

## MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 27TH FEBRUARY, 2020

**MEMBERS:** Councillors Tim Leaver (Chair), Yasemin Brett, Doug Taylor and Terence Neville OBE JP

**Officers:**

Bola, Tobun, Finance Manager, Pensions & Treasury

Fay Hammond, Executive Director of Resources

Matt Bowmer, Director of Finance

Gareth Robinson, Head of Corporate Finance

Clare Bryant, Senior Governance Officer

**Also Attending:**

Daniel Carpenter, AON

Ben Yeoh and Mohammed Khan, RBC

### 11. WELCOME AND INTRODUCTION

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

Apologies for absence were received from Councillors Claire Stewart and Ergun Eren.

### 12. DECLARATION OF INTERESTS

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.

Carolyn Dobson declared interests as a non-executive director of the London Collective Investment Vehicle, Aberdeen Standard Fund Managers Ltd and M +G Securities Ltd.

### 13. MINUTES FROM THE LAST MEETING

It was agreed that the minutes of the previous meeting on 21 November 2019 would go to the next meeting to be approved.

**14. STANDING ITEMS**

**a. Pensions Board Feedback**

The Committee received a verbal update on the Pensions Board feedback from the Pensions & Treasury Finance Manager. The Pensions & Treasury Finance Manager raised concerns from the Pensions Board that the Board had not seen the funding statement before it was sent to employers.

During the discussion the following key points were raised:

- The Pensions Board are invited to attend all meetings of the PPIC and it would be beneficial for a representative from the Board to attend and provide their feedback.
- There is a need for the PPIC and the Pensions Board to have a clear understanding of each others roles ensuring the Pensions Board do not feel ignored.
- A member asked whether it was possible for a flow chart to be created to show how decisions are made by the Board, but it was agreed this could be done by dialogue.

**AGREED:**

1. That the Chair, or Member of the PPIC, should attend the Pensions Board.

**b. Risk Management Policy and Register**

**NOTED:**

1. The report and Risk Register

**AGREED:**

1. The new risk set out in the report to be included in the Risk Register.
2. That an additional risk should be added to include flu-like pandemics such as the coronavirus.
3. That the Risk Register should be reviewed annually and will come to future meetings simply for noting.

**15. RBC SUSTAINABLE EQUITY FUND**

The Committee received a presentation from Ben Yeoh, Senior Portfolio Manager and Mohammed Khan, Head of Consultant Relations, RBC.

During the presentation RBC made the following key points about the Sustainable Global Equity (SGE) Strategy:

- It is supported by teams with specific areas of focus;
- Returns are defined by stock picking;
- The SGE Strategy has a low correlation of excess returns;

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- Focuses on companies investing in the future;
- RBC look at all the strengths and weaknesses across sectors and invest in the positive;
- The London CIV (LCIV) will exclude fossil fuel and weapons and the LCIV already does not invest in tobacco;
- Authorities within the LCIV which have differing views can set up segregated funds although there are additional fees and charges to consider
- RBC try to help companies improve their supply chain audits

### 16. INVESTMENT STRATEGY REVIEW PLAN WITH ESG CONSIDERATIONS

The Pensions & Treasury Finance Manager spoke to the report and went through the recommendations. She highlighted that AON are doing evaluations on what investments will be based on sustainable investment and that the investment strategy will look into these areas.

#### NOTED:

1. AON's case for an Investment Strategy Review attached at Appendix 3 of the report

#### AGREED:

1. The draft Investment Beliefs for Enfield Pension Fund attached at Appendix 1 of the report.
2. To delegate authority to the Director of Finance in consultation with the Committee to publish the revised ISS once it is updated with the approved strategy changes and approved Investment Beliefs
3. To hold an informal meeting to discuss the Investment Strategy and the September 2020 meeting of the Committee will consider what an implementation strategy will look like.
4. To consider and approve moving all the Fund's passive equity exposure to track a Low Carbon Index Strategy.
5. The option for an initial active investment of approximately 5% of the Fund total assets in a sustainable or fossil fuel free global equity mandate and another 5% of the Fund total assets to be considered for a renewable energy/clean energy funds

**ACTION:** The Pensions & Treasury Finance Manager to circulate cost estimates on the above recommendation.

6. To maintain the Fund's current engagement activities which the Local Authority Pension Fund Forum carry out on behalf of the Fund
7. To initiate a programme where the Fund could engage with investee companies on ESG issues.
8. To set 2- and 5-year targets to reduce the carbon footprint of the Fund;
9. To monitor carbon risk annually by using a specialist contractor to conduct and assess the progress being made against the Fund's target to reduce the exposure to future CO2 emissions.

**ACTION:** TruCost to attend a future meeting

10. To monitor carbon risk annually by using a specialist contractor to conduct and assess the progress being made against the Fund's target to reduce the exposure to future CO2 emissions.

**17. QUARTERLY PERFORMANCE REPORT**

The Committee received the Quarterly Performance Report from the Pensions and Treasury Finance Manager. The Pensions and Treasury Finance Manager highlighted that the funds remain the same compared to the benchmark and that the report contained the detail of the performance of each portfolio.

Councillor Taylor asked about the impact of illness and pandemics on the market. Daniel Carpenter, AON, explained that these can cause turbulence, but they are not expecting any issues to continue.

**NOTED:**

1. The report.

**AGREED:**

1. That in order to avoid duplication the next Quarterly Performance Report to come to the Committee should contain:
  - How much the fund is worth;
  - A rolling 12-month update;
  - The last quarter update;
  - A one-page summary.

**18. LCIV (LONDON COLLECTIVE INVESTMENT VEHICLE) QUARTERLY UPDATE**

The Committee received the report on the London Collective Investment Vehicle (LCIV) Quarterly update.

The Pensions and Treasury Finance Manager informed the Committee it is officer's recommendation to not sign the recharge agreement but asked the Committee to approve the guarantee.

Members raised concerns around the governance of the LCIV and the risk that signing an unlimited liability. Members were informed that the liabilities are a risk which may not materialise.

**NOTED:**

1. The contents of the report.

**AGREED:**

1. To delegate to the Chief Finance Officer and the Monitoring Officer, in consultation with the Committee, to review and agree suitable terms and conditions for Enfield Pension Fund and the Council regarding the LCIV Pension Cost Recharge Agreement and LCIV Pension Guarantee Agreement (for the City of London)

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2. To approve that the agreements be signed when and if the officers are satisfied that these conditions have been achieved in consultation with the Chair and Vice Chair of the Committee.

### **19. PROCEDURES FOR RECORDING AND REPORTING BREACHES OF THE LAW**

The Committee received the report on procedures for recording and reporting breaches of the law.

#### **NOTED:**

1. The contents of the report and its appendices.

#### **AGREED:**

1. The Enfield Pension Fund Procedure for Recording and Reporting Breaches attached to the report as Appendix 2.

### **20. CONFLICT OF INTEREST POLICY**

The Committee received the report on the Conflict of Interest Policy

#### **NOTED:**

1. The report and its appendices

#### **AGREED:**

1. The Enfield Pension Fund Conflict of Interest Policy attached to the report.
2. The Committee agreed to complete the declaration of interest, attached at Appendix 2, of the report in respect of their positions as members of the Committee.

**ACTION:** All members to complete.

### **21. TRAINING AND DEVELOPMENT POLICY, MEMBER TRAINING NEEDS ANALYSIS AND TRAINING RECORD LOG**

The Committee received the report on Enfield Pension Fund Training and Development Policy.

#### **NOTED:**

1. The assessment and training resources provided by the Pensions Regulator.
2. The adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework including the self-assessment matrix.
3. The programme for 2019/20 set out within the report.
4. The contents of the training and development policy attached as Appendix 3 of the report including the Training Record Log For 2019/20.

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### **22. ENFIELD PENSION FUND BUSINESS PLAN AND PPIC WORK PLAN FOR 2020/21**

The Committee received the report on the Enfield Pension Fund Business Plan and PPIC work plan for 2020/21.

During the discussion it was proposed that the Committee see three to four fund portfolio managers outside of the formal meetings of the Committee and that their presentations should be circulated to the Committee prior to the meeting.

#### **NOTED:**

1. The contents of the report.
2. The Business Plan attached at Appendix 1 of the report.

#### **AGREED:**

1. The work plan for 2020/21 attached at Appendix 2 of the report.

### **23. FINAL 2019 TRIENNIAL VALUATION RESULTS**

The Committee received the report, Final 2019 Triennial Valuation Results and Funding Strategy Statement.

#### **AGREED:**

1. The final results of the triennial actuarial valuation attached at Appendix 1 of the report.
2. The Funding Strategy Statement of Enfield Pension Fund attached at Appendix 2 of the report.

### **24. UPDATE ON INTERIM AUDIT**

Gareth Robinson, Head of Corporate Finance, provided a verbal update on the Internal Audit. The following key points were raised:

- The audit focuses on pension liability and investment fees;
- There have been no issues in the interim audit;
- The main audit is more aggressive with its calculation and work will be done to ensure the Council achieve its targets;
- The Pensions Fund is working

Councillor Leaver recognised the stresses audits can cause officers and asked for the accounts to go to the June 2020 meeting of the Committee.

### **25. PROCUREMENT OF SERVICES**

The Pensions and Treasury Finance Manager informed the Committee that there will be a presentation from the shortlist of tenders of potential services providers.

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**ACTION:** Pensions and Treasury Finance Manager to circulate details of the arrangements to the Committee.

### **26. DATES OF FUTURE MEETINGS**

The Committee noted the dates of future meetings as set out in the agenda.

The Committee agreed it would be beneficial for the Committee to meet an additional two times a year.

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