

IAPF ANNUAL INVESTMENT CONFERENCE 2019 'Evolution'



Evolution of Fiduciary: The Irish View

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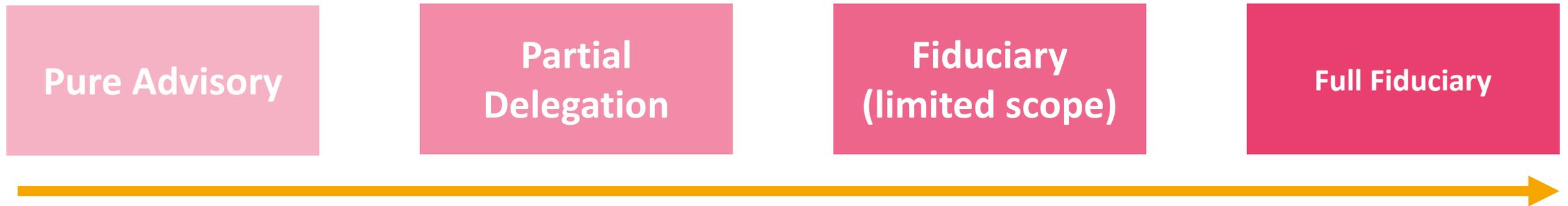
Fiduciary Management

The Irish view

Oliver Kelly, LCP Ireland

What is fiduciary management?

- FM involves a combination of strategic advice and discretionary fund management.
- FM is offered by some investment consultants, investment managers and specialists. Offerings vary between and within suppliers, each with their different strengths and weaknesses.
- In practice there is a spectrum of approaches to fiduciary management and the extent of delegation may vary over time:



Moving towards a full fiduciary arrangement

What is the regulators view?

- The Pensions Authority don't have any data on the Irish FM market and have no plans to do a survey.
- They acknowledge that there is scope for conflicts of interest and would expect trustees to be active in how they manage the conflicts.
- When IORP II is transposed trustees will likely be obliged to document how they manage risks in relation to fiduciary management.

LCP Fiduciary Management Survey

Produced in conjunction with the IAPF
September 2018



DB fiduciary survey results

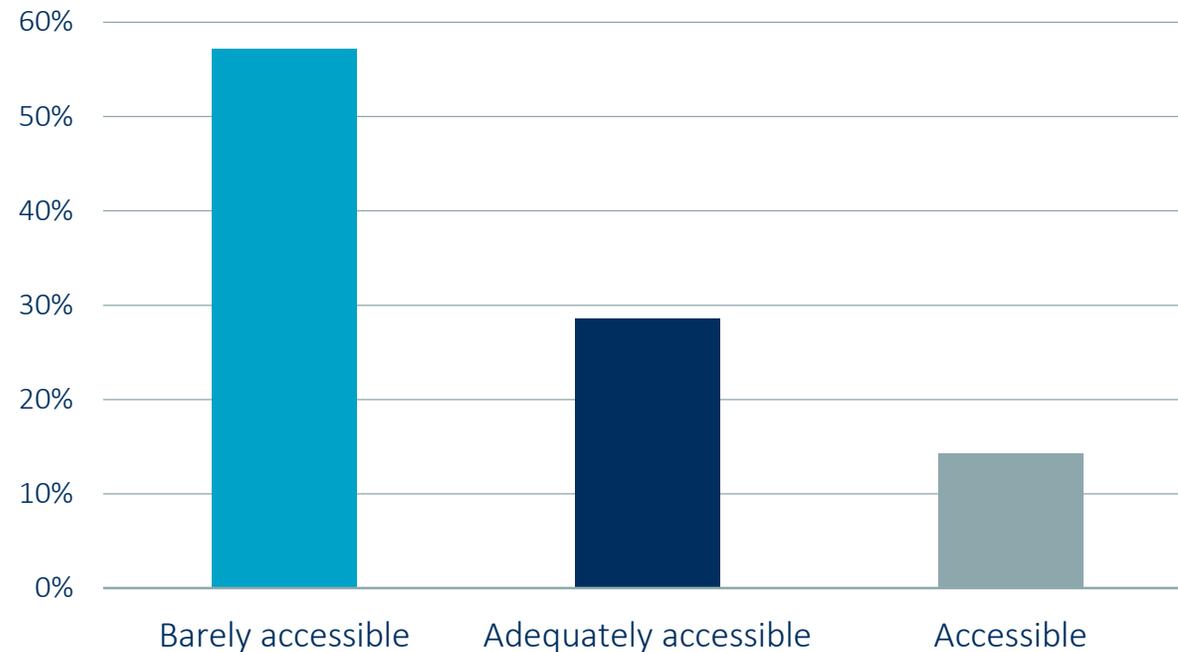
- LCP estimates that the size of the DB fiduciary market in Ireland is around €10-12bn. Total DB market ~€60bn
- In contrast, KPMG estimates that the size of the market in the UK is around £135bn
(Source: KPMG Fiduciary Management Survey 2017)
- 6 out of 16 fiduciary managers surveyed had Irish clients
- Appointments are generally for clients with less than €200m
- 49 new mandates in 12 months to August 2018, 3 won from another fiduciary manager so c1% turnover

Appointment of fiduciary managers



Overall the accessibility of the market is rated as low

How accessible is the market?



Why appoint a fiduciary manager?

- ✓ Expertise
- ✓ Trustee governance time constraints
- ✓ Diversification
- ✓ De-risking challenges
- ✓ Speed of implementation
- ✓ Managing scheme funding levels

What trends are we seeing in FM?

	Large Schemes	Medium and Small Schemes
DB	<ul style="list-style-type: none"> • Conflicts clearly managed • "Single sleeve" FM of specific asset classes • Investment platforms • Liability management 	<ul style="list-style-type: none"> • 100% of Scheme assets • Conflicts weakly managed • Overload of information • Potential for Buy-ins Buy-outs not being discussed • Passive and trigger monitoring costs can be high
DC	<ul style="list-style-type: none"> • Delegated DC -> Mastertrust • Nimbleness is attractive • Evolution of white labelling 	<ul style="list-style-type: none"> • Tend to be vertically integrated with one supplier • Price and ease of admin are key

What is the key difference versus the UK?

"If people shopped around more,
it would make a major difference."

Mary Harney

THANK YOU

Oliver Kelly

