

London Borough of Ealing Pension Fund

Local Government Pension Scheme

CHAIR'S STATEMENT



Cllr Yvonne Johnson, Chair of the Pension Fund Panel (PFP)

I am pleased to introduce the London Borough of Ealing's Pension Fund annual report for the year ending 31 March 2020. At the time of writing the UK is beginning to ease the lockdown following the pandemic and we are no doubt entering a new era in the way we live, the shape of which is evolving. We are adapting and have introduced new ways of working to accommodate social distancing requirements.

Following the outbreak of COVID-19 during February and March 2020, the market value of investments fell by £68m to £1.192bn as at 31 March 2020 from £1.260bn on 31 March 2019. However, the Fund still returned a positive performance of -5.69% gross of fees in the year to 31 March 2020, 0.07% above the Fund's Benchmark of -5.76%. The Fund was slightly impacted at the tail end of the financial year by the market and economic disruption brought on by Covid19, however we have seen significant recovery in equity markets which constitutes the bulk of our investments (55%).

We manage your Local Government Pension Scheme (LGPS), which is a statutory funded defined benefit occupational pension scheme that has assets set aside and invested towards meeting the cost of our future pension promise to you. Scheme member benefits are defined in statute; however, your contributions are fixed nationally therefore any funding shortfall must be met by the assets growing faster or the Council increasing their contribution. Your benefits are guaranteed by law, although the government can choose to alter the benefit structure or your contribution to meet any funding shortfall. Our Fund's assets reduced by 0.05% from £1.26 billion to £1.19 billion and remains in a good financial position despite impact the market disruption in March 2020 brought on by the pandemic. The fund has recovered most of the losses sustained by June 2020.

Members of this Committee as well as the Pension Board each had four meetings over the reporting year. Panel Members who have responsibility for the management and governance of the fund reviewed a broad range of strategic issues in addition to meeting and probing our service providers and some of our fund managers on their rolling three-year performance against which we set them an out-performance target. A triennial valuation review was carried out and concluded over the course of the year. The triennial valuation involves collating key data on the Scheme's assets and liabilities and helps to inform the Fund's direction of travel and investment strategy. The valuation results show that the Fund's assets were sufficient to cover 91% of its accrued liabilities as at 31 March 2019, an improvement from 80% in 2016.

Officers have continued to implement some changes made to the Fund's asset mix which involved reducing our allocation to equities and making a corresponding allocation to assets that provide more of their returns from income (e.g. interest earnings) as opposed to capital growth and therefore more certainty. This has contributed to the improvement in the funding level from 80% to 91%. The bulk of the allocation to private debt has been deployed and 100% of the commitment to infrastructure has been drawn down by the manager.

We continue to look for more opportunities to pool our assets with the London CIV to achieve savings from economies of scale. We have representation within the London CIV and wherever possible we seek to influence the CIV's provision

of robust and targeted solutions for the boroughs. When opportunities arise, we collaborate with the London CIV and other Funds to reduce costs to the scheme.

The committee is committed to investing responsibly looking to promote sustainable investments and even make a positive impact on sustainability through investment, whilst making a return for the Fund.

The Fund engages with companies in which we invest via the Local Authority Pension Fund Forum (LAPFF). I am an executive member of the LAPFF an organisation formed out of a collaboration of Local Authorities Funds specifically to engage with individual companies across a wide range of issues such as climate change, employment standards executive remuneration etc. I have also been Chair of the Environmental Social and Governance (ESG) issues working party of the CIV which has prepared Responsible Investment policy. I sit on the schemes national oversight body, the Scheme Advisory Board (SAB) and continue to ensure that the schemes long term interest is secured.

Our governance arrangements have been speedily adjusted to respond to the new ways of working following the pandemic. We are carrying ongoing review as the government guidance is updated and strive to continually improve the service, we offer scheme members. In addition to the quarterly PFP meetings, the Treasury Risk and Investment Board (TRIB), a sub group of officers, meets monthly to actively assist the PFP in monitoring risk, and to generate new ideas on the full range of PFP issues as well as speeding up the implementation of strategic decisions taken by the PFP.

The Pension Board which has now been up and running for three years continue to oversee that the Fund is complying with relevant laws and regulations and ensuring that the Funds governance arrangements are effective and efficient.

We continue to monitor all proposed regulatory changes especially in the current climate and will ensure that where possible we participate in industry debate to influence the provision of a sound and sustainable scheme.

We have undertaken to keeping you updated through various communication channels including our website, newsletters and our annual general meeting. This year the Annual General Meeting took the form of one to one meeting on the 18 February 2020 and we received excellent feedback from those who attended. Officers met with 138 of scheme members. Next year should be a single meeting with presentations from officers of the Ealing Pension Fund and Investment managers as well as industry experts.

May I take this opportunity to once again thank colleagues on the Panel, members of the Pension Board and officers of the Council for successfully managing the fund over another reporting year. We will welcome your feedback to assist us in improving the way we communicate with you and the quality of the information you receive. Contact details can be found in the section 'Staff, Advisors and Investment Managers'.

Annual Newsletter 2019/2020

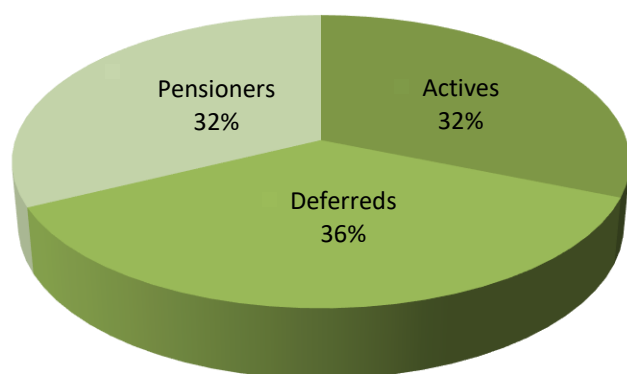
Welcome to the London Borough of Ealing Pension Fund 2020 annual newsletter, which includes details of the fund position as at 31st March 2020 and an update on developments during the previous financial year. A full copy of the annual report for the year ending 31st March 2020, which includes the audited accounts, can be found on our website:

https://www.ealing.gov.uk/downloads/download/3112/ealing_pension_fund_reports

Fund membership at 31st March 2020

There are three main categories of members in the London Borough of Ealing Pension Fund:

- Active Members (employees of the Council or one of its Admitted or Scheduled Bodies)
- Deferred Members (previous contributors to the pension scheme who, before retirement, have frozen their pension or left their employer without transferring their pension to another scheme)
- Pensioner Members, including widows or dependants (those who are currently receiving a pension from the Scheme)



Category	31/03/20	31/03/20 (%)	31/03/19 (%)
Active members	7,517	32	31
Deferred members	8,581	36	37
Pensioners/Dependants	7,576	32	32
Total	23,674	100	100

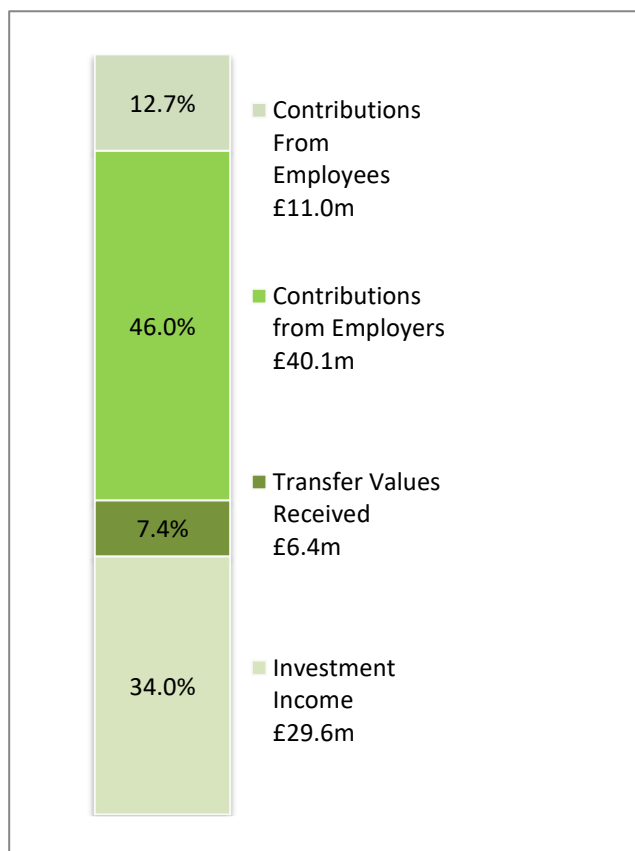
EALING COUNCIL



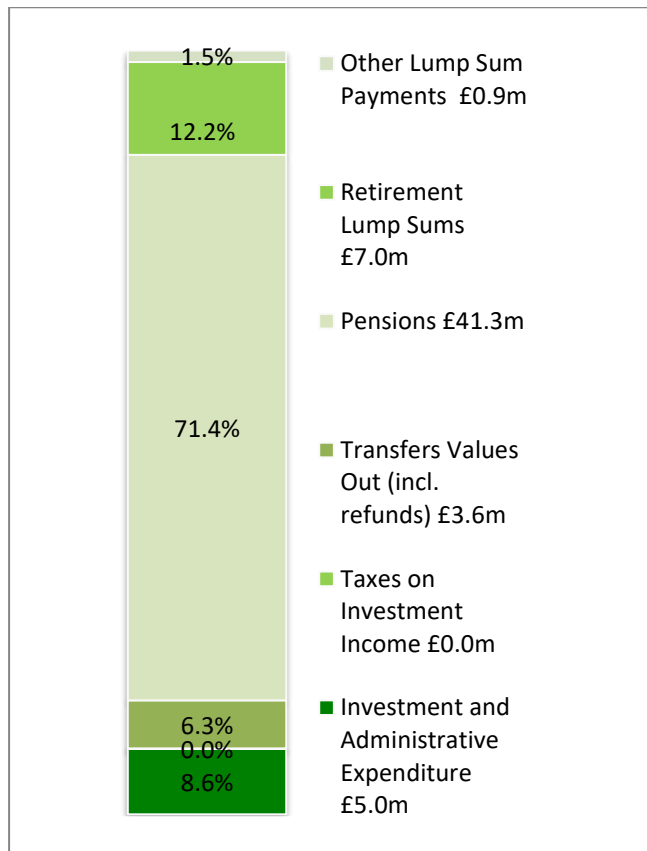
Financial summary of the year ending 31st March 2020

Overall, the Pension Fund achieved a net surplus for the year of £29.3m (inclusive of investment income).

**Pension Fund Income 2019/20
for the year totalled £87.2m**

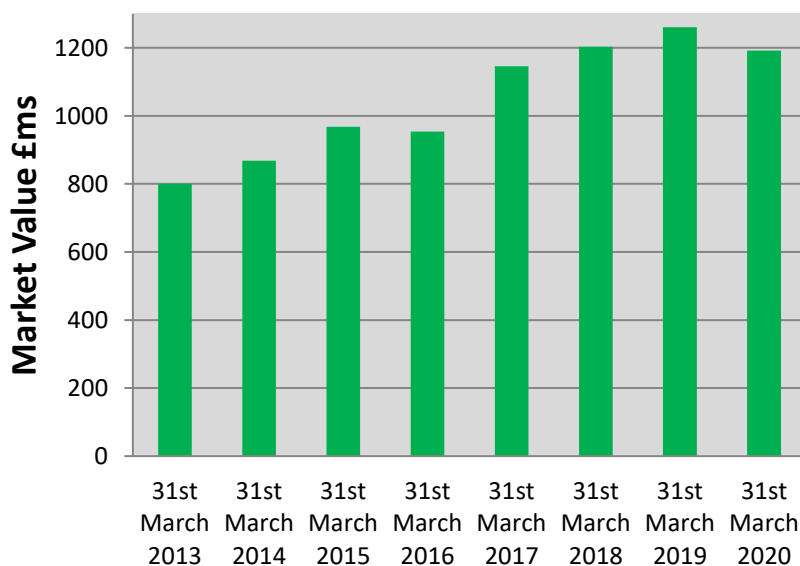


**Pension Fund Expenditure 2019/20 for the
year totalled £57.8m**



At the end of March 2020, the market value of the Pension Fund's total assets was £1,192.2m, compared to £1,260.3m in March 2019, a decrease of 5.4% over the year. The graph below shows how the value of the Fund has changed in recent years.

Please bear in mind that your LGPS pension is dependent on your length of service and salary. The effect of market volatility on the assets of the Fund will therefore not affect the pension you currently receive or are entitled to.

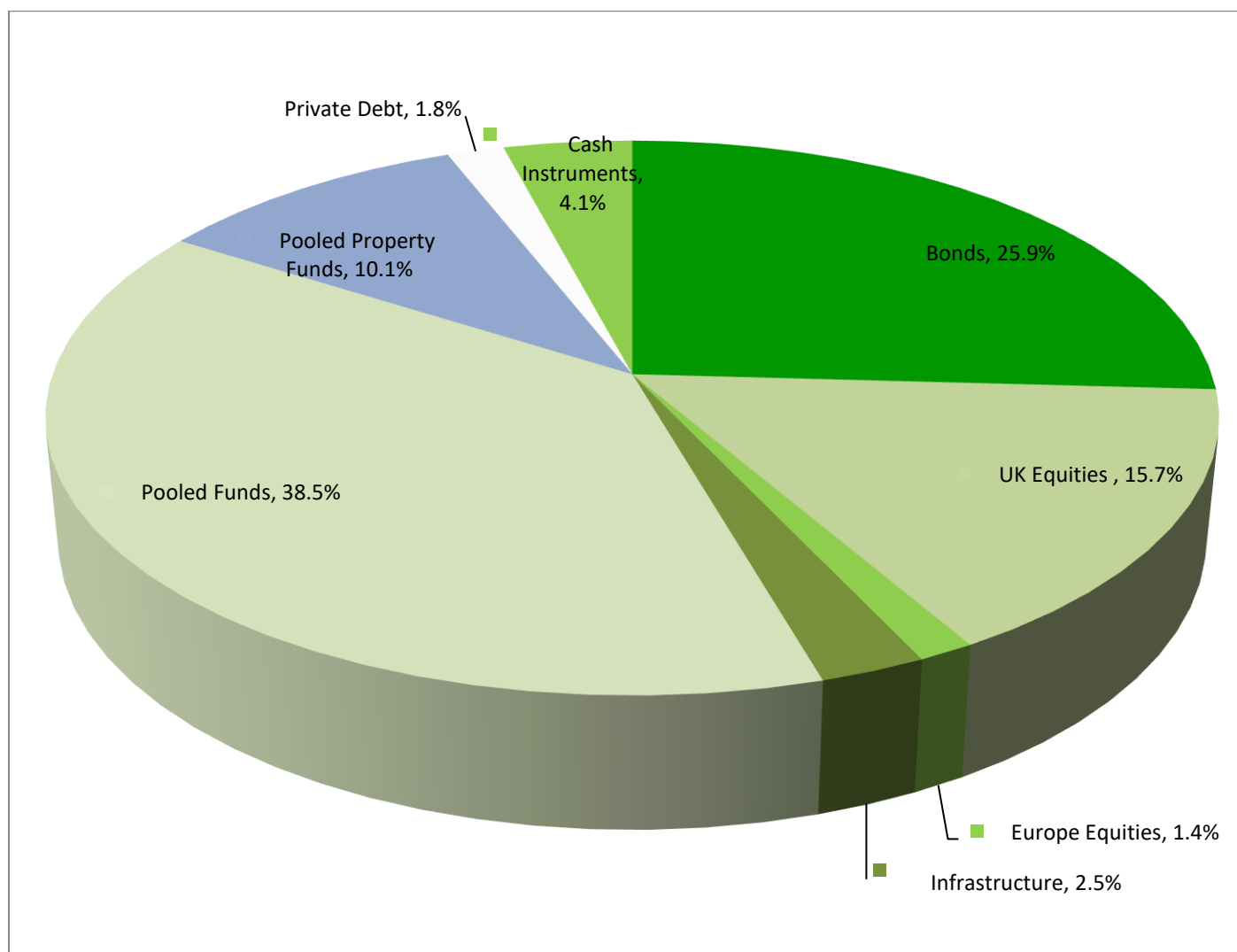


Market Value as at £m	Market Value £m
31 st March 2013	800
31 st March 2014	868
31 st March 2015	968
31 st March 2016	954
31 st March 2017	1,146
31 st March 2018	1,203
31 st March 2019	1,260
31 st March 2020	1,192

Investment Review for the year ending 31 March 2020

The money that is held by the Pension Fund is invested in stock markets, corporate bonds, and pooled investment vehicle funds to help earn more money for the Fund. This helps to pay for the benefits, which you currently receive or will receive in the future. The graph below shows where the Fund invested these assets.

Where the Pension Fund money is invested (%)



How the fund performed

The Pension Fund money is managed by six externally appointed Fund Managers who have performance targets to meet. Their performance is compared to the average of a group of Local Authority Pension Schemes (PIRC) below:

	Ealing	Local Authority Average
3 year to 31 st March 2020	1.3	1.9
5 years to 31 st March 2020	4.1	5.2
10 years to 31 st March 2020	6.7	6.9

Top 16 equity holdings of the London Borough of Ealing Pension Fund at 31st March 2020

Top 16 Holdings at 31 st March 2020	Market Value (£'000)	% of total fund
LCIV GLOBAL ALPHA GROW-A IN	175,094	14.69%
GPCL - MSCIWORLDW CARBONTARGET	133,653	11.21%
APAZ - FUTURE WORLD FUND	127,804	10.72%
LOTHBURY PROPERTY FUND	44,665	3.75%
GS GBP LIQ RES INST	41,614	3.49%
HERMES PROPERTY UNIT TRUST	37,256	3.13%
STANDARD LIFE LONG LEASE PPTY FUND	37,102	3.11%
DESCRIPTION: IIF UK 1LP	30,047	2.52%
ASTRAZENECA PLC	12,804	1.07%
BP PLC	11,854	0.99%
CHURCHILL MIDDLE MARKET	11,175	0.94%
GLAXOSMITHKLINE PLC	9,672	0.81%
DIAGEO PLC	9,295	0.78%
UNILEVER PLC	7,596	0.64%
ROYAL DUTCH SHELL PLC B SHS	7,392	0.62%
RIO TINTO PLC	7,353	0.62%

Role of the Pension Fund Panel

The Pension Fund Panel meets at least four times a year and responsibilities include:

- Investment Performance – to set targets and benchmarks and to monitor performance against these.
- Management of Investments – decide upon the asset allocation of the Fund and the appointment of fund managers.
- To make recommendations on policy and staff related issues, which have an impact on the Pension Fund directly or indirectly through changes in employer pension contribution rates.

The Council members serving on the panel are:

Labour	Conservative
Cllr Yvonne Johnson (Chair)	Cllr Anthony Young (Opposition Spokesman)
Cllr Rajinder Mann (Vice Chair)	
Cllr Shital Manro	
Cllr Stephen Donnelly	
Cllr Kamaldeep Sahota	
Cllr Kaur Nagpal	

Non-voting members are:

Representative	Organisation
Sukhminder Kalsi	Unison

Role of the Pension Board

Their role of the Board is to;

- Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme,
- To ensure the effective and efficient governance and administration of the Scheme.

The Board was constituted under the Public Service Pensions Act 2013 and held its first meeting on the 6 July 2015 before the recommended Scheme Advisory Board (SAB) deadline of 31 July 2015. The board consists of two representatives of the scheme employers, and two representing scheme members as shown.

Name	Representation
Ian Potts (Chair)	Pensioners
Cllr Tariq Mahmood	Employers
Richard Lane	Employers – Director of Finance – Twyford Academy
Mary Lancaster	Members – Unison Officer

Local Government Pension Scheme Updates

1	Collaboration – The Council participated in an initiative launched across London LGPS Funds to jointly pool our investments and reduce costs. As early adopters we helped to set up the company embracing the initiative long before the government announced that all LGPS schemes are required to pool their investments. The government expects pools to improve governance and promote more infrastructure investments amongst other benefits. All Funds are expected to assess the possibility of investing through their chosen pool from April 2018. The London pool called the London Collective Investment Vehicle (CIV) is fully operational and the Fund has already migrated some of its investments through the pool and achieved substantial savings for the fund.
2	Governance – The Council set up a newly constituted body, The Pension Board in line with LGPS regulations brought on by the Public Sector Pensions Act 2013. The Board has been overseeing that the Fund is complying with relevant laws and regulations and ensuring that the Funds governance arrangements are effective and efficient. The Council duly established our new Pension Board within the regulatory timescale and their inaugural report is incorporated within the detailed Annual Report available online.

2020 Member Contributions

As mentioned above while the average contribution rate for members remains 6.5%, the structure has been altered to be more progressive (as shown below).

Also the table reflects the rate paid on actual pay and not full time equivalent as was previously the case.

Band	Actual Pensionable Pay	% Contribution Main Scheme	% Contribution 50/50
1	Up to £14,400	5.50	2.75
2	£14,401 to £22,500	5.80	2.90
3	£22,501 to £36,500	6.50	3.25
4	£36,501 to £46,200	6.80	3.40
5	£46,201 to £64,600	8.50	4.25
6	£64,601 to £91,500	9.90	4.95
7	£91,501 to £107,700	10.50	5.25
8	£107,701 to £161,500	11.40	5.70
9	£161,501 or more	12.50	6.25

For further information on the LGPS contributions please visit <http://www.lgps.org.uk>.

Administration

Administration of the London Borough of Ealing Pension Fund is outsourced to the Local Pensions Partnership. They deal with all aspects of the scheme and should be the first point of contact for all queries. The contact details for the Ealing Pensions team at the LPP are opposite.

LPP
Your Pensions Service
PO Box 1383
Preston
PR2 0WR

Telephone: 0300 323 0260

Website: www.yourpensionservice.org.uk

Email: AskPensions@localpensionspartnership.org.uk

Since 1 April 2011, members have had access to a dedicated pensions website **www.yourpension.org.uk**. Click the 'Ealing' option to view the latest information on the LGPS, newsletters, scheme guides, fact sheets, forms and publications. There is also an on-line calculator which can be used to see how much your pension is worth.

Pensioners, please note that your pension is paid by Ealing Council and any enquiries about your payment should be directed there (see details below):

Ealing Council
Payroll Department
Perceval House
5th Floor
14-16 Uxbridge Road
London
W5 2HL
020 8825 9000

For any queries on the contents of this newsletter please contact:

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Financial Accountant
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Glossary

Admitted bodies

Bodies whose staff can become members of a LGPS fund by virtue of an admission agreement between the administering authority and the relevant body.

Bonds

A security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the initial amount borrowed. Corporate bonds may be secured over the assets of the firm or they can be unsecured.

Equities

The general term for ordinary shares issued by companies.

Fund managers

Firms of investment professionals appointed by an investments or pensions committee to make day to day investment decisions for the fund within the terms of an investment management agreement.

Scheduled bodies

These are the organisations listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 1) and include county councils and district councils.

Transfer values received/out

Value of the pensions employees transfer in or out of Ealing's Pension Fund