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Project Manager
Investment Consultancy Market Investigation
Competition and Markets Authority
Victoria House
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Dear Sir or Madam

Response to the CMA Statement of Issues relating to the market investigation into investment consultancy services and fiduciary management services.

I am writing on behalf of The Law Debenture Pension Trust Corporation p.l.c. (LawDeb) which is a long established independent professional trustee company. We act as trustees of approximately 250 UK occupational pension schemes covering the full range of Defined Benefit (DB), Defined Contribution (DC) and hybrid schemes ranging in size from less than £1m to over £45 billion. The total membership of these schemes exceeds 2 million and total assets exceed £250bn. We are also members of 4 Independent Governance Committees. LawDeb hold ourselves to high standards and our aim is to seek the best outcomes for members of the pension funds where we act as trustee.

In commenting on the Statement of Issues, we have drawn on our extensive experience of trustee boards and investment sub-committees. Given the breadth of our client base, we work with all the mainstream investment consultants (ICs) and fiduciary managers (FMs). The views expressed in this letter are those of LawDeb and not necessarily those of our client schemes.

Introductory comments

Pension schemes' investment strategies have become increasingly complex over the last few years as DB pension funds have matured (a large number are now closed to new members and new accruals). Complexity has also been driven by an increase in the breadth of available investment opportunities and a desire to optimise risk adjusted returns in the context of rising liability values partly caused by an environment of falling yields. Whilst we do not advocate unnecessary complexity (**your section 60, 61**) we do see benefits in an appropriate level of complexity, subject to scheme resource and governance considerations.

In order to facilitate strategy implementation pension schemes have developed a range of governance models, still centred on standard trustee board and investment committee structures, supported by an external IC and often with some internal resource. However, and at the risk of over-generalising, larger pension schemes do tend to have more resources available to them, smaller schemes much less so (**section 49**). As a result larger schemes often benefit from better governance and have the resource to actively address many or all of the relevant issues raised in the CMA's statement. However, less well-resourced schemes are far more challenged in this respect. DB pension funds are increasingly seen as a financial obligation to be managed rather than as a HR benefit for current employees. This in turn has led to reducing in-house capability and greater dependence on external consultants.

Demand side and information issues

Section 34c to e, 45, 58, 62 - LawDeb is a professional organisation operating in a well-regulated environment. We support the Pensions Regulator (TPR) in their efforts to improve the standards of professional trustees. We are also supportive of TPR in their efforts to raise standards among the broader trustee community and also to improve pension scheme governance under the 21st Century Trustee initiative. LawDeb is represented on the steering group of the pensions industry-led initiative working with TPR, the Pensions Management Institute (PMI), the Pensions and Lifetime Savings Association (PLSA) and the Association of Corporate Treasurers (ACT), that is seeking to develop protocols to 'kite mark' trustees to give assurance that the service provided maintains certain professional standards (**section 97, 115**). We would welcome a similar approach being taken in other areas of our industry (**section 34a, 122**).

Section 98, 99, 101, 104, 105, 106 - We support all initiatives to introduce clarity, transparency and standardisation into how information (such as performance data and fees) is communicated to trustees. LawDeb has representation on an industry steering group, led by IC Select Ltd and comprising independent trustees, senior consultants (whose companies do not provide FM services) and the CFA Institute that is seeking to introduce industry standards to the communication of data by FMs.

Conflicts of interest

LawDeb is an independent trustee and prides itself on delivering best-practice governance and securing objectivity of advice. We therefore seek to ensure that all the schemes we assist get the best possible independent advice from all of their providers and advocate competitive tendering processes, challenge and regular review, and, if appropriate, the switching of advisors (**section 50, 53, 108, 118**).

Section 63 to 68, 117 - We consider that the development of the FM model is a welcome addition to the range of governance options available to schemes, especially for those schemes with limited internal resources and/or a strong preference to bundle and outsource pensions-related functions. We would not have any objection should an investment consultant seek to recommend a FM or related solution from within their own organisation

provided that it could be clearly demonstrated to the satisfaction of the trustees there was absolute objectivity and independence in the advice, that all available options had been considered and that no part of the process could be perceived as anti-competitive. Necessarily this would be supported by the requisite entry in the scheme's Conflict of Interest Register, detailed minutes of meetings and appropriate supporting documentation in respect of the suitability, or otherwise, of alternative courses of action. However, we consider that the advisory input is best provided by a third party with no connection to any of the candidate FMs, in order to remove any perception of a potential conflict of interest that has not been managed.

LawDeb would be happy to discuss any aspect of this response further.

Yours faithfully

Andrew Harrison

Director

The Law Debenture Pension Trust Corporation p.l.c.