



Addressing pension scheme investment cost disparity

By Craig Brown, Mobius Life

The FCA's Asset Management Market Study says that large institutional investors get good value for money from their asset managers. It also says that smaller institutional investors, typically pension funds, find it harder to negotiate with asset managers. The clear implication is that smaller pension schemes are paying more per pound invested than their larger scheme counterparts.

Asset managers may argue with good justification that it costs more to administer multiple smaller schemes than it does one large scheme. The FCA's survey seems to agree, saying larger pension schemes are typically more attractive to asset managers, allowing trustees to negotiate lower fees per pound under administration.

So will large pension schemes always get a better deal than smaller schemes because of their greater buying power? Not necessarily - the means to address this issue are right here, right now.

Institutional investment platforms, like Mobius Life, hold assets on behalf of multiple pension schemes. These schemes all follow their own strategic asset allocations – but in most cases, they will be investing in funds managed by the same universe of leading UK and global asset managers. We pool these assets on our platform, meaning that we are investing much larger sums of money on behalf of our clients with these managers.

This gives us greater buying power than small pension schemes. So, using a platform to access these strategies mean that size no longer matters when negotiating the price.

Platforms offer another advantage to smaller pension schemes. By pooling assets, we can give these types of scheme access to specialist funds with high minimum investments, which they would not access cost effectively on their own.

At this stage it is worth pointing out that not all institutional pension platforms are equal. The Mobius Life platform is completely independent of fund managers and investment consultants, so is free of the potential conflicts of interest associated with proprietary assets. Of course, smaller pension schemes should pay the lowest possible price for their asset management services. And by using an independent investment platform that's a realistic objective. Today.

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Source: FCA Asset Management Survey, Final Report, July 2017
(<https://www.fca.org.uk/publication/market-studies/ms15-2-3.pdf>)

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