

Catching the implementation bus

Are pension schemes using advisory consultants missing the implementation bus?

Advocates of implemented consulting argue that they can help the UK's pension schemes to move quicker - pouncing on investment opportunities others miss. They would also argue that traditional advisory consulting is just too cumbersome and slow. In their book, pension schemes with advisory consulting arrangements arrive at the City stop too late, just after the bus has left.

Advocates of advisory consulting often cite conflicts of interest and loss of control of investment decisions as the reason for sticking to the tried and tested advisory model. They'd rather know and trust who is sitting in the driving seat, as opposed to leaving their implementation to an unknown driver.

In reality, both implemented and advisory consulting have pros and cons. The choice of approach will typically depend on factors such as the culture of the trustee body and their governance budget. The incumbent consultant's views will of course influence the decision – some consultants have geared their business model to implemented consulting while others have zealously retained their independent advisory status.

But with major pensions consultants arguing that more than [half of pension assets will be run under some form of fiduciary management in five years](#) it's a debate that isn't going to go away.

So what if the advocates of advisory consulting could find a way to reliably catch the bus – while leaving the trustee board in control of the steering, accelerating and braking?

The emergence and growth of defined benefit investment platforms holds the key. Let's think of the consultant, whether implemented or advisory, as the bus driver. They are the experts in knowing the route the scheme should take, its final destination and the stops and starts along the way. The implementer driver doesn't need to ask the passengers before moving on. The advisory driver on the other hand needs to be sure the passengers are holding on tight – happy to leave each stop.

Using a DB platform, an advisory consultant has the engine to move just as fast as an implemented consultant. With funds held in a single Trustee Investment Plan on a life company platform, recommendations can be acted on quickly and easily with no need for cumbersome paperwork such as investment management agreements. All it takes is a conference call between the advisory consultant and the appropriate trustee decision making body – and instructions can be acted on in 'real time'. This mobility means that advisors and clients can start to behave like implemented consultants by for example having substitute managers on the bench for each asset class.

Whether markets have moved, a trigger point reached, or a de-risking opportunity identified, advisory decisions can benefit from real time implementation using a DB platform.

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It's worth pointing out that life company investment platforms are also just as good at delivering implemented consulting solutions. The only difference is whether the trustee board or implementing consultant makes the final decision.

So now that everyone can be confident of catching the bus, the debate can move on, focusing more on the quality and effectiveness of the consultants' advice, rather than the more pedestrian issue of implementation.

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