing Gateway.

Councillor Yasemin Brett declared a non-pecuniary interest as she family members working in the pensions industry.

Councillor Terry Neville declared a non-pecuniary interest as a member of the Westminster Council Pension Board and with a family member as Director of a Hedge Fund.

The Chair expressed that in future, these should be standing declaration of interests and he would then ask if there are any changes to these.

3. MINUTES OF THE PREVIOUS MEETING HELD ON 5 SEPTEMBER 2019 (5 MINUTES)

The minutes of the meeting held on 5 September 2019 were agreed as a correct record with regards to the following:

- Item 3 (Standing Items) had several Risk Register amendments which have now been completed.
- The LCIV issue to be discussed later on the agenda.
- The committee to attempt to have a brief training session before each meeting. The committee to assess its own training needs. Councillor

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Claire Stewart would be involved in establishing training needs. Councillor Neville to schedule a meeting with Gareth Robinson regarding accessing Westminster training schedule.

4. INITIAL 2019 TRIENNIAL VALUATION RESULTS (15 MINUTES)

The Committee received a report on the Initial 2019 Triennial Valuation Results and Funding Strategy Statement (Report No:144).

NOTED

1. The report presented the Triennial Valuation results, as detailed at the executive summary (page 325) of the report.
2. The committee were asked to consider and agree the initial results of the 2019 triennial actuarial valuation and strategy statement.
3. If agreed, officers would circulate the Funding Strategy Statement (FSS) to the participating employers who have until the end of the consultation to respond, by 2 December 2019. Any received comments from the employers would be brought back to the committee for consideration before it is approved.
4. The initial valuation result was good news with a 103% compared to the last valuation whereby there was a deficit of £131.9m. The pension fund is now in a surplus of £39.3m this year.
5. The aggregate employer contribution is 20% which includes 1.5% McCloud allowance.
6. The committee to focus on the 80% rate, which is the AON recommended position and to formally note the FSS.
7. There was concern that employers would have some difficulty with the data for individual employees which would vary from employer to employer. The committee could benefit from some audit work in advance of this requirement, due to some information sitting on old systems, would be difficult to find, if found at all.
8. The underlying employers would need to be engaged as they will all have different histories, records and recollections. The committee need to ensure that a provision is made for these discussions and preparation.
Internal discussions with AON would be needed to look at the issue of missing data.
9. AON clarified what SCAPE calibrator was about (item 3.14, page 329).
10. The Chair thanked AON for the work done over the past 3 years, which has left the pension fund in a strong position.

AGREED that

1. The committee recognises the report and appendix.
2. The circulation of the FSS.
3. The committee follow up with the employers and ensure that members are pragmatic and practical for the additional information that may be required.

5. STANDING ITEMS (15 MINUTES)

The Committee received the report (Report N: 149) of the Director of Finance on five standing items as follows:

a. Risk Management Policy and Register

NOTED

1. The entire contents of the risk register would need to be scrutinised on an annual basis.
2. The risk register itself did not have any new risks added to it. It was being presented to the committee with the amendments and suggestions from the last meeting.
3. Page 36 of the report under the PEN 08 risk, pensioner officer has been used and should be pension officer.
4. Officers would like the committee to approve the policy so that they are able to start adding the Risk Management policy to the Annual Report.
5. The risk register is comprehensive enough to pick up environmental change. It has been covered explicitly on page 37 of the report.

AGREED to approve the register subject to the above changes.

b. Training and Policy Register

NOTED

1. A training Policy is being introduced to the committee for their consideration, debate and any amendments that need to be included. A CIPFA technical knowledge and skills framework for training analysis has been included in the agenda from pages 64 – 67. If the training policy is approved, it will then be circulated to each member of the Pension Board and Pension Committee for review regarding their training needs.
2. It was agreed at the last meeting that members identify their training needs and that early in the new year, a policy and training programme would be produced for members. This item to be tabled and heard again in February 2020, after review by members. The vice-chair to have oversight of training needs.
3. The Committee to review the Training Policy at the next meeting and Members training needs.

AGREED that

- i. The committee note the training Policy as a draft document.
- ii. The Pension Board considers the Policy and whether appropriate for them.

c. LCIV (London Collective Investment Vehicle)

NOTED

1. Members attention was drawn to a questionnaire that officers had been asked to complete, as detailed at page 9 of the 'to follow' agenda. The questionnaire is the London CIV Governance Framework 2019 Review. The deadline to complete the questionnaire is 30 November 2019 and officers had started to collate information for the committee to review and contribute to. This would be a matter for officers to complete if they have time, otherwise more time would be required or less questions.
2. As detailed at para 3.6 – 3.12 (pages 2 – 3 of the 'To Follow Agenda') the London CIV staff pension scheme & remuneration policy review. This paper had been heard at the last committee meeting advising the committee to sign the Pensions Pre-Charge agreement and the Pensions Guarantee agreement. The committee could not make this decision to sign and could only note this. The Chair/members are not authorised to sign an unlimited liability guarantee, recommend a cap be established and would be seeking legal advice over whether it is appropriate as a 3rd party pension fund.

AGREED

- i. To note the contents of the report and the minutes of the last meeting in terms of the committee's approach to the LCIV:
 - The committee were uncomfortable and concerned over the governance arrangements and the ability of the trustees to hold LCIV to account.
 - The committee agreed not to commit any further investments into the CIV until the concerns of the committee were addressed.
 - The committee were also looking to arranging a meeting with LCIV.
- ii. To report the reservations of the committee to the LCIV.
- iii. To refer the matter to the Council's legal department regarding the authority to sign an unlimited liability guarantee.

d. Local Government Pension Scheme Update

NOTED

1. As detailed at Paragraph 3. (page 72) of the report regarding the CMA (Competition and Market's Authority) order on fiduciary management and investment consultants.
2. It had now become an order for every LGPS to have objectives set for Investment Consultants before 10 December 2019 deadline.
3. Appendix 3 (pages 89-91) of the report details draft objectives, which could still be changed, but meets the deadline.
4. As detailed at paragraph 3.13 (pages 73-74) of the report, regarding the Pensions Regulators LGPS Engagement report. The Pensions Admin team have confirmed that they now have a new system in

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place that will help them provide good data for the actuary going forward.

AGREED to note the recommendations of the report, as detailed at paragraph 2 (page 71) of the report.

e. Employer Late Payments

NOTED

1. This is a supplement of the agenda at page 47 of the report.
2. There were only 9 late payments in the last financial quarter and the rest were on time.
3. The council has a statutory obligation regarding the payment of pension funds and there is a time line for payments which will be met.

6. QUARTERLY PERFORMANCE REPORT - 30 SEPTEMBER 2019 (10 MINUTES)

To receive a report from the Director of Finance on the Quarterly Investment Report for September 2019.

NOTED

1. As detailed at page 123 (Executive Summary) of the report.
2. There had been an increase of £41m to the fund at the end of September 2019.
3. For this quarter, eight out of 21 mandates had underperformed in the last 12 months. The committee would need to consider what to do with Lansdowne and York Capital, going forward.
4. The committee questioned whether the council were in the right asset, as regards Lansdowne and York Capital. Was there a problem with the long-term future of those assets or if there were problems with the managers for those assets.
5. AON believed that the two managers (Lansdowne & York Capital) longer term performance had been better than short term performance. The LCIV London Emerging Market Equity Fund investments were previously with Janice Henderson. The lead fund manager and all the team had left Janice Henderson. JP Morgan have now been appointed as the new manager for that fund in early October 2019. Property manager, Brockton, had experienced strong performance and as a result have been able to recycle a lot of capital within their investments and don't need to draw extra capital from the fund as an investor.
6. The fund performed slightly better than the benchmark for the quarter and for up to 1 year it was up by 1.7% and by the end of the quarter it was sitting on £46.9m because of some capital falls.
7. There was a debate about too much volume in reports for the committee to get through and provide a view on. There needed to be a review around this.
8. The committee agreed that there needs to be a review regarding the detail and reporting coming to the committee. The committee needs to

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discharge its responsibilities and ensure that there is a forum to acknowledge success and address issues.

AGREED to note the report.

7. PIRC - ANNUAL REVIEW OF LOCAL AUTHORITY PENSION FUND PERFORMANCE ANALYTICS (15 MINUTES)

Neil Sellstrom (PIRC - Pensions & Investments Research Consultants) introduced the item. Performance data is collected from across the LGPS and currently have 64 funds and £193bn in our 'Universe'. The presentation slides reflect what has happened in that universe and how that compares to Enfield and vice versa. Information is up to 31 March 2019 and is information and comment rather than advice. PIRC only highlight trends and is very much a strategic overview and how we compare to our peers.

1. Presentation

The Committee received a presentation from Neil Sellstrom (PIRC).

The presentation included information on the following:

Universe Results

- 2018/19 Results
- What did well.
- What did less well.
- Universe Performance
- Performance Relative to Benchmark
- Asset Allocation
- Longer Term Performance
- Longer Term Performance
- Asset Allocation Changes Over Time

Enfield Pension Fund Results

- Fund Structure
- Performance Relative to Benchmark
- Performance Relative to Peers
- Fund Performance
- Risk and Return – Last Ten Years
- Risk and Return – Last Five Years

Appendix 1 – London Fund Results

- Fund Returns and Rankings
- Risk and Return – Last Ten Years
- Risk and Return – Last Five Years

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Appendix 2 – Diversification

- Diversification = Complexity
- Too Much Diversification?
- Complexity Brings Challenges
- How could Pooling Assist?

2. Questions/Comments from Councillors

- 2.1 The committee should debate what is the genuine down side of complexities compared with the genuine benefit of diversification.
- 2.2 The Council's strategy had met its objectives with a lower exposure to risk as opposed to those authorities with a higher exposure to equity.
- 2.3 This was a useful, clear and informative paper which provided a wider picture of how Enfield's strategy has delivered results.

8. ENFIELD PENSION FUND ANNUAL REPORT FOR 2018/19 (15 MINUTES)

The Committee received the Pension Fund Annual Report and Accounts 2018/19.

The report was introduced by Bola Tobun (Finance Manager – Pensions and Treasury).

1. As detailed at pages 399 – 405 of the report.
2. The 2018/19 Pension Fund Accounts were completed in September 2019 and will be signed off by BDO (external auditors) and the Section 151 officer when the main council accounts for 2018/19 are signed off.
3. Finance would be talking to BDO for next years sign off of the PF accounts as they can be divided from the main council accounts.

AGREED to note the report and approve the Annual Report for 2018/19 once the Pension Fund Accounts are signed off.

9. ENFIELD PENSION FUND APPROACH TO ESG (5 MINUTES)

Received a verbal update on the Enfield Pension Fund Approach to ESG (Environmental Social and Governance).

1. An undertaking was given at the last committee meeting that officers would follow a workshop to develop the pension fund approach to environmental, social and governance issues, where it relates to the council's investment strategy.
2. A useful workshop has taken place and the committee are considering their position as regards the principles that that workshop and the committee's responsibility requires.
3. Officers anticipate feeding back to the committee in February 2020 with an update, which will also begin to have an impact on the council's overall investment strategy.

10. PROCUREMENT (10 MINUTES)

The Committee received a report from the Executive Director of Resources on the Local Government pension system and support contract award. (Report No:148)

NOTED

1. This report was to advise the committee that the administrative system procurement has been completed and that the Pension software and support contract has been awarded to Aguila Heywood Ltd.
2. The additional procurement that has been lined up, is for an Investment Consultant and an Independent advisor for the pension fund.
3. Members requested that they have input into any appointment for an Investment Consultant and Independent Advisor and input into the terms of reference that procurement are to follow in this process.
4. Bola Tobun (Finance Manager) to circulate dates to members regarding involvement with the process for the independent advisor including dates for the investment consultant appointment.

AGREED

To note the contents of the report.

The meeting ended at Time Not Specified.