cutting through complexity

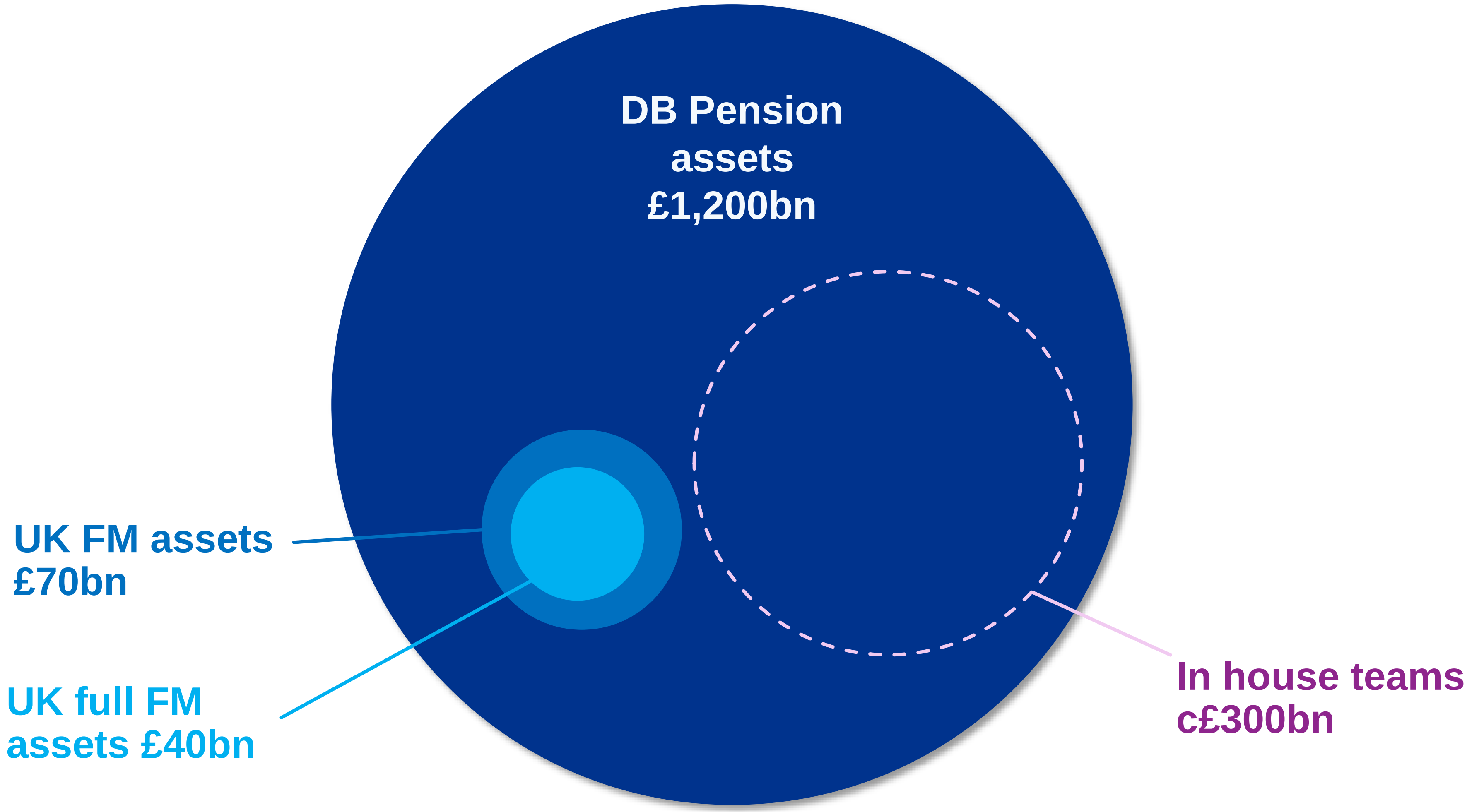
Fiduciary Management

The experience so far

June 2015

Fiduciary Management

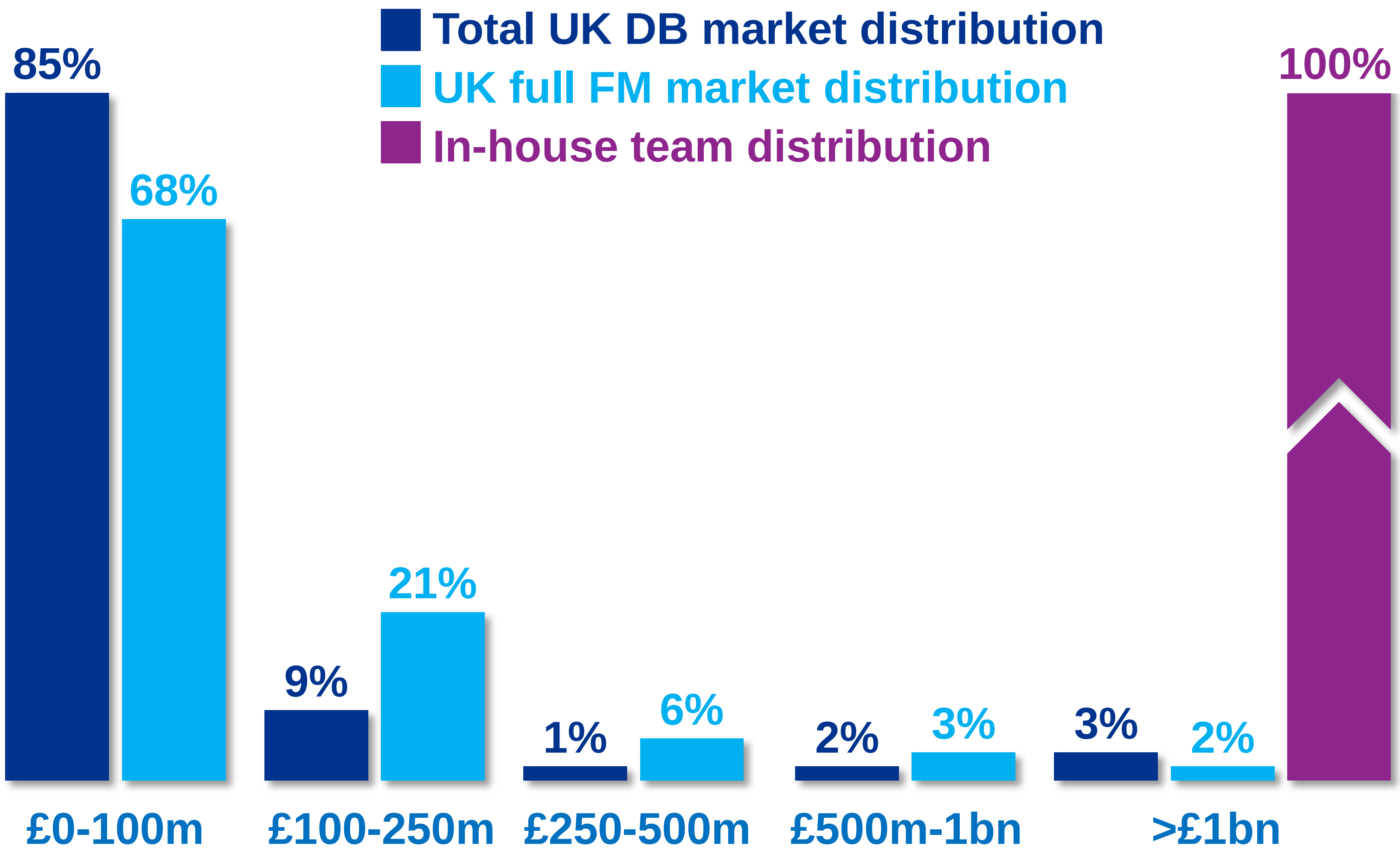
UK Defined Benefit Pension Scheme Assets



Source: PPF Purple Book 31 March 2014, KPMG 2014 FM survey 30 June 2014, Pension Funds Online

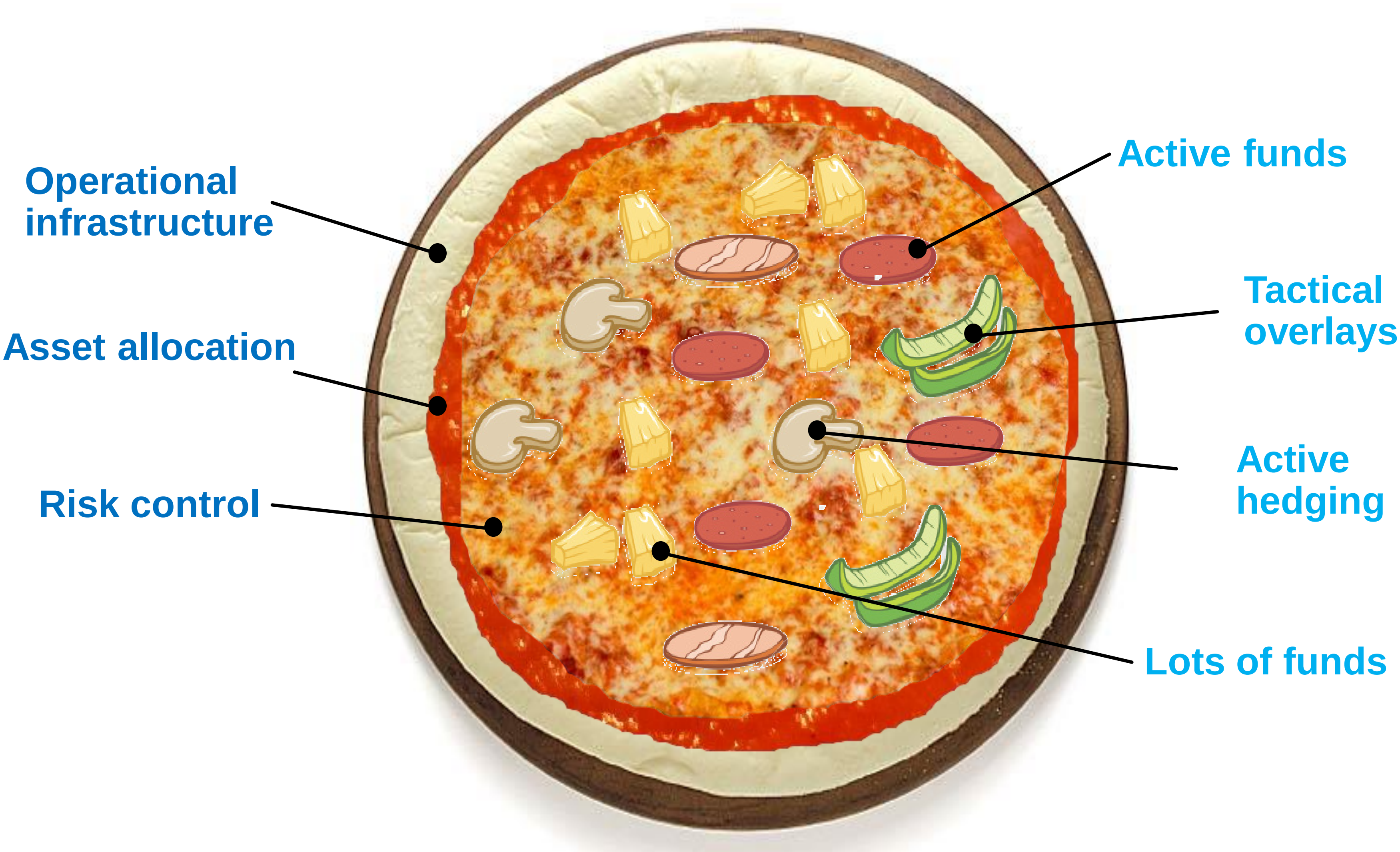
Fiduciary Management

Distribution of UK mandates by size of scheme



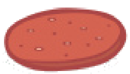
Source: PPF Purple Book 31 March 2014, KPMG calculations

Fiduciary Management services

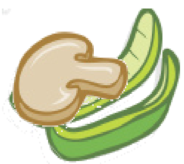


Advantages

Pros


More fund types (eg PE)


Complicated strategies (active funds)


Tactical management


Quicker decisions

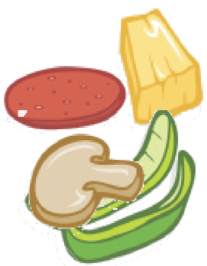

“Joined-up” strategy

Do more for less effort

→ Better outcomes

Cons

- Advisor incentive changes
- Lack of Trustee control
- Independent advice lost

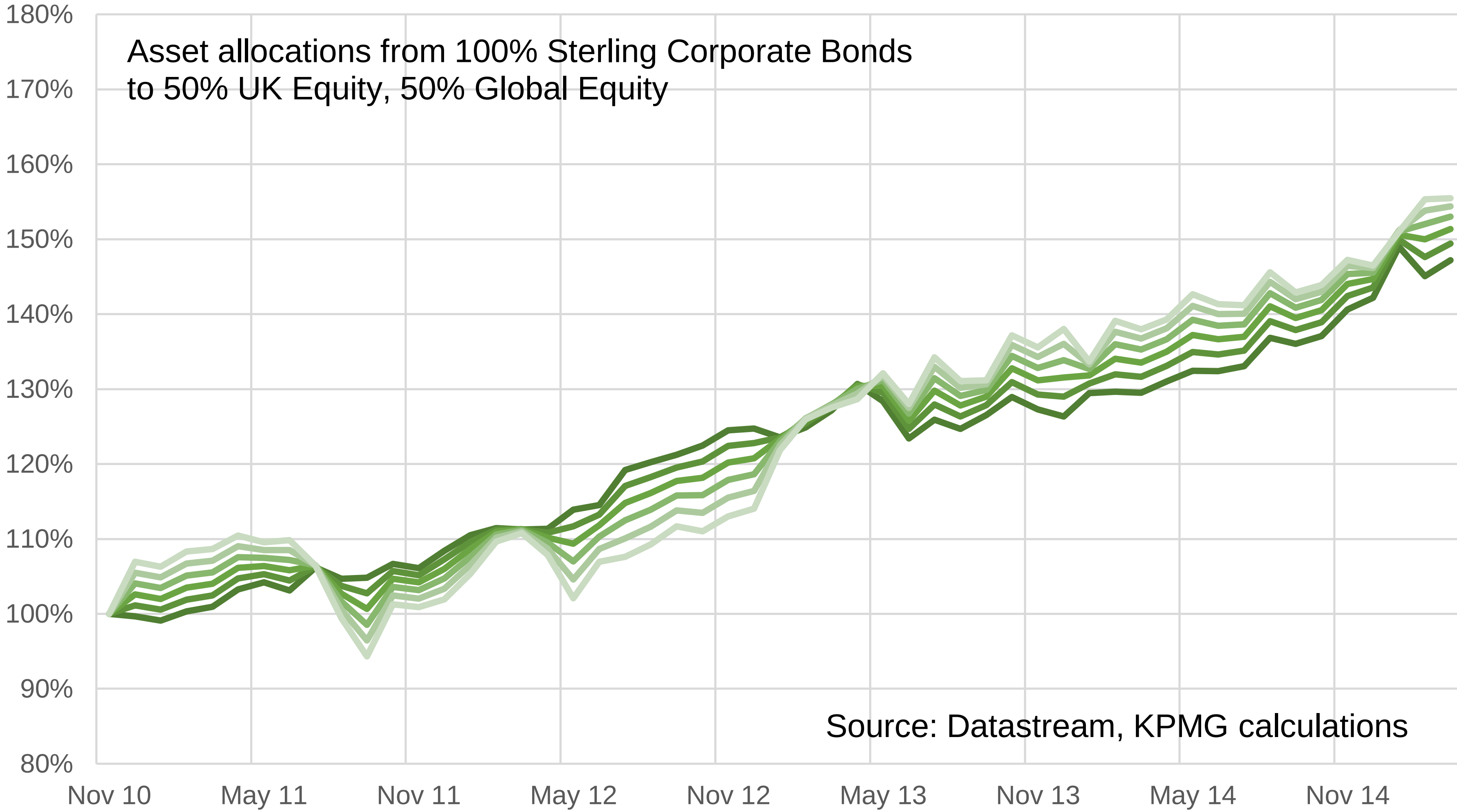


Value can be lost

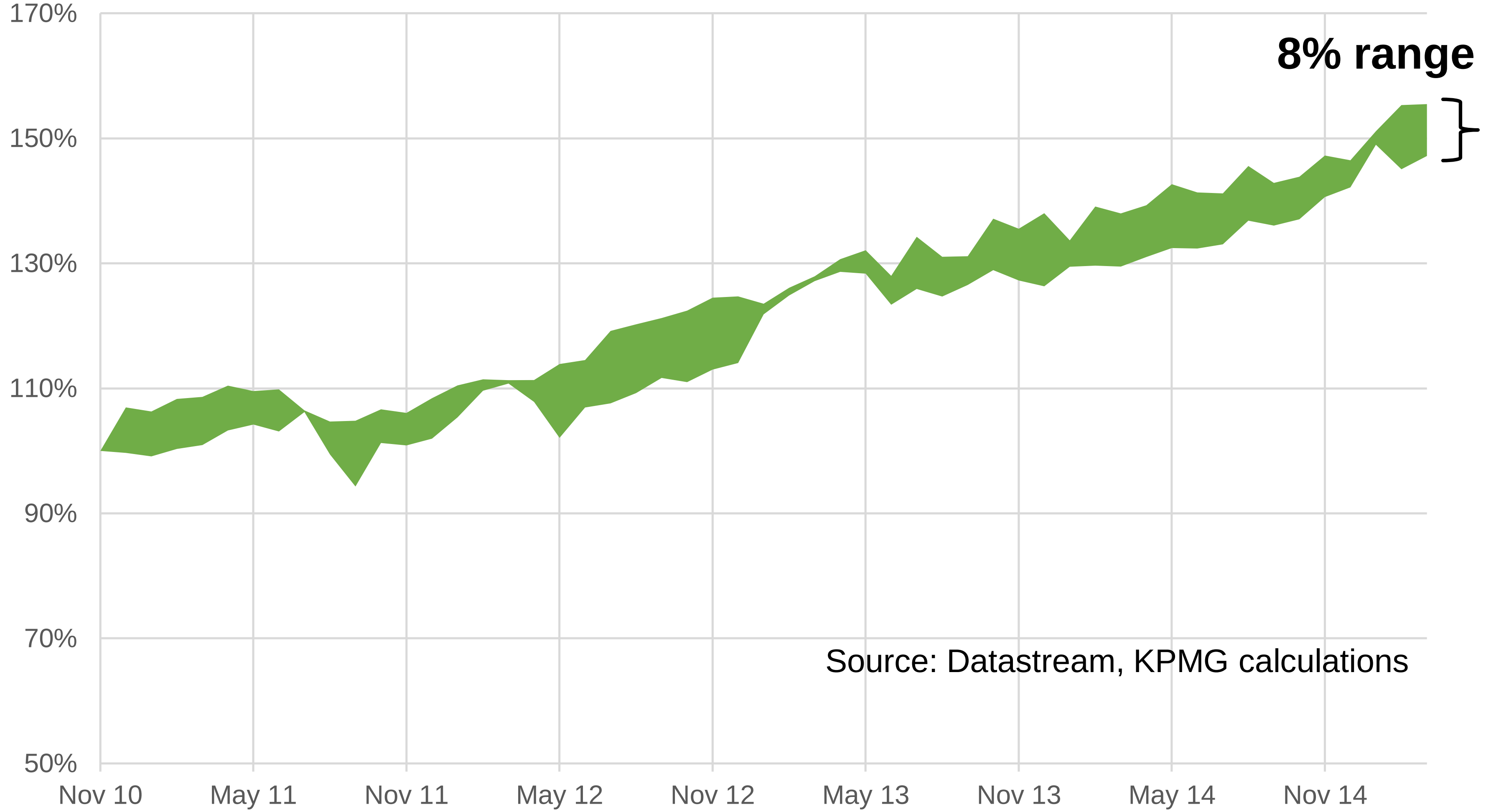
Overly complex and expensive strategies

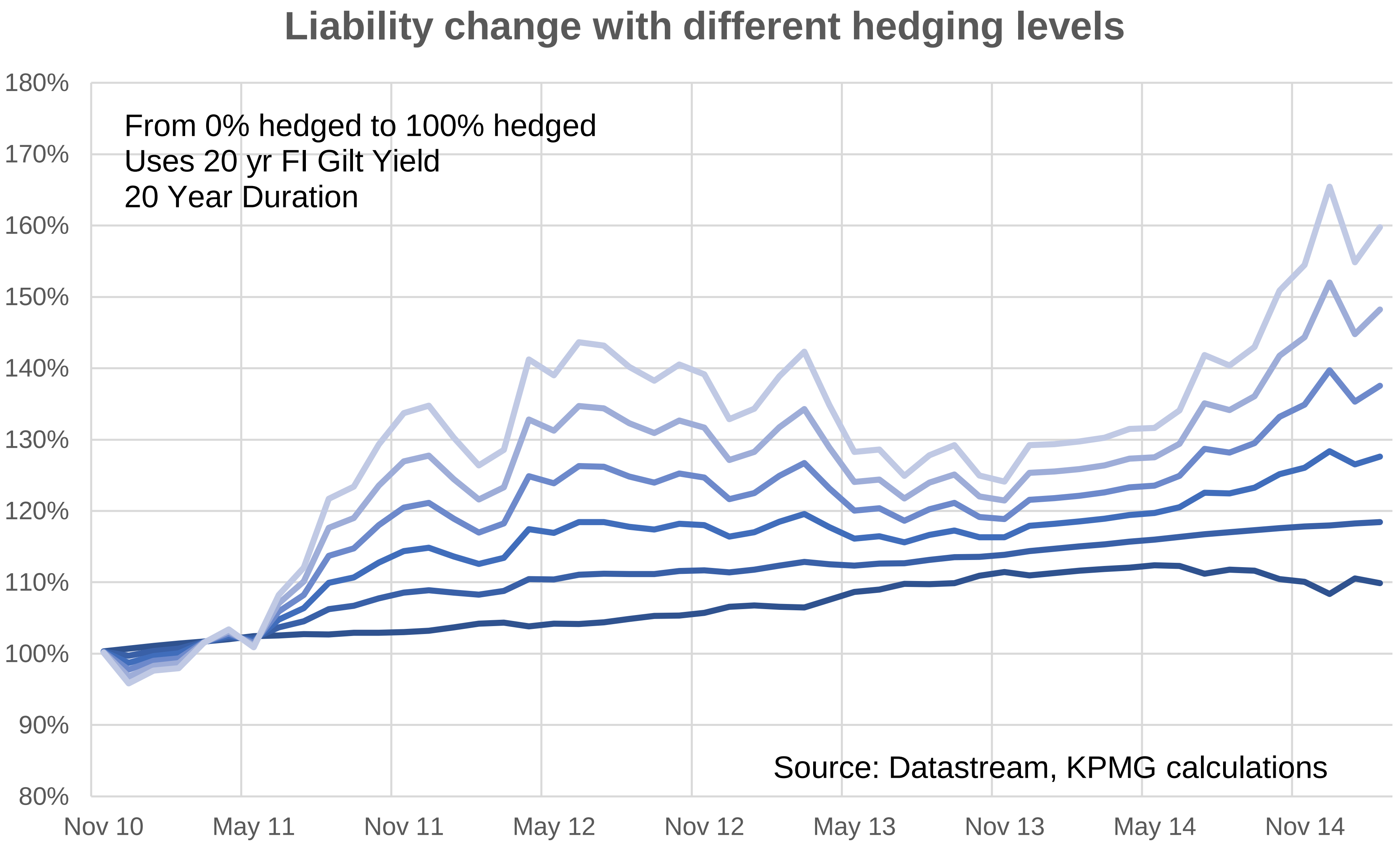
→ Worse outcomes for longer

Asset change with different asset allocations

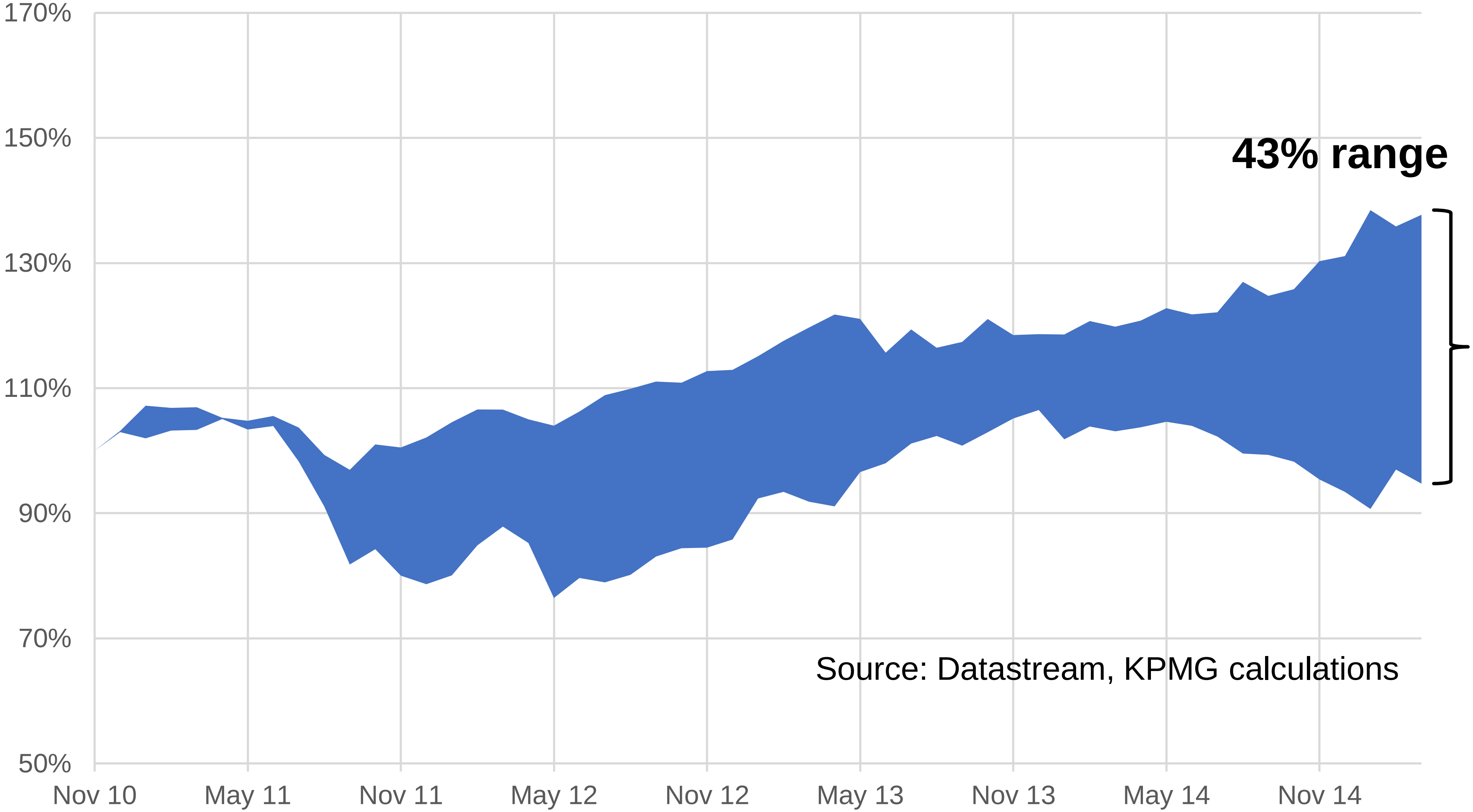


Range of asset return outcomes




Liability change with different hedging levels
From 0% hedged to 100% hedged
Uses 20 yr FI Gilt Yield
20 Year Duration
180%
170%
160%
150%
140%
130%
120%
110%
100%
90%
80%
Nov 10
May 11
Nov 11
May 12
Nov 12
May 13
Nov 13
May 14
Nov 14
Source: Datastream, KPMG calculations

Range of funding level outcomes



Conclusions

Thank you

Presentation by Anthony Webb