

Fiduciary manager selection

Case
study.

Our client.

Defined benefit (DB) pension scheme with £70 million assets.

PSGS was appointed trustee in 2018. An early task was working with the trustee board to consider whether engaging a **fiduciary manager would** be an appropriate measure to **help mitigate funding risks**.

Like many DB schemes, successive valuations had resulted in no improvement in the funding level despite significant contributions being paid by the employer. The budget for investment advice had always been constrained so **decision making on investment strategy** under the standard investment consultancy model **was slow**.

The employer wanted to **investigate alternative options** to reduce surprises and create a more certain path to **clearing the funding deficit** and was keen to work with the pension trustees to explore fiduciary management.

What we did.

1) Trustee training

First step was to train our co-trustees on fiduciary managers and how that proposition differed to the investment consultancy approach they were used to. We shared our extensive experience of working with fiduciary managers and investment consultants alongside the scheme advisers.

2) Fiduciary manager tender

The trustees felt it would be appropriate for PSGS to run a fiduciary manager selection exercise given our independence from the market.

- We drafted an invitation to tender which was reviewed by a small trustee subcommittee.
- We provided information on the fiduciary manager market to assist choosing six to be invited to tender.
- We fielded questions from the fiduciary managers during this first stage of the tender.

3) Shortlisting



The trustee subcommittee reviewed the tender responses and PSGS's summary to decide a shortlist of three fiduciary managers to present to the full pension trustee board. To ensure the most relevant information could be probed, the subcommittee guided by PSGS agreed on key items for each manager to cover at their presentation.

4) Presentations

PSGS organised the presentation day, fielding questions from the managers in advance. To ensure the employer bought into the final decision, an employer representative was invited to the presentation day.



5) Final fiduciary manager selection

After the presentations, the trustee board narrowed the choice to two with follow up questions for each. PSGS liaised with the managers to get responses, after which the pension trustees reconvened to make a final decision.



6) Appointment

We provided documentation to the chosen fiduciary manager to ensure the transition was completed quickly and efficiently.



The result.

The tender process was completed in just two months, during which **the pension trustees gained valuable knowledge** about:

- the funding risks the scheme faced
- how these could be mitigated with an appropriate investment strategy
- how different assets could be utilised to build a more efficient portfolio.

Both **the trustee board and employer are now more confident** the journey plan implemented with the fiduciary manager means they:

- ✓ have more certainty the funding level will improve over time
- ✓ can quickly take advantage of positive market movements to reduce funding risks further
- ✓ have more regular monitoring of the funding position so there are no surprises at each triennial valuation