

ACNielsen (UK) Pension Plan

Fiduciary Management – Explanatory Note for Members

The Trustee of the ACNielsen (UK) Pension Plan (the “Plan”) recently completed a review of the investment structure of the Final Salary/CARE Section and decided to appoint Towers Watson Limited as fiduciary manager to manage the investments of the Final Salary/CARE Section in place of the existing investment arrangements. The transfer of the Plan’s Final Salary/CARE assets was completed during June 2016.

This explanatory note provides further information for members on how fiduciary management works, the reasoning behind the Trustee’s decision and what this means for members.

What is Fiduciary Management?

Fiduciary management enables the Plan’s Trustee to set the overall investment strategy (including the long term risk and return objectives) and then delegate all investment decisions and the day-to-day running of the investment portfolio to their fiduciary manager. This allows the Trustee to focus their attention on key strategic issues affecting the Plan and enhances the Plan’s governance arrangements.

The fiduciary manager applies best practices, managing the Plan assets in a manner which reflects the Plan’s liabilities, employing techniques such as hedging interest and inflation risks, diversifying the Plan’s investment portfolio and taking advantage of de-risking opportunities as and when market conditions allow.

Who is the Plan’s Fiduciary Manager?

The Trustee undertook an exercise to select a fiduciary manager by taking advice on which managers should be considered, holding detailed discussions with a short list of managers and carrying out site visits. Following the completion of this rigorous process, the Trustee decided to appoint Towers Watson Limited as the Plan’s fiduciary manager.

Why did the Trustee decide to move to Fiduciary Management?

The Trustee made a decision to move from an advisory approach to managing the Plan’s assets to fiduciary management as it provides an “all in” cost effective investment and governance solution, which is expected to deliver lower volatility and higher returns.

How will members benefit from the move to Fiduciary Management?

As noted above, the move to Fiduciary Management is expected to result in higher returns and lower volatility on the assets underpinning the Final Salary/CARE section of the Plan. Whilst the investment growth achieved does not affect members’ Final Salary/CARE benefits, it does affect the cost to the Company of providing these benefits. In making the move to fiduciary management, the Trustee has established a long term objective and funding target to eliminate most of the investment risk in relation to the assets of this section of the Plan by around 2024, thus increasing the security of members’ benefits.

Does the change mean that the Trustee will no longer have responsibility for the investments?

The Trustee continues to have responsibility for the Plan's investments. The primary investment role of the Trustee is to set the overall strategic investment objectives, including establishing a long term journey plan and target return, taking advice as appropriate, and ensuring that these objectives remain appropriate over time. By moving to fiduciary management, the Trustee has delegated the selection and de-selection of investment managers and the monitoring of those investment managers on an ongoing basis. Using their skill and expertise, the investment managers are then responsible for the selection of specific investments.

The Trustee has established a Statement of Investment Principles which can be accessed on the Plan's website and provides further details of the Plan's investment arrangements and responsibilities.

Will Plan governance improve as a result of this change?

The Trustee believes that the governance of the Plan's assets will be greatly improved as a result of this change. The Plan's investments and liabilities are now monitored on a daily basis which means that decisions to lock in profit and remove risk can be made more quickly than under the previous arrangements and much more detailed information and analysis is available to the Trustee on a regular basis.

If you have any questions relating to fiduciary management, or would like any more information, please contact the Plan administrators in the first instance by emailing nielsen@capita.co.uk, by writing to Capita Employee Benefits, 145 Morrison Street, Edinburgh EH3 8AG, or by calling 0131 240 4800.

The Trustee of the ACNielsen (UK) Pension Plan**November 2016**