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PENSION POLICY & INVESTMENT COMMITTEE - 30.9.2021

MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT COMMITTEE HELD ON THURSDAY, 30 SEPTEMBER 2021

COUNCILLORS

PRESENT Tim Leaver, Doug Taylor, Edward Smith and Terence Neville
OBE JP

ABSENT Claire Stewart

OFFICERS: Matt Bowmer (Interim Director of Finance) and Bola Tobun
(Finance Manager (Pensions and Treasury))

Also Attending: Carolan Dobson (Independent Advisor), Daniel Carpenter
(Aon), and Joe Peach (Aon), Tapan Datta (Aon)

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WELCOME AND INTRODUCTIONS

Councillor Tim Leaver (Chair) welcomed everyone to the meeting and
Members and Officers were introduced.

Apologies for absence were received from Claire Stewart and Matt Bowmer

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DECLARATION OF INTERESTS

None

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MINUTES OF PREVIOUS MEETING: 29TH JULY 2021

The minutes of the meeting held on 29 July 2021 were agreed as a correct
record with the following amendments:

- Apologies for Carolan Dobson (Independent Advisor)
- Attendance for Max Meikle (Aon)
- Item 5 Report to change “The funds investments outperformed its
benchmark over the 12 month period”
- To change 8.4 to “The issue with LCIV and Longview is still being
monitored and AON are content with Longview”
- To change 11 to “committee agreed to take option 1; which will see the
current MAC Fund mandate be amended such that the allocation to the
underlying managers be 50% to CQS and 50% to PIMCO

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PENSION BOARD FEEDBACK

- The Local Pension Board are happy that AGM will happen, taking place in Jan/Feb and want to be involved in this process.
- Pension Board members are invited to this meeting as a courtesy, they are welcome but never obliged. Cllr Smith would like to see written update from the pension board. Minutes from their meeting are to be circulated.
- TPR pensions regulator monitor the pensions board.

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QUARTERLY INVESTMENTS UPDATE -30 JUNE 21

Bola Tobun presented this item and highlighted the below points:

- The fund is outperforming. June quarter 8 out of 20 mandates delivered returns, matching or achieving returns above the set benchmark.
 - A number of mandates have not performed well.
 - The cash balance was £101.710m in short term deposits and money market funds. £31.272m with Goldman Sachs and £74.437m with Northern Trust. £60m of this cash balance will shortly go into AON short liquidity fund following legal checks.
 - For this quarter end, 8.3% of the Fund's equity portfolio invested in emerging equities
 - 6.7% is in private equity
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- Cllr Neville noted the outlay on fees is improving but locally we need to keep an eye on investment management fees. The committee needs transparency of fees, the information received needs to be reformatted.
 - The performance measurer, Northern Trust may be able to provide different information and noted fees are higher because of strong performance which has led to individual asset mandates increasing given they are based on asset size. Officers agreed to update on fees at a future meeting. Bola could provide fees on annual basis.
 - Committee pleased with the performance; the fund is doing well.

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MACRO MARKET OUTLOOK

Tapan Datta (Aon) presented this item and highlighted the following points:

- Stock markets have been doing well and LBE has benefited from this. Returns are likely to lessen in the future as there is a higher likelihood of set backs and increased volatility to the market.
- Economic activity slowed last year due to covid. Inflation is rising rapidly, partly due to covid and Brexit.

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- Bank of England is expected to move interest rates twice by August 2022.
- Market returns have been strong for a long time. Yields are low and stock markets are expensive. On a forward-looking basis it will be a struggle to meet market returns so looking at other areas to get returns with manager skills and private market investments.

Cllr Taylor asked if asset allocation should be reconsidered for the future. Aon confirmed we have a good level of diversification.

Cllr Neville highlighted the current energy crisis and its impact on the UK and asked how this could affect us? In response Aon explained OFGEM has to explain how it regulates this industry. Gas prices are expected to be high for the next 6-9 months.

Cllr Smith asked if asset values drop over the next few years how does this affect LBE's pension fund. Aon responded with; it will impact the Fund's funding level, but the funding level will also be impacted by any changes to the funds liabilities.

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KEY DEVELOPMENTS AND PORTFOLIO UPDATE

Joe Peach (Aon) discussed key points:

- Aon are working with officers to develop a dashboard for reporting with key points rather than lengthy reports for the committee.
- Funding level has increased to 112% over the quarter, next valuation due March 2022
- Fund assets are £1.5bn
- Aon has developed an ESG dashboard which provides tailored strategy and manager level insight and analysis.
- Aon has been confirmed as signatories to the UK Stewardship code. Committed to responsible investment.

Action: Bola Tobun to circulate dashboard

- Cllrs commented that they were unsure what annual means on the chart page 41. They also noted there wasn't any point having 2 reports on the same thing.

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QUARTERLY LAPFF ENGAGEMENT UPDATE

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- Bola Tobun highlighted the purpose of the report; to let the committee know what LAPFF has done over the last 3 months on our behalf.
- Cllrs commented they have no concerns about the work of the LAPFF

ACTION: Bola Tobun to invite representative from LAPFF to discuss what they do in January 2022 meeting.

- For future items the report should be a summary of key points and concerns

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REVIEW OF GOVERNANCE POLICY AND COMPLIANCE STATEMENT

There will be 2 non voting members of the committee as agreed by full council.

ACTION: Bola to circulate the next steps for the proposals

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ENFIELD PENSION FUND FOSSIL FUEL EXPOSURE REPORT AS AT 30TH JUNE 2021

AON presented an update report of the pension funds fossil fuel exposure.

- It was agreed Aon should continue to engage with the fund managers to establish the underlying fossil fuel exposure of the fund.
- The fund exposure to fossil fuel has decreased . by c.1.0% of Fund value, or c.£14.7m as at 30 June 2021.This is higher than the exposure as at 31 March 2021 of 0.9%, or £13.1m in sterling terms. The slight increase is largely driven by the BlackRock passive low-carbon equity fund, which had increased in price by c.£1.2m over the period (Energy price inflation).
- It will continue to be monitored on a quarterly basis. LCIV will be also able to help
- Aon gave summary of all accounts held.

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INVESTMENT STRATEGY IMPLEMENTATION PLAN

- Aon provided recommendations on equity options.
- The committee accepted the proposal and would like an update at the next meeting.
- In particular, the committee agreed to move the funds current holding with Baillie Gifford to the Paris-Aligned Baillie Gifford fund on the LCIV.
- The committee agreed they will monitor and have as a standing agenda item as a part two discussion. The committee agreed to add a

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milestone into the implementation plan in May 2022, reflecting the elections that are scheduled to take place at that time and the possibility that the committee may change as a result of these.

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DISCUSSION ON RESPONSIBLE INVESTMENT POLICY- NET ZERO PLAN

- Held as a post meeting informal discussion as the responsible representative from Aon was unwell.
- Committee will hold a workshop in November to support training and to get a better understanding on engagement, measuring and monitoring.

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