

quarterly update

Investment practice – Q4 2011



John Dickson
Head of Investment
Consultancy

Investment Update

The final quarter of 2011 brought little relief for investors. Markets remained volatile and the deepening Euro-zone crisis presented new challenges for fund managers and pension schemes alike. And at a time when many argue that the British public is not interested in pensions, a reported 2m public sector workers took to the streets to protest against proposed changes to their pension entitlement. With the government also pushing back the timetable for auto enrolment for smaller firms, pensions have seldom seen so many inches in the popular press.

Over the past 12 months, Hymans Robertson has emerged as a leading voice in the media debate on public sector pensions. We have provided balanced and well informed comment in an environment where a lack of a comprehensive understanding of the issues has often led to ill informed comment. Effective communication of the changes is vital and we currently have two employees seconded to the Treasury to help them deliver clear messages to members of the Local Government Pension Scheme. Within the investment team, we are monitoring developments closely and will be focusing particularly on the development of the liabilities of schemes as these become more mature and we may see an increase in opt outs due to higher contribution rates and a more challenging economic backdrop.

For most people in the private sector, defined contribution is the future and the Pensions Regulator has rightly focused attention on improving the governance of DC schemes. His latest guidance on the role of trustees in DC schemes states that “where non-compliance results in poor member outcomes, we may decide to remove trustees and/or appoint an independent trustee with exclusive powers”. It also states that engaged trustees are more likely to undertake governance activities (including administration, external expertise and training) that cover the full range of risks associated with DC schemes. This holistic approach to DC risk management underlies the way in which we already advise our clients at Hymans Robertson as we encourage clients to develop a full understanding of their membership and set clear objectives before focusing on developing appropriate investment strategies. Over recent months, we have also been focusing on aspects such as asset security and appropriate retirement options and will be working with our clients to help them develop their DC schemes further to ensure they continue to meet their members’ needs.



NAPF Investment Conference – Pre Conference Lunch

On 7 March 2012, we will be hosting our annual pre NAPF Investment Conference lunch at our offices in Edinburgh from 12.00 to 2.00. This has been a successful event in previous years with excellent feedback from the attendees. We will be joined by a guest speaker and our guests will also have the opportunity to share our stunning views of Edinburgh Castle. If you plan to be at the conference, please let your consultant know and we will make sure that you receive an invitation to this event.

New Clients

During the final quarter, we were delighted to be appointed as strategic investment adviser to the £8.3bn West Midlands Authorities Pension Fund. The West Midlands Fund is one of the largest funds within the Local Government Pension Scheme and we will be helping them to develop an investment strategy that can adapt to the continually changing landscape in terms of both economic and regulatory developments.



New Senior Investment Consultant

Matt Woodman, who has been with Hymans Robertson since 2006 and works as part of our London based team, was promoted to Senior Investment Consultant during the final quarter. Matt works with a range of our clients and has successfully been working hard to develop his consulting skills over recent years.

“On the platform”

John Dickson will be presenting at the SPS Investment Strategies for Pension Funds conference in February 2012. He will be focusing on what product development we need to see from investment managers to meet the changing needs of defined benefit pension schemes going forward. Full details of the conference can be at http://www.spsconferences.com/conference_details.asp?confid=182.

For further information please speak to your usual contact at Hymans Robertson LLP.

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