

Enfield Pension Fund

LGPS Roles and Responsibilities

Presentation

Bola Tobun

www.enfield.gov.uk

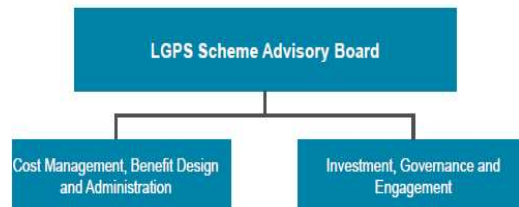
Striving for excellence



Who's who at National Level?



Scheme Advisory Board (National)



Representatives from:

- Employers
 - Scheme members
- Advisors
- TUC
 - Treasurers
 - Administering Authority
 - Lawyers
 - Government Actuary
 - P&LSA
 - Other actuarial firms
 - CIPFA

The Pension Regulator's extended role (April 2015)

Legislative powers

- **Examples of areas covered:**
 - Pension Board conflicts
 - Pension Board representation
 - Pension Board knowledge
 - Record keeping
 - Internal controls
- **Enforce:**
 - Improvement notices
 - Penalties
 - Criminal prosecution
 - Appointment of a skilled person

Code of Practice – Educate and Enable

- Knowledge and understanding – Pension Boards
- Conflicts of interest* and representation
- Publishing information about schemes
- Managing risk and internal controls*
- Maintaining accurate member data*
- Maintaining contributions*
- Providing information to members and others*
- Resolving disputes*
- Reporting breaches* and late payment of employer contributions

Instructions for TPR toolkit

<https://education.thepensionsregulator.gov.uk/login/index.php>

- Register (or log in if already registered)
- Click on "your Learning" tab

The Trustee toolkit

The Pensions
Regulator

Home | Your learning | Resources | Help | You are logged in as Bola Tobun (Log out)

Your learning

The toolkit features various courses. Select a course to view the course page and choose an activity:

Key ● ● ● Topic progress ☆ Assessment not attempted ☆ Assessment attempted ☆ Assessment passed

Essential learning for trustees

These are the modules you must pass to achieve the required level of trustee knowledge and understanding based upon your scheme type and size selected (or indicated) at registration. If the selection looks incorrect, you may need to **change your profile criteria**.

<p>Introducing pension schemes</p> <p>☆ ● ● ● 60 minutes</p>	<p>The trustee's role</p> <p>☆ ● ● ● 60 minutes</p>	<p>Running a scheme</p> <p>☆ ● ● ● 60 minutes</p>	<p>Pensions law</p> <p>☆ ● ● ● 60 minutes</p>
<p>An introduction to investment</p> <p>☆ ● ● ● 120 minutes</p>	<p>How a DB scheme works</p> <p>☆ ● ● ● 90 minutes</p>	<p>Funding your DB scheme</p> <p>☆ ● ● ● 90 minutes</p>	<p>DB recovery plans, contributions and funding principles</p> <p>☆ ● ● ● 90 minutes</p>

Development record

Download your development record

Public service schemes

You can now add the Public Service toolkit to your account.

[Add course](#)

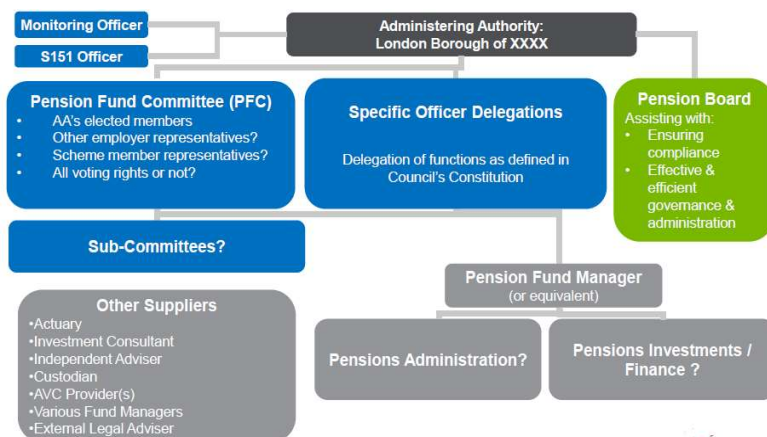
Settings

► My profile settings

Things that might help

- General study planner - Sample
- Study planner
- A quick guide to personal development
- Assessing your learning needs
- Learning log
- New - Running a scheme: Case example 1/2 - Tricked into being part of a scam

Who's who in the Pension Fund?



There are many different roles involved in the management of an LGPS fund

These include:

- The pension committee
- The pension board
- The fund administrator
- The administering authority
- Employers
- Investment managers and the Pool
- Custodians
- The actuary
- Professional advisers



Fund Employers



Key Policy Documents

- Statement of Accounts
- Investment Strategy Statement
- Funding Strategy Statements
- Governance Compliance Statement
- Administration Strategy Statement
- Training & Development Policy
- Conflict of Interest Policy
- Reporting Breaches Procedure
- Risk Management Policy

Annual Report

London Borough of Enfield Pension Fund
2018/19



Statutory Documents

- **Annual Report**
 - Review of performance
 - Actuary statement
 - Fund account
- **Pensions Administering Strategy**
 - Communication with employers
 - Performance/ pay over of contributions requirements
- **Governance Compliance Statement**
 - Delegation arrangements
 - Frequency of meetings/membership
 - Compliance with CLG guidance



Statutory Documents (2)

- **Investment Strategy Statement (ISS)**

- Invest in a wide variety of investments
- Assessment of the suitability of investments
- Approach to risk, included ways this is measured and managed
- Approach to pooling investments – use of collective investment vehicles and shared services
- Policy on how ESG considerations are taken into account for investments
- Policy on the exercise of rights (including voting rights) attaching to investments



Statutory Documents (3)

- **Communication Policy**

- Information/publicity/promotion
- Format/frequency/distribution

- **Funding Strategy Statement**

- Responsibility/solvency/target funding levels
- Risk/control
- Approach to employer contribution rates/employer risk

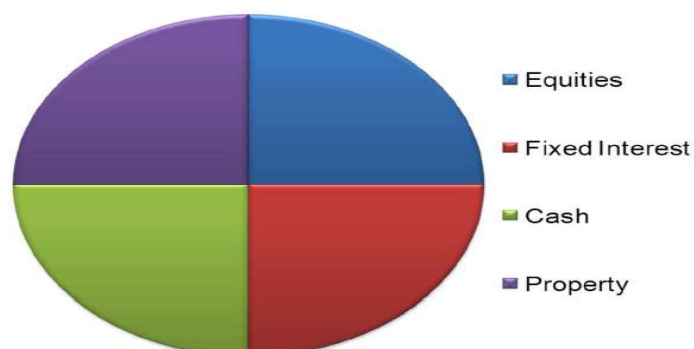


What is the primary duty of the fund?

- Pay members benefits as they fall due (fund liabilities)
- In order to do this, need to have enough assets to pay the liabilities
- A shortfall leads to a funding gap (Assets < Liabilities)
- **How can we close this gap?**
- Generate Investment returns, increase employer contributions or change the benefits
- Need to generate the required investment return, but in a regulated framework to safeguard the assets "

The four “core” asset classes

Each asset class is expected to have different level of expected return and is affected by different risk factors.



Asset classes

Investors have a wide choice of investment options...



Equities



Bonds



Race horses



Cash



Commodities



Property

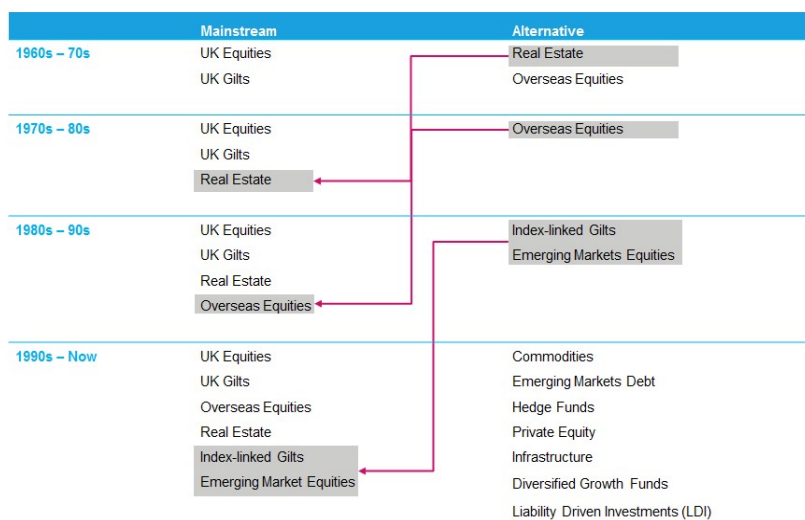


Fine Wine

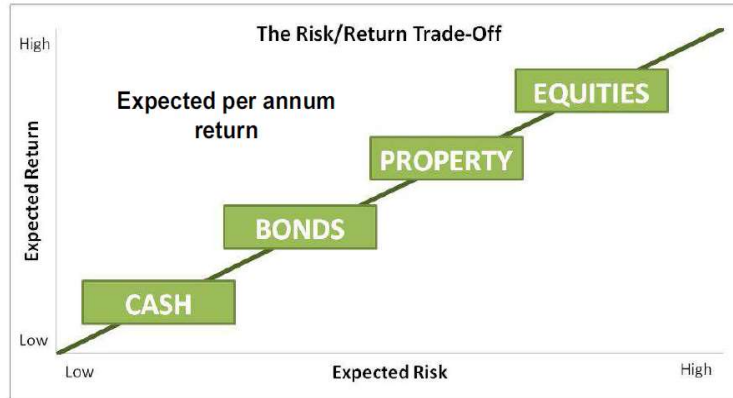


Infrastructure

The alternatives evolution – the UK experience

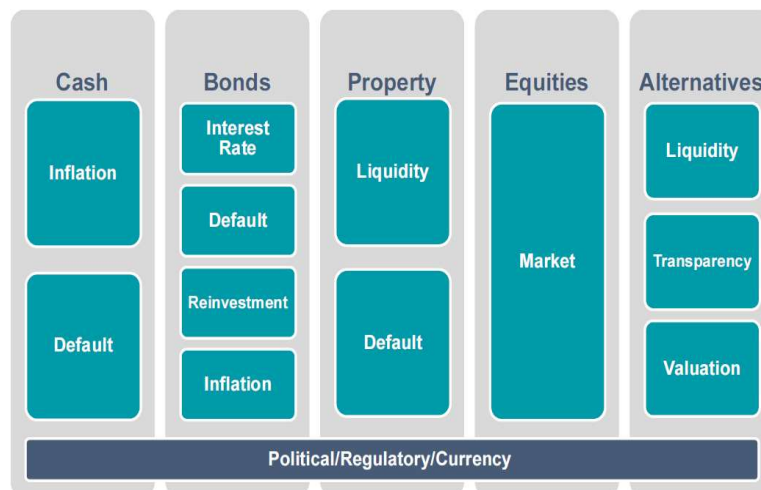


Expected Risk & Return



As a general rule, more risky investments offer potentially higher returns, while less risky investments offer lower returns

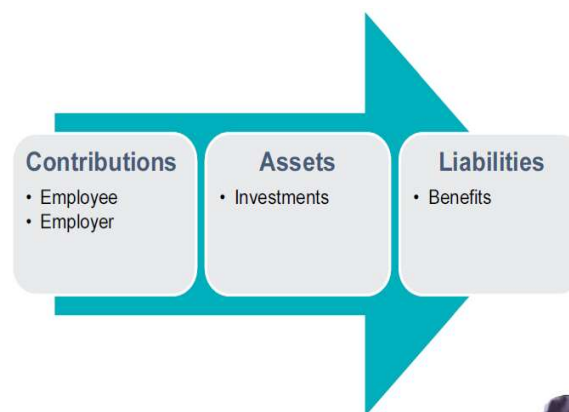
Asset classes & their key risk exposures



Why do we invest?

- To meet future liabilities – pay pensions!
 - Historical long-term growth
 - The power of compounding growth
 - Legal and fiduciary responsibility for “trustees”
- A fiduciary duty is an obligation to act with loyalty and honesty and in a manner consistent with the best interests of another party. For instance, a trustee has a fiduciary duty to the trust's beneficiaries, and an attorney has a fiduciary duty to a client.

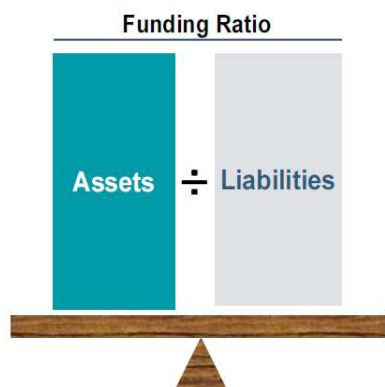
Ultimate Objective - deliver pension that was promised



“Ensure that sufficient funds are available to meet all benefits as they fall due for payment”



Funding Ratio or Funding Level



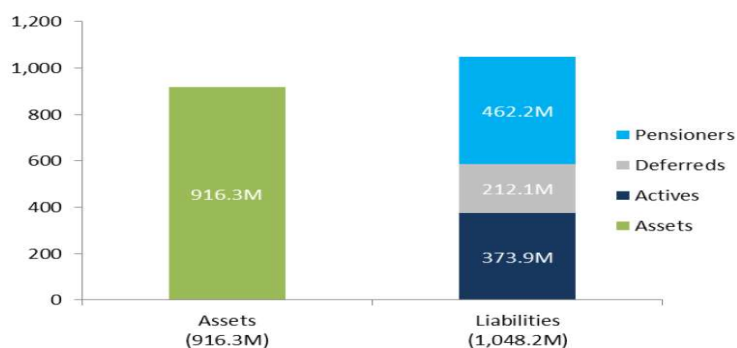
- The investment strategy should take into account both assets and liabilities
- The Funding ratio provides an assessment of the fund ability to pay pension liabilities
- Funding levels are affected by changes in assets and liabilities
- Both assets and liabilities can be volatile leading to volatility in the funding ratio

Extract from Actuarial Report as at 31 March 2016

The key results of the valuation as at 31 March 2016 are set out below.

There was a shortfall of £131.9M relative to the past service liabilities of £1,048.2M which corresponded to a funding ratio of 87%.

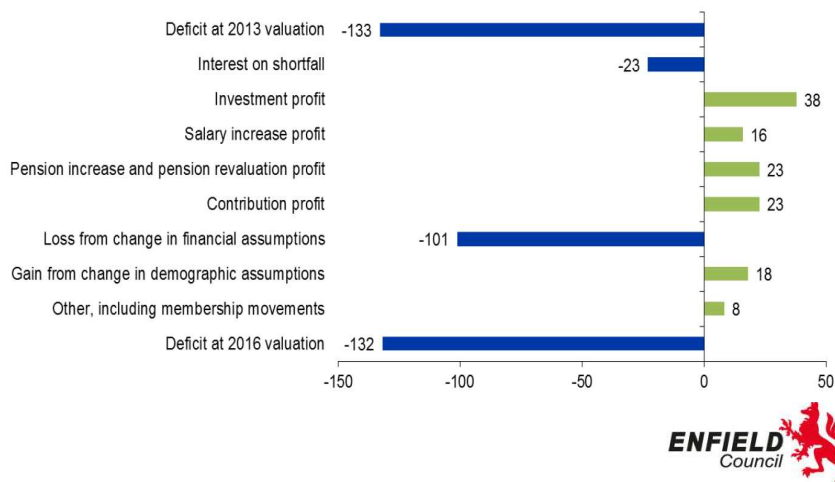
The past service liabilities are the amount of assets agreed with the Administering Authority as being required to meet members' benefits, assuming the Fund continues as a going concern.



Extract from Actuarial Report at 31 March 2016

Funding Position Change: From 2013 Deficit to 2016 Deficit

The chart below shows the key reasons for the change in funding position.

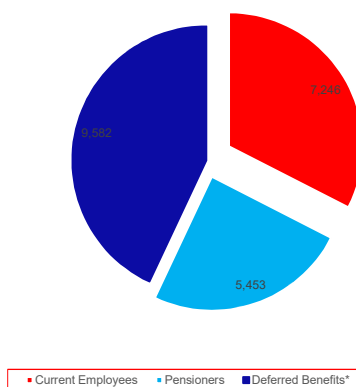


Enfield Pension Fund at a Glance

Scheme Membership

The Fund currently has a membership of 22,281 comprising the following categories as set out in the below chart

Scheme Membership



Enfield Pension Fund Strategic Asset Allocation

	Strategic asset allocation	Investment Strategy Statement ("ISS") ranges
Equities (including private equity)	40%	30-50%
Hedge Funds	10%	10-20%
Property	10%	5-15%
Infrastructure	8%	3-9%
Bonds	24%	
Inflation protection illiquids	10%	10-30%

Enfield Pension Fund Assets and Manager at a Glance

Assets value as at 31st March 2019 £1.18bn

Manager Allocations	31.12.2018		31.03.2019		Strategic (%)	Return (%)
	Market Value (£m)	Percentage (%)	Market Value (£m)	Percentage (%)		
Equities	443.0	39.4	484.3	41.0	35.0	6.0
BlackRock Passive	152.8	13.6	168.0	14.2		
Trilogy Global Unconstrained	0.8	0.1	0.8	0.1	32.5	6.4
MFS Global Unconstrained	98.1	9.7	110.1	9.3		
LCIV Baillie Gifford	67.0	6.0	75.3	6.4		
LCIV Henderson	26.9	2.4	28.2	2.4		
LCIV Longview Partners	71.7	6.4	77.0	6.5		
Lansdowne Equity L/S ¹	25.6	2.3	25.0	2.1	2.5	-0.4
Private Equity	71.8	6.4	69.2	5.9	5.0	0.9
Adams Street	71.8	6.4	69.2	5.9	5.0	0.9
Hedge Funds	97.1	8.6	97.1	8.2	10.0	-1.8
Lansdowne Equity L/S ¹	25.6	2.3	25.0	2.1		
York Distressed Securities	10.6	1.7	10.0	1.6		
Davidson Kempner	27.7	2.5	27.7	2.3		
CFM Stratus	24.2	2.2	25.4	2.1		
UK Property	75.4	70.9	75.9	6.4	10.0	-3.6
BlackRock	38.3	3.4	38.0	3.2		
Legal & General	33.1	2.9	33.4	2.8		
Brookton	4.1	0.4	4.5	0.4		
PFI & Infrastructure	59.1	5.3	59.0	5.0	6.0	-1.0
IPPL Listed PFI	43.3	3.9	43.3	3.7		
Antin	15.8	1.4	15.7	1.3		
Bonds	252.3	22.4	262.0	22.2	24.0	-1.8
BlackRock Passive ILGs	80.7	7.7	89.1	7.5		
Western Active Bonds	85.4	7.6	91.3	7.7		
Insight Absolute Return Bonds	30.9	2.7	30.9	2.6		
LCIV CQS MAC	49.4	4.4	50.7	4.3		
Inflation protection illiquids	49.4	4.4	77.3	6.5	10.0	-3.5
M&G Inflation Opportunities	44.5	4.0	72.4	6.1		
CBRE	5.0	0.4	5.0	0.4		
Cash	76.0	6.8	56.5	4.8	-	4.8
Enfield Cash	76.0	6.8	56.5	4.8	-	4.8
Total Assets	1124.3	100.0	1181.3	100.0	100.0	