

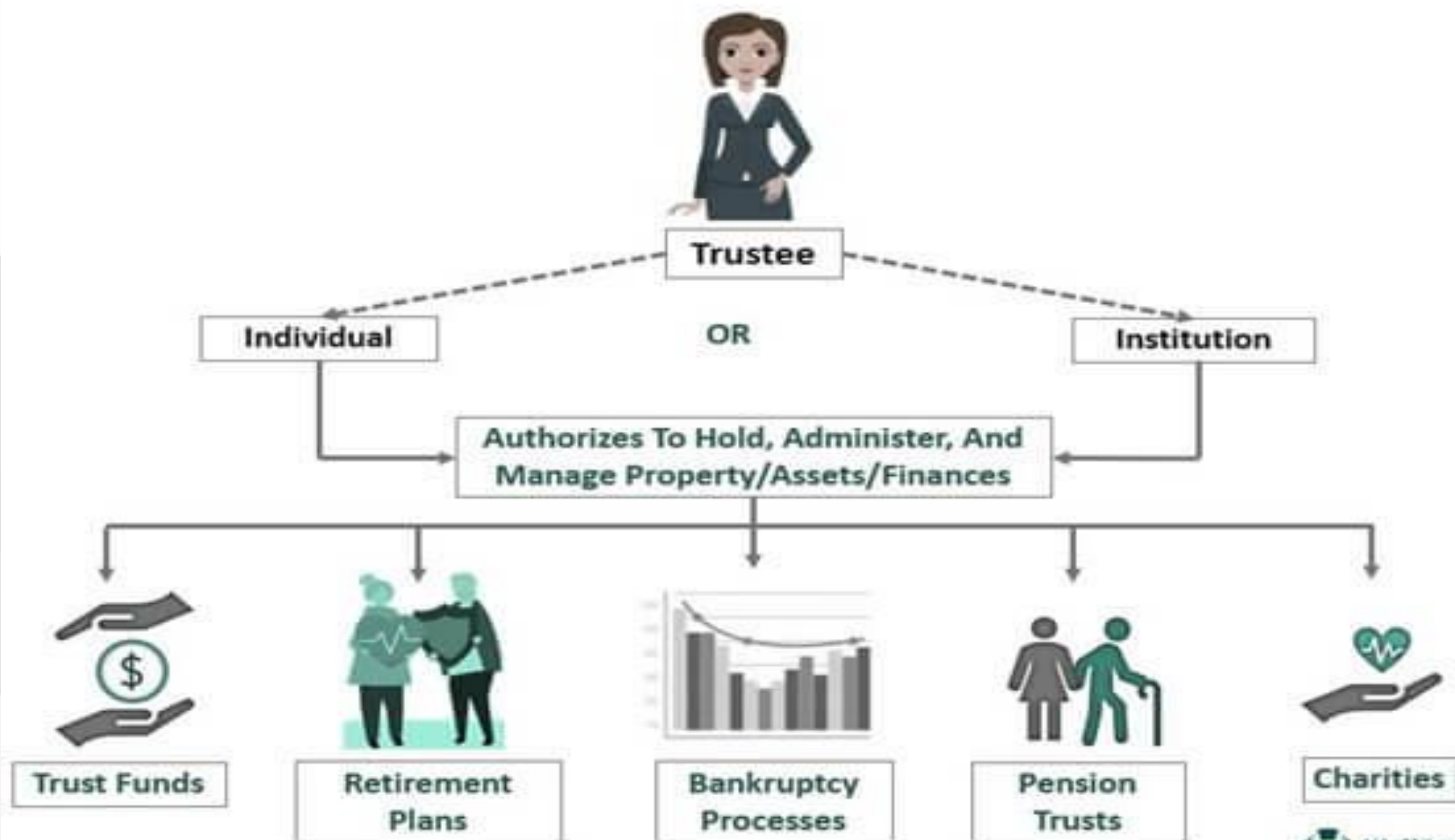


TRUSTEES TRAINING ON INVESTMENTS

25-29 MARCH 2022



How Trustee Works?



PRESENTATION OUTLINE



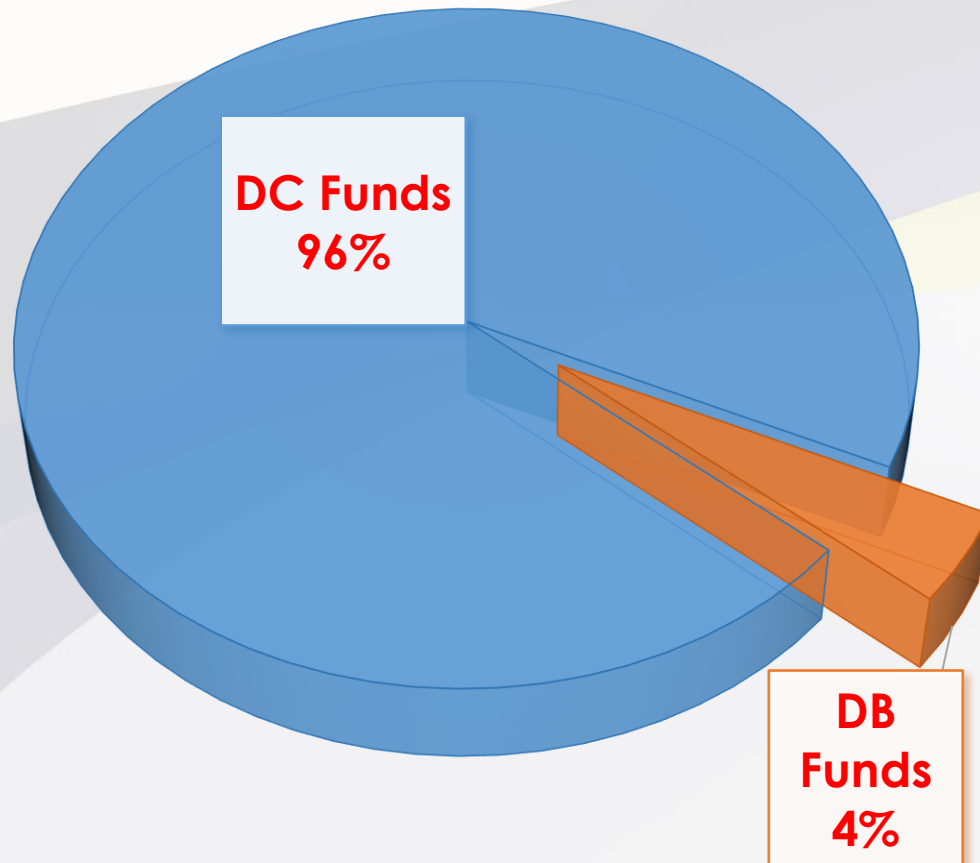
- 1 • PENSION FUNDS DESIGN**
- 2 • CRITICAL INVESTMENT QUESTIONS**
- 3 • EXISTING GUIDELINES**
- 4 • GUIDELINES IMPLICATIONS**
- 5 • EMERGING INVESTMENT ISSUES**



LOCAL PENSION FUNDS DESIGN



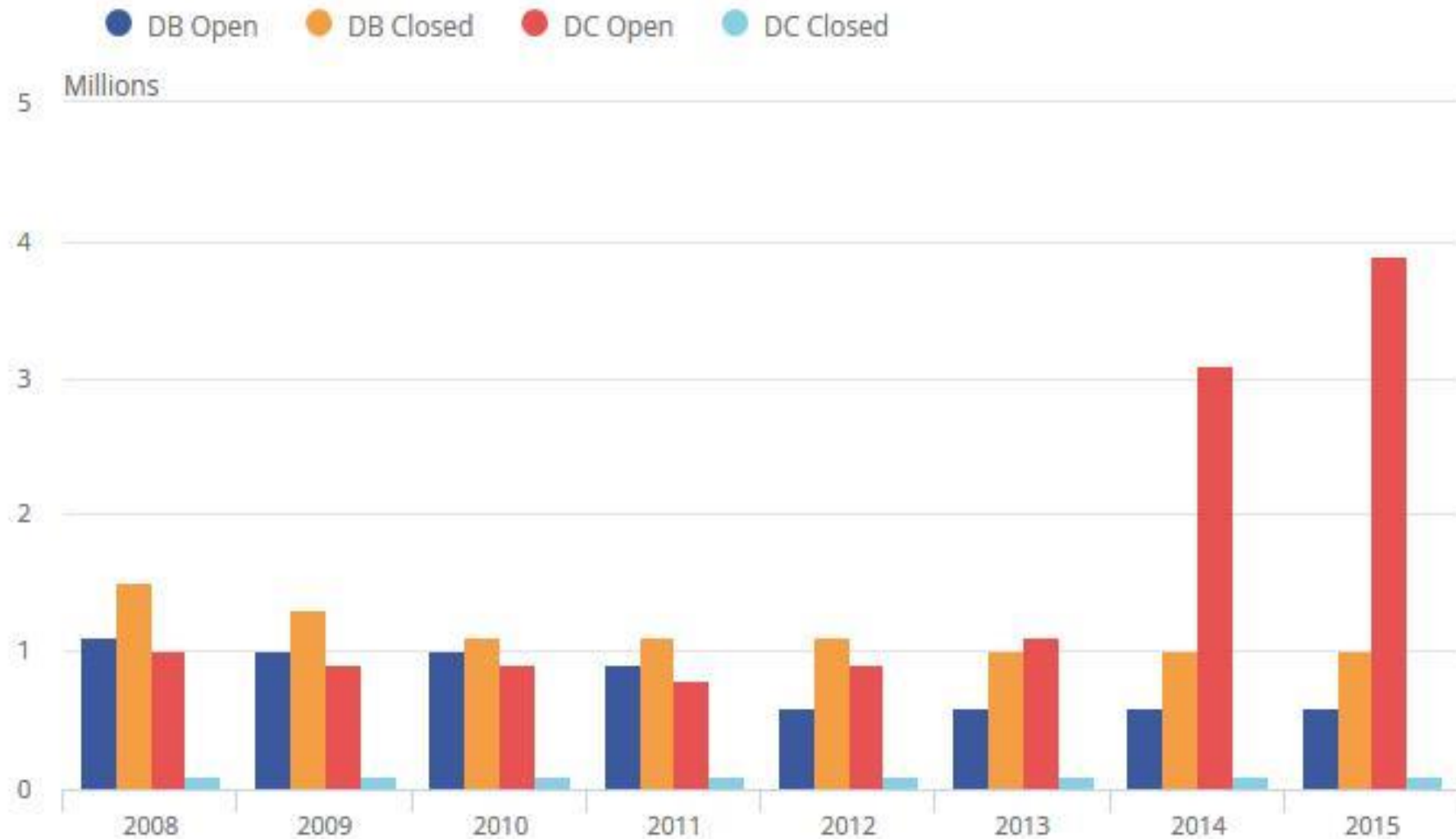
FUNDS STATUS AS AT 31 DEC 2021



- Most funds are now DCs
- Risk transferred from sponsoring employers to members
- Members benefits function of investment returns
- Call for BOTs to fully appreciate investment horizon



GLOBAL PENSION FUNDS DESIGN



PENSION FUNDS DESIGN



Sponsoring
Employer

Pension
Fund



Big Risk Transfer

Call for Alertness



PENSION FUNDS DESIGN



BARNETT
WADDINGHAM

beyond the expected

Quote

“Pension fund investment is undoubtedly one of the most challenging elements of a trustee’s role”



CRITICAL QUESTIONS FOR TRUSTEES

- Who is appointing BOTs for administrators' established funds (Preservation funds)
- Extent of BOTs involvement in investment decisions
- Is there any follow ups on returns. Any relationship between returns and underlying assets e.g USD rentals on properties, foreign denominated shares.



CRITICAL QUESTIONS FOR TRUSTEES...



- Appreciation of pooled investments
- Returns vs bonuses declared
- Follow up on terms spelled out in PPFM documents,
- Vested and non-vested
- Max and min limits of BSA
- The extend of involvement in the amendment of such clauses.



Asset Management Issues...

- Performance benchmarks
- Inherent conflicts for related parties – asset management arms under insurers
- Basis of charging fees – performance based as per the investment guidelines



Applicable Guidelines...

- Circular 1 of 2013 – Setting investment limits
- Circular 1 of 2016 – IPS Requirement
- Circular 2 of 2022 – Revision of limits and introduction of other asset classes
- Offshore investment guidelines

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Implication of New Guidelines



Offshore investment

- Improved diversification,
- Increased risk
- Taking note of permissible offshore investments
- Due diligence required



Implication of New Guidelines



Private Equity Investments

- Improved diversification and increased risk
- Role of Trustees
- Project monitoring
- Need for expertise – Solar, mining, agric projects
- Corporate Governance
- Valuation methodologies
- Exit route - OTC



Emerging Investment Issues

VFEX

- Counters listed – investment opportunity

Impact investing

- Members benefits centred

Valuation of pension funds assets

- Appreciation Valuation methodologies
- Transparency and fairness



Emerging Investment Issues...

Investment decisions to take into account Environmental, Social and Governance issues as well





Thank you

