

Wednesday 9th September 2015

Making the most of your investment meetings

Given the millions of pounds under the management of pension scheme trustees and the importance to both DB and DC benefits, it is little wonder that investments form a major part of any trustee meeting agenda.

In a time limited, information overload scenario we will look at how as trustees and advisers you get the best outcomes for employers and members. Ruth Pearse, one of Pi Consulting's experienced scheme secretaries, will give an insight into how to maximise the use of the time available to trustees through effective meeting planning and preparation

We will be joined by James Meenan, of JNM Investment Governance, who will discuss why so many trustees struggle in the dialogue with investment professionals and how this can be addressed to achieve effective outcomes.

James has over 25 years' in global wealth management and believes there is considerable scope for managers and investors to work better together. He will examine the dichotomy that whilst trustees share enormous responsibilities, particularly with respect to investments, do they have commensurate power to discharge them as they would really prefer?

He will look at what practical steps trustees can take about their approach to investments in light of recent comments by the FCA and how do they ensure they get the best out of their investment managers and consultants.

Seminar details:

- 1½ hours of PMI CPD may be recorded for Pi seminars, based on your assessment of the seminar's value to you
- Venue: The UK Chamber of Shipping, 30 Park Street, London, SE1 9EQ
- Timings: 8.45 a.m. arrival and breakfast
9.15 a.m. - 10.20 a.m. seminar
10.30 a.m. finish and refreshments

We look forward to seeing you and would be grateful if you could advise your availability by telephoning **Jennie McMurtry** on **020 8879 6500** or by e-mailing us at events@piconsulting.co.uk

Please do share this invitation with any colleagues you feel would benefit from attending.



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Agenda

0845 Arrival, registration and breakfast

0915 Welcome and opening comments

Susan Smith, *Pi Consulting*

0925 Supporting the Chair

Ruth Pearse, *Pi Consulting*

0945 Getting the best out of your investments

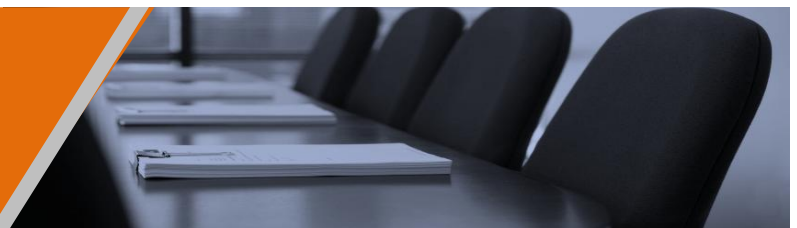
James Meenan, *JNM Investment Governance*

1015 Open forum

1030 Finish and refreshments

Venue:

UK Chamber of Shipping
30 Park Street
London
SE1 9EQ



Making the most of your investment meetings

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Tackling investments

- ◆ Demands of DB and DC investment
- ◆ **£1.1 trillion assets – DB**
- ◆ **£30 billion assets – DCand growing**

Managing the relationships

- ◆ Many players
- ◆ Changing relationships
- ◆ Who decides?

....and can you stand up in front of your members to explain?

Agenda

- 0915** **Welcome and opening comments**
Susan Smith, Pi Consulting
- 0925** **Supporting the Trustee Board**
Ruth Pearse, Pi Consulting
- 0945** **Getting the best out of your investments**
James Meenan, JNM Investment Governance
- 1015** **Open Forum**
- 1030** **Finish and refreshments**



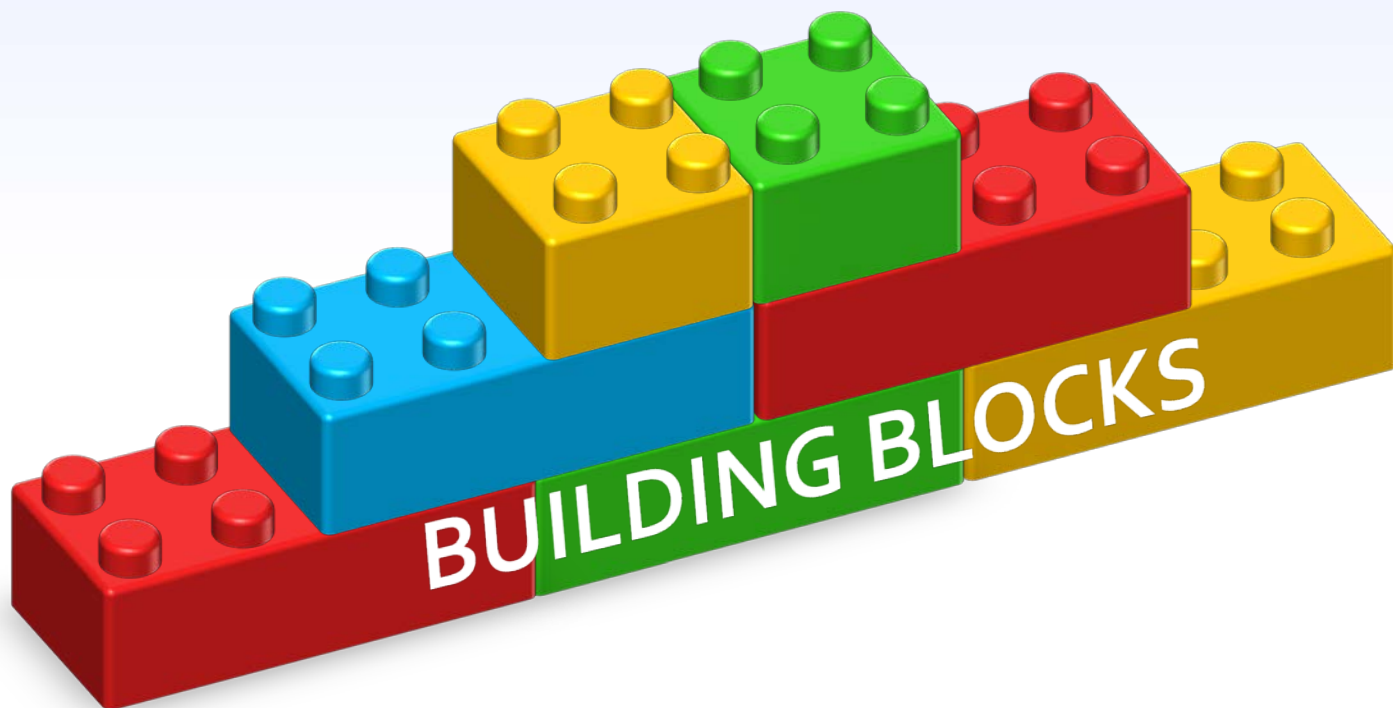
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Supporting the Trustee Board

Ruth Pearce, Pi Consulting

The home of good pension
scheme governance





Foundations

- ◆ **Terms of reference**
- ◆ **Authority levels and delegation**
- ◆ **Investment objectives**
- ◆ **Investment strategy**
- ◆ **Business plan**

Planning the agenda

- ◆ **Structure**
- ◆ **Objective**
- ◆ **Purpose**
- ◆ **Time allocation**
- ◆ **Prioritise**
- ◆ **Liaise**

Pre-meeting preparation

- ◆ **Brief advisers/investment managers**
- ◆ **Purpose of any presentations**
- ◆ **Pre-meeting training/circulars/reading**
- ◆ **Informative meeting papers**
- ◆ **Discussion with Chair**

At the meeting....

- ◆ **Eyes and ears for the Chair**
- ◆ **Decisions – why? who? what?**
- ◆ **Balanced responsibility?**
- ◆ **Mist rising or fog descending?**

Post meeting

- ◆ **Minutes**
- ◆ **Summary**
- ◆ **Actions arising**
- ◆ **Training**
- ◆ **Lessons learned**
- ◆ **Inter-meeting decisions – proactive v reactive**

End of year recap

- ◆ **Evaluate**
- ◆ **Progress against objectives set for the year**
- ◆ **Actions to be carried forward – why?**
- ◆ **Pat on the back**

Summary

- ◆ Preparation is key
- ◆ Clear, audit trail
- ◆ Evaluation

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‘Making the most of your investment meetings’

The Problem

‘.... why do so many struggle to discuss and understand investment issues’ ???

- Whom does it affect
- Who is responsible
- What is the solution
- When

BACKGROUND



Investment realities:

- Hindsight is not a basis for positive discussion or decision making
- There is no science to improve performance
- Trustees becoming more involved in managing investments will not add predictability to the outcome

Focus on what actions are realistic and contribute to getting more out of investment relationships.

What the FCA said in their Wholesale Competition Sector Review?

- ‘.... in other cases with some pension trustees, those overseeing the selection and oversight of asset managers may lack the necessary resource and/or expertise to do this effectively.’
- ‘Some asset managers commented that some institutional investors may not have the expertise to effectively monitor asset managers.’

What the FCA said (contd)

- ‘.... pension trustees often find it difficult to assess the quality of advice given by investment consultants’
- ‘.... where the adviser is also the potential product provider this may present conflicts of interest. In this model investment consultants may have an incentive to promote their own asset management services above those of their competitors and potentially against the best interest of their client. This problem may be compounded if clients are unable to accurately assess the quality of advice they are receiving. ’



Fifty (thousand) shades of grey ???? ???? ?

Professional advice – issues?

- Lack of preparedness
- Information/knowledge imbalance
- Lack of context
- Alternatives
- Challenging and understanding

Reassurance?

INDUSTRY CHOICE IN 2015?

PROACTIVE RESPONSE
Vs
SWINGEING REGULATION

Problem is structural?

- Massive imbalance in resources, especially time
- Leads to an unequal contribution to the investment dialogue
- Greatly increases risks of poor knowledge and understanding, as well as poorer investment outcomes
- Contributes to potential risks for all parties in event of retrospective scrutiny

RESPONSIBILITY

VS

POWER

Enable and empower those responsible?

There are many

- For whom training was not adequate to enable constructive dialogue
- For whom existing structures do not make it easy to discharge obligations as they would prefer
- Who want to be more professional in their approach to investments

Catalysts for change?

- Disinterested
- Inattentive
- Non-participative
- Unresponsive
- Indecisive

- **ANXIOUS AND JUST NOT REASSURED**



INVESTMENT
GOVERNANCE

IS THERE AN ELEPHANT IN THE ROOM?



*“Men occasionally stumble over
the truth, but most of them pick
themselves up and hurry off as if
nothing ever happened”*

– Winston Churchill

Why understanding investment information is challenging

- Takes longer than many realise
- Takes more time than many readily have
- Difficult to understand what is in there
- Difficult to understand what is not in there

“We are drowning in information but starved for knowledge.”

- John Naisbitt

Working blind

Would you work with an investment firm who didn't offer regular reports and meetings?

But if there isn't adequate

- **Time** to review them
- **Knowledge** and **understanding**
- **Confidence** to ask constructive questions

What's the difference?

In the Do Do?

Or Can Do?

Can Do? - We already have

- Consultants
- Investment committees
- Professional trustees or other assets

Many investment professionals NOW acknowledge challenges posed by their clients unpreparedness to engage constructively.

But is ‘Can Do’ delivering what is needed or wanted?

How structured is;

- Reviewing information or proposals
- Identifying potential issues
- Agenda preparation
- Challenging
- Follow-up



INVESTMENT
GOVERNANCE

SOME PRACTICAL STEPS

Three questions

- Are we doing the right thing?
- How do we know it?
- How can we demonstrate it?

Leadership

Is mind-set appropriate for the present and the future?

- Retrospective vs prospective
- Defensive vs offensive
- Hide vs learn

The Basics

Conditioning to make it easier to react effectively to both problems and opportunities

Facilitate

- Easier participation in the dialogue
- Greater focus in questions
- Greater structure to questioning

Does it matter ?

- Is there positive correlation between good governance and investment performance?
- Yes - according to some academic research* which contends the figure might be as high as 2.4% annually
- While good governance cannot guarantee improved investment outcomes, it can certainly improve the prospects

**The Pension Governance Deficit: Still With Us*, Ambachsteer, Capelle & Lum, Rotman International Journal of Pension Management, Volume 1, Issue 1, Fall 2008

ASKING QUESTIONS = CONTROL

Plan agenda to ask questions in a **structured and coordinated** manner to prioritise:

- Issues Trustees want discussed
- Questions Trustees want answered
- Trustee's precise needs

Take the guesswork out of communications.

Where there is a problem

- What are barriers to change?
- How can change be made easier?
- Who will lead?
- Who will benefit?

In conclusion

- Get the basics right
- Training may not be as enabling as often presumed
- React to catalysts for change
- Ensure questions **and** answers are coordinated and structured
- Ensure ‘can do’ and ‘do do’ are the same
- Ask for help
- Focus on ‘offence’ as well as ‘defence’

Thank you for your
time

About JNM

- JNM is headed by James Meenan who has over 20 years experience working with Merrill Lynch Global Wealth Management
- Clients were lay people, typically successful, organised and well-resourced, but not investment specialists
- Most frequently expressed concerns were about their ability to understand investment information and proposals
- These concerns appear to be widespread amongst investors in many areas
- JNM addresses these concerns by facilitating constructive and confident dialogue with investment professionals
- In Ireland, JNM represents Ortec Finance, a leading European provider of consultancy and software services to the international pension, asset, and wealth management industries

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Thank you

Future seminar dates for your diary:

Wednesday, 25 November 2015

Thursday, 25 February **2016**

Thursday, 19 May **2016**

Thursday, 8 September **2016**

**If you have any suggestions for future seminar topics,
please let us know.**

Feedback

- ◆ **We would welcome your feedback on:**
 - ◆ Subject
 - ◆ Content
 - ◆ Format of session
 - ◆ Time
 - ◆ Venue
 - ◆ Arrangements
- ◆ **Please email us at feedback@piconsulting.co.uk or via the seminar page on our website www.piconsulting.co.uk**