



Good Governance in New Investment Structures

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Agenda



Investment considerations



Good governance principles



Questions



Investment Considerations



Investment implications

- › Everything is changing!
- › Or is, in reality, nothing really changing?
 - Pension Committee still sets investment strategy
 - Investment strategy still implemented through ‘arms length’ investment manager(s) relationship(s)
 - Still need to monitor the implementation and delivery of investment strategy
- › The relationship between the Pension Committee and the investment vehicle(s) and therefore the governance arrangements will be impacted though
 - And in different ways over different timescales



Short term

Establishing the investment pool and exercising effective governance over it

- › Regulated entity likely to be required somewhere at the heart of each investment pool
 - Therefore, how does the Administering Authority exercise effective influence?
 - How does the Administering Authority take on board the views of the Pension Committee
- › How will potential (and actual) conflicts of interest be recognised and managed?
- › How will the different Administering Authorities within an investment pool organise themselves?
 - How does the Pension Committee ensure it's own Administering Authority is sufficiently engaged?
 - Will represent it's own specific issues?
 - And keeps the Pension Committee suitably informed and engaged?



Medium term

Transitioning the assets and establishing effective monitoring and reporting

- › Government requires all assets to be pooled over the very long term
 - And a substantial amount by April 2020
- › How will your investment pool achieve this?
 - On a cost effective basis
 - With proper regard for, and management of, the risks involved
 - Whilst being able to deliver your (and the other Pension Committees') investment strategy
- › Once assets begin to be pooled how will ongoing monitoring work?
 - What reporting will you (and should you) receive?
 - What level of information and client servicing do you expect?
 - And what can the investment pool reasonably be expected to deliver?



Long term

Monitoring and influencing (and the ultimate sanction!)

- › Ongoing monitoring will still be required
- › Long term delivery of the investment strategy objectives will still matter
- › The Pension Committee should be satisfied that the Administering Authority has an effective means of influencing the pool (unlikely to be able to direct the pool)
- › Each Administering Authority will need to have their own version of 'Article 50'



Conclusion

Same challenges, different issues

- › Everything is changing, but at the same time, nothing is really changing
- › The challenges will vary over time
- › However, effective governance will still be key to achieving successful outcomes





Good Governance Principles



What do we mean by governance

**The right people, doing the right things, at the right time,
with the right information, to get the right results.**

What will change

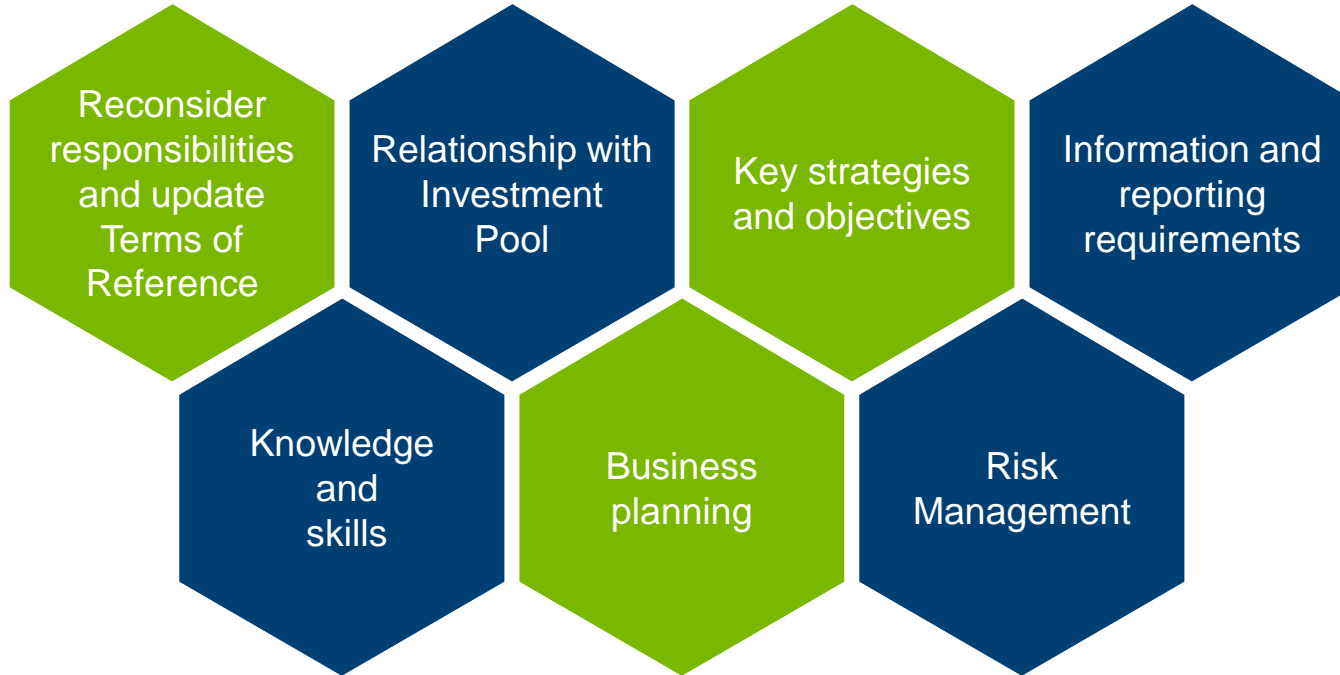


What about officers and committees

- › Need to Review internal governance arrangements
- › Ensure Oversight committee meets best practice governance
- › Ensure operators meet best practice governance



Internal governance arrangements



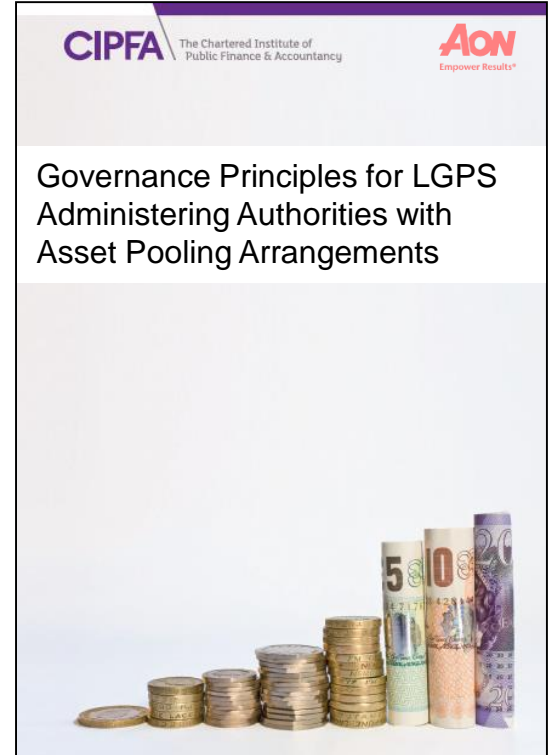
Risk management



- › Asset and investment risk
- › Resource and skill risk
- › Reputational risk

Summary

- › Lot's of things to do and think about
- › Principles remain the same
- › Different focus for officers and committees





Questions?



Contact List



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