

## Fiduciary management

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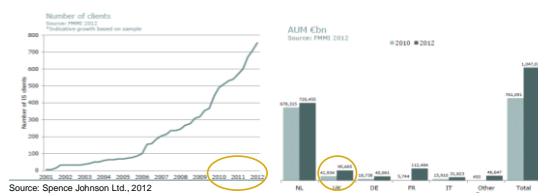
## Agenda

Introduction to fiduciary management  
Suitability for pension schemes  
Issues to consider

eritise  
ponsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
Networking  
Professional support  
Enterprise and risk  
Learned society  
Opportunity  
International profile  
Journals  
Support

## Growth of fiduciary management

- There is a clear trend of adoption of fiduciary management among European pension funds
- Dutch pension funds led the way
- Since 2009, adoption has spread to rest of Europe and especially the UK



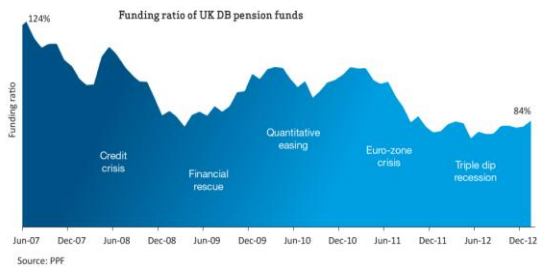
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## A governance challenge



4

## The funding context



5

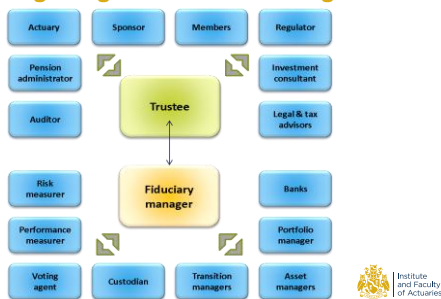
## Why delegate?

- More sophisticated strategy
- Spend the 'governance budget' more wisely
- Expertise / experience / independent thinking
- Cost



6

## Addressing the governance challenge



7

## Trustee responsibilities

- In the interests of beneficiaries
- Trust deed and rules
- Impartially
- Prudently, responsibly and honestly



8

## Statutory overlay

- Criteria for who trustees may delegate to
- Appropriate procedures to review
  - performance
  - fees and charges



9

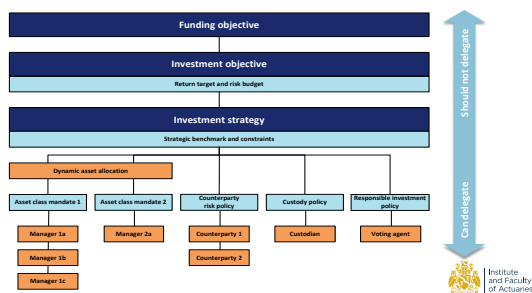
## What does the fiduciary manager do?

- Advise
  - Holistic: **All assets vs. all liabilities**
  - Pro-active: Take responsibility for the investment strategy, though the trustee remains accountable for the strategy
- Execute
- Report



10

## Degree of delegation



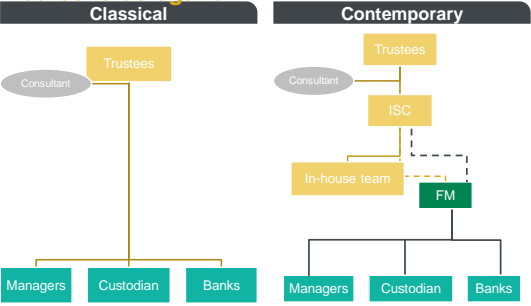
11

## Routes to delegation



12

Routes to delegation



13

What to delegate, and to whom?

Setting the objectives
Setting the strategy
Implementing the strategy
Monitoring the strategy



14

What to delegate, and to whom?

	ISC	In-house team	Fiduciary manager
Setting the objectives			
Setting the strategy			
Implementing the strategy			
Monitoring the strategy			



15

What to delegate, and to whom?

	ISC	In-house team	Fiduciary manager
Setting the objectives	●		
Setting the strategy	●		
Implementing the strategy	●		
Monitoring the strategy	●		



16

What to delegate, and to whom?

	ISC	In-house team	Fiduciary manager
Setting the objectives	●	✗	
Setting the strategy	●	●	
Implementing the strategy	●	●	
Monitoring the strategy	●	●	



17

What to delegate, and to whom?

	ISC	In-house team	Fiduciary manager
Setting the objectives	●	✗	✗
Setting the strategy	●	●	●
Implementing the strategy	●	●	●
Monitoring the strategy	●	●	●



18

What to delegate, and to whom?

	ISC	In-house team	Fiduciary manager
Setting the objectives	●	✗	✗
Setting the strategy	●	●	●
Implementing the strategy	●	●	●
Monitoring the strategy	●	●	●



19

Issues to consider

ISC

Naturally authoritative  
Voice for sponsor

Part-time role  
How to bring in the right expertise

20

### Issues to consider



21

### Issues to consider



22

### Summary

- Fiduciary management
  - Holistic solution
- Suitability
  - Trustee responsibilities / statutory requirements
  - Think carefully about what and how to delegate
  - Tailored to the scheme
- Issues
  - Obtain independent advice
  - Due diligence
  - Conflicts
  - Monitor and challenge



23

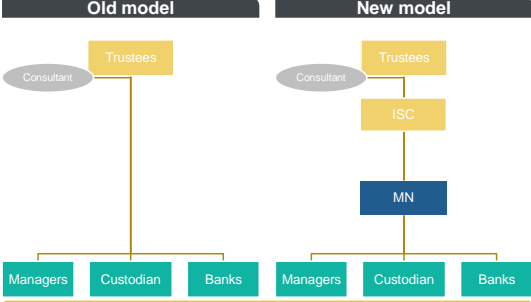


Timeline



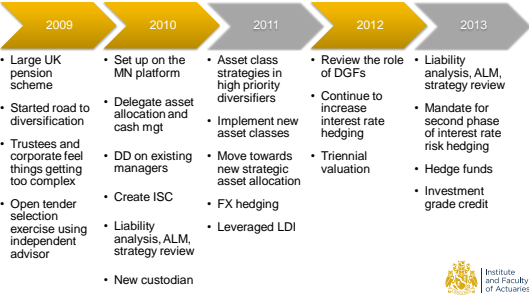
25

Strengthening the scheme's governance



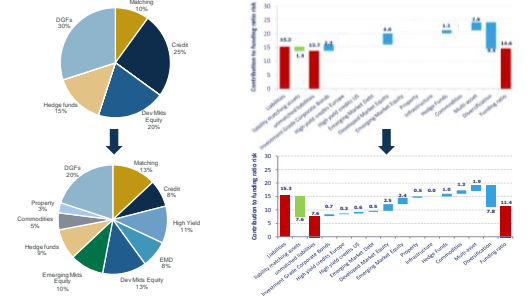
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Timeline



27

Enhanced investment strategy



28

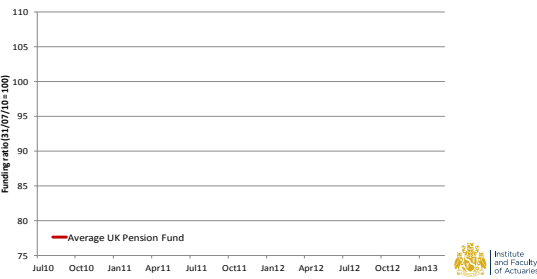
Outcomes

- Trustees spend more time on the big picture
- Trustees spend less time on implementation and meeting managers
- Sponsor more engaged
- Unique combination of advisory and delegated implementation
- More sophisticated strategy with better risk/return:
  - Diversification – more managers, return drivers, regions
  - Dynamic asset allocation
  - Interest rate and currency risks hedged
- Continuous portfolio management of the scheme's overall balance sheet
- Continuous risk management
- Informative, forward-looking reporting that puts trustees in control



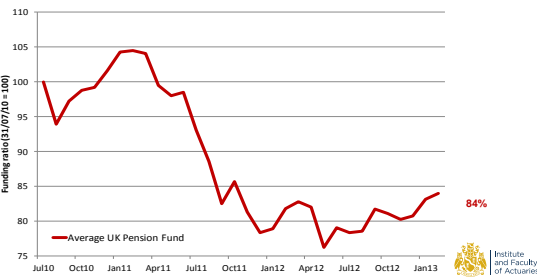
29

Fiduciary management in practice



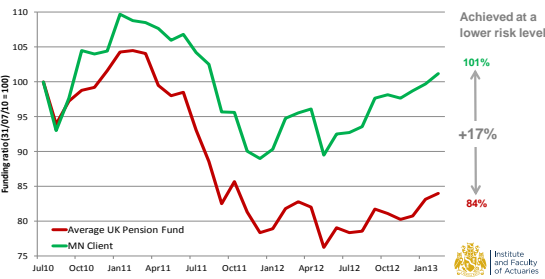
30

Fiduciary management in practice



31

Fiduciary management in practice



32



Strategic partnership



Get delegation right, and it enhances the trustees' control



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