

# WORLD FINANCE

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market economy

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# WORLD FINANCE

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# ITALY'S PRAISEWORTHY PENSION FUND

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*A public to private transition has greatly  
enhanced ENPAM's efficiency*







■ Praise abounds for ENPAM, the privatised pension fund for Italian doctors and dentists. It is seen as a virtuous example of competent management, a model of transparency and effective administration. The organisation's transition from a public to a private entity has enabled ENPAM to become more efficient and flexible while maintaining its focus on reaching its social and economic goals. The creation of synergy between the sustainability of a solid portfolio base and cost-effectiveness has worked well. From year to year ENPAM's assets have grown steadily and at the end of December 2009, the overall value of the portfolio was around €9.5bn. Since its privatisation, ENPAM has constantly ranked significant surplus.

### ENPAM'S FUNDS

ENPAM is a social security foundation that manages four different funds: Fondo di Previdenza Generale, that includes all Italian doctors and dentists because of their entry in the medical register (Albo Professionale); Fondo dei Medici di Medicina Generale for general practitioners, Fondo degli Specialisti Ambulatoriali, for outpatient doctors, and Fondo degli Specialisti Convenzionati Esterni for those working within private healthcare under special agreements with the national health service. These funds cover ENPAM's members for retirement, old age pensions, pension reversibility and absolute and permanent disability.

### INVESTMENT STRATEGY

"The investment strategy of the company is based on the strategic allocation of assets, which is structured on the basis of ENPAM's long-term yield objective", says the pension fund's President of the last 17 years, Professor Eolo Giovanni Parodi. The strategic asset allocation target is to achieve a balance between the portfolio of movable and immovable assets. In the movable assets' allocation, bonds' weigh in at 27 percent, equities' 13 percent, alternative investments' eight percent, and two percent represents the monetary component. By using this diversified approach ENPAM optimises its finances.

A gradual process is employed in order to strategically allocate the fund's assets, and a flexible investment approach is always employed and conceived at peak market. Risk is managed constantly, and it is monitored by using different key indicators. Analysis and stress testing are utilised to keep an eye on it too. This allows ENPAM to locate the areas that may eventually need to be optimized. Much depends on what's happening within the markets at any given time, and every decision is ruled by principles of prudence and efficiency.

The due diligence process starts within the Finance Department and is based on specific criteria such as a solid and constant track record of gainful performance, product transparency and liquidity. Risk and revenue factors, as well as strategies are also thoroughly analyzed.

The selected investments are then subjected to scrutiny by the Invest-

ment Committee, an internal body made up of members of the Board of Directors.

The Board of Auditors also participates in this process before final approval is given by the board of directors.

“During the market crisis, this flexibility in the investment process gave priority to risk free investments, postponing those within a higher risk category”, explains President Parodi.

This approach has helped ENPAM protect itself against market volatility, allowing the company to maintain a stable investment platform.

ENPAM's investments mostly comprised of immovable assets until 1998. In order to improve its risk-revenue profile the organization pursued an objective of balancing out the ratio of movable to immovable components. New investments were therefore gradually redirected towards the movable class. This recalibration will also lead to a reduction of residential properties with more focus being placed on luxury commercial ones. However, real estate funds are said to play a very important role. They both attract tax relief and the postponement of taxation.

### ENPAM'S MODEL OF CONTROL

The model of control implemented by the institution, through an integrated set of functions, is designed to ensure the highest degree of protection to members in terms of monitoring the effectiveness and efficiency of business operations, reliability of information, of compliance with laws and regulations, the prevention and detection of fraud and error, and the preservation of corporate assets.

The model has four levels of control, in which the main actors are: 1) the operational structure, which performs a check of compliance of their work procedures, rules and regulations, 2) Servizio Controllo di Gestione, focused on planning, control and management of corporate risks 3) the statutory bodies (National Council, Chairman, Board of Directors, Board of Auditors) and the Directorate-General, 4) Corte dei Conti, the supervising Ministries (Ministry of Labour and Social Policy, Ministry of Economy and Finance), the Auditing Company.

As regards self-regulation systems, ENPAM adopted its code of ethics, addressed to all those who contribute directly or indirectly, actively or passively to the realization of the constitutional function assigned to the Foundation.

### ENPAM'S CARE FOR HUMAN RESOURCES

The organization's staff represent a fundamental value within ENPAM and helps the company to deliver a high quality service for the benefit of its members. Much emphasis is therefore placed on the professional development of the organization's staff, in order to promote good working relationships, as well as to enhance the intellectual, organizational and technical capacity of each employee.

Progetto Insieme (Project Together) was created with the aim of stimulating rich and constructive communication between employees in order to instil a spirit of altruism and collaboration between them. Training programmes, including workgroup development initiatives through Project Inolte, employee healthcare monitoring (e.g. helping them to minimize and manage stress levels) and a wide range of benefits, like health insurance, are offered.

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## The investment strategy of the company is based on the strategic allocation of assets

# €9.5 billion

THE VALUE OF ENPAM'S  
PORTFOLIO AT THE END OF 2009

*During the market crisis, this flexibility in the investment process gave priority to risk free investments, postponing those within a higher risk category*

### THE COMMUNICATION PROCESS

ENPAM's primary objective has always been to meet current and future needs of its members. Over the years the Foundation developed a system structured to ensure a clear, comprehensive, effective and timely communication.

A direct contact with the Foundation is available through: the call centre, that provides different kinds of information according to the degree of details requested; information offices at the headquarter of ENPAM as well as at each territorial office of Ordine dei Medici.

The information flows are then transmitted through the Giornale della Previdenza, the medical journal with the greatest circulation in Italy (430,000 copies) and the website ([www.enpam.it](http://www.enpam.it)), which is constantly updated with notices, regulations and news.

The Foundation has also recently launched a “Youth Project”, aimed at undergraduates, recent graduates and postgraduate students, offering training and a wide range of information as well as many other facilities from which these young people may benefit.

### TRACK RECORD

Although no pension or investment fund has an absolutely smooth ride, ENPAM's track record shows just why it was recognized by *World Finance's* Global Pension Fund Awards during February 2010: it appears to be a model of success designed to maintain the effectiveness and efficiency of ENPAM's operations. ◇