

MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD HELD ON THURSDAY, 17TH OCTOBER, 2019

MEMBERS: Councillor Ayfer Orhan, Paul Bishop (LPB Member) and Pauline Kettless (LPB Member)

Officers:

Gareth Robinson (Head of Service, Corporate Finance), Bola Tobun (Finance Manager, Tim O'Connor (Pension Manager) and Susan O'Connell (Governance & Scrutiny Officer)

Also Attending: Neil Sellstrom (Pensions & Investment Research Consultants Limited)

261. WELCOME & INTRODUCTIONS (CHAIR)

Members introduced themselves and were welcomed to the meeting.

Apologies were received from Cllr Andy Milne, Cllr Vicki Pite, Tracey Adnan, Androulla Nicou, Victor Ktorakis, Julie Barker and Matt Bowmer.

262. DECLARATION OF INTERESTS - CONFLICTS OF INTEREST REGISTER (5 MINUTES) CHAIR

Cllr Orhan declared a non-pecuniary interest as a family member is a member of a Local government Scheme.

Pauline Kettless declared a non-pecuniary interest as a member of a Local Government Scheme.

Paul Bishop declared a non-pecuniary interest as a member of a Local Government Scheme.

Pension Board Members are advised that these interests must be declared at every meeting.

263. MINUTES OF THE MEETING 18 JULY 2019

The minutes of the meeting 18 July 2019 were agreed subject to the following minor amendment.

Declarations of interests- Conflicts of interest

Cllr Orhan declared a non-pecuniary interest as a family member was a member of a Local Government Pension Scheme.

LOCAL PENSION BOARD - 17.10.2019

264. LONDON AUTHORITY PENSION PERFORMANCE UPDATE PIRC PRESENTATION (30 MINUTES) NEIL SELLSTROM (NO PAPERS)

Neil Sellstrom from Pensions & Investment Research Consultants Limited (PIRC) gave a presentation.

NOTED

- PIRC have provided this service for the last three years.
- The presentation included both universe results and Enfield results.
- 2018/19 show that despite a difficult economic and political environment the average Local Authority fund produced a return of 6.6%. Private equity had performed the best giving a return of 15.3 with infrastructure and alternatives also doing well (11.7% and 10.3% respectively).
- What has done less well are emerging market equities, which are particularly volatile by definition and equity protection.
- The Universe performance showed that larger funds performed relatively better than their small peers. Lancashire was the best performing fund and Havering the worst. Tim O'Connor to circulate an article on Lancashire.
- How the universe performed relative to benchmark was less positive with only 6 funds outperforming by more than 1% while 22 underperformed by more than that margin.
- Looking at longer term universe performance showed thirty-year return averages of 8.4%, almost 6% per annum above inflation
- Strong alternative performance has been driven by private equity.
- Asset allocation changes over time showed little changes over the last decade.
- The fund structure of Enfield Pension Funds Results showed that Enfield has one of the most complex funds in the LGPS with a substantial number of portfolios less than 5% of the value of the fund. This is an issue that officers will be picking up and looking into.
- Enfield's Performance relative to benchmark showed that in the latest year the Fund performed well ahead of benchmark. However, at portfolio level these were very mixed, with some performing really well and some performing very badly. Benchmarks are set by the Committee based on asset allocation.
- Performance relative to Peers showed the fund performed well above average ranking 24th percentile.
- The fund performance over 3,5,10 and 20 years showed while the Fund outperformed its benchmark over the medium term it has trailed its peers. This reflects the more cautious asset allocation that the Fund has in place.
- The range of investments available has increased markedly. Diversification has an impact on return, volatility and fund efficiency.
- The range and complexity of asset types and products has led to a greater reliance on consultants.

LOCAL PENSION BOARD - 17.10.2019

The Chair thanked Neil for his very helpful presentation.

265. STANDING ITEMS (10 MINUTES) BOLA TOBUN

- a.) Register of breaches of the law- there were no known or recorded breaches of the law up to the date of this meeting.
- b.) Risk Register, Bola Tobun drew attention to the following:
 - Impact of moving to a low carbon investment Strategy on the Fund's fiduciary duty
 - Impact of the McCloud Judgement on the 2019 valuation process – could increase employers' contribution by up to 0.9%

A report on these will come to the next meeting

- c.) TPR Governance Compliance Improvement Plan Update, Bola Tobun drew attention to the following:
 - Page 39 (E) of the agenda pack lists 4 interconnected items that require attention
 - Section K is outstanding, officers are working on this and aim to complete this work by the end of the year
 - Officers will review and report back to the Board, what has been done and what is outstanding including a checklist.

266. LB ENFIELD PENSION BOARD WORK PLAN (10 MINUTES) BOLA TOBUN

Bola Tobun, Finance Manager introduced the report.

NOTED

- The report provided details of the Core functions of the Board as listed in the terms of reference (under section 50-51).
- Aligned with this are actions listed in the workplan that TPR has asked the Board to undertake
- The workplan is a working document so members can raise queries with this document.

The Chair said it was really helpful to link the workplan with the numbering from the terms of reference.

AGREED:

1. Recommendation 2.1 to note the contents of this report
2. Recommendation 2.2 to note the pension board terms of reference attached as Appendix 1 to the report
3. Recommendation 2.3 to approve the workplan attached as Appendix 2 to the report.

267. PENSION ADMINISTRATION PERFORMANCE AND UPDATE (10 MINUTES) TIM O'CONNOR

LOCAL PENSION BOARD - 17.10.2019

Tim O'Connor, Pensions Manager introduced the report

NOTED

- The general updates as detailed in the report are progressing and are on time
- The work completion as detailed in the report. It was confirmed that divorce refers to pensions statement required by the court. However, it is very rare for pension assets to be allocated as part of a divorce settlement. This refers only to actual cases and it is very rare for those types of cases. Divorce estimates will be included in future updates.

The Chair raised a point on how to keep low paid starters in the scheme, a discussion covered the use of the 50/50 option (paying half rate contribution), also the use of Auto enrolment and the Pensions Manager will look to raise awareness of the scheme with employers before they run their auto enrolment programmes.

Annual Benefit statements – with face to face meetings and the promotion of the AVCwise option are also useful ways to promote the benefits of the scheme.

268. LGPS UPDATE (15 MINUTES) BOLA TOBUN

Bola Tobun, Finance Manager introduced the report

NOTED

- This provided an update on the TPR engagement report, some findings had been disappointing, however on the whole Enfield are performing ok.
- The report lists six measures that must be in place, more work is needed in Enfield on Cyber security and collecting data and data quality
- Actuarial Valuation, there will be a report soon and an employer's forum will take place in December.
- The Board felt it is key to develop more understanding around points 3.10 and 3.17 in the report. They were advised that the actual actuarial outcomes will go to the next PPIC meeting. This could also be something that is explored further at a training session.

AGREED

1. Recommendation 2.1 to note the contents of the report which covers the following matters:
 - The Pensions Regulator's LGPS Engagement Report;
 - McCloud and Cost Management -Further Developments;
 - Actuarial Valuation – Update;
 - SAB Publishes Good Governance Report;
 - CMA Order on Fiduciary Management and Investment Consultants;
 - Survivor Benefits;
 - GAD Section 13 review and data collection;

LOCAL PENSION BOARD - 17.10.2019

- TPR proposes a single combined code of practice;
- Consultation on Future of Trusteeship;
- Update on MHCLG Consultations;
- PASA Launches DB Transfer Guidance; and
- AVC (Additional Voluntary Contribution) Updates

269. PENSION POLICY & INVESTMENT COMMITTEE UPDATE 5 SEPTEMBER (20 MINUTES) BOLA TOBUN

Bola Tobun, Finance Manager introduced the minutes

NOTED

- Cllr Leaver is invited to the meetings of the Local Pension board and is encouraged to attend.
- The Chair queried the decision on consultation as part of the review of the Investment Strategy and whether this will still be going ahead. The consultation will be going ahead and will be undertaken by AON. This is a work in progress; a couple of workshops will be set up to look at the investment strategy. Ideally the consultation will go out in November, an update will be provided to the Board prior to consultation. The Board would like to review the breadth and width of the consultation, who will be targeted and the timescale. It was felt important that this did not overrun or take too long. Gareth Robinson agreed to raise with Cllr Leaver and to come back to Cllr Orhan on this.
- Under the Quarterly Performance Report minutes, the board was concerned that some fund managers had met their targets whilst other had fallen short. The Chair requested information on why Enfield has such a high number of managers and what are the costs. Gareth Robinson agreed to provide this information to Cllr Orhan.

270. DATES OF FUTURES MEETINGS

The dates of future meetings were noted.

This page is intentionally left blank