Is your fiduciary manager telling you the whole picture?

Sasha Mandich reveals how trustees can ensure they receive clear reporting from their fiduciary manager or investment consultant

Communication that evolves with your needs

Pension trustees have faced significant challenges in 2020. In a volatile and unpredictable environment, they were asked to continue to be effective stewards of their pension schemes.

The good news is that most schemes have passed the test, with funding levels recovering steadily after a significant drop. Although the destination was reached relatively safely, the journey through the financial storm was not smooth. Many trustees were unfortunately flying in low visibility and without proper controls.

Does your provider have access to the relevant data?

Trustees usually receive a quarterly report from their fiduciary manager or investment consultants. Some also have access to online tools that estimate their current funding level.

However, not many pension schemes realise that these calculations are often based on their custodian's valuation as at the end of the previous quarter, then rolled forward using estimated performance.

To avoid this issue, we hire investment managers through segregated accounts and only work with LDI managers, who price their funds each day. This daily feed into our proprietary systems enables our fiduciary management team to make better investment decisions.

From data to proactive service

We start each day by analysing how individual circumstances are developing – funding level position, leverage, growth portfolio asset mix, and any upcoming pension payments.

In addition to making any immediate adjustments, the fiduciary manager should use this information to keep you fully informed. For example, in the first half of 2020, we had on average 15 touch points with our clients. This included calls, webinars, regular market updates, and individually tailored emails and reports.

What is the right level of reporting?

This is dependent on the personal preference of each trustee board. Your fiduciary partner should not send you a 50-page report full of jargon that then requires a five-page glossary of terms. They should instead work together with trustees to agree on the optimal level and frequency of reports that the trustee board can understand and act upon.

The recent move to digital meetings has changed how many trustee boards operate. Meetings are becoming more focused, broken down into digestible topics, and spread out through the quarter. We have had to adapt to this new world by offering accurate and timely updates in a succinct and informative way.

This also applies to fee transparency. Every fiduciary manager should send their clients a quarterly update with two key figures – the cost of hiring investment managers and the fiduciary manager's fee. These two figures should be easily accessible and simple to report.

Bringing it all together

During periods of market stress, some trustees have been flying with low visibility. We believe that the right fiduciary partner should have the cockpit controls to enable effective navigation through any turbulence that may occur.

The only way to properly manage risks that our clients are facing is to have visibility into their actual portfolio holdings in real time. We are then able to manage those risks and proactively reach out to clients to keep them up to date. This is why we designed Russell Investments iFM – fiduciary management that is precisely tailored to your individual scheme's communication and reporting preferences.

Written by Russell Investments director, UK institutional, Sasha Mandich

This document contains marketing material about our fiduciary management service. This document does not represent impartial advice on this service. In certain cases, you are required to conduct a competitive tender process prior to appointing a fiduciary manager. Guidance on running a tender process is available from The Pensions Regulator.