

10th ANNUAL

European Pensions AWARDS 2017



Celebrating excellence in European pension provision

WINNERS BROCHURE

22 June 2017

Millennium Hotel London Mayfair

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European Pensions AWARDS 2017



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Chetan Ghosh
Chief Investment Officer
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Chris Connelly
Lead Business Solutions Architect
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Alistair Wilson
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TwentyFour Asset Management



Chris Parrott (Chair of the judges)
Head of Pensions
Heathrow Airport Holdings



Des Hogan
Pension and investment consultant

TEN YEARS AND COUNTING...

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It's hard to believe that ten years have been and gone since the very first European Pensions Awards, and what a roller coaster of a decade it has been. Soon after the very first awards, the global financial crisis hit and that triggered, among other challenges, a significant drop in interest rates and long-term bond yields around the world.

This of course increased companies' DB liabilities, and changed the investment and pensions landscape fundamentally, making it more challenging than ever for anyone trying to make sturdy returns and meet their liabilities.

As a result, awards such as these - we believe - have more significance than ever. To be able to reward the firms, providers and pension funds across the European pensions sphere that continue to meet the challenging environment head on is an honour for us at *European Pensions*. Those organisations that continue to operate with excellence, innovation and professionalism, whatever the economic or regulatory environment throws at them, are clearly worthy of recognition.

For *European Pensions*, the last ten years have also been a hugely eventful time. In this time we have also launched our Irish Pensions Awards, our UK Pensions Age Awards, a website and awards for the Italian pensions and insurance markets and we have just launched a new Dutch pensions website. Meanwhile the European Pensions Awards continue to go from strength to strength.

This year's awards, which took place at the stunning Millennium Mayfair in London's Grosvenor Square, were hosted by comedian

Mark Watson and were attended by hundreds of pension professionals from across Europe.

Our panel of independent judges, alongside the European Pensions team, handed out the coveted trophies to the deserving winners.

The first award of the night, and one of the most coveted of the evening, went to PwC for the European Pensions Consultancy of the Year. This company had what the judges described as a 'stellar' year, while the judges were also impressed with the firm's pan-European strategy and the innovation it has brought to the buyout market.

Next up was Investment Manager of the Year, for which Goldman Sachs Asset Management took the trophy. The judges described this company as "ticking all of the boxes", and was regarded as a clear winner for its European focus, its ESG innovation, its performance figures and its variety of engagement methods with clients.

Equities Manager of the Year was next, and this year's trophy went to Dodge & Cox Worldwide Funds. This highly-respected value manager, said the judges, made the most of its niche area over the past year, while maintaining a strong client focus.

The Fixed Income Manager of the Year accolade is always hugely competitive, and this year it was Newton Investment Management that came out on top. This company, said the judges, showcased innovation within the sector, with excellent performance figures to back up its work and a very strong client focus.



European Pensions Consultancy of the Year
PwC



Investment Manager of the Year
Goldman Sachs Asset Management



Equities Manager of the Year
Dodge & Cox Worldwide Funds



Fixed Income Manager of the Year
Newton Investment Management



Alternatives Investment Manager of the Year
LCM Partners Limited



Hedge Fund Provider of the Year
Aurum Fund Management Ltd



Property Manager of the Year
CBRE Global Investors



Infrastructure Manager of the Year
Edmond de Rothschild Asset Management



Private Equity Manager of the Year
Akina Ltd



ETF Provider of the Year
Amundi ETF



Emerging Markets Manager of the Year
PGIM Fixed Income



Risk Management Firm of the Year
Redington



Currency Manager of the Year
Metzler Capital Markets



LDI Manager of the Year
River and Mercantile Derivatives

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LCM Partners were next up to the stage to collect their trophy for Alternatives Investment Manager of the Year. This company has recently created a highly flexible, innovative investment platform that can provide clients with significant savings – all of which impressed the judges greatly.

Hedge Fund Provider of the Year winner was Aurum Fund Management - a firm that continues to build on its fundamentals and demonstrates new initiatives year after year.

CBRE Global Investors went home with the title of Property Manager of the Year, the judges having been impressed with this company's thorough European coverage, along with its restructuring work resulting in new investment – both directly and through fund of funds.

The Infrastructure Manager of the Year was announced as Edmond de Rothschild Asset Management - a company that has created a second generation debt platform and demonstrated the good outcomes it has managed to achieve for its clients.

The Private Equity Manager of the Year award was presented to Akina – a successful firm that has a clear understanding of what this sometimes opaque asset class can do for pension funds, and does it well; while the ETF Provider of the Year was announced as Amundi ETF - a firm that experienced significant growth in 2016, while boasting efficiencies in their operations that allowed for cost reductions which have been passed on to clients.

Following on with the investment theme, PGIM Fixed Income were next up

to the stage to collect the Emerging Markets Manager of the Year trophy. This company showcased a number of good initiatives in 2016 and took an impressive holistic approach to the emerging market debt business.

The Risk Management Firm of the Year was next to be announced and this year the award went to Redington. The judges particularly liked the way this company has focused on security while ensuring clients' needs are always at the heart of all it does.

Metzler Capital Markets were the deserving winners of the Currency Manager of the Year award, having showcased a strong client focus and a high quality approach to a market it clearly understands inside and out.

The LDI Manager of the Year winner was River and Mercantile Derivatives, for having offered something different to its peers, impressing the judges with its smaller-scheme support through the use of derivatives.

Legal & General Investment Management went home with the Passive Manager of the Year trophy, having demonstrated consistently strong performance as well as innovations within the DC market.

BlackRock were crowned Multi-asset Manager/Provider of the Year, having impressed the judges with its example of innovation and compelling results; while the Index Provider of the Year was announced as FTSE Russell, for its good evidence of strong

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product development on hot industry topics such as ESG.

The ESG/SRI Provider of the Year caused a significant amount of debate on the day of the judging – and all for the right reasons as the judges were so impressed by so many of the entries. As a result, two highly commended awards were given in this category, to Agicam and BNP Paribas Securities Services; but it was Impax Asset Management that came out on top, having demonstrated innovation, professionalism and excellent communication techniques.

The Fiduciary management accolade was then presented to Aon – a firm that is catering to different sectors within the pensions industry, from smaller schemes, the DC market and even breaking into Europe; while Allen & Overy was hailed as the European Pensions Law Firm of the Year, having demonstrated ground-breaking work within the buy-in market and a European focus.

The Transition Management Firm of the Year award this year went to Legal & General Investment Management – a strong market player that demonstrated core capabilities of managing transitions, while also expanding into new areas, such as its work within the DC environment.

The Pensions Insurance Firm of the Year was announced as Scottish Widows for its phenomenal entry into the pensions insurance market in 2016; while the Pension Scheme Administrator of the Year award was presented to Mercer for having provided strong administration services, with a focus on quality management and plain English communication.

The Pensions Technology Provider of the Year accolade was given to Aquila Heywood, a company that improved upon its software in 2016, and both explained and quantified the time and cost savings these improvements will provide for clients.

The European Pensions Innovation Award went to Mercer, having impressed the judges with its personalised video updates on investments and its efforts to encourage saving and help members engage through video benefit statements; while the Master Trust Offering of the Year was presented to The People's Pension for having impressed the judges with its size, flexibility, for being first to sign up to voluntary master trust codes, and most importantly, its excellent client feedback.

The European Pension Fund of the Year was announced as Almenni Pension Fund – a pension fund that has shown outstanding dedication to its members, making them a priority in every aspect of its pension services; while the Best Investment Strategy Award was given to Merchant Navy Officers Pension Fund – a pension fund that understands the challenges facing pension scheme investment today and one that has its finger firmly on the pulse in terms of how to manage these challenges.

Finally it was the Personality of the Year trophy that was presented and this year's worthy winner was Robin Ellison – someone who has shown a dedication and understanding of European pensions issues for many years, and is well deserving of this prestigious accolade.

Francesca Fabrizi, Editor in Chief



Passive Manager of the Year
Legal & General Investment Management



Multi-Asset Manager/Provider of the Year
BlackRock



Index Provider of the Year
FTSE Russell



ESG/SRI Provider of the Year
Impax Asset Management



Fiduciary Management Firm of the Year
Aon



European Pensions Law Firm of the Year
Allen & Overy LLP



Transition Management Firm of the Year
Legal & General Investment Management



Pensions Insurance Firm of the Year
Scottish Widows



Pension Scheme Administrator of the Year
Mercer



Pensions Technology Provider of the Year
Aquila Heywood



European Pensions Innovation Award
Mercer



Master Trust Offering of the Year
The People's Pension



European Pension Fund of the Year
Almenni Pension Fund



Best Investment Strategy Award
Merchant Navy Officers Pension Fund

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PERSONALITY OF THE YEAR: ROBIN ELLISON



The European Pensions Personality of the Year award, voted for by our readers, aims to recognise those individuals who have truly made their mark in the European pensions space in recent years.

This year's award was presented to Robin Ellison, a practising solicitor and academic, who is a well-known and well respected expert in the field of European pensions.

One of Robin's current roles is as a consultant with Pinsent Masons, the international law firm, where he specialises in the development of pensions and related financial services products for insurers and other providers; in European and international pensions; in pensions trustee law and pensions in matrimonial matters. He also acts for a number of foreign governments and government agencies and was adviser to the House of Commons Select Committee on BHS Pensions in 2016.

Robin is also a director of the boards of several companies, including as Chairman of Pendragon Professional Information, and of the London & Colonial insurance group, and is trustee of several pension funds, (including those of the Really Useful Theatre Group, Cambridge Colleges and Carillion) both as independent trustee and as chairman. He also practices as a commercial mediator.

He was a founder of the Association of Pensions Lawyers, being awarded its Wallace Prize in 1995 and in 1997 he was elected the first solicitor Honorary Fellow of the Pensions Management Institute. He was awarded the Industry Achievement award by Portfolio Institutional in 2013.

In addition, he is the author of numerous books on pensions, is a Visiting Professor in Pensions Law and Economics at Cass Business School, City University London, and is a frequent broadcaster on radio and television on pensions matters. Finally he is a former Chairman of the Pensions and Lifetime Savings Association (formerly the National Association of Pension Funds).

Speaking of his accolade, Robin said: "It was a great honour to be recognised by my peers; and to be in the company of the distinguished previous winners. And it is even more appreciated given that most of us in the pensions field have grown resigned to the comment that pensions and personalities are unusual bedfellows."

Congratulations Robin – a well-deserved win.

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Consultancy of the Year: PwC



Consultancy firms have a vital role within the pensions industry, helping clients navigate their way through the pensions maze. Therefore this award looks to honour a firm that has delivered outstanding service to its pension fund clients in the last year.

It is a delight to reveal this year's winner is PwC, who the judges described as having a stellar year, in particular for their innovation and drive in the pensions technology space.

PwC helps address the many challenges currently facing pensions. From providing support through Brexit and working across Europe to optimising capital for pensions obligations, providing better financial reporting oversight and offering a pensions investment consultancy, it is not surprising that PwC's pensions consulting business was rated the strongest in the world by Kennedy Consulting Research & Advisory.

The judges were also impressed with its pan-European strategy and its innovations in the buyout market. Using pensions technology, Skyval Insure, PwC provides secure, open access to all seven active insurers so that they can directly log-in and provide schemes with prompt and accurate initial pricing. As the most efficient buyout pricing tracker in the market, it has helped trustees implement buyouts efficiently.

PwC has an extensive European network to help corporates design their global strategies and support implementation using country-specific solutions.

Following the volatility in markets across Europe, PwC has supported its clients by creating a dedicated Brexit web portal. This keeps clients up to date with the latest issues as they unfold and, using its Skyval

technology, gives real-time updates and advice on the impact of market volatility.

As a leader in innovation, PwC has continued with its commitment to put technology as the centre of its services. For example, addressing the complexities of managing pension schemes across different countries, PwC developed Skyval Consolidate. This provides consolidated and financial risk reporting for clients' global pension arrangements.

The data collected onto Skyval can be used to identify key areas of risk, helping companies drive their decision making on a global basis and generate consolidated accounting disclosures at the click of a button. Put into practice, it has helped a French-Italian electronics manufacturer consolidate the financial reporting process

for its 38 pension plans, located across 12 countries within Europe and beyond.

Furthermore, as a solution to the lack of tailored solutions for DC members, PwC offers Savings Lab, which, through analytics, provides unique insight to DC member behaviours and trends.

This year also saw the launch of PwC's Enhance, which brings together PwC's capabilities with cloud technology to help attract, retain and develop a truly motivated workforce.

In short, PwC helps clients to solve complex problems, and aims to strike the perfect balance between providing positive outcomes to scheme members whilst also supporting business goals for scheme sponsors and trustees.

Congratulations to a worthy winner.



The Consultancy of the Year award went to PwC. Receiving the award were Skyval manager Emily Nga Kit Chan, PwC partner Gareth Henty, marketing manager Gabrielle Coggins, PwC director Saye Mkangama, PwC director Nathan Blackwell (centre left to right). Presenting the award were John Woods, European Pensions (right) and awards host Mark Watson (left).

PwC case study

Uncertainty is the new certainty

Companies and trustees of defined benefit pension plans are experiencing periods of greater volatility. For example, political and macro-economic events and The Pensions Regulator getting tougher with non-compliance has resulted in uncertainty being the new certainty.

So, what are the consequences and what should you be thinking about?

There are three key areas to consider:

- 1) Setting your pensions strategy – companies need to articulate the business strategy and use of cash. In the context of the current strength of the business, trustees need to agree an appropriate investment strategy and how to fund the liabilities in light of this investment strategy. If the investment strategy doesn't hedge the liabilities on the funding basis, then they will need to agree how to deal with the volatility in advance of it arising.
 - 2) For many companies, dividends can be critical in accessing support in the future – yet for trustees these can be seen as discretionary payments. The significance and importance of dividends needs to be clearly articulated.
 - 3) The importance of balancing the needs of all stakeholders – periods of uncertainty can lead to one stakeholder looking to 'shore up' their position to protect them against the uncertainty.
- In summary, traditional approaches to

managing defined benefit pension plans are being stretched. Companies and trustees need to understand and agree how they will deal with the volatility without creating undue stress in the system.

Here's a case study on how we have helped our client navigate the uncertainty.

Challenge:

A corporate pension client with multiple and varied pension schemes realised that their current one-size fits all approach to funding and risk management was no longer appropriate. As part of the valuation process they sought a new approach to develop an integrated pension risk management framework that would take account of the differences across all the schemes.

Solution:

PwC developed a new pension cash and risk management framework, which proposed a new way of evaluating liabilities based on the maturity of the schemes. This enabled each of the schemes to be analysed individually and categorised into its relevant maturity phase.

A principle-based investment strategy was then devised, tailored to future changes in the scheme's maturing cashflow profiles. The framework also included target funding and hedging levels across the phases. In addition a new asset led discount rate, which better reflected the returns associated with the dynamically evolving new investment strategy, was proposed. From this a funding strategy was developed incorporating the risk appetite and covenant strength of the sponsor.

Result:

Under this approach, the new strategy reduced risk, maintained expected returns, while providing greater certainty around

funding, cash flow matching, and cash contributions.

In this case, the consequence was a robustly justified higher discount rate than gilt-plus method, which helped support current contribution with a lower contribution at risk. The strategy was aligned with the integrated risk management analysis that was undertaken.

We can help you when:

- The current funding strategy needs to be revised
- The current investment strategy is sub-optimal and not producing the results originally anticipated
- There is a desire to reduce pension risk
- A sponsor has a number of schemes and a principles based approach is appropriate across all the schemes
- A sponsor has a number of schemes and there is a desire to evidence that all members are being treated equitably and cash contributions are appropriate for each scheme
- A Gilts+ approach to valuing liabilities needs to be re-examined
- Greater cashflow certainty and/or contribution certainty is needed
- An existing strategy needs to be re-assessed ahead of the next valuation
- You want to ensure a comprehensive approach to Integrated Risk Management

For more information, please contact Jeremy May on +44 (0)121 232 2165 or email jeremy.may@pwc.com



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Investment Manager of the Year: **Goldman Sachs Asset Management**



**Asset
Management**

When rising longevity rates coupled with investment market turmoil has put the pressure on investment managers to perform, innovation, dedication, sophistication and foresight have become the essential tenets of any investment manager hoping to succeed. Therefore the Investment Manager of the Year award recognises excellence in investment management at one of the most challenging times in European pensions history.

Described as a clear winner with its European focus, ESG innovations, five-year performance figures and its variety of engagement methods with clients, the winner of the Investment Manager of the Year award for 2017 is Goldman Sachs Asset Management.

Investing and advising on more than \$1 trillion of assets, GSAM prides itself on its proposition to European pension funds, providing clients with "performance, investment excellence, innovation and service". As a business, GSAM has worked to go further than its fiduciary duty as an asset manager to wholly serve the needs of pension funds, insurance companies, endowments, charities as well as corporate clients.

As at December 2016, 84 per cent of GSAM strategies outperformed their benchmark on a five-year basis.

GSAM's mandate highlights have included: implementing a customised \$1.7bn multi-asset mandate from a large public institution in Ireland; supporting the complex requirements of one of the UK's largest corporate pension schemes transitioning their \$1 billion alternatives portfolio as a result of a deepened partnership; a European

corporate's UK pension scheme increasing their global credit mandate to a total size of \$500 million; and a flagship European public pension scheme allocating \$350m to emerging market debt.

Furthermore, recognising the importance of environmental, social and governance in its portfolios, GSAM enhanced its ability to deliver ESG and impact investment solutions, advice and portfolio analytics through the acquisition and integration of Imprint Capital.

GSAM has also implemented a number of technology platforms into its processes, including its Cash Flow Matching technology, which determines risk by measuring the exact shortfall to a scheme's liabilities against a proposed optimal corporate bond portfolio that better matches their liability stream.

Adding to its exemplary performance, over

the year (2016), GSAM hosted 22 major client events across Europe, including investment workshops and external sponsorships, with over 500 attendees in total. 2016 also marked the eighth year the business has run its Key Themes for Institutional Investors event that engages UK institutional investors around UK-specific investment themes and saw attendance rise by 26 per cent from the previous year. GSAM also ran its Market Driven Views event and Investment Clubs, which considered UK insurance, real estate and emerging market investments, among other workshops.

Investment management has been increasingly under strain in the tumultuous economic climate, yet GSAM has continued to lead the way in this space. Congratulations on a richly-deserved award.



The Investment Manager of the Year award went to Goldman Sachs Asset Management. Receiving the award was Chloe Goddard, Goldman Sachs Asset Management (centre). Presenting the award were Matti Leppälä, PensionsEurope (right) and awards host Mark Watson (left).



Asset Management

Goldman Sachs Asset Management (GSAM) is one of the world's leading investment managers. With more than 2,000 professionals across 31 offices worldwide, GSAM provides institutional and individual investors with investment and advisory solutions, with strategies spanning asset classes, industries and geographies.

Our investment solutions include fixed income, money markets, public equity, commodities, hedge funds, private equity and real estate. Our clients access these solutions through our proprietary strategies, strategic partnerships and our open architecture programs.

For more information please contact
gs-am-ldn-uk-sales@gs.com

As of June 30, 2017, GSAM leverages the resources of Goldman, Sachs & Co. subject to legal, internal and regulatory restrictions.

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Alternatives Investment Manager of the Year: **LCM Partners**



As alternatives play an ever-greater role in the majority of European pension fund portfolios, this category aims to reward the leaders in the provision/management of alternative assets – be they an expert in multiple alternative assets or a specialist in any particular area.

Chosen for its recently created, highly flexible, innovative investment platform that provides tailored solutions for clients, delivered cost effectively – all of which impressed the judges greatly, the winner of the Alternatives Investment Manager of the Year for 2017 is LCM Partners.

With 18 years' experience, LCM Partners has created a database of 2,500 portfolios representing 2.5 million European customers. As at 31 December 2016, the firm's strategy was performing at 101 per cent of expected collection targets. LCM concluded a landmark year in 2016 with over €2 billion of capital raised for its Credit Opportunities III Strategy through five funds, counting 12 European pension funds among its investors.

Closing in October 2016, LCM's Credit Opportunities III Strategy was the second largest European fund raising according to Preqin data.

Taking advantage of loan portfolios new to the market, LCM's capital deployment reached over €900 million while performance continued to exceed targets with a gross IRR of 13.36 per cent at the end of 2016.

Adding to this stellar performance, private debt continued to display strong returns through periods of market instability. LCM's Credit Opportunities Strategy ended the year with a net unleveraged IRR of 12.3 per cent, while each vintage from

the business' history reported positive absolute returns.

With its continued innovation, the firm has overturned historic obstacles including making wholesale consumer and SME credit accessible to third party investors, whilst pension funds could not previously access the high returns that these portfolios offered. LCM's Credit Opportunities strategy changed this, with gross, unleveraged returns in excess of 12 per cent IRR, capital repayment within 36 to 48 months and regulated and unregulated Alternative Investment Vehicle structures.

In terms of investor communications, LCM implemented a range of methods in order to maintain client satisfaction and understand their varying requirements. These included enhanced reporting and

"LCM's continued success exemplifies its position as a leading firm in the alternatives investment space"

ILPA obligations, directly feeding into the overhaul of the business' client Quarterly Reports. Quarterly investor calls were also introduced to provide all Limited Partners the opportunity to ask questions of the manager, which maximises LCM's commitment to the strategy.

LCM's continued success exemplifies its position as a leading firm in the alternatives investment space.

Congratulations to this well-deserved winner.



The Alternatives Investment Manager of the Year award went to LCM Partners. Receiving the award was Paul Burdell, LCM Partners (centre). Presenting the award were Natalie Tuck, European Pensions (right) and awards host Mark Watson (left).



We are proud and honoured to be recognised by our clients and industry peers for this award.

LCM Partners is an alternative credit manager specialising in the acquisition of non-performing and performing loans in Europe. Established in 1998, the firm targets investments in consumer and SME loans and has completed more than 2,000 portfolio purchases.

It has been a phenomenal year for LCM and we are humbled by the backing we received in our fundraise of LCM Partners Credit Opportunities III. We look forward to continuing to work closely with our Limited Partners over the years ahead.



European Pensions

AWARDS 2017



WINNER

Alternatives Investment Manager of the Year

If you'd like to discuss LCM's capabilities, please call Alison Swonnell on +44 (0)203 457 5058 or email aswonnell@lcmpartners.eu

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Emerging Markets Manager of the Year: **PGIM Fixed Income**



PGIM FIXED INCOME

Many institutional investors consider investing in emerging markets to be an essential part of their portfolios, due to the potential for greater returns compared to developed markets.

However, seeking out this potential is a challenging role at which only the best can succeed. Therefore the Emerging Markets Manager of the Year award recognises those managers that have shown a dedication to the emerging markets space and achieved performance in areas where information flow may be in short supply.

This year's winner, leading the way in this challenging market, is PGIM Fixed Income.

PGIM Fixed Income has been managing emerging markets debt for over 20 years, building a deep, experienced team and disciplined investment process that seeks to capture idiosyncratic relative value opportunities, rather than simply underweighting countries exposed to macro headwinds or negative events.

It offers a range of EM debt strategies across the risk spectrum, with demonstrated expertise in managing hard currency sovereign, quasi-sovereign, and corporate bonds; local currency bonds; and FX.

Those clients invested in the company's flagship Emerging Markets Debt Strategy have benefitted from consistently strong performance.

The strategy outperformed its benchmark for the prior 1, 3, 5, and 10-year periods as of 31 December 2016. Relative to its peers, the strategy ranked in the top 25 per cent of the eVestment Emerging Markets Fixed Income Hard Currency Universe for 3, 5, and 10-year periods through 31 December 2016.

Behind the numbers, the strategy is supported by more than 30 EM portfolio managers, macroeconomists, EMD corporate analysts, and specialists in global investment strategy, global bonds, local rates, and FX.

This team combines top-down, global macro research with intensive, bottom-up research to identify diversified alpha sources, with dynamic risk budgeting and management being integral to this process.

Over the past year, PGIM Fixed Income made a number of enhancements to its research process. This included the continual build of its research analysts – now totalling over 100, along with continuing to improve the integration of ESG factors into the investment process.

PGIM Fixed Income also made improvements to its quantitative research

capabilities in 2016, such as expanding and refining the proprietary sovereign rating model that rates developed country and EM sovereigns based on macroeconomic strengths and vulnerabilities.

An EM debt liquidity stress threshold was also added over the past year to client risk budgets. Daily reports for each portfolio now measure active systematic risk (yield curve, currency, sector/quality exposures) as well as tail risk (country, industry, issuer, and liquidity stress exposures).

Altogether, the European Pensions Awards judges were very impressed with the number of good initiatives PGIM Fixed Income implemented in 2016, along with its holistic approach to the emerging market debt business.

Congratulations to a worthy winner.



The Emerging Markets Manager of the Year award went to PGIM Fixed Income. Receiving the award was Sarah McMullen, PGIM Fixed Income (centre). Presenting the award were Richard Poole, Royal Mail Group (right) and awards host Mark Watson (left).

A FORCE IN EMERGING MARKETS DEBT FOR OVER TWO DECADES.

For over 20 years, PGIM Fixed Income has applied a rigorous top-down, bottom-up investment approach to search out opportunities through every emerging markets cycle.

Our 32 emerging market debt specialists bring expertise in portfolio management, macroeconomics, sovereign research, corporate bonds, FX, and long/short strategies.

SOLID RISK INFRASTRUCTURE*

EXTENSIVE CREDIT TEAM

FOCUS ON CONSISTENCY OF RESULTS

Learn more at PGIMFixedIncome.com



PGIM FIXED INCOME

Professional Investors Only

*No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

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Data and staff as of June 30, 2017. There is no guarantee these objectives will be met. 2017-3669.

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Currency Manager of the Year: **Metzler Capital Markets**

METZLER
Capital Markets

Currency plays an increasingly important and diverse role in pension portfolios today, both as part of a range of hedging strategies and in terms of obtaining returns.

This category highlights the currency manager who has displayed a capability and an expertise in this sector. Standing out from the crowd was this year's winner, Metzler Capital Markets.

Providing its services to pension funds throughout Europe and Asia, the private bank offers a currency overlay strategy that acts as an active hedging programme for single- and multi-currency exposures.

The firm makes active decisions to alter the hedge ratio systematically based on a proprietary quantitative trading system thus avoiding discretionary decisions.

Metzler Currency Overlay (MCO) represents an innovation in the industry. Choosing from a pool of 16 distinct currency models, the firm assigns an individual portfolio of five models to each overlay mandate.

Each client's setup is thoroughly recalibrated twice a year, allowing the overlay system to continuously improve by learning from a growing data set that includes the latest market developments. MCO is the first truly flexible currency overlay system currently available to European pension funds and it reduces the risk of a client being stuck with a static approach in times of rapidly changing market environments.

The current model setup for EUR/USD includes three technically driven

components that capture trend behaviour, a model based on interest rate differentials to capture the economic growth of the US relative to the euro area, as well as a market positioning model to detect changes in the sentiment of market participants.

The firm's outstanding track record is exemplary. Since 2014 MCO significantly outperformed passively-hedged benchmarks by returning 5.6% per annum for European clients.

From a pension fund perspective, it helps pension fund managers better understand the FX exposures inherent in their funds' assets and effectively isolates FX risks from the underlying investments.

To that end Metzler Currency Management unburdens pension fund managers from

having to monitor currency risks themselves and allows them to concentrate on their portfolios' asset allocation instead.

This proven MCO approach has also been incorporated into Metzler FX Protected Carry, an innovative product that enables investors to collect alternative risk premia from FX as an asset class, while providing an effective protection against extreme drawdowns.

The strategy enters into strategic long positions in high-yielding currencies and utilises the systematic MCO process to substantially stabilise returns.

According to the judges, Metzler Capital Markets showcased a strong client focus, including its code of ethics, resulting in quality whole-market work.

Congratulations to a standout firm.



The Currency Manager of the Year award went to Metzler Capital Markets. Receiving the award was Simon Wesch, (left) and Achim Walde, Metzler Capital Markets (second right). Presenting the award were Chris Connelly, Equiniti (right) and awards host Mark Watson (second left).



Award-winning performance you can trust since 1674

**We are proud to have won the award “Currency Manager of the Year 2017”
from European Pensions.**

An impressive testimony that our client-focused work in currency management not only benefits institutional investors and corporations but – according to the jury – sets professional standards as well.

How do we manage currency risks tailored to your individual needs? For first-hand answers, visit our website at www.metzler.com or call our experts directly on (+49 - 69) 2104 - 44 51.

European Pensions

AWARDS 2017

WINNER

Currency Manager of the Year



METZLER
Capital Markets

European Pensions AWARDS 2017



LDI Manager of the Year

River and Mercantile Derivatives

RIVER AND MERCANTILE
DERIVATIVES

As longevity increases and schemes mature, liability-driven investment (LDI) has become a staple part of a pension fund's investment strategy.

Therefore the European Pensions Awards recognises those players who have excelled in their LDI offerings in an effort to assist European pension funds better match their assets with their liabilities.

Achieving this accolade for 2017 is River and Mercantile Derivatives (R&M), which so far has hedged £15 billion liabilities for 100 segregated LDI clients.

The third largest provider of LDI in the UK, R&M's sole purpose is to enable small- and medium-sized UK pension schemes to use derivatives to help meet their goals.

R&M noted that with the significant fall in rates in 2016, those without LDI needed more than ever to be able to maintain return. However, this return must be targeted whilst maintaining the collateral pool.

The solution for R&M is to use synthetic growth assets that act as the collateral pool, meaning that schemes don't have to sacrifice return in order to have a collateral pool.

Synthesising growth assets in this way (by investing in gilts as the underlying asset) gives the scheme the ability to access the z-spread and take advantage of interest rate curve opportunities through physical assets. This means synthetic growth assets can be used to support an increase in LDI without sacrificing return.

However, the risk of targeting the high level of return required is the exposure to market shocks that comes with it.

Therefore, instead of trying to manage equity risk through skill or assumptions and waiting (and hoping) these assumptions play out as predicted, R&M provides certainty by using equity options to shape exposure to equity markets contractually, targeting the right level of return whilst providing protection.

R&M directly targets the challenges that schemes face by making derivatives accessible, synthesising growth assets to target return whilst managing collateral sufficiency and using shaping tools to target return whilst protecting from shocks and provide certainty.

R&M understands that derivatives can be a scary topic, so its approach to easing this concern is to spend a lot of time from the beginning with trustees and to keep

"River and Mercantile Derivatives' sole purpose is to enable small- and medium-sized UK pension schemes to use derivatives to help meet their goals"

solutions as simple as possible.

The result? Around 90 per cent of the schemes R&M provides education to go on to implement derivatives.

The European Pensions Awards judges were excited to see R&M offer something different from its peers. It also impressed the judges with its smaller-scheme support through the use of derivatives.

Well done River and Mercantile Derivatives.



The LDI Manager of the Year award went to River and Mercantile Derivatives. Receiving the award was Masroor Ahmad & Mark Davies, River and Mercantile Derivatives (centre). Presenting the award were Talya Misiri, European Pensions (right) and awards host Mark Watson (left).

Liability Driven Investment

Why it is time for schemes to stop fearing LDI

River and Mercantile Derivatives Managing Director, Mark Davies, explains how schemes should think about LDI, and how it can transform the approach they take when it comes to meeting their future needs

The pensions industry has long been guilty of making fundamentally straightforward solutions sound complex.

Nowhere has this been more prevalent than with Liability Driven Investment (LDI). Often confused as a product, LDI is simply a strategy designed to marry the cash flow of a pension scheme with the return that the scheme requires.

It is an approach that is particularly pertinent to maturing schemes that find it more difficult to absorb market shocks. LDI today is about using a wide range of tools, predominantly derivatives, to meet a scheme's needs.

Keep it simple

The perceived complexity of derivative strategies is a longstanding issue and we spend a lot of time with trustees explaining solutions in a clear and simple fashion. As we often say, trustees will happily board an aeroplane without understanding the mechanics behind it, yet reflexively shy away from derivatives, which are significantly less complex.

Getting trustees comfortable with the basics is central to our approach; focusing on how their needs can be met and their schemes' risks managed. For example,

we show trustees, through interactive simulation tools, how equity returns can be shaped to fit their requirements. It's an illustrative approach trustees can easily grasp and appreciate.

Returns remain key via LDI

A common misconception is that LDI strategies mean sacrificing return. In a world where interest rates are so low, we understand the pressures schemes are under.

However, we use a unique approach focused on investing in synthetic growth assets which act as the collateral pool, meaning schemes don't have to sacrifice return in order to maintain funding levels.

It means schemes can maintain their allocations to growth assets while increasing their exposure to LDI. Some of our clients have 100 per cent allocation to growth assets while still hedging 80 per cent of their liabilities. This would not be possible for schemes that follow traditional LDI approaches.

Shaping returns

The risk of targeting higher returns will always be exposure to market shocks, and that is why we use structured equity – rather than relying on manager skill or diversification – to optimise the risk/return profile of schemes' investments.

Our solution uses equity options to shape exposures to equity markets contractually, targeting the right level of return whilst providing protection. Schemes then have far more certainty, and a lower risk of becoming distressed simply because an active manager's assumptions have not yet borne out.

We now manage £15 billion of LDI mandates and £3.5 billion of integrated equity derivative mandates.

"Often confused as a product, LDI is simply a strategy designed to marry the cash flow of a pension scheme with the return that scheme requires"

Small schemes in focus

At River and Mercantile we like to do things differently, and as well as making our solutions as simple to understand as possible, we also strive to make them available to as many schemes as possible, regardless of size.

A focus on smaller schemes is in our DNA, and we aim to provide solutions for those with lower AUM who are typically not given access to the bigger schemes' tool kit.

We recognise, however, that we can always do more. That is why this year we are hosting the inaugural Small Schemes' Summit.

Designed to help schemes tackle the challenges they face, we have drawn on our long history of engagement with smaller schemes to create an event which aims to improve the balance and the set of information and tools available to pension schemes, regardless of their size.

This free event will bring together representatives from smaller pension schemes and experts across the industry to discuss challenges smaller schemes face and the possible and available solutions.

Should you wish to be part of this event, please visit www.smallschemessummit.com to register your interest.

RIVER AND MERCANTILE
DERIVATIVES

European Pensions AWARDS 2017



Passive Manager of the Year:

Legal & General Investment Management



While the balance of active and passive investment strategies within a pension fund's portfolio continues to be discussed and debated, one thing is never called into question – the vital role of passive investment for pension funds.

This is why the Passive Manager of the Year award aims to celebrate the passive manager that demonstrates strong returns, provides excellent customer service and shows a true understanding of the needs of their clients.

Once again leading the way with these qualities, the winner for the second year in a row is Legal & General Investment Management (LGIM).

As one of Europe's largest asset managers and a major global investor, with total assets of over €1 trillion, LGIM provides investment expertise across the full spectrum of asset classes including, fixed income, equities, multi-asset, commercial property and cash. Its capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

LGIM has built its business over the past 40 years by understanding what matters most to its clients and transforming this insight into valuable, accessible investment products and solutions.

The success of LGIM's approach is demonstrated by its excellent long-term performance, with all its flagship index funds outperforming their benchmarks over each of 1, 3, 5 and 10 years.

But LGIM doesn't just rely on the numbers to satisfy its clients. Instead it ensures excellent customer service face to face through providing trustee education and

training sessions, conferences and seminars.

It also provides tailored content through its Macro Matters Blog, its publication for index investors – Index Intelligence – and publishes a number of reports.

LGIM also focuses on continual innovation, always ensuring it provides what its clients truly needs. Over the past year for instance, it has created the new default index solution for DC customers, The Future World Fund.

This is a 'smart beta' index fund that targets better risk-adjusted equity returns than a traditional index strategy by using an alternatively-weighted index.

It also incorporates a climate 'tilt' to address the long-term investment risks associated with climate change, reallocating capital to the likely beneficiaries of the transition to a low-carbon economy. Through

LGIM's Climate Impact Pledge, they also work directly with the companies in which they invest to bring about positive change, and threaten exclusion from the fund to those companies who do not meet the minimum criteria for strategy, governance and transparency.

Also launched in 2016 is the L&G Emerging Markets Government Bond (Local Currency) Index Fund, which provides a combination of income and growth in line with emerging market government bonds.

The judges couldn't help but be impressed with LGIM's consistently strong performance. However what really stood out for the judges was its customer service and innovations within the DC market, making LGIM a clear winner.

Congratulations to a standout firm.



The Passive Manager of the Year award went to Legal & General Investment Management. Receiving the award were George Wheeler, Niamh Conneally, Richard Kelly, Andrew Burke-Walsh and Tom O'Gorman, Legal & General Investment Management (centre). Presenting the award were Camilla Capece, European Pensions (right) and awards host Mark Watson (left).



Transition Management Firm of the Year: **Legal & General Investment Management**

The role of the transition manager has become more acute in recent years. Pension funds are seeking transition managers' help in negotiating the minefield of moving to more complex investment strategies and switching to different fund managers, in as cost effective and smooth a manner as possible.

Therefore the Transition Management Firm of the Year accolade rewards those firms that have proved themselves experts in meeting the adapting needs of its pension fund clients – and are leading the way in providing this help.

This year, the transition management firm that stood out for the judges over the past 12 months is Legal & General Investment Management (LGIM).

As one of Europe's largest asset managers and a major global investor, with total assets

of over €1 trillion, LGIM provides investment expertise across the full spectrum of asset classes including, fixed income, equities, multi-asset, commercial property and cash. Its capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

LGIM's focus is on shaping the future of the transition management industry by moving it towards a more holistic, solutions service.

It is willing to put its words into action. For example, in 2016 LGIM's transition management function was centralised within its solutions group. It also completed a number of solutions-orientated events over the past year, ranging from building systems for small but multi-faceted pooled fund reorganisations to working with large

buyout clients.

LGIM also invested heavily in developing new and bespoke optimisation technology in 2016. This technology focuses on defining a trading strategy in a scientific manner.

Along with technology, transparency is also of growing importance to pension fund investors.

Therefore, as transparency is a crucial aspect of transition management, LGIM has taken a number of steps to enhance reporting over the past year.

This includes enhancing its post trade to offer more granular analysis on trading execution venues in order to provide clients with enhanced clarity as to LGIM's execution approach.

Another theme across the asset management industry is the migration of services to the DC market. LGIM has been at the forefront of this in the transition management space.

For instance, LGIM worked with HSBC and its DC platform provider to define an approach to transition without the usual requirement for a blackout period. LGIM was able to deliver a solution that provided clean daily pricing and enabled the DC pension scheme to operate as normal throughout the transition period.

The European Pensions Awards judges were impressed with LGIM as a very strong market player, which had demonstrated very good core capabilities in managing transitions and was particularly pleased to see the company expand into new areas, such as its work within the DC environment.

Combined, this made LGIM the clear winner. Congratulations LGIM.



The Transition Management Firm of the Year award went to Legal & General Investment Management. Receiving the award was Richard Kelly, Legal & General Investment Management (centre). Presenting the award were John Owens, First Avenue (right) and awards host Mark Watson (left).

European Pensions AWARDS 2017



Fiduciary Management Award: **Aon**



The concept of fiduciary management has taken the Dutch pensions market by storm, and is now penetrating other parts of Europe. This award commends those firms that have led the way in the fiduciary management space, tailoring their offerings to today's pension funds' needs.

This year, the judges awarded a company that is catering to different sectors within the pensions industry, from smaller schemes, to the DC market and now breaking into the Europe. Its client endorsements and impressive returns were enough for the judges to name this company the clear winner. Congratulations to Aon.

As a well-established provider of fiduciary management, Aon is a leader in the market in the UK, Europe and globally. This shows in its ability to deliver strong results for its clients; for example, its longest standing full fiduciary client has outperformed the WM universe average UK pension scheme by +4.2 per cent, which it has achieved through better risk-adjusted returns. Overall, 100 per cent of full fiduciary clients outperformed their liability benchmark since inception.

When it comes to innovation Aon has excelled with its launch of United Pensions in 2015, to help pension funds cope with increasing European regulation. It is a multi-employer IORP cross-border European pension fund, domiciled in Belgium, with centralised governance, financing and investment management. Aon is currently extending the vehicle's coverage to enable more European countries to access it.

Helping it stand apart from its competitors,

Aon has also created a solution for schemes with as little as £5 million of assets to have access to a full fiduciary solution, known as Fruition. The solution consists of a return-seeking portfolio diversified by asset class, strategy and manager, combined with a liability matching portfolio. It is simple and flexible; schemes can target their desired level of return and reflect their own fixed/inflation linked liability profile.

Completing Aon's triple threat is its outstanding client service, which not only serves to benefit its own clients but also raises standards across the industry. For example, its UK fiduciary clients receive comprehensive quarterly reports and regular meetings with our specialists. Aon provides transparency on all underlying investments and attribution so that clients

receive all they need to assess progress versus their objectives.

During 2016, Aon helped lead the drive for greater transparency in fiduciary management and the wider pensions industry, focusing on fees and performance. It has promoted this via published articles, innovative speaker slots and social media. It has also published a range of unbiased, educational white papers and myth-busting videos, while Aon's 2016 Fiduciary Management Survey remains the largest and longest standing on this topic in the industry.

In short, its combination of leading edge innovation, strong client results and excellence in client service are the reason why Aon is a winner in fiduciary management. A truly stellar performance.



The Fiduciary Management award went to Aon. Receiving the award was Sion Cole, Senior Partner, Aon (centre). Presenting the award were Stephen Holt, Principal Global Investors (right) and awards host Mark Watson (left).

Fiduciary Management

The upward trend continues

Sion Cole, senior partner & head of European distribution at Aon Hewitt, looks at the strong growth in fiduciary management and what is driving this

Increasing popularity

Fiduciary management is an established investment and governance solution. Since coming to the UK over a decade ago, take-up has been strong with around 10% of UK DB schemes now using some form of fiduciary management.

Over the next five years we expect this to continue to increase, to the extent that around 25% of all DB pension schemes will have some form of fiduciary management.

Our 2017 Fiduciary Management Survey showed that 48% of schemes have either full or partial fiduciary management. This compares to 45% in 2016 and 18% in 2011. This is an increase of around 260% over the last six years. While we appreciate this is higher than the industry estimates we have talked about above, it does reflect the overall upward trend in fiduciary management across the industry. Perhaps the most interesting finding from our survey this year was that 52% of small and mid-sized scheme now use this approach – showing more schemes in this bracket use fiduciary management than do not.

What has driven this growth to date and why do we think it will continue to increase?

What is driving this growth?

Although one of the most over-used phrases, it still holds true: the combination of challenges facing trustees really has never been so great. The changing regulatory

environment; market volatility; increasing range and complexity of investment solutions; and limited trustee time are just some of the challenges driving the growth of fiduciary management.

Increasing investment complexity – the range of solutions and tools available continues to increase. Within this there is also greater complexity of those solutions. For example, the use of LDI has grown (now used by 66% of schemes). However the time and knowledge needed to implement this, as well as the ongoing supervision requirements, requires significant expertise.

Limited trustee time – trustees have limited time and have a huge array of topics to cover at meetings. This means the time available to spend on investment matters, particularly the important strategic matters, can be very limited.

“73% of trustees spend five hours or less per quarter on investment matters – at a time when governance pressures grow”

Need for investment expertise – fiduciary management provides the daily attention and day-to-day management of a pension scheme's portfolio that helps to overcome these challenges. It provides the expertise that enables trustees to take advantage of the full spectrum of return seeking and liability matching opportunities to help them reach their end goals. Importantly, this daily attention and investment expertise means the portfolio can be actively managed and react quickly to markets or capture opportunities as they arise.

98% satisfaction

So why do we think this growth will

continue? Firstly, the results being delivered by this approach show a strong performance track record and excellent outcomes.

Secondly, satisfaction across all aspects of fiduciary management is very high. 98% of our survey respondents who use this approach rated their overall experience as excellent, good or satisfactory. 96% said the same about the impact on their funding level (ie performance).

Thirdly, a conceptual point, that more and more schemes are recognising the benefits of fiduciary management. The challenges that this approach helps overcome and the improved governance it offers are highly appealing to many pension scheme trustees and sponsors.

The future is bright

The range and flexibility of solutions available for schemes from £5m to £multi-billion means that schemes of all types and sizes could benefit from this investment and governance solution. Are you satisfied with your investment strategy and the outcomes they are delivering for you? Fiduciary management clients are...

Aon Hewitt's eighth annual Fiduciary Management survey is now available. Read the latest trends and insights in the industry's largest and longest running survey of its kind: aonhewitt.co.uk/delegatedconsulting



Written by Sion Cole, senior partner within Aon Hewitt's fiduciary business

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European Pensions AWARDS 2017



Pensions Insurance Firm of the Year: **Scottish Widows**



Newly renamed for 2017, this category recognises the achievements of companies in the insurance market providing bulk annuities, longevity insurance and other derisking options to address the needs of pension funds throughout Europe.

The judges thought the winner of this award had a very successful entry into the pensions insurance market in 2016, especially as it is already looking into repeat business from clients.

The expert panel was also impressed with its clients' testimonials, a further nod to its success in this area. This year's winner of the Pension Insurance Firm of the Year goes to Scottish Widows.

Having entered the bulk annuity market in 2016, in the midst of challenging economic conditions, driven by regulatory regimes and political events, Scottish Widows successfully managed to establish itself as a leading de-risker for pension schemes.

A look at some key statistics from its first year show just how well Scottish Widows has done; it managed to secure £1.5 billion of pension scheme liability, complete a £500 million buy-in and complete two buy-ins with the same scheme.

The company has shown that it entered the market with the determination to make it better for all pension funds by setting higher standards. Due to the four to six week execution period for bulk annuity transactions, market conditions can sometimes lead to a mismatch between the premium and the assets held in the scheme.

Although other companies provide

transparent price updates mechanisms based on asset portfolios that match the assets they will buy with the premium, Scottish Widows has trail-blazed a new approach.

By designing a bespoke mechanism for each customer, Scottish Widows has set a new gold standard.

In April 2016 it implemented a £200 million buy-in with an undisclosed scheme and its premium moved in line with the exact portfolio of the scheme's gilts used for payment for a period of six weeks. As such, the scheme experienced no volatility during this time.

Demonstrating its strong innovation skills further, it also became the first provider to establish a collateralised security structure under the new Solvency II regulations and provide other bespoke features to help

pension schemes to achieve their de-risking objectives efficiently.

It is not just new customers that receive the special treatment; Scottish Widows strives to ensure its existing customers are as happy with the service they receive from Scottish Widows as they were on the day they selected the company as their insurance partner.

Scottish Widows consistently puts its customers first, is innovative and focused on its objective of being 'easy to do business with'.

It is this mentality that has garnered it positive feedback from pension schemes and advisers, and, the reason it is this year's winner.

Congratulations to Scottish Widows for achieving this richly-deserved accolade.



The Pensions Insurance Firm of the Year award went to Scottish Widows. Receiving the award was Emma Watkins, Scottish Widows (centre). Presenting the award were Sam Gervaise-Jones, bfinance (right) and awards host Mark Watson (left).

A woman with long brown hair and light brown eyes is looking slightly to her right. She is wearing a black hooded cloak with a red interior lining. The background is a solid light beige color.

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SCOTTISH WIDOWS

RETIREMENT | INVESTMENTS | INSURANCE

European Pensions AWARDS 2017



Pension Scheme Administrator of the Year: **Mercer**



European pensions have experienced a taxing few years due to legislative changes, an uncertain political climate and an increase in cyber threats. The role of the pensions administrator, therefore, necessitates continuous systems upkeep and an ability to evolve as changes in the sector come into effect.

The key role of the administrator is often overlooked but without an excellent administration service the pension fund member could not receive the level of service they deserve. This award recognises those administrators that have gone beyond the minimum standards required to offer a truly value added service to their clients.

As a result of its excellent administration services, with a focus on quality management and plain English communications, the winner of the Pension Scheme Administrator of the Year award for 2017 is Mercer. The judges particularly liked its call centre's focus on helping members to think about the next step to improve their saving journey.

The firm strives for excellence in its administration services via the provision of a tailored, 'one size fits one' approach. Mercer worked to create a member-focused offering by regularly asking clients for feedback; by telephone, paper and online surveys; as part of its proposition in order to track options, resolve issues and feed ideas back into the business.

To further provide a high quality service, Mercer successfully utilised its Quality Management Framework, which consists of tools and processes that ensure

consistency and quality in all operational processing. Mercer made a number of refinements to the framework in 2016 to provide its employees with exactly what is needed to eliminate errors and establish an outstanding service for all members. With continuous improvement being vital to the structure of the QMF, all colleagues are encouraged to participate in the evolution of its processes and procedures.

Furthermore, to ensure accuracy of information given to members, Mercer has used a combination of its QMF, extensive automation, rigorous checking and peer review to deliver exceptionally high rates of 'right first time' figures.

Mercer also boasted its efforts to

demystify pensions for savers. It worked with the Plain English Campaign to achieve the "Crystal Mark" on all its standard letters in order to add greater clarity to retirement savings. In addition to this, the administrator introduced Next Best Conversation technology to its call centres, which uses member insights and analytics to identify the next best conversation to have with individuals. As a result, call handlers are now more able and prepared to have meaningful conversations with members, raising relevant topics including contributions, investment options and retirement plans.

Congratulations to Mercer for its outstanding administration services and continued success throughout its business.



The Pension Scheme Administrator of the Year award went to Mercer. Receiving the award was Debra Tullett, Mercer (centre). Presenting the award was Alistair Wilson, TwentyFour Asset Management (right) and awards host Mark Watson (left).

European Pensions Innovation Award Mercer



Innovation is increasingly necessary in the European pensions space. With continued change in the sector, firms must be able to evolve to keep pace. The European Pensions Innovation award recognises those firms that have brought innovation to the pensions market-place, be it through a particular product, service offering or overall business approach. This category is designed in response to market volatility and to recognise those firms that have responded to market pressures with originality and creativity.

The judges were impressed with this company's personalised video updates on any investments and with its efforts to encourage saving and help members engage through video benefit statements. For the second year in a row, the winner of the

European Pensions Innovation award is Mercer.

Mercer recognised the persistent problem of engaging with employees and providing them with the ability to make informed financial decisions in regards to their pension. To understand the problem the firm worked with a leading expert on behavioural finance, Shlomo Benartzi, and looked at the effect on retirement savings and improving employees' financial well being.

Following this, Mercer has been particularly commended for its unique suite of personalised videos, which include individualised content, timing and suggested action for each member and has already seen significant improvement in engagement levels

with members.

Working with Benartzi, Mercer has directed clear calls to action that are tailored to each employee, including contribution increases, changing target retirement dates, signing up for a seminar or getting in contact with the administrator for more information.

Noting that the key challenge of improving financial decisions is rooted in engagement, education and empowerment, as well as filling the gap between intention and action; Mercer's personalised videos are certainly effective in informing members and encouraging them to take action.

Mercer's first video successfully delivers an annual benefit statement, using the person's own name and tells each member the contributions paid, the value of his or her savings, and based on a projection, the difference between the individual's take-home pay and retirement income.

From a pilot study, Mercer found that within two days of sending the video to employees, over 50 per cent of employees had viewed the video and 21 per cent had clicked the call to action to increase their own contribution rate.

Mercer's research and innovation in this area, merging behavioural science with technology has been considerably successful in tackling the lack of pensions engagement and creating a form of financial education that is proven to work.

Well done to Mercer for its continued success in this category.



The European Pensions Innovation Award went to Mercer. Receiving the award was Gary Gore, Mercer (centre). Presenting the award were John Woods, European Pensions (right) and awards host Mark Watson (left).

European Pensions AWARDS 2017



scheme funding

A better way



**Traditional means
of measuring
scheme funding
look increasingly**

**flawed in today's low rate
environment. Gareth Edwards
makes the case for using a
more holistic approach**

Gilt yields have been dropping for nearly a decade, which means the UK's defined benefit (DB) schemes have seen their deficit permanently under pressure.

Inflexibility in the current regulatory framework means trustees and schemes sponsors are beholden to the prevailing interest rates when it comes to calculating deficits. The current persistent low rates means persistently high deficits; a situation that perhaps artificially reflects the true extent of DB scheme solvency.

Members' benefits are affected by life expectancy and inflation; not by changes in gilt yields. It is perhaps odd then, that so much emphasis is placed on the rises and falls in government bonds.

The trend towards a more holistic approach to understanding scheme funding could provide a 'fairer' picture of DB funding and allow a more achievable means of reaching solvency.

In particular, putting greater emphasis on scheme cash flows that combines investment return, contributions, employer support and an insight into risk management.

Holistic thinking

The delivery of benefits relies on the pension scheme's assets generating sufficient income alongside continuing employer support. A focus on securing a high degree of certainty on asset income combined with a more integrated approach to funding can improve outcomes for both trustees and sponsors of defined benefit pension schemes.

Trustees need sufficient income from scheme assets to deliver scheme benefits. Any shortfall in asset income will need to be met from the sale of assets or additional employer support.

A scheme might be considered fully funded if it holds assets delivering contractual income that exactly matches the amount and timing of benefits, in other words it is 'cash flow-matched'. If this were the case, the ability of the trustees to deliver the scheme's benefits would be unaffected by changes in the market values of the assets held. However, most schemes are not 'cash flow-matched', and the trustees' ability to deliver scheme benefits depends on their ability to grow the scheme assets and rely on contributions or other financial support from the sponsor.

Scheme funding needs to take account of all these factors; asset returns, contribution income and covenant support. Actuarial valuations need to evolve to fully capture these integrated sources of financing.

Integrated Risk Management

Capturing the combined sources of contribution income, asset returns and sponsor support is central to

The Pensions Regulator's integrated risk management framework.

Traditional discounted cash flow valuations risk missing two important aspects of the integrated risk framework. First, focussing on the discounted value of the scheme's expected future benefit payments loses detail in terms of the timing, nature and variability of the payments. Second, a valuation is too often seen as a process for determining sponsor contributions, rather than delivering benefits from a combination of contributions, asset returns and sponsor support.

An alternative way to determine how to deliver the benefits can be considered in three stages: Determine the profile of expected future benefit payments to members; model the scheme's expected asset income and compare with the benefit payments; decide how shortfalls between the scheme's benefit payments and its asset income are to be met through a combination of asset return, contribution income and alternative covenant support.

Looking forward, the way advisers, trustees and employer work needs to evolve to reflect the maturing of pension schemes. A greater focus needs to be given to scheme cash flows and the combination of investment return and contributions that can be made available to deliver member benefits.



MERCER

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A JOINED-UP PLAN TO REDUCE YOUR DEFINED BENEFIT RISK

When it comes to reducing pension risk, a joined-up plan is no longer just desirable, it's now a necessity.

Recognising all the risks and opportunities, using the right levers effectively and monitoring and reviewing regularly — a joined-up plan requires expert insight and coordination.

That's why our experienced team of DB strategists, actuaries and investment advisors come together to create customised and innovative solutions for your scheme.

And because we understand the people behind the numbers, we turn financial insight into sustainable strategies to deliver more positive outcomes for all stakeholders, from scheme members to trustees and sponsors.

Find out how we can help you develop your plan, aiming to reduce pension risk and secure your members' benefits.

Find out more:

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European Pensions AWARDS 2017



the
people's
pension

Master Trust Offering of the Year: **The People's Pension**

Master trusts have taken the market by storm, as pension funds continue to look for ways to control their costs without compromising on quality and governance.

This award honours companies that are ahead of the game and this year the company that really stood out was The People's Pension. Described by the judges as the "nearest thing to an occupational pension scheme", they were impressed with its size, flexibility, its excellent client feedback and that it was the first to sign up the voluntary master trust codes.

With over 3.1 million members, an increase of 34 per cent in the past 12 months, The People's Pension is acutely aware of the responsibility it has for people's futures. However, the 69,000 employers signed up to the master trust can rest assured.

Its values of creating simplicity, keeping promises and showing compassion drives everything it does. Add to this the fact it is administered by a not-for-profit provider in B&CE means it can truly put members first and its customer service is leading the way in the UK, not just in the pensions industry.

The People's Pension knows how it has responsibility to give people a great experience, to engage them and rebuild confidence in pensions. That is why it has a low and easy to understand 0.5 per cent annual management charge and it doesn't demand a minimum contribution.

A master trust requires strong governance, especially one with £2.4 billion assets under management, which is why

The People's Pension has always had strong independent and experienced trustees. In 2016, two new trustee directors joined the trustee board to make sure that the interests of its members and employers were forefront at all times. It has also developed a new range of scheme governance reports for its larger employer clients, which help keep them in the loop.

When it comes to innovation,

"Its values of creating simplicity, keeping promises and showing compassion drives everything it does"

The People's Pension makes sure its members see the benefits. When the pension freedoms were launched in April 2015, the company made sure there was a slick process in place so its members with small pots could access their cash. It was also the only master trust to prioritise getting an uncrystallised pension fund lump sum option in place too.

This attention to detail when it comes to clients' needs is the reason why a survey by IFF Research between July and September 2016 found that 92 per cent of intermediaries were satisfied with its overall customer service. At The People's Pension, striving to achieve excellence is a way of life, and this shows in its results and client feedback. A worthy winner.



The Master Trust Offering of the Year award went to The People's Pension. Receiving the award was Catherine Battershill and Darren Philp, B&CE/The People's Pension (centre left and right). Presenting the award were Laura Blows, European Pensions (right) and awards host Mark Watson (left).

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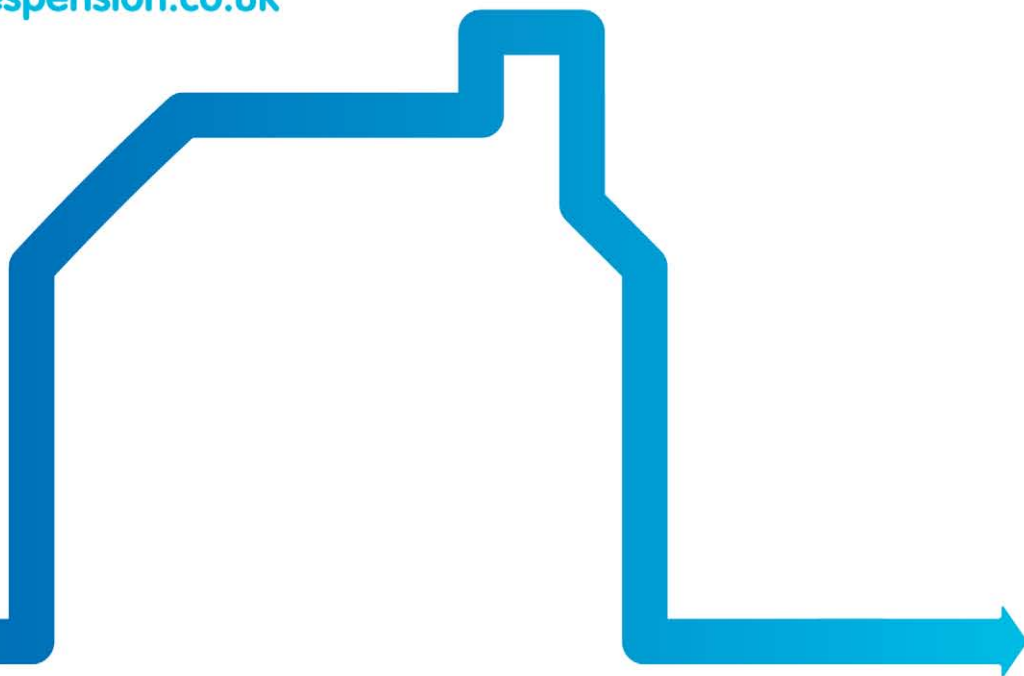
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21 June 2018

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