

# **The Pensions Regulator**

**Draft guides to deliver the CMA's  
recommendation to produce guidance to  
trustees of occupational pension schemes  
on engaging with investment consultants  
and fiduciary managers**

**Response from  
The Pensions Management Institute**

**Website version**

## **Response from the Pensions Management Institute to TPR's Consultation 'Draft guides to deliver the CMA's recommendation to produce guidance to trustees of occupational pension schemes on engaging with investment consultants and fiduciary managers'**

### **Introduction**

PMI is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 6,000) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.

## Part 1: A guide to tendering for fiduciary management

*Question 1: Is the language used in the guidance clear and unambiguous? If not, what would provide clarity?*

Yes	✓
No	

We are satisfied that the language is suitably clear.

*Question 2: Do you consider that there are any areas of a competitive tender process missing?*

Yes	✓
No	

Overall the guidance provided is very good, however it would have been helpful to differentiate between a scheme who was making the decision between the traditional model with an Investment Consultant and whether to go down the FM route. The procurement part begins once that decision is made. This is not quite clear.

Whilst the guidance does well in setting out the different types of FM Provider, ie those that have a consulting bias, those that have an investment bias, it does not mention the intricacies of the philosophies, ie the mechanistic type approach verses the more human input approach.

Management Information is quite important but is not given much consideration. Trustees remain responsible for the FM's decisions and we would expect an FM to provide management information regularly on key indicators, ie number of triggers hit, position against funding levels, etc.

Whilst mentioned in the example, not enough focus is given to the transition piece except for costs. This area is very important as the transition of assets in times of uncertainty can be tortuous and costly to a scheme.

The example provided did not provide any indication on the timelines nor length of time, a procurement exercise can take and this is quite important in managing Trustees expectations.

*Question 3: Are the key principles of running a tender exercise reasonable and proportionate? In particular, are there any scheme types or sizes for which the principles would not be reasonable and proportionate?*

Yes	✓
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No	
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We are satisfied that the principles as set out are proportionate and are appropriate for any trustee board conducting a tender exercise. However an Expression of Interest can be replaced by a call from the scheme to save cost and effort if a scheme is particularly small.

**Part 2: A guide to tendering for investment consultancy services**

*Question 4: Is it clear how trustees can apply the principles of a competitive tender exercise to the selection of a provider of investment consultancy services?*

Yes	✓
No	

We are satisfied that the guidance is clear to trustees as to how the principles should be applied.

### Part 3: Setting objectives for providers of investment consultancy services

*Question 5: Is the language used in the guidance clear and unambiguous?  
If not, what would provide clarity?*

Yes	✓
No	

We are satisfied that the language is suitably clear.

*Question 6: Are the case studies useful in illustrating the elements of services trustee should consider setting objectives in relation to? Do these present an accurate representation of how trustees may set objectives for their investment consultants? Do you have any other examples that could be usefully included to demonstrate the different approaches that schemes of different sizes, and with varying available resources, might take to comply?*

Yes	✓
No	

We believe that the two case studies are particularly helpful. However it is rare to have a longlist these days if a TPE is running the process. The trustees are paying for the TPE's knowledge and therefore, a shortlist of four is more usual with TPE's explaining why potential providers have been excluded.

*Question 7: Is the example balanced scorecard an effective way to assess the performance of providers of investment consultancy services? Are there alternative methods trustees could use?*

Yes	✓
No	

We believe that the example balanced scorecard is helpful but trustees should be reminded that it is an example and should be tailored/expanded for their scheme and its specific requirements.

**Part 4: Guide to choosing an investment governance model**

*Question 8: The guide to choosing an investment governance model describes the key features of investment consultancy and fiduciary management. Are there any other features missing which would support trustees in deciding on a suitable model for their scheme?*

Yes	
No	✓

We do not believe that any features are missing.