

# London Borough of Ealing Pension Fund

## Local Government Pension Scheme

### CHAIR'S STATEMENT



*Cllr Steve Donnelly, Chair of the Pension Fund Panel (PFP)*

As the new Chair of the Ealing Pension Fund panel, it gives me great pleasure to introduce my first Pension Fund annual report for the year ending 31 March 2021. It has been a demanding year with Covid-19 impacting most businesses and pension schemes alike. The pandemic resulted in an unprecedented lockdown across the UK which presented unique challenges for the scheme. But I am pleased to report that as an organisation that has embraced technology well ahead of the curve, we were able to seamlessly move to virtual working when the 'work from home if you can' directive was issued on the 23 March 2020.

In the first quarter of 2020/21 our investment fund value dropped as the pandemic affected the global investments, but the second quarter saw a significant pick up in fund values and by the end of the financial year the Fund value had risen by circa 23% to 1.473bln, recovering and surpassing the fund value of the prior two years: 2018/19 (1.260bln) and 2019/20 (1.192bln).

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. We owe a duty to the Council, residents of Ealing and other schemes' employers to invest wisely and minimise the contributions they have to make. Your benefits are guaranteed by law, although the government can choose to alter the benefit structure or your contribution to meet any funding shortfall. We also owe a duty to our 25,000 scheme members and society at large to invest sustainably, with human rights and the environmental risks and opportunities facing the Fund put at the heart of our investment philosophy.

In spite of the pandemic Members of this Committee, as well as the Pension Board, each had four virtual meetings over the reporting year, working hard to ensure that the scheme benefited from 'business as usual' operations. We collectively have responsibility for the management and governance of the fund and 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. The last 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.

We have continued to implement 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 included allocations to private debt and infrastructure investments which are being gradually drawn down by the managers.

We continue to look for more opportunities to pool our assets with the London CIV to achieve savings from economies of scale. 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 and to continue to promote sustainable investments and even make a positive impact on sustainability through investment, whilst making a return for the Fund. Where we have invested in passive funds, we have opted for Smart Future Fund where the fund's holdings are tilted towards companies with good Environment Social and Governance (ESG) scores and away from those with poor ESG scores. We monitor the performance of our investments against agreed benchmarks and consider whether the performance is consistent with our investment strategy. In addition, the Fund engages with companies in which we invest via the Local Authority Pension Fund Forum (LAPFF).

As Chair, I intend to steer the Fund towards a much more ambitious decarbonisation journey as part of Ealing's 'Greening the borough' initiative, with a view to culminating in a net zero target. It is therefore going to be another busy year for our officers and advisors.

As outlined above, our governance arrangements have responded very well to the new ways of working following the pandemic. 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 a number of years, continues to oversee that the Fund is complying with relevant laws and regulations and ensure that the Fund's 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. Though we didn't have the traditional AGM this year, we hope to be able to offer scheme members one to one meetings with officers next year.

May I take this opportunity to thank the outgoing Chair Cllr Yvonne Johnson for her excellent role in steering the Fund for the past 8 years. I must also thank other colleagues on the Panel, members of the Pension Board and officers of the Council for successfully managing the fund over this particularly challenging 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 2020/2021

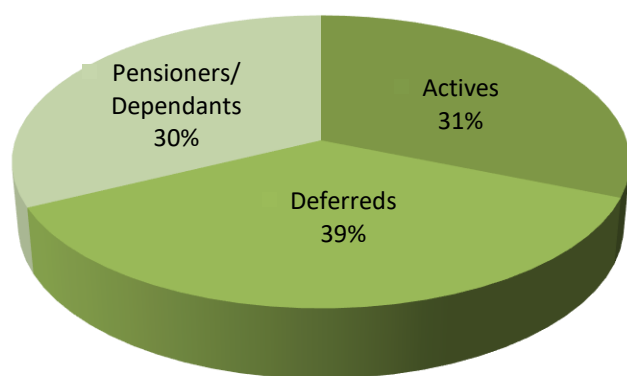
Welcome to the London Borough of Ealing Pension Fund 2021 annual newsletter, which includes details of the fund position as at 31<sup>st</sup> March 2021 and an update on developments during the previous financial year. A full copy of the annual report for the year ending 31<sup>st</sup> March 2021, which includes the audited accounts, can be found on our website:

[https://www.ealing.gov.uk/downloads/download/3112/ealing\\_pension\\_fund\\_reports](https://www.ealing.gov.uk/downloads/download/3112/ealing_pension_fund_reports)

### Fund membership at 31<sup>st</sup> March 2021

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	31/03/21 (Number)	31/03/21 (%)	31/03/20 (%)
Active members	7,683	31	32
Deferred members	9,793	39	36
Pensioners/Dependants	7,600	30	32
Total	25,076	100	100

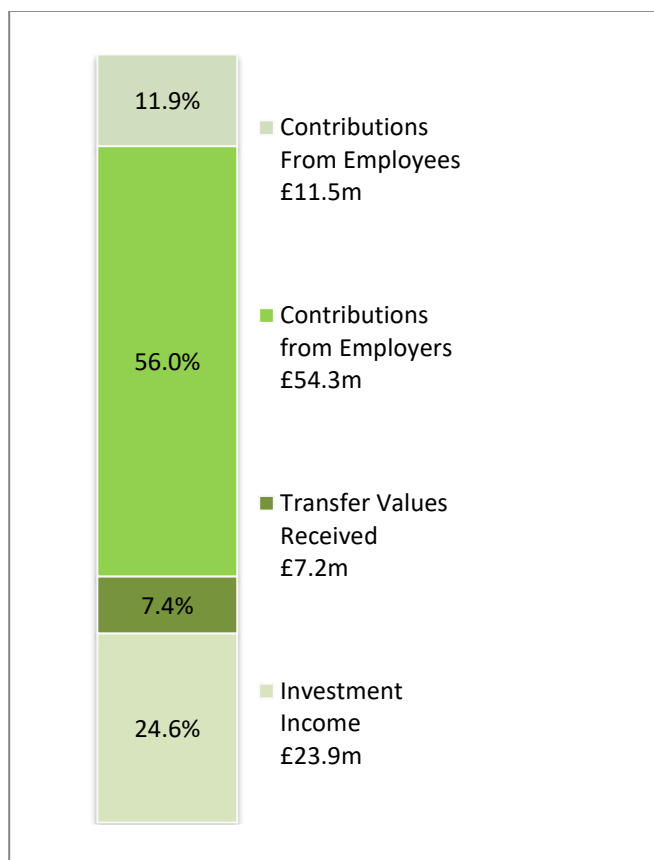
EALING COUNCIL



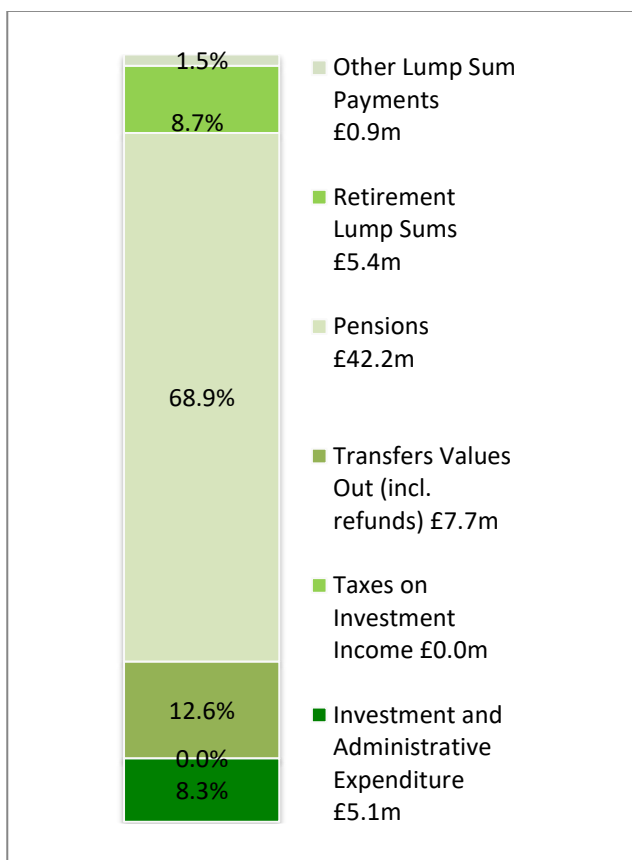
# Financial summary of the year ending 31<sup>st</sup> March 2021

Overall, the Pension Fund achieved a net surplus for the year of £35.6m (inclusive of investment income).

**Pension Fund Income 2020/21  
for the year totalled £96.9m**

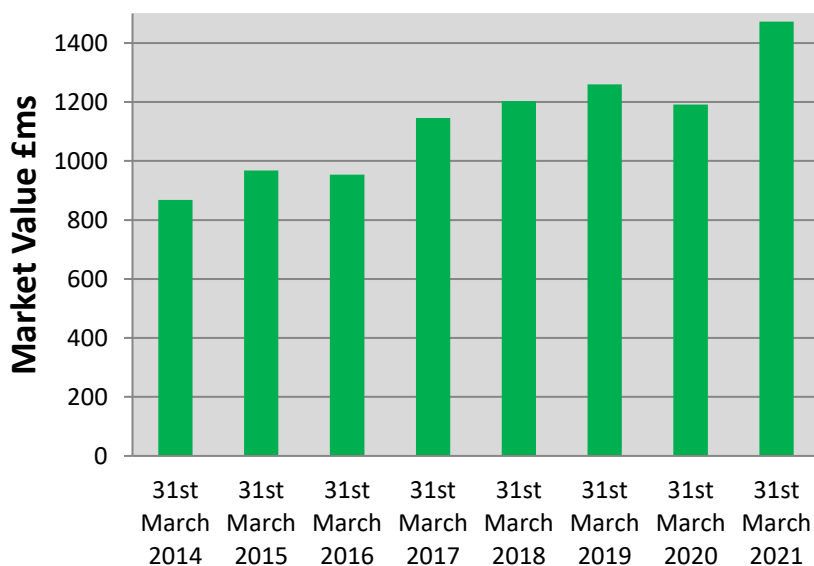


**Pension Fund Expenditure 2020/21 for the  
year totalled £61.3m**



At the end of March 2021, the market value of the Pension Fund's total assets was £1,473.1m, compared to £1,192.2m in March 2020, an increase of 23.6% 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.

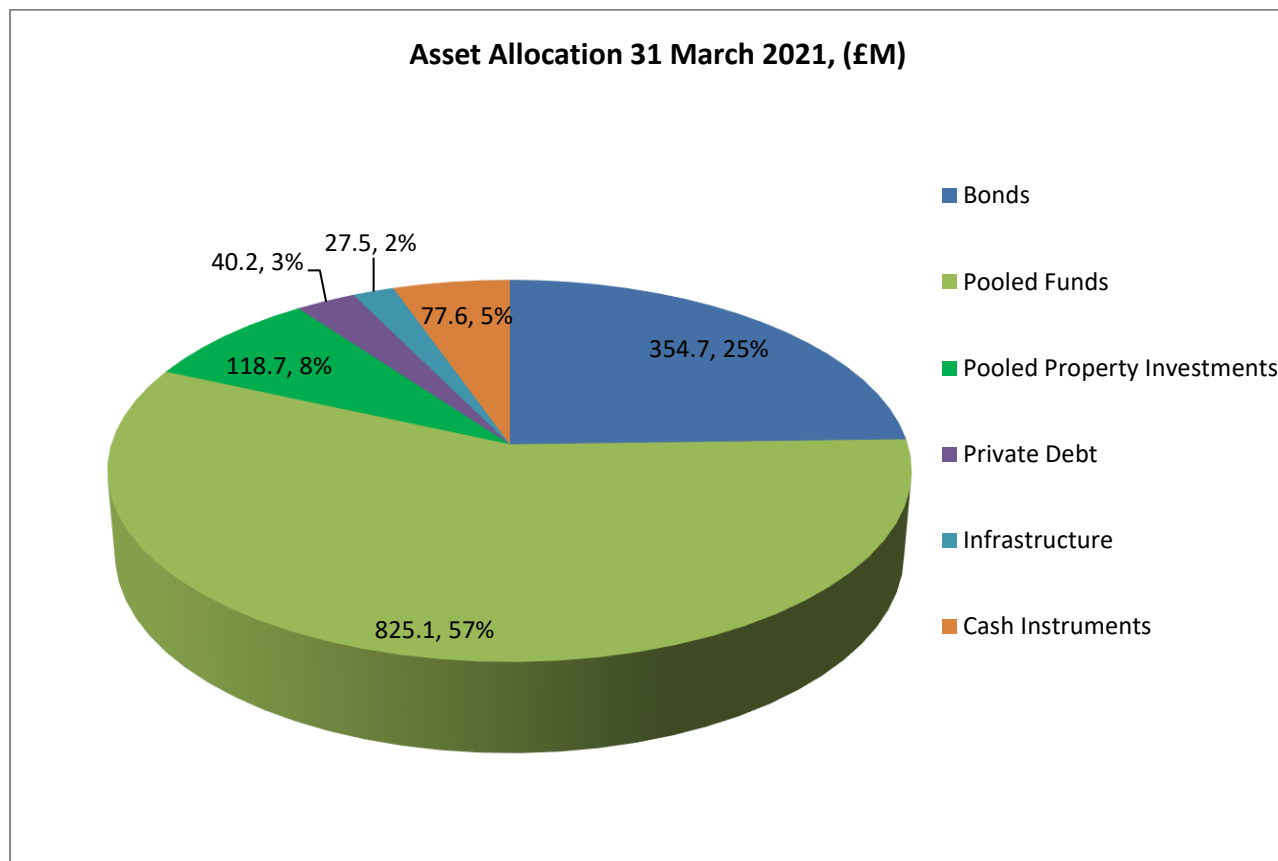


Market Value as at £m	Market Value £m
31 <sup>st</sup> March 2014	868
31 <sup>st</sup> March 2015	968
31 <sup>st</sup> March 2016	954
31 <sup>st</sup> March 2017	1,146
31 <sup>st</sup> March 2018	1,203
31 <sup>st</sup> March 2019	1,260
31 <sup>st</sup> March 2020	1,192
31 <sup>st</sup> March 2021	1,473

# Investment Review for the year ending 31 March 2021

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 ten 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
1 year to 31 <sup>st</sup> March 2021	22.6	22.8
3 years to 31 <sup>st</sup> March 2021	6.6	7.6
5 years to 31 <sup>st</sup> March 2021	8.8	9.5

# Top 15 holdings of the London Borough of Ealing Pension Fund at 31<sup>st</sup> March 2021

Top 15 Holdings at 31 <sup>st</sup> March 2021	Market Value (£'000)	% Of total fund
APAZ - FUTURE WORLD FUND	274,702	18.65%
LCIV GLOBAL ALPHA GROW-A IN	273,632	18.57%
GPCL - MSCIWORLDW CARBONTARGET	266,235	18.07%
GS GBP LIQ RES INST	51,016	3.46%
LOTHBURY PROPERTY FUND	43,901	2.98%
STANDARD LIFE LONG LEASE PPTY FUN	38,523	2.62%
FEDRTD HERMES PRPTY UNT TRST	36,240	2.46%
DESCRIPTION: IIF UK 1LP	27,455	1.86%
PERMIRA CREDIT SOLUTIONS IV SENIOR	19,161	1.30%
GOLDMAN SACHS GBP LIQ RES VALUE	18,924	1.28%
CHURCHILL MIDDLE MARKET SENIOR LOAN	15,428	1.05%
ROYAL LON STER EX YL BD-SI	10,391	0.71%
BRIGHTWOOD CAPITAL OFFSHORE FEEDER FUND	5,610	0.38%
AVIVA PLC REGS VAR RT 05/20/2058	3,798	0.26%
UNITED KINGDOM GILT REGS	3,753	0.25%

## 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 Steve Donnelly (Chair)	Cllr Anthony Young (Opposition Spokesman)
Cllr Kamaldeep Sahota (Vice Chair)	
Cllr Yvonne Johnson	
Cllr Rajinder Mann	
Cllr Paul Driscoll	
Cllr Dee Martin	

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
Dennis Frost	Pensioners
Estella Makumbi	Pensioners

## Local Government Pension Scheme Updates

1	<b>Collaboration</b> – 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	<b>Governance</b> – 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 Board was expanded over the reporting year from four to six people to afford more resilience and therefore now consists of six members as above.

## 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 £14,600	5.50	2.75
2	£14,601 to £22,800	5.80	2.90
3	£22,801 to £37,100	6.50	3.25
4	£36,101 to £46,900	6.80	3.40
5	£46,901 to £65,600	8.50	4.25
6	£65,601 to £93,000	9.90	4.95
7	£93,001 to £109,500	10.50	5.25
8	£109,501 to £164,200	11.40	5.70
9	£164,201 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 Administration. 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 LPPA are opposite.

Ealing Pension Team  
LPPA - Your Pensions Service  
PO Box 1383  
Preston  
PR2 0WR

Website: [www.lppapensions.co.uk](http://www.lppapensions.co.uk)

To access the secure system, you will firstly need to sign up for my pension online on the LPPA website [www.lppapensions.co.uk](http://www.lppapensions.co.uk). Once you have your activation code you can go online and set up a username and password. If you have more than one pension payroll number, you only need to complete the registration process once.

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  
5<sup>th</sup> Floor  
14-16 Uxbridge Road  
London  
W5 2HL  
020 8825 9000

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

Bridget Uku  
Group Manager  
Treasury and Investments  
020 8825 5000  
[Treasury@ealing.gov.uk](mailto:Treasury@ealing.gov.uk)

Nyce Higiro  
Financial Accountant  
Treasury and Investments  
020 8825 5000  
[Treasury@ealing.gov.uk](mailto:Treasury@ealing.gov.uk)

## 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