Considerations for trustees managing pension scheme assets

Examining the Irish approach in consideration of new UK law which will require trustees to evaluate their adviser

New obligations imposed on pension fund trustees by the UK Competition and Markets Authority (CMA) highlight the obligations faced by pension scheme trustees in assessing the performance of investment advisors in relation to pension scheme assets. Joanne Roche and Liam Lynch of KPMG's financial services and pensions team take a look at the current environment for trustees managing pension scheme assets.

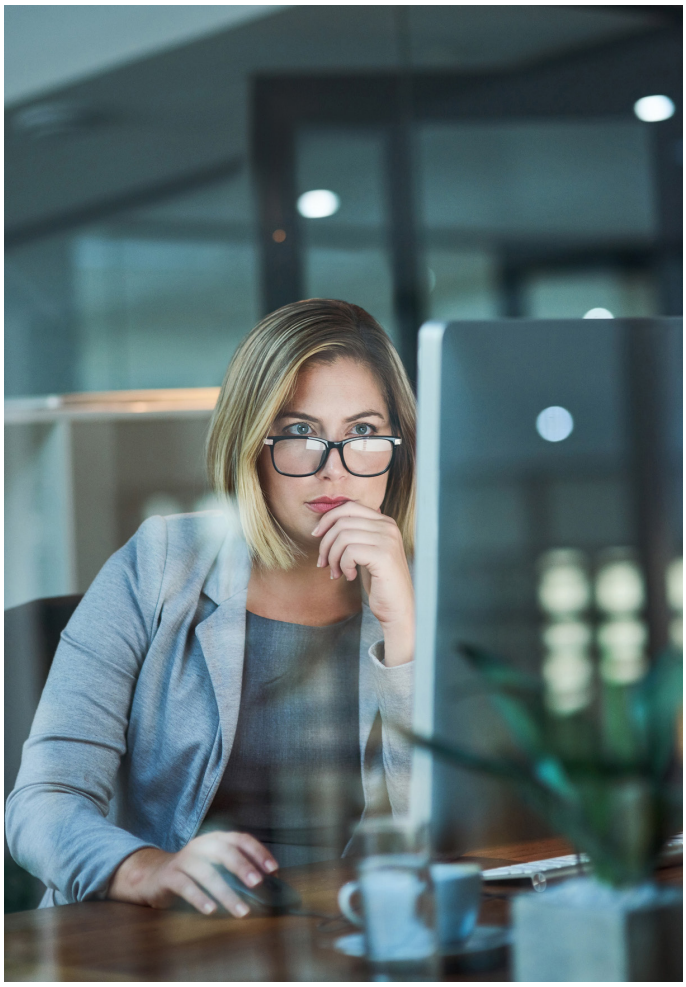
A new UK remedy prevents pension scheme trustees from entering into contracts with an investment consultancy provider unless the scheme trustees have set strategic objectives for the provider. This comes into force on 10 December 2019. The remedy is seeking to address concerns that trustees are not being provided with sufficient information to assess whether they are getting a good level of service and value for money from their investment advisor. Failure could lead to a lack of competition and poor outcomes for scheme members.

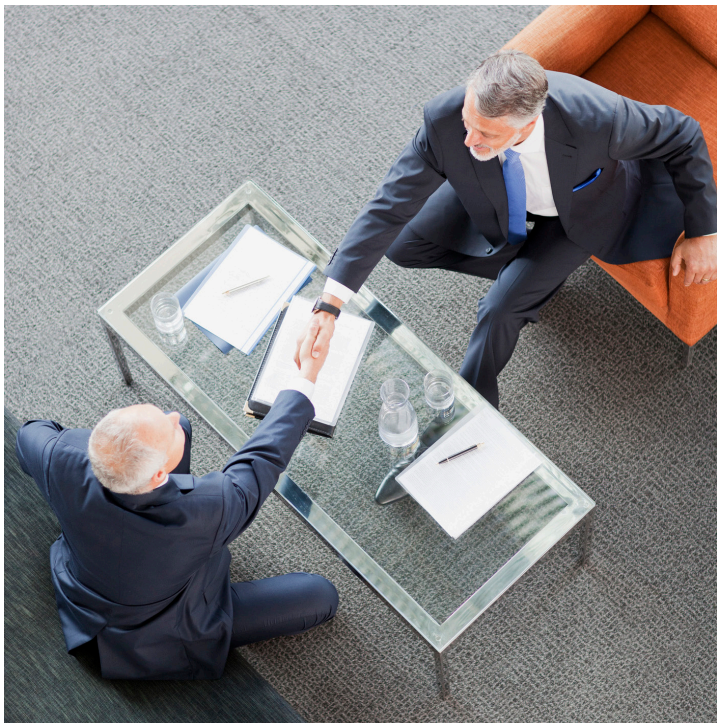
In a consultation which the CMA is conducting to assess how pension scheme trustees might assess their advisor, the UK regulator is proposing to break down these assessment criteria into six broad areas of:

- Value added,
- Specialist processes,
- Proactivity,
- Support with scheme management and compliance,
- Service standards,
- Support with additional matters arising.

The UK regulator's approach seems broadly in alignment with the approach set out in the Irish Pensions Authority trustee handbook and codes of practice.

KPMG supports the broad approach outlined by the UK regulator but has concerns that it should be proportionate and tailored appropriately to trustee boards to make sure that it is meeting that objective of enabling trustees to ensure they are getting good value of services and value for money from their investment advisors. Differences can arise in setting short and long term objectives for performance which mean that one set of assessment criteria will not meet all of trustees' asset management objectives.





KPMG has developed a one page assessment form, covering value add, productivity and service levels measured over one year. KPMG suggests using weights with each measure of assessment but altering the weights over the shorter and longer term in order to ensure that trustees can adequately reflect and score the performance advisors against their strategic investment objectives.

Trustees in Ireland also need to consider whether they should take steps to make sure that "what gets measured, gets managed." Put in place pragmatically but comprehensively, these steps could improve the quality of consultancy across the pensions industry and ultimately lead to better outcomes for scheme members.

Should you have any concerns about how this may affect you, please get in touch with your KPMG pensions team contact.

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