



Association of Member
Nominated Trustees

Quarterly Newsletter

October 2017

22nd November 2017 AMNT Conference

Member Nominated Trustees (MNTs) move Centre Stage!!

TPR drives up Standards for 21st Century Trusteeship

At our February and June 2017 Conferences, we discussed the various challenges for MNTs of DB & DC Schemes in a rapidly changing pensions world.

Our 22nd November 2017 Conference will now take this key MNT issue to the next stage. We aim to interrogate the many risks threatening pension schemes today and consider whether MNTs are adequately equipped with the right tools to do the job?

The Conference will be held at the offices of our very generous sponsor, Dimensional Fund Advisors, near Great Portland Street Tube Station. Places will be eagerly sought after so please

respond early if you would like to attend.

This is an important opportunity for MNTs to express their views and experiences on major trustee concerns; either during the day with a line-up of expert speakers or at the ever popular 'break-out' groups.

TPR will discuss their latest views on driving up standards for 21st Century Trusteeship, with the FCA giving some insights of the asset management world and fees.

We will end the day with a lively Panel debate on the issues MNTs currently face.



Hello from Tim Brown, your host for the AMNT Conference 22nd November 2017

Consultations

The AMNT welcomes the opportunity to respond to the various consultation papers issued by Public Bodies and always appreciates your help in responding to these discussion papers on burning issues.

Recently, we have given our views on the 'FCA Asset Management Market Study' and taken part in a DWP Focus Group for the consultation into the treatment of bridging pensions by the Pensions Protection Fund (PPF).

We are also in discussions on the PLSA's Paper on "Good Governance How to get there"

If you wish to have your voice heard, on this or any other public consultations or major pension issues, then please respond: to consultations@amnt.org

Calendar of Future Events

October 2017

PLSA Annual Conference – 18th to 20th October 2017: all day events to be held at Manchester Central Convention Complex Ltd, M2 3GX.

November 2017

Hymans Robertson – 08/11/17: a half day event on Risk Transfer Market 9.00am to 12.30pm.

November 2017

AMNT Winter Conference – 22/11/17: an all day event on MNTs Move Centre Stage – to be held at the offices of Dimensional, NW1 3BF

November 2017

Baker McKenzie – 30/11/17: a half day event 9am to 2pm on Being a Trustee – essential legal training to be held at the offices of Baker McKenzie, EC4V 6JA



To find out about all our events, visit our dedicated calendar at www.amnt.org/events

IMPORTANT: Can existing Members please re-register their membership details on the new website at www.amnt.org

New Sponsors

The AMNT has taken on three new Sponsors in September 2017. They are AON, P-Solve and Charles Stanley. Without our sponsors the AMNT would struggle in its aims to provide support and training for MNTs, to be a voice for all MNTs and to influence HM Government Pensions Policy.

A really 'big' thank you to all our sponsors and the incredible efforts and resources they provide for us to run our Events.

CALL TO ACTION - TRUSTEES MUST CONSIDER ESG ISSUES, SAYS TPR

To ensure that AMNT members adhere to the Pensions Regulator (tTR) expectations to consider environmental, social and governance issues (ESG) in their investment strategy, we ask members to raise this important compliance issue with their investment advisors.

To support members in doing this, AMNT and UKSIF recently convened a meeting attended by over 90% of the UK investment consultant industry. So far thirteen firms (with more expected to join) have made a public commitment that they will bring the TPR ESG guidance to their client base. More details on this initiative can be found here: <http://amnt.org/press-release-amntuksif-initiative-investment-consultants/> Plus - <http://amnt.org/amnt-press-recent-articles-investment-consultants/> or please contact Leanne Clements, Campaign Manager, Red Line Voting at leanne.clements@amnt.org

Calling all AMNT Members – We now have more than 750 members, representing nearly 550 pension schemes. To be effective, we need your help.

If any Members are interested, then please respond to Kate Bendy at kate.bendy@amnt.org or to caroline.davies@amnt.org

What training do you want? – The AMNT constantly strives to offer opportunities for the development of the required knowledge and understanding we are required to hold.

Taking on board your feedback from surveys, we recently put together and delivered a half day session focusing on security and data protection, hosted by our partner LCP. The feedback so far is very positive, and we are hopeful of repeating this.

We are also mindful that recognition of training is often lacking and we were able to offer CPD certificates to attendees.

Future events are being planned, so

keep an eye on the web site and your in box, for further details.

Integrated Risk Management (IRM) – “I’m stuck on you” as Lionel Richie would say

By Joanne Livingstone
Technical Director Punter Southall
joanne.livingstone@puntersouthall.com
or tel: 020 3327 5000

I admit that when we first started to hear about IRM I was more inclined to think “I’m stuck with you”. That glue felt stickier as the Pensions Regulator (TPR) strengthened its early plugs for IRM in May 2013 by including multiple references in the 2014 Revised Code of Practice 3 for funding. IRM was fully adhered from a regulatory, if not legal, point of view by successive calls to make it a central feature - from this year there is even a stricture that all schemes need to put in place contingency plans in the event that a downside risk materialises.

If stuck with IRM, the industry was perhaps also stuck on how to do IRM effectively. Even monitoring the progress of covenant, funding and investment was a practical challenge, though many a trustee now enjoys the use of a summary dashboard. At least these can show progress and risk measures for each aspect on the same page. But for approaches to IRM to be central to pension scheme management they need to get back to what you are trying to achieve. At Punter Southall we believe that this can best be encapsulated by planning your funding and investment strategies to make the best possible use of the sponsor covenant, giving you the best chance of being able to provide members’ benefits in full.

Our Risk of Ruin research (available from our website www.puntersouthall.com) shows that the interactions are complex, and received wisdom about prudence in funding and investment might not impact on your chance of successfully paying benefits in full in the way that you expect. For example, a simple 0.5% reduction in the discount rate used to measure your liabilities is probably not going to make it much more likely that you will be able to pay benefits in full.

I believe that, in order to avoid making sub-optimal decisions, all schemes should be using IRM methodology that focuses on fundamental objectives. In particular the methodology needs to look at the expected chance of successfully meeting the objective and what will happen if you don’t – how likely is there to be an irreparable shortfall or sponsor failure and how badly might the members be impacted if this were to happen. When IRM is used in this way, it becomes a tool that can be deployed whenever a decision is needed, whether about alternative investment strategies for now and the future, mitigations for damage to covenant, whether to have a secondary funding target or even which Recovery Plan to choose. And having a tool to help in decisions is considerably more valuable than having IRM just to tick a box for TPR. It converts this sceptic into a fan, in principle.

The final stage in getting me dancing on the ceiling has been for Punter Southall to develop ways to give trustees and sponsors individually crafted single measures which show, over their chosen time period, what the chance of success is and potential downside pain based on the individual circumstances of the sponsor and the contribution and investment strategies they might be interested in. We do this using our [Smarter Analytics Suite](#) which combines Asset/Liability Modelling available through our everyday valuation platform with modelling around the covenant. This is fundamentally changing the way we can consult with our clients, making both one-off exercises such as the actuarial valuation and ongoing monitoring concentrate less on the technical aspects and more on the outcomes.

For example one of our clients with a borderline ‘tending to strong’/‘tending to weak’ covenant had agreed at the valuation to pay fixed extra contributions to lock down risk by 2030. The Trustees wanted to know if they were now doing all possible to maximise the chance of success. They used our analytics to find they had a 62% chance of getting to where they wanted by that date but

noted that this meant that there was a 38% chance of not being able to achieve this due to either covenant failure or lack of investment success

They wanted to understand more about the chances they would not make their target by 2030.

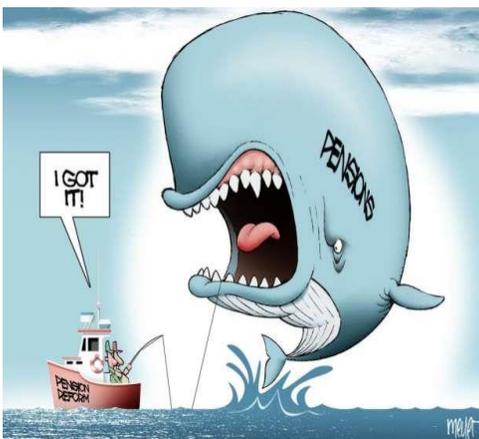
We concentrated on cases where they might not make their target but still have an affordable deficit after 2030 on their preferred minimum risk basis. Our analysis showed this would be only be for about half of the 38% of scenarios where the target had not been reached and could be as low as one third of the outcomes if affordability was also stressed.

Having considered the potential impact on members' benefits of these adverse outcomes the Trustees decided to request that the Employer consider extending the parent company guarantee and also decided to review their planned glide path.

I think this example illustrates that the next phase of IRM is actually pretty exciting and definitely something to sing about.



In considering downside risk, **evaluate** what members are likely to receive under **different scenarios**



Pension Reform – EASY!!