

Cutting the cost of pension transactions

A Mobius Life case study

"Transaction costs and charges associated with workplace pension schemes have a direct impact on the value of people's pension pots," said Christopher Woolard, director of strategy and competition at the FCA. At Mobius Life we agree, which is why we focus on delivering the lowest possible transaction costs for our pension scheme clients and their advisers.

This case study focuses on how we saved a major pension fund 66% of the normal transition costs when they moved their portfolio onto our innovative institutional investment platform. The saving was equivalent to the annual advisory fees charged by the fund's investment consultant – making a real difference to the fund's ongoing management costs.

On track: Mobius Life's institutional fund platform enables pension fund advisers to keep their clients' investment strategies on track to meet schemes' long term obligations to their members.

That is why a global food group decided to move their defined benefit pension portfolio onto the platform. The adviser wanted to access a range of international equity and bond funds for their client and to benefit from our seamless administration and ongoing fund monitoring and rebalancing services.

Working closely with the schemes advisers we agreed a course of action that kept the transition costs of moving to the platform to an absolute minimum for the pension fund client whilst additionally minimising the out of market risk. Our approach saved the pension fund 66% of the expected transition costs. This was only possible due to the flexibility of our platform, our dealing expertise and our excellent relationship with the receiving fund managers.

Out of the ordinary: When a pension scheme wishes to move assets from one manager to another, the scheme usually sells its existing holdings for cash and then buys the funds with the new manager. This means it pays dealing charges on the sale and purchase and runs the risk that the price of the funds may move against it while it is not invested.

We felt this was unnecessarily expensive and recommended an alternative – which was immediately accepted by the adviser and their client.

We reached an agreement with the fund managers receiving the assets to take the investment through a structured transition plan. Working with the receiving manager and providing advanced notice increased the flexibility for the manager to match many of its buy and sell orders against our client's assets. As a result the fund manager was able to move the majority of the assets into their funds without any dealing charges at all. Once all the funds were invested we agreed with the manager

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only a small balance of the assets were settled in the traditional manner.

Nick Snell, senior investment administrator, Mobius Life said, *"We managed to save our client around 66% of the expected transaction charges as a result of our innovative approach. Due to our in-depth knowledge of the manager's fund range and specific characteristics of the funds receiving the investment we were able to cut out most of the transition charges and minimise out of market risk. We project managed the entire transition, taking the administration headache and responsibility away from our client and demonstrating the flexibility of the platform."*

Nick Snell is a senior investment administrator at Mobius Life, responsible for the on-boarding of new clients to the platform. He has over 12 years' experience in asset management and has been with Mobius Life since May 2012. Nick holds the investment management certificate, the investment operation certificate as well as the financial planning certificate. Nick is currently studying for the ACCA to be a chartered accountant.

Why transaction costs matter: In March 2015 the Department for Work & Pensions and Financial Conduct Authority published a joint call for evidence on the disclosure of transaction cost information for workplace pension schemes.

Minister for Pensions Steve Webb said: *"Pension savers need to have confidence that their hard-earned money is working for them. That is why it's so important we understand all the charges that are placed directly and indirectly on pensions - and that pension schemes and trustees can present them to members in a clear and transparent way."*

By using Mobius Life's innovative fund platform, we are confident that schemes and their advisers can demonstrate value for money to their members.

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