

# TPR Guidance on Tendering for Fiduciary Management Services

January 2020

The Pensions Regulator (TPR) has released its long-awaited guidance setting out approaches to comply with trustees' duties to competitively tender fiduciary management appointments. This was mandated by the Competition and Markets Authority Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the "CMA Order"). The guidance sets out a number of practical examples of how schemes in different positions can comply with the legal requirements as well as providing useful advice for managing a successful tendering process.

The guidance reinforces how important it is that the trustee understand where investment decisions lie and are onboard with a fiduciary manager picking up some of the investment duties. They use examples of how a facilitated workshop can help trustees understand what they are looking for in a fiduciary manager.

**Muse View:** We have already seen this work well for our clients when we run a trustee workshop in which trustees can have a facilitated discussion to understand the spectrum of delegation and the type of investment governance model the trustee wants to adopt. If fiduciary management is the right way forward, a workshop can also be an opportunity for trustees to consider the range of services that a fiduciary manager can provide. This open discussion of bespoke requirements at an early stage can focus the potential choice of providers to those who have the required characteristics.

The guidance talks about the use of a third-party evaluator (TPE) who can bring a wealth of expertise and support, part of which could be to help the trustee identify any potential conflicts of interest that can be rife in the fiduciary management market. Independence can be an important factor. Most importantly a TPE can help to manage the overall tender process which can allow the trustee to focus on the important matters.

**Muse View:** The guidance sets out the key principles of a competitive tender which can be used across services; not just fiduciary management. At Muse we have always endorsed competitive tendering for core services, it is a basic part of good governance. From our experience in running fiduciary management and numerous other tender exercises, the guidance picks up the core steps in a tendering process and important points to consider under each of those steps. However the importance of having ongoing engagement with potential providers throughout the process is missed. We have found that facilitated, face-to-face time between the trustee and providers can help to build solid working relationships at the outset as well as providing them with the opportunity to understand properly the trustee's requirements.

Once a provider has been chosen, it is important to ensure the fiduciary manager is performing as agreed in the tender process. The guidance emphasises that proper oversight and a clear set of objectives will help to ensure this. The objectives, another requirement from the CMA, should be linked to your scheme's overall strategy because, ultimately, a fiduciary manager's role is to help you achieve

your strategy and not just meet their performance benchmark. Investment performance is just one aspect that requires monitoring.

**Muse View:** The fiduciary manager market is a growing, highly differentiated market. This guidance reinforces our belief in the value that an independent TPE can bring to the selection and monitoring process. At Muse Advisory, our detailed research and complete independence allow us to evaluate managers and tailor our tendering process to meet each client's bespoke requirements.