

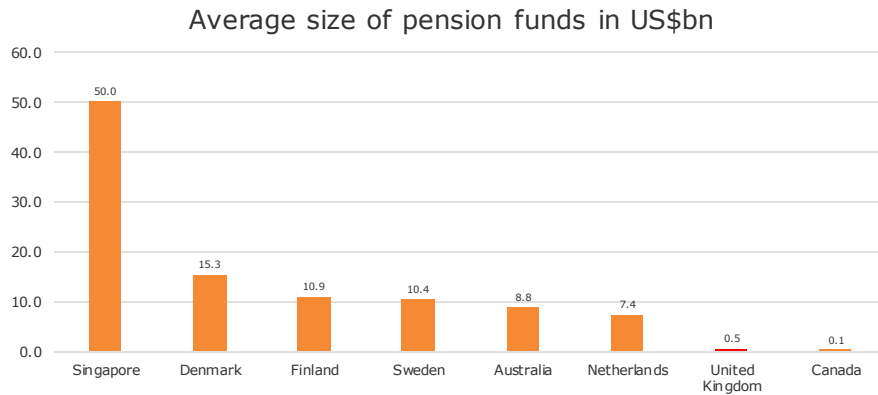
Growing your business starts with good governance

Bart Heenk
MD Avida International

Melbourne Mercer Global Pension Index

	Country	2019 Score	2019 Grade	2018 Score
1	Netherlands	81.0	A	80.3
2	Denmark	80.3	A	80.2
3	Australia	75.3	B+	72.6
4	Finland	73.6	B	74.5
5	Sweden	72.3	B	72.5
6	Norway	71.2	B	71.5
7	Singapore	70.8	B	70.4
8	New Zealand	70.1	B	68.5
9	Canada	69.2	B	68.0
14	UK	64.4	C+	62.5

Size matters



Source: Avida

Pension consolidation is a matter of time

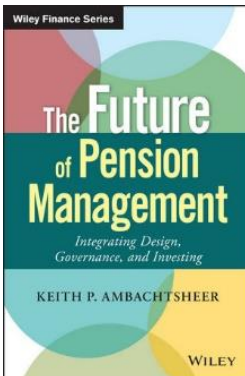
- Macro-economically, UK pension industry needs to consolidate
 - Current duplication of 'infrastructure' = uneconomical
 - Results in lower pensions, lower growth, higher taxes
 - But also risks poor governance
 - And hence to transfer of value from member to asset management and consulting industry

- LGPS is a good start – but only a start

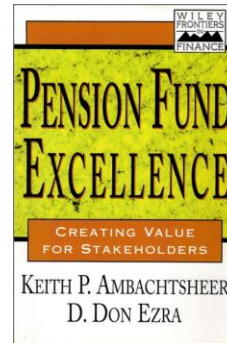
Source: Avida

Good governance – what is it?

The difference between good and bad governance is worth between 1 and 2% additional return in each year (Ambachtsheer and Ezra 1998)



Clark & Urwin (2007): successful pension funds have a clear mission that all stakeholders adhere to



Run a pension fund like a company with a clear strategy, philosophy and with someone in charge (Ambachtsheer 2016)

5

Good governance - what is it?

Once strategic objectives are set:



Source:  Rotman School of Management
UNIVERSITY OF TORONTO

Pension consolidation is an opportunity

- Assuming your governance is good
 - And you are able to provide value for money

- How do you prove this?
 - Benchmarking
 - Client testimonials

Source: Avida

Avida International Investment Governance Scorecard[®]

Benchmarking investment and service quality

Pension funds entrust the responsibility to manage money to internal or external advisers, investment offices and custodians. In the aftermath of the 2008 financial crisis trust in these institutions has deteriorated

For this reason we developed the Avida International Investment Governance Scorecard ('AIGS[®]'). This scorecard enables pension funds to continuously measure the effectiveness of their relationships and monitor improvement

In AIGS[®] we integrate four perspectives:

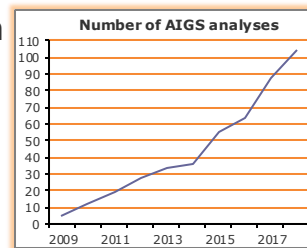
- Hard bottom line financial results
- Governance processes and alignment
- Relationship and communication
- Innovation and thought leadership

Each perspective is benchmarked relative to industry standards

Category	Item	Score	Target	Industry	Score	Target
Investment	Investment results	2.0	2.0	2.0	2.0	2.0
	Investment process	2.0	2.0	2.0	2.0	2.0
	Investment risk	2.0	2.0	2.0	2.0	2.0
	Investment reporting	2.0	2.0	2.0	2.0	2.0
Governance	Governance process	2.0	2.0	2.0	2.0	2.0
	Governance structure	2.0	2.0	2.0	2.0	2.0
	Governance culture	2.0	2.0	2.0	2.0	2.0
	Governance reporting	2.0	2.0	2.0	2.0	2.0
Relationship	Relationship process	2.0	2.0	2.0	2.0	2.0
	Relationship structure	2.0	2.0	2.0	2.0	2.0
	Relationship culture	2.0	2.0	2.0	2.0	2.0
	Relationship reporting	2.0	2.0	2.0	2.0	2.0
Innovation	Innovation process	2.0	2.0	2.0	2.0	2.0
	Innovation structure	2.0	2.0	2.0	2.0	2.0
	Innovation culture	2.0	2.0	2.0	2.0	2.0
	Innovation reporting	2.0	2.0	2.0	2.0	2.0
Total		8.0	8.0	8.0	8.0	8.0

Avida International Investment Governance Scorecard[©]

- More than 100 pension fund - provider relationships assessed through AIGS[©] projects
- Pension funds range in size from
 - About £0.5bn to £60bn
 - Split 50/50 UK and European pension funds
 - Split 25/75 internal teams and external fiduciary managers



Source: Avida

Pension consolidation is an opportunity

- Make sure your governance is good
 - Survey your clients
 - Benchmark yourself against the industry
- The potential reward is high
 - Keep your scheme open
 - Provide pension management for multiple other schemes
 - Give their members as much as 100% more income in retirement

Source: Avida

Contact

Why Avida?

- Expertise
- Results driven
- Independence

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