

**MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT
COMMITTEE
HELD ON THURSDAY, 26 NOVEMBER 2020**

COUNCILLORS

PRESENT Tim Leaver, Claire Stewart, Ergun Eren, Doug Taylor, Edward Smith and Terence Neville OBE JP

OFFICERS: Bola Tobun (Pensions and Treasury Finance Manager) and Clare Bryant (Senior Governance Officer)

Also Attending: Daniel Carpenter (Aon), and Joe Peach (Aon)

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WELCOME AND INTRODUCTIONS (2 MINUTES)

Councillor Tim Leaver (Chair) welcomed everyone to the virtual Microsoft Teams meeting.

Apologies for lateness were received from Councillor Claire Stewart.

The Chair noted the large presentations to the meeting in addition to important business items. Consequently, the time allocations given to items was challenging.

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DECLARATIONS OF INTERESTS (3 MINUTES)

Councillor Terry Neville declared a non-pecuniary interest as his nephew was a senior employee at CBRE.

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MINUTES FROM THE LAST MEETING - 17 SEPTEMBER 2020 (5 MINUTES)

AGREED the minutes of the meeting of 17 September 2020 were agreed.

Councillor Smith asked for actions relating to the cost saving report be circulated.

Councillor Levy took this opportunity to note that the monthly presentations on the Council's investments had been very useful.

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KEY DEVELOPMENTS, ECONOMIC AND MARKET OUTLOOK (15 MINUTES)

The Committee received a verbal update from Daniel Carpenter from AON.

The update was going to focus on the fund investment managers which AON but it was decided that would be more appropriate under Part 2.

The update focused on market outlook for the next years and the following key points were made:

- The equity markets are performing strongly and have been for the last six months.
- the news of a potential vaccine for Covid-19 has meant there is a reduced risk in equity markets. News of a vaccine has also reduced the risks for investments next year and will benefit equity markets.
- The Asset Allocation Team have a neutral view on equity for a medium term prospective as there are still some factors to be considered such as the USA, Brexit, Covid-19 and vaccines. This does not mean that equity markets will increase.
- The UK is still in a low yield environment but it is thought this will increase from the news of vaccine.
- The Strategy Review will be happening next year but there remains a period of uncertainty.

Councillor Neville asked for a view on the UK's markets and investments based on the chancellors' announcement and how this will affect the Council. Daniel said that the UK market has been suffering more than other developed markets and the announcement could be beneficial. There is still a level of uncertainty around Brexit. The announcement yesterday was expected and the market did react. All asset classes will face challenges going ahead.

The Chair felt it would be useful to have a presentation on this in the future as it would be beneficial to the Committee. Daniel informed the Committee that a report will be shared from the Asset Allocation Team with the Committee alongside documents on the Strategy Review.

Councillor Taylor stated he understands the difficulty of predicting the markets, and asked whether there are any short term tactical things the Committee should be aware of, or doing, to put the fund in the best position. Daniel said there is not an opportunity to do this in the short hand but there is a detail paper in the agenda pack.

Councillor Smith raised concerns about property and offices which the Council invests about 6% into and felt it would be useful if the property market could be discussed at the next meeting. Commercial property is a long term investment and this will be reviewed during the Strategy Review. Property remains an attractive investment despite the uncertainties. Property has seen negative returns in the last 12 months.

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ENFIELD PENSION FUND DRAFT ANNUAL REPORT 2019-20 (10 MINUTES)

The Pensions and Treasury Finance Manager spoke to this item and informed the Committee that she is still waiting for BDO to issue their progress report.

The full asset of the pension fund decreased by £34 million over the year and the closing net asset for this year is £1.15billion. The Council has been ranked by Perk in position ten in the league table as the return is minus 1.5. Despite this it appears the fund is still in a good position.

The custodian was asked to close this account early and the auditors have been informed.

Councillor Neville asked the whether this is the annual report that will go to pension fund members as he felt it is too long and too detailed. Bola informed the Committee it is a statutory requirement to include all the statements in the Annual Reports. This information will be published on the website.

Councillor Neville felt that the delegation of appointment and dismissal of fund managers should not be delegated to officers. Bola explained that the Council have delegated this to the Pension Policy and Investment Committee, not to officers. Councillor Taylor felt that this is a primary function of the Committee.

The Chair felt it would be beneficial for the summary note for pension fund members to be circulated to the Committee and noted at the next meeting.

Councillor Smith raised concerns about the Enfield's ranking by year 10 in this fund as it would drop to being ranked to 48 despite the Fund being predicted to continue to do well. Bola explained that the table shows past performance, not future performance. The table shows that performance has improved in the last ten years.

The Committee had a discussion on the Chair's foreword in the report and agreed the following:

- That the use of the word "transform" should be replaced with "realigned";
- That the word "production" in paragraph 4 should be replaced with "extraction";
- To change "has made a number of substantial changes" to "will make a number of substantial changes"; and
- To thank advisors as Committee and Board members.

The Committee **AGREED** the following:

- i. That delegation of appointment and dismissal of fund managers should remain a function of the Committee and not delegated to officers as set out in the report;

- ii. To delegate authority to the Executive Director of Resources, in consultation with the Chair, to make any final changes to the final accounts and approve the statement of account for 2019/20 reporting back any changes;
- iii. To note the contents of the report, and the Enfield Pension Fund ranking;

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TRAINING AND DEVELOPMENT POLICY, MEMBER TRAINING NEEDS ANALYSIS AND TRAINING RECORD LOG (10 MINUTES)

The Pensions and Treasury Finance Manager reminded the Committee of the importance for members to attend training and webinars where ever possible as it is a requirement for the Committee to be knowledgeable on this subject area. The monthly sessions are used as part of this training.

The Chair informed the Committee that there is a training scheme available for members of this Committee to join and there is a need to formalise doing this training for auditing purposes.

Councillor Taylor felt the strategic allocation will be the next big task for the Committee and it would be useful for training on each allocation class and the risk and opportunities within these. This would demonstrate member expertise is aligned with strategic decision making. Bola will be arranging a training on this.

Councillor Smith asked who pays for training when it is external. The formal pensions government body for training is free but if required paid training can be arranged. Bola will circulate a link to all members of the Committee.

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LGPS AND PENSION ADMINISTRATION UPDATE (10 MINUTES)

The Pensions and Treasury Finance Manager provided a verbal update. No new employers have left the fund since the beginning of the financial year and the vacancies within these teams have been filled.

Since the beginning of the financial year McCloud have been an issue. Enfield have set up a Team to look into this and it should cost 1% of the Fund to correct this.

Cyber security is being worked on and views are being sought from AON.

Work is taking place on Exit Pay which came into force on 4 November 2020 to look into how this regulation will affect the Enfield Pension Fund.

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NATIONAL GUIDANCE AND REQUIREMENTS ON GOVERNANCE AND ENFIELD PENSION FUND GOVERNANCE REVIEW (10 MINUTES)

The Pensions and Treasury Finance Manager explained the paper is to show the current governance arrangement compared to the national guidance requirements. LGPS arrangements are reviewed to ensure conflict of interests, officers are doing well and it expected the Good Governance Project will come to an end shortly.

The requirements and best practise show that for Enfield, we do not currently have employees represented on the Committee and this may be needed in the future, and how this would work such as whether they would be a voting member etc.

The Committee do not debate this. They are involved in the process set out by the Council itself.

Councillor Taylor noted that Appendix 1 also had the conflict discussed in a previous item around delegations to officers which should stay with the Committee.

The Committee **NOTED** the report and asked for additional information on the engagement process and whether there would be the opportunity for the Committee to be involved.

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VOTING AND ENGAGEMENTS UPDATE (10 MINUTES)

The Pensions and Treasury Finance Manager explained it would be useful to see how the pension managers are voting. This would be used to see how managers are voting in line with the LAPFF recommendations.

The Chair felt the format of these reports was unnecessary. There is only a need for the Appendix for this report, not the report itself. This would reduce the risk of the information being missed. This view was shared by the Committee.

The Committee **NOTED** the report and its contents, and **AGREED** to bring an update version of the report be brought to the next meeting.

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DATES OF FUTURE MEETINGS

The Committee **NOTED** the dates for future meetings as set out on the agenda.

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EXCLUSION OF PRESS AND PUBLIC

The Committee **AGREED** that in accordance with Section 100(A) of the Local Government Act 1972 to exclude the press and public from the meeting for the items listed on part two of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

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QUARTERLY PERFORMANCE REPORT - 30 SEPTEMBER 2020 (5 MINUTES)

The Pensions and Treasury Finance Manager informed the Committee that the report provides an update and that all the funds have performed to target, expect from Longview have provided negative returns. The Longview investment is held by the London CIV.

The chart under Asset Allocation shows Enfield's asset allocations by class, all of which will be reviewed as part of the Strategic Review. Enfield's cash assets will be reviewed as part of the Strategic Review which is hoped will start as soon as possible.

Councillor Smith raised that York Capital appeared to be under performing and asked what actions will now be taken. The Pensions and Treasury Finance Manager explained that Enfield is now out of this Fund and Enfield is waiting for the money back from their investments. This may take some time as they are paying Enfield back in stages to ensure Funds are sold for what they are worth.

The Chair flagged that the wrong variants are showed in the asset allocation table.

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INVESTMENTS AND ASSET MANAGERS UPDATE (10 MINUTES)

The Pensions and Treasury Finance Manager summarised Adam Street Partners Global Fund and the ongoing legacy with this fund. Bola explained the cash flow investment and the consequence of not investing this money.

The Chair explained that if we continue with previous decision of this Committee, Enfield would get its money back but the decision is for the Committee to decide whether the Committee wishes to continue with this based on the returns and the sector it invests in.

Councillor Neville and Councillor Taylor felt the sectors (technology and healthcare) continue to be important sectors.

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AON explained that despite this being a historic decision, investing in this Fund ensure diversification within the private equity funds. This would not compromise any strategy reviews.

The Chair explained that with Blackrock that there had been issues with the reference index and the investment that the Fund should be more in line with the Council's ESG. During the transition process with Blackrock it came to light that Blackrock are to evolve the ACS Low Carbon Target Index Fund.

Councillor Taylor reminded the Committee that at the last meeting with Blackrock they had an additional fund called Low Carbon Plus and requested some details on this. Bola informed the Committee that she has looked into the comparisons for this the fund performs well but the carbon intensity is worse than the other two funds focusing on MSCI.

AON stated that the new MSCI Index is not approved by the AON Research Team but so far, the research looks positive but this is un complete. The new Index does reduce fossil fuel use. They will report back to Bola on timescales on this.

The Committee agreed to bring the details on the LCIV Low Carbon Equity Fund to the next meeting.

The Committee **AGREED** to continue investing \$10million annually into the Adam Street Partners Global Fund subject to it fitting into the overall Strategy; and **NOTED** the new fund Blackrock is funding and agreed to bring this item back to January's meeting.

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INVESTMENT STRATEGY REVIEW UPDATE (10 MINUTES)

AON provided a presentation on the Investment Strategy Review. This showed each stage of the Review and its timeline involving the Committee.

The Committee will start seeing outputs from the Strategy Review in January 2021. Councillor Taylor asked for there to be a substantial amount of time on the agenda at the next meeting for this.

It was agreed to hold a session on this which would not be a public meeting to discuss this.

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LCIV QUARTERLY UPDATE (10 MINUTES)

Bola updated the Committee on an update on the LCIV. It has been proposed to have two managers for the LCIV, it is unclear at this stage how much of the Council's money this manager will be able to invest. This would result in an increase in fees but it has yet to be made clear how much this will be.

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Bola asked for the Committee's view on the LCIV splitting the Council's money between the two managers, or whether the preferred option would be to come out of the Fund and look into alternatives.

The Chair felt it was important to support Bola on what is best for the Council's funds. Councillor Neville stated he was inclined to remove the money from the LCIV.

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ANY OTHER BUSINESS (5 MINUTES)

There were no items under any other business.