

# investment governance

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A paradigm shift  
IN CONSUMER PROTECTION

*Adventure is just  
bad planning”*  
Roald Amundsen





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# what is good governance?

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a process of optimising investment decisions within a framework that is compliant with statutory and common law fiduciary duties



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# what is good governance?

a process of optimising investment decisions within a framework that is compliant with **statutory and common law fiduciary duties**



# characteristics of good governance

- ~ accountable
- ~ transparent
- ~ responsive
- ~ equitable & inclusive
- ~ effective & efficient
- ~ follows the rule of law
- ~ participatory
- ~ consensus oriented



## so what does this mean in practice?

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- ~ know what you are doing
- ~ apply your mind
- ~ understand your members' needs and objectives
- ~ develop a framework for making good decisions
- ~ stick to the framework
- ~ know your limits



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# the governance challenge

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~ investment strategy aligned to long-term horizon of members

but ...

~ resilient to short-term pressures that occur from time to time

# key elements for good outcomes

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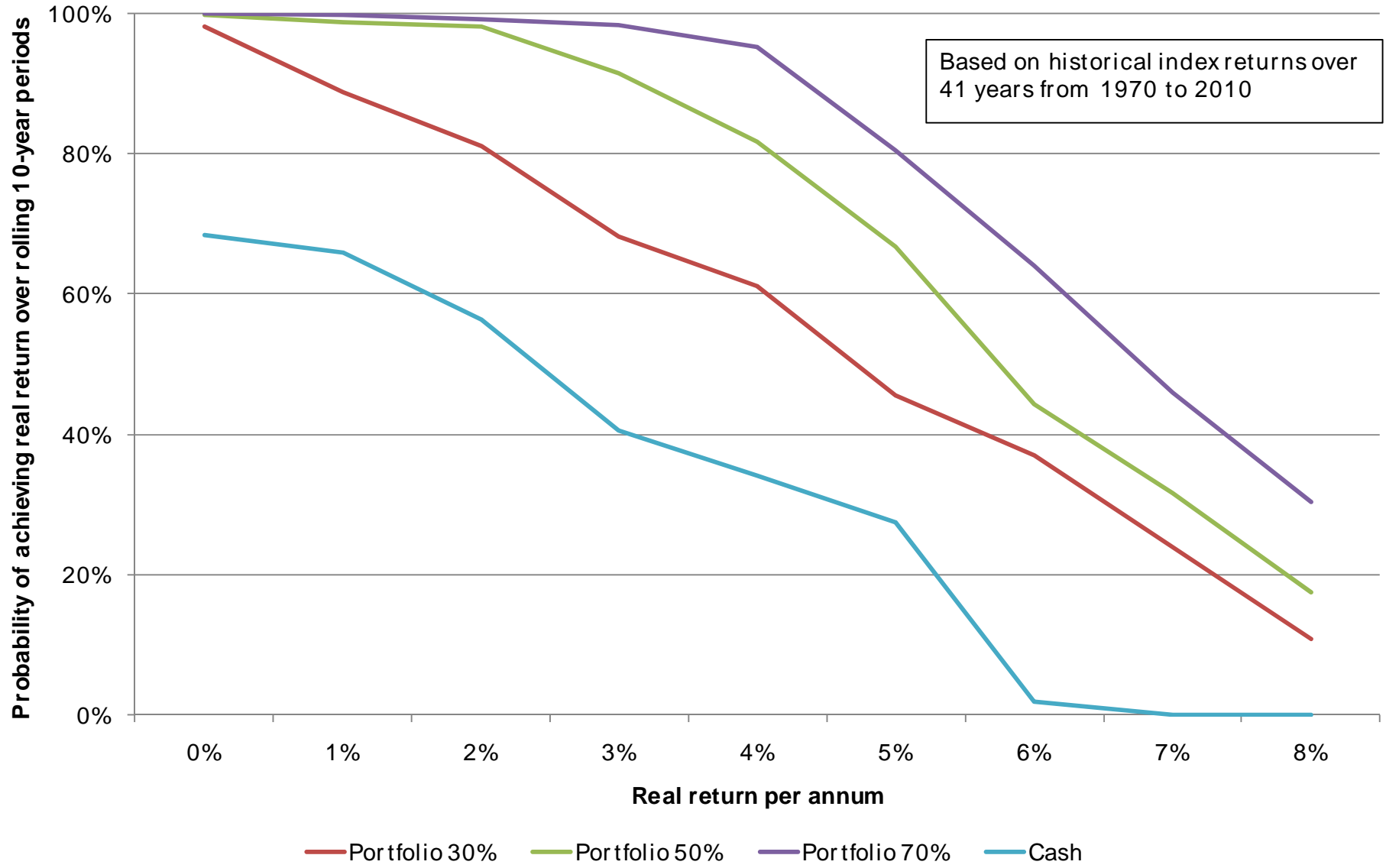
The Pensions Regulator in the UK highlighted 6 key elements for achieving good outcomes:

- ~appropriate decisions with regards pension contributions
- ~appropriate investment decisions
- ~efficient and effective administration
- ~protection of scheme assets
- ~value for money
- ~appropriate decisions on converting pension savings into a retirement income

*“October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.”*

**Mark Twain**

# not taking risk can be risky





## why do you need an IPS?

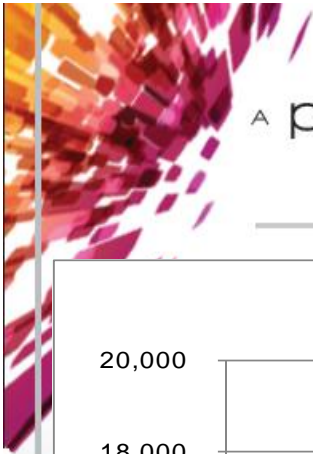
- ~ protects the fund, trustees and members
- ~ sets a sound framework for decision making
- ~ serves as a reference point for decision making
- ~ helps avoid unnecessary reinvention of the wheel
- ~ helps improve quality of decision making
- ~ ensures clear responsibilities for functions in investment process
- ~ shows that trustees have applied their minds
- ~ enables new trustees or service providers to understand the strategy



# the importance of reports

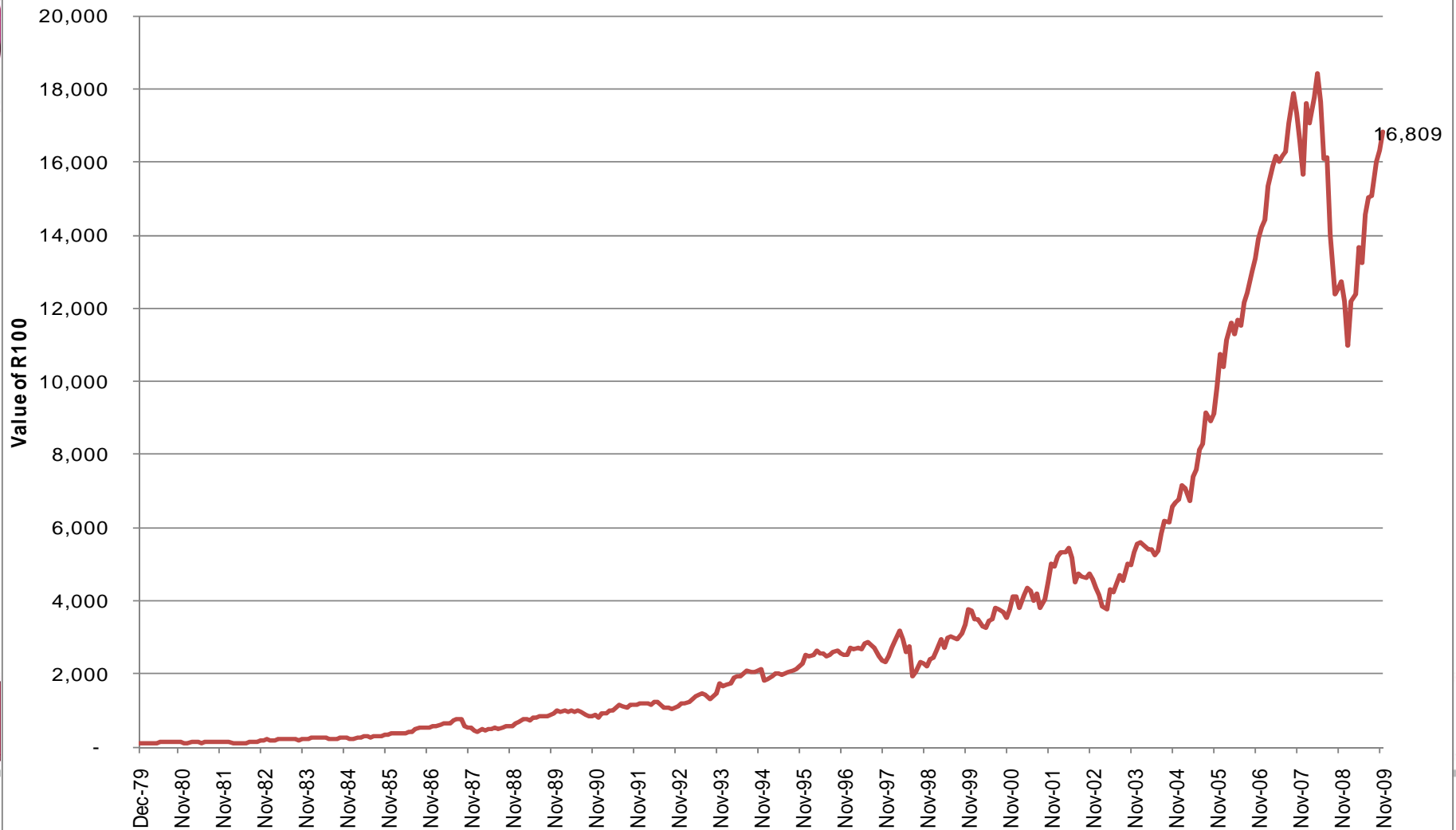
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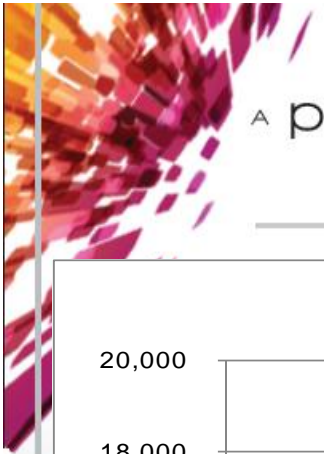
- ~ agree what should be measured
- ~ define reports clearly up front
- ~ reports must compare to previous
- ~ reports must always be the same
- ~ check the key criteria
- ~ query ALL anomalies
- ~ frequency



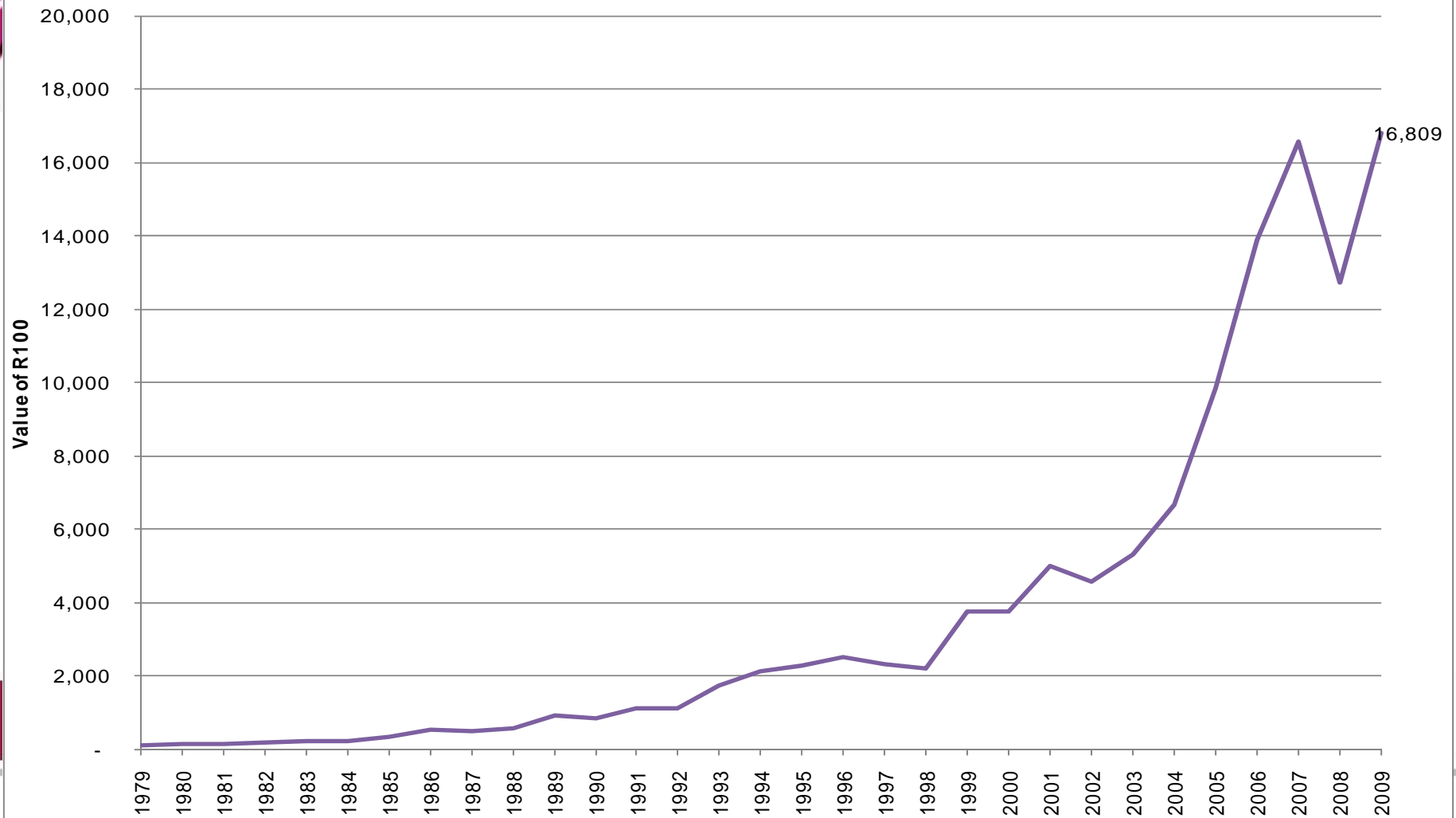
# free smoothing

Monthly statements





## Annual statements





## develop a framework

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- ~ spend time developing your investment framework
- ~ identify key decisions ... focus time, cost and effort on these
- ~ make sure it's *your* framework
- ~ document it
- ~ stick to it
- ~ revisit it from time to time

# developing an investment strategy





- ~ complexity of investment strategy must take account of:
  - ~ *resources,*
  - ~ *time and*
  - ~ *skills*of the board of trustees
- ~ does not mean complexity should be introduced along with expensive expert advisors
- ~ keep it simple and manageable

# governance leads to success

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- ~ in order to succeed your fund needs ...
  - ~ *a clear strategy*
  - ~ *your dedication and commitment*
  - ~ *your time*
  - ~ *your skill*
  - ~ *you to make good decisions*
  - ~ *you to keep them on track*



*“Even if you are on the right track, you will get run over if you just sit there”*

**Will Rogers**

