

Cost and time savings for Southern Co-op with First Actuarial's fiduciary management review service



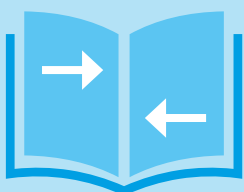
Key outcomes



Compliance and peace of mind for the Trustees



An efficient process with time savings and a fee reduction



Knowledge transfer of tender management best practice

New regulations brought about by the 2019 CMA Order required trustees to undertake a formal and documented process in respect of fiduciary manager appointments. Trustees at Southern Co-op appointed First Actuarial to guide them through the formal process of reviewing their fiduciary provider and documenting it.

The challenge | Complying with new fiduciary regulations

The Trustees of the Southern Co-op pension scheme had a fiduciary, or delegated, arrangement in place, giving the manager discretion over how to invest the Scheme's assets to meet the Trustees' objectives.

The arrangement only came up against potential difficulties when an industry-wide review by the Competition & Markets Authority (CMA) led to new regulatory requirements. These stated that schemes with a fiduciary manager needed formal records of the appointment process and subsequent reviews.

"We needed to review our incumbent manager," says Pete Lucas, Scheme Trustee at Southern Co-op. "But it's also good governance to review suppliers on a regular basis."

The Trustees embarked on a tender process to select a provider who would guide them through the fiduciary manager review and selection process.

"As well as chairing the Trustee Board, I work for Southern Co-op in a full-time capacity as Business Solutions Manager," says Pete. "The other Trustees also have limited availability. So we needed a company that would provide that service and wasn't too time-consuming."

The Trustees selected First Actuarial.

"First Actuarial's proposal was clear and cut through the jargon," says Pete. "And when we met the team on a video conferencing call, we built up a rapport quickly. We were comfortable with them and their fees were reasonable."

The solution | A formal fiduciary manager review and selection process

First Actuarial began by speaking with the Trustees to gauge their requirements. "We were happy with our fiduciary manager; they understood our values and how important ethical investment is to us," says Pete. "First Actuarial took this on board."

▶ Shortlisting potential fiduciary managers

From their preliminary research, First Actuarial identified 14 potential managers. Then, on the basis of the Trustees' values and Scheme characteristics and requirements, they shortlisted four managers, including the incumbent.

Following a full briefing from First Actuarial, all four shortlisted managers submitted full tender responses. Three managers were chosen to go forward to the next stage due to their stronger responses on Environmental, Social and Governance (ESG) risks, a core value of the Trustees.

▶ Producing a briefing document for the Trustees

First Actuarial's investment research team documented the responses and gave their own views and ratings in a briefing document for the Trustees.

The briefing document summarised the approach and proposed solutions of each of the managers. It outlined their capabilities, resources and fees. It also

described each manager's approach in areas such as growth portfolios, liability-driven investment (LDI) and ESG.

"The briefing document was objective and easy to understand," says Pete. "And the statuses included shades of red, amber and green. If one manager was particularly strong, for example, the status would be dark green. This made it easier to make comparisons."

▶ Running the selection day

First Actuarial then ran an online selection day, in which the three shortlisted managers pitched how they would structure their solution. "The First Actuarial team were amazing on the day," says Pete. "They asked pertinent questions that were very helpful."

Following the presentations, First Actuarial discussed the pitches with the Trustees. "They raised useful points," says Pete, "and highlighted problem areas, and differences between the providers that we may not have spotted."

The Trustees were delighted that the incumbent fiduciary manager emerged as the clear winner of the selection process.

"Working with First Actuarial was a joy," says Pete. "They explained everything clearly and did a great job of managing the formal selection process. They held our hands throughout, and made us feel part of the process rather than passengers."

The outcome | A compliant and efficient fiduciary manager review

▶ Compliance and peace of mind for the Trustees

With the selection process concluded, the Trustees achieved compliance with the new fiduciary management regulations.

"Compliance was the main driver," says Pete. "And the benchmarking

of our fiduciary manager by First Actuarial gives us extra peace of mind. We're satisfied that we've got the right provider in place, so we've got continuity, with none of the disruption of switching providers."

▶ An efficient selection process with time savings and a fee reduction

For the busy Trustees, an efficient and cost-effective fiduciary review was essential. "We were concerned that the process would be time-consuming," says Pete. "But First Actuarial lifted most of the work away while giving us the involvement we wanted, and made it easy for us to make the final decision."

First Actuarial also helped the Trustees negotiate a lower fee with their fiduciary manager. "When we compared the incumbent manager's fees to the other providers, we felt they were a little high," says Pete. "First Actuarial helped us to negotiate a reduction in those fees."

▶ Knowledge transfer of tender management best practice

Based on the quality of First Actuarial's advice and process management, the Trustees asked them to help with other service provider reviews in future.

"We value what we've learnt from First Actuarial," says Pete. "There's been a real knowledge transfer around best practice in tender management."



"The First Actuarial team works to high standards and I'm really impressed with the clarity they bring. The fiduciary manager review was quite daunting; we weren't looking forward to it at all. But First Actuarial provided a simple process that was a joy to go through. I never had to raise or chase any issues with them. Everything just happened and it was really easy. And we can look back and say – we actually enjoyed that."

Pete Lucas

**Business Solutions Manager
and Scheme Trustee,
Southern Co-op**

