

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 31 March 2022

Subject: Investment Strategy Implementation Update

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. This report introduces Aon's report on the Fund's implementation plan.

Proposal(s)

2. Pension Policy and Investments Committee is recommended to
 - a) note the contents of this report and the Investment Strategy Review, Summary paper appended as Confidential Appendix 2;
 - b) note the contents of the Investment Strategy Implementation paper, appended as Confidential Appendix 1; and
 - c) consider and approve the recommendation of Aon of investing the Fund's new 5% allocation to alternative fixed income into the LCIV Global Bond Fund as appended as Confidential Appendix 3 to this report.

Reason for Proposal(s)

3. The decisions taken around investment strategy are some of the most important decisions taken by the Committee. Contributions and investment returns are the only two options available to fund benefit payments; decisions around the contribution and investment strategies are therefore some of the most significant in terms of their overall impact on the Fund. It should be noted that the high level decision making around the type of assets held has far more impact than manager selection.

4. Relevance to the Council's Corporate Plan

5. Good homes in well-connected neighbourhoods.
6. Build our Economy to create a thriving place.
7. Sustain Strong and healthy Communities.

Background

8. Appendix 1 to this report sets out specific recommendation to set the Fund's new asset allocation in line with the new investment strategy.
9. Importantly, it should be noted that these proposed changes will help to address and progress the Fund towards its previously set climate related objectives as it would represent a "greener" asset allocation.

Safeguarding Implications

10. None.

Public Health Implications

11. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

12. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

13. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

14. Any form of investment inevitably involves a degree of risk.
15. To minimise risk the Committee attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.
16. This report helps in addressing value for money through planning to have a rigorous and robust investment strategy in place to aid in bridging the Fund's funding gap.

Risks that may arise if the proposed decision and related work is not taken

17. Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

Financial Implications

18. The Aon paper sets out a number of recommendations in respect of the implementation of a revised Investment Strategy.
19. There are no direct financial implications arising from this report.

Legal Implications

20. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy in line with guidance published by the Secretary of State. Regulation 7(2) stipulates that the authority's investment strategy must include:
 - a) a requirement to invest fund money in a wide variety of investments;
 - b) the authority's assessment of the suitability of particular investments and types of investments;
 - c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
 - d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.
21. This paper helps demonstrate that the Committee is investing in line with Regulation 7(2), by carrying out an assessment of the suitability of different types of investments and considering how some of the risks to which the Fund is exposed can be managed through setting an appropriate investment strategy.

Workforce Implications

22. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

23. None

Other Implications

24. None

Options Considered

25. No alternative options considered.

Conclusions

26. The Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions.

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Date of report 14th March 2022

Appendices

Appendix 1 – Aon Investment Strategy Implementation Plan for Enfield PF (Confidential)
Appendix 2 – Aon Investment Strategy Review Summary for Enfield PF (Confidential)
Appendix 3 – Aon Alternative Fixed Income Allocation Report for Enfield PF (Confidential)