

# Better Governance = Better Outcomes

Peter Griffin

Director

Allied Pension Trustees





Higher levels of governance  
will **not necessarily guarantee**  
more favourable outcomes,  
but should promote an  
environment for better  
decision making and  
understanding of risk

iapf





# Embracing Governance Should Produce Better Outcomes



# Increasing Regulatory Environment

- Pensions Authority – 11 DC Governance Codes
- IORP II

&

Pension Reform Consultation 2016





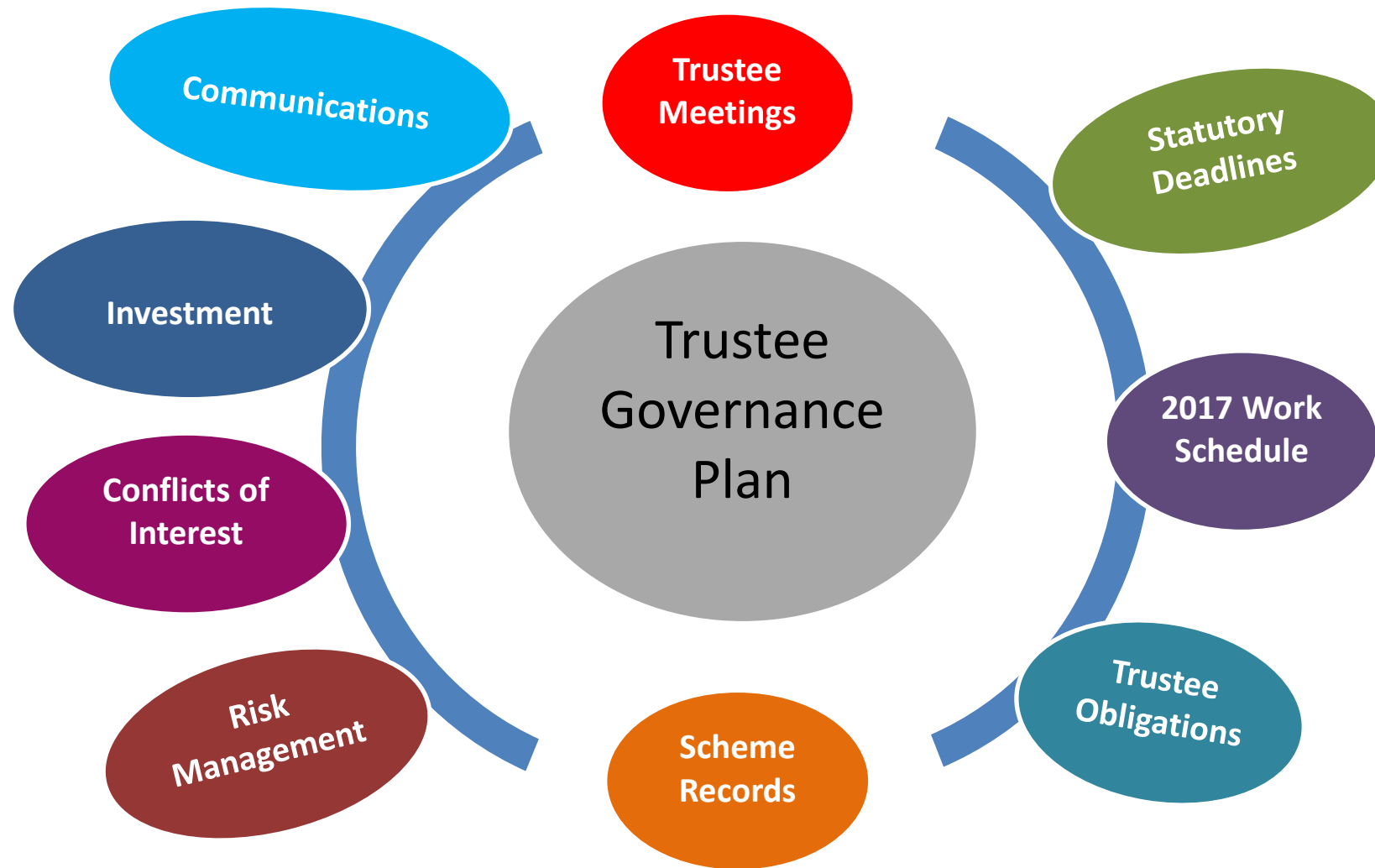
# Pensions Authority DC Codes of Governance 2016

Pension Authority expects Trustees to establish a Governance “Plan of Action”

*“Help (Trustees) to develop and apply consistent policies, processes and controls in the management of their scheme”*



# Governance Plan Of Action





- Invest in accordance with the powers vested in them under the trust deed
- Subject to a duty of care (prudent person) to members and to sponsoring employer
- Requirement to obtain expert input



## DC Code 5 – Investing Scheme Assets

- Actions
  - SLA with Investment Managers
  - Develop & Adopt appropriate investment strategy
  - Produce SIPP
  - Provide SRP annually
  - Review performance against objectives
  - Provide a Default Investment Strategy that reflects the profile and needs of the scheme membership
  - Meet, monitor and review.....



## Appropriate Default Investment Strategy

- Reflects profile and needs of the scheme membership

Probably the area that is causing trustees most concern





**Default Investment Strategy –  
Where are we now**

# **IAPF DC Investment Survey 2014**

### Question 3:

What percentage of active members are in the default fund?

	2013	2014
Active members in the Default Fund	69%	70%

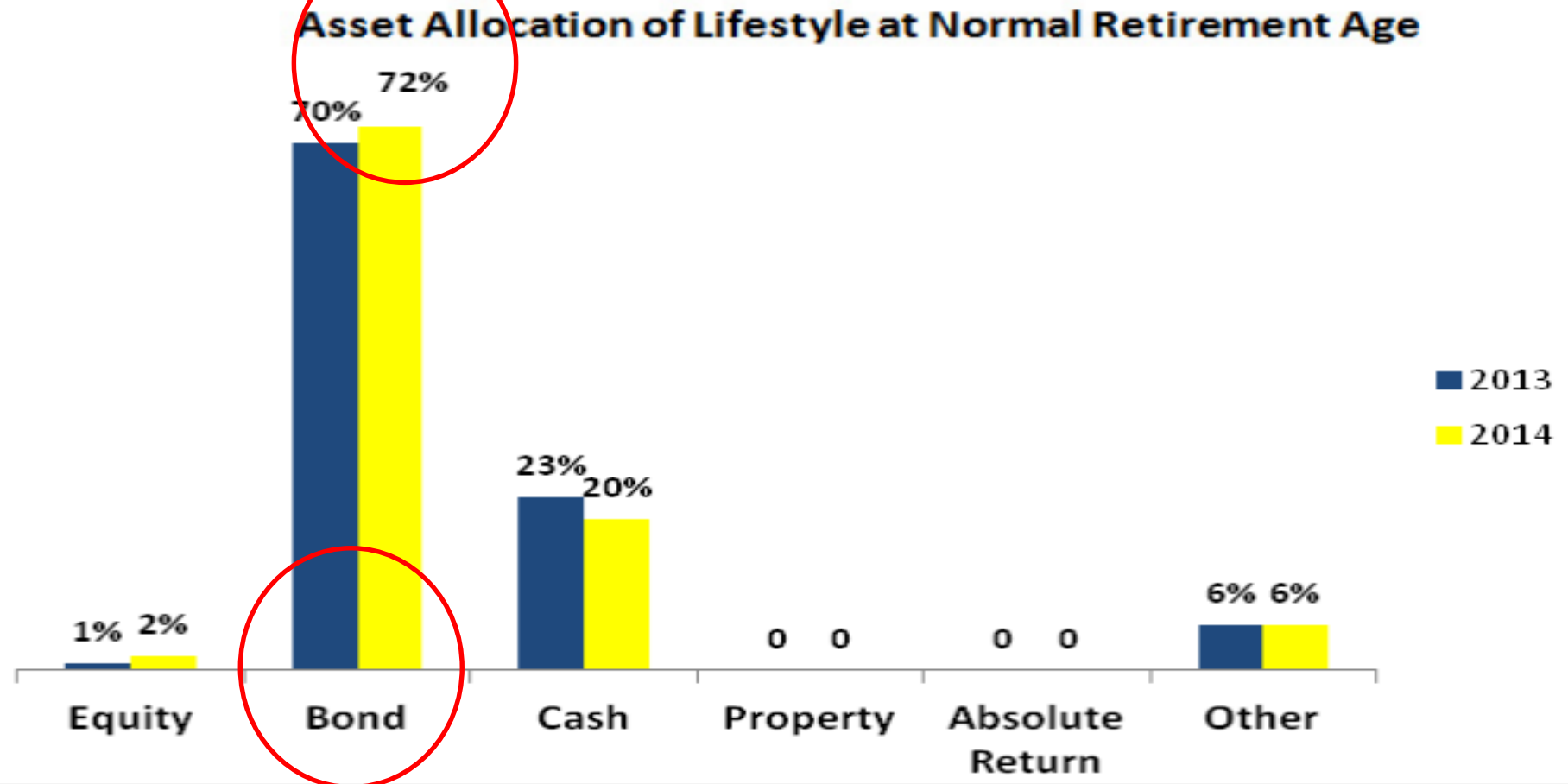
### Question 4:

What percentages of members are in Lifestyle arrangements?

	2013	2014
Percentage in Lifestyle	55%	73%

## Question 6:

What is the asset class distribution of the lifestyling portfolio at Normal Retirement Age?





## Default Investment Strategy – What is the solution?

Majority of lifestyle strategies target Annuity option – ARF option available since 2011

Does Annuity strategy reflect the profile and needs of the scheme membership?



Does “reflecting the profile and needs of the scheme membership” mean the **majority** or the **individual**?

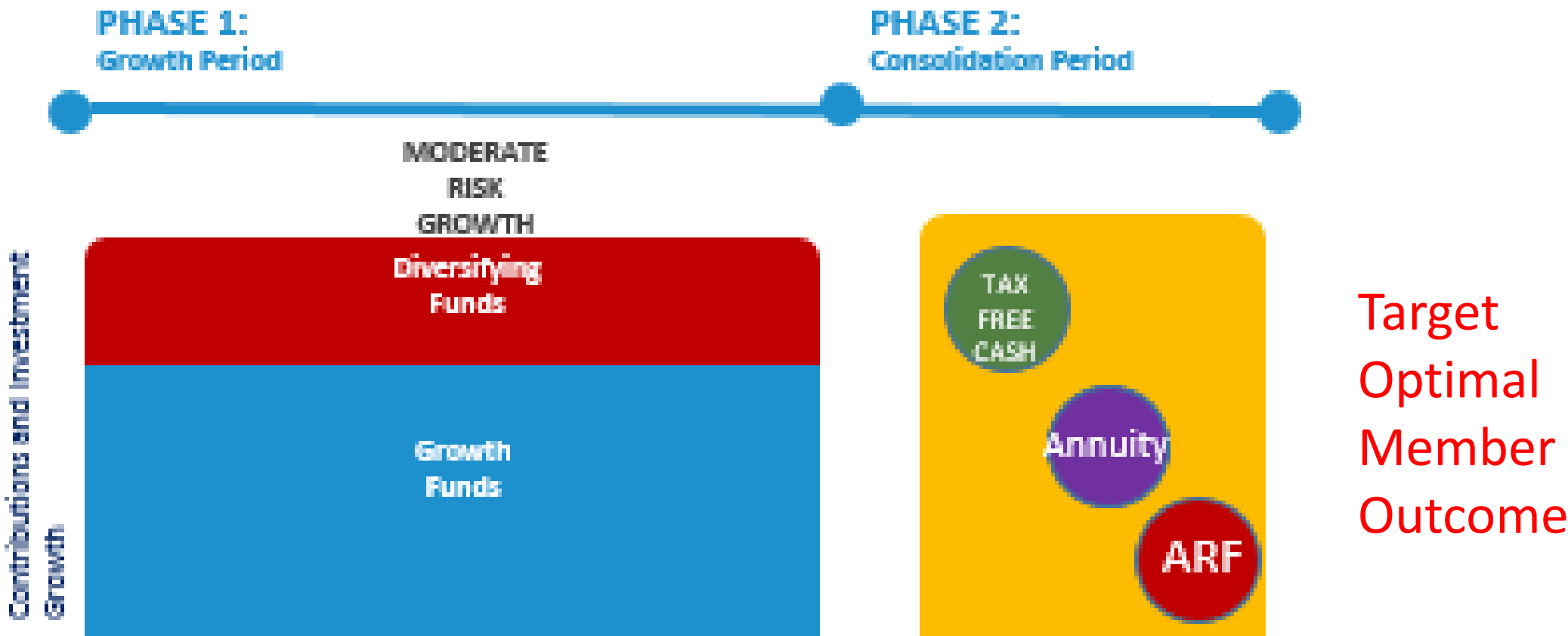


If majority then requirement to take into account the demographics of the scheme membership & analyse how members are likely to draw benefits.

Default to suit majority – but what of the minority!



# Default Investment Strategy – What is the ideal solution?







## DC Code 10 – Communication

“Trustee responsibility to satisfy themselves that the communication is relevant and understandable”

(Pensions Authority)



## DC Code 10 – Member Communication

### Information is

- Accurate
- Clear
- Simply Expressed
- Helps members make informed decisions about:-
  - Investments
  - Benefit options
  - Contribution levels



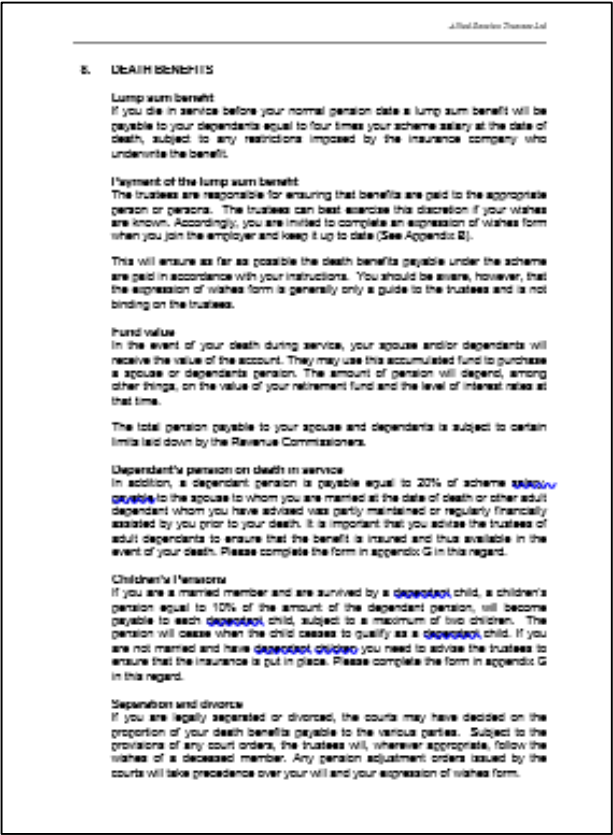
## DC Code 10 – Member Communication

User friendly Disclosure information & meeting  
legal requirement “not mutually exclusive”

(Pensions Authority)

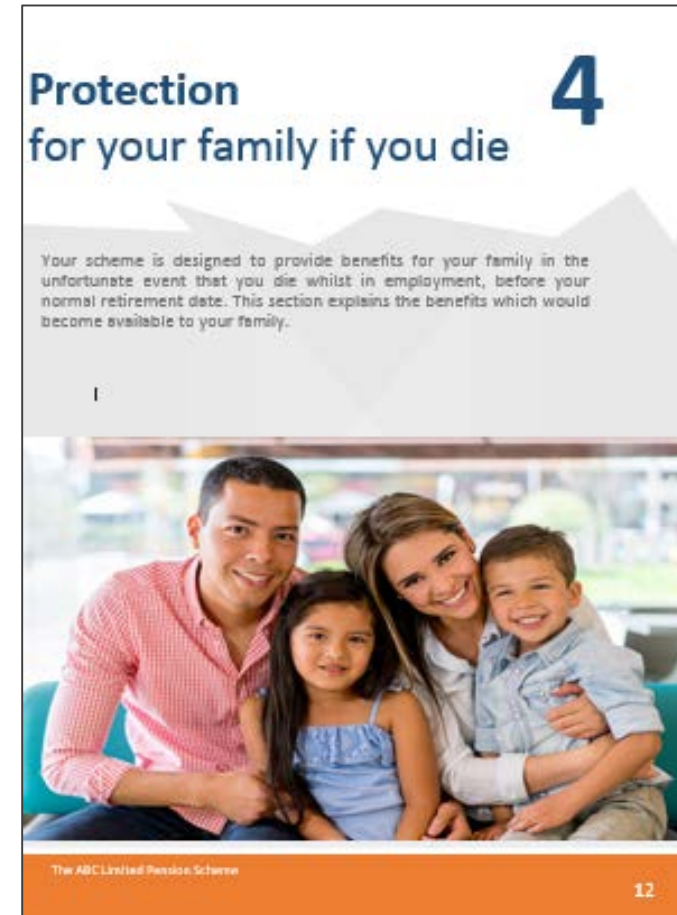


# Member Booklets - Old Version





# Member Booklets - New Version





## Member Communication

Create a year-round pensions engagement strategy

- Can help maintain and increase interest over the longer term



# Ongoing Pension Awareness Campaign





# Ongoing Pension Awareness Campaign





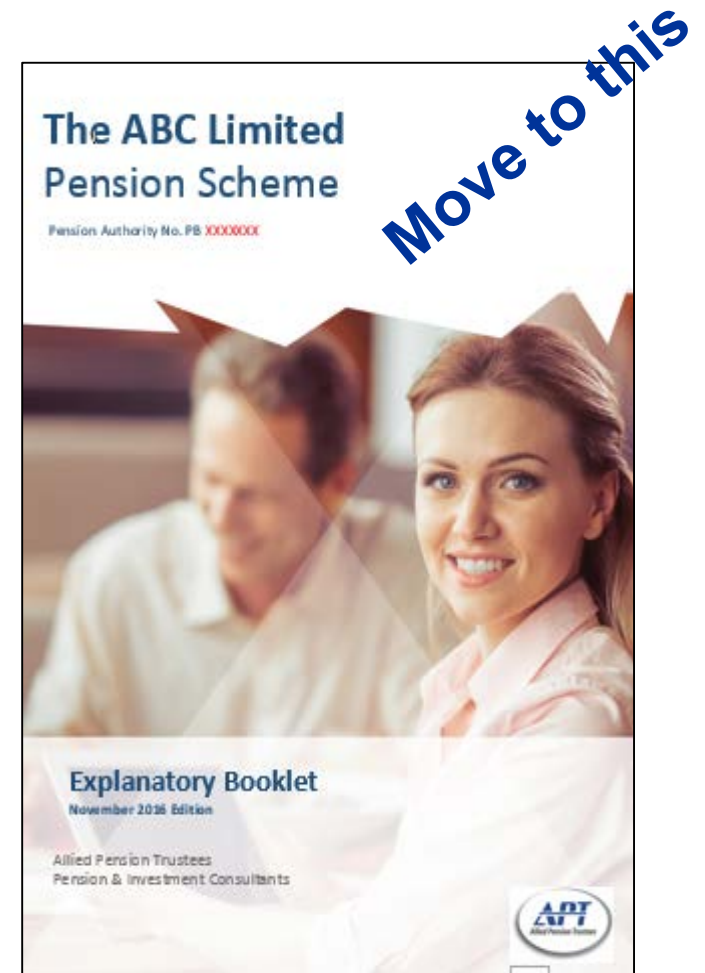
## Consider the role of technology in promoting member engagement



# Member Communication

- Use multiple channels of communication
- Target specific member cohorts
- Use personal events and messages to highlight relevant pension issues





Use technology



**Communications** – dealt with by PA Disclosure Regs

## **Risk Management –**

- risk management function
- an internal audit function - including the oversight of outsourced functions
- an actuarial function (where appropriate)
- effective internal controls and contingency plans.
- a risk evaluation report
- a remuneration policy



**Fit & Proper Test** – *“Professional qualifications, knowledge and experience”*



**A requirement for DC plans to appoint a depository**



# Actions for Trustees

- **Implement a Governance Plan of Action**
- **Ensure Default Strategy is “Fit For Purpose”**
- **Review communications strategy**
  - **Plain language**
  - **Simple messages**
  - **Multiple channels**





**You cannot escape the  
responsibility of tomorrow by  
evading it today.**

*Abraham Lincoln*



# Governance Conference 2016

