Investment consultancy services



Helping you with
investment decisions

first actuarial

Meeting the investment needs of trustees and sponsors

At First Actuarial, we work with trustees and sponsors on pension scheme investments.

We specialise in advising small and medium pension schemes. We research funds and we design solutions that deliver practical outcomes for every scheme we work with.

When discussing investment strategy options with trustees, we work closely with the Scheme Actuary. This will often be a First Actuarial colleague but can just as easily be a third-party actuary.

Is deterioration of the short-term funding position the most significant risk for today's pension schemes?

For some schemes this may well be true, in which case an investment strategy offering high-liability matching and low-volatility growth assets can make good sense.

The problem arises when this becomes the 'default' approach to pension scheme investments – it's not always the right thing to do.

We encourage trustees and sponsors to consider what might happen if they go down that 'default' route and market conditions then improve.

Having reduced their risks (and opportunities), they're in no position to benefit from the uplift. This can turn out to be a greater risk.







“The advice we received was very helpful and the consultant took time to explain it to those for whom investment was not a strong point.”

Des Scott, Church Army

Setting a strategy

We consider two key questions when embarking on an investment strategy review:

- What long-term funding measure should we use?
- How should we invest the assets once we've achieved full funding on that measure?

A suitable investment strategy for a fully-funded scheme tends to be relatively cautious – intended to deliver modest growth, but above all designed to protect the strong funding position.

But if the scheme has yet to achieve full funding, a different investment strategy may well be more appropriate. This will typically offer higher expected returns – and higher volatility.

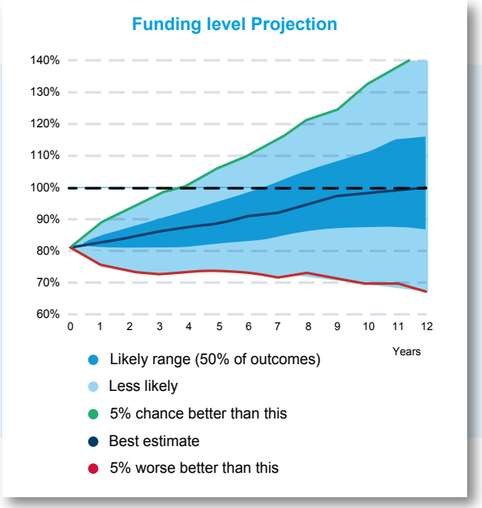
We use modelling tools to make it easier for trustees to assess their current investment strategy. Is it too risky? Are its expected returns high enough? Or, if the sponsor covenant is strong, could more risk be tolerated?

We can use models to demonstrate the impact of potential adjustments to the asset allocation.

Once a strategy has been agreed, we help trustees to consider adjustments over time to 'lock-in' funding gains as they occur, and to move progressively towards the long-term target.

This model output illustrates how a scheme's funding position is projected to evolve. The central line shows the expected trajectory, with the shaded areas representing alternative outcomes (graded by probability).

A lower risk strategy would take longer to reach 100%, but offer a narrower distribution of outcomes.



Monitoring performance

Where there is agreement to allow short-term volatility, we will consider and mitigate the risks, but it's important not to become too preoccupied by what might go wrong. A far more productive approach is to agree in advance the action that should be taken when things go right.

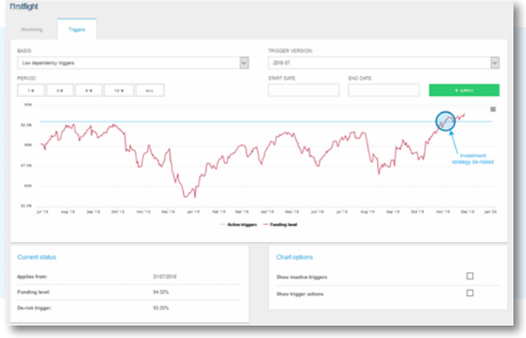
With our **firstflight** modelling tool, you can get a clear picture of your scheme's funding position by monitoring it on a daily basis.

Many clients also set triggers – with a view to adjusting the asset allocation if the funding position improves sooner than expected. If **firstflight** identifies that a trigger has been breached, we can implement pre-agreed asset allocation changes quickly.

Clients can access **firstflight** through our client hub – a secure section of the First Actuarial website. Trustees can also obtain up-to-date asset valuations and details of funds held on the client hub.

Performance information on the client hub shows how each fund is faring in comparison with its stated benchmark. For some asset classes, however, it can be more useful to consider how a fund is performing relative to similar products. Our peer-group reports provide this information.

The peer-group reports are loaded onto the hub shortly after the end of each quarter with up-to-date and relevant fund information.



This **firstflight** model output plots the evolution of a scheme's funding position (red line) against a trigger at 83% (blue line).



"We've de-risked our Scheme twice recently using firstflight. Each time it was a real comfort to protect improvements in funding level and give ourselves much greater certainty of reaching the point where it's unlikely the Scheme will need further contributions from the Company."

Mark Bent, Chair of the Trustees of the UCI Logistics Pension Scheme

Investment management research

We maintain ‘buy-lists’ for the asset classes that we think are suitable for small and medium pension schemes.

We prioritise funds with clear mandates. Where an investment manager has a high level of discretion, future success can be too dependent on that individual’s judgement and we are wary of relying too heavily on this. Instead, we favour funds which offer consistency of approach so we can understand how the fund is likely to perform in a range of market conditions.

We understand what small and medium pension schemes need, and we follow this three-stage research process with any fund we consider:

1. **Gather information and insights** – We use the eVestment global database, which covers almost 80,000 fund vehicles.
2. **Carry out a bespoke screening process** – We combine external sources with our own professional experience to filter out funds that have downside risks or are otherwise unsuitable.
3. **Meet with the fund management teams** – By meeting the remaining candidates, our researchers gain a thorough understanding of how funds are managed, and can assess their suitability for our clients.
4. **Carry out an independent review of findings** – Our research team presents its recommendations to our Investment Rating Committee, which provides independent oversight and challenge.

Asset classes we research

- Liability Driven Investment (LDI)
- Corporate bonds
- Diversified Credit Funds (DCFs)
- Diversified Growth Funds (DGFs)
- Equity
- ESG-focused equity (Environmental, Social and Governance)
- Property
- Infrastructure

Transition management

We have a dedicated team led by specialists with many years of experience in managing transitions between a wide range of investment managers and asset classes.

Our team will typically oversee around 100 exercises a year, transitioning in excess of £500m of assets.

If not well planned and managed, a transition of assets can prove very costly as even the smallest oversight can lead to significant losses. When managing a transition, we:

- Gather detailed information from all third parties, which is then used to form a plan for the activity
- Make every attempt to minimise the period between existing assets being sold and new assets being purchased, as part of the plan
- Follow defined processes, both internally and with third parties, to reduce the risk of human error impacting the activity
- Minimise transaction costs and keep costs in line with expectations
- Monitor on a regular basis, to make sure all activities proceed as planned.

Despite the potential complexity involved, we always aim to make the transition process as straightforward as possible for trustees.



How we work

We enjoy meeting with clients and our preference is to present advice on a face-to-face basis. In our experience, this is the most effective way of communicating investment ideas and insights. We pride ourselves on our ability to explain complex investment concepts to trustees of all levels of knowledge and experience.

Typically, we issue our formal advice after an initial meeting. This means that the written document can be concise and focused.

None of our staff have chargeable hours targets, and we are not incentivised to 'sell' investment products to our clients. Instead, we focus on providing advice that is in the best interests of the scheme. If a simple, low-cost solution is suitable, then that is what we recommend.



"I have moved schemes to you because you are much more sensible than other firms. Easy to deal with and pragmatic. Always well presented and easy to understand. Approachable and willing to discuss any issues."

Christine Brightwell, London & Caledonian Trustees Ltd

Get in Touch

We'd love to discuss how First Actuarial can help you and your scheme.



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About us

First Actuarial LLP is a nationwide partnership with more than 500 people across the UK. Each office provides our whole range of services.

We make sure your members are happy and help you to run your scheme smoothly and effectively at reasonable cost.

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First Actuarial LLP is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of insurance and investment services to clients because we are licensed by the Institute and Faculty of Actuaries. We can provide these services if they are an incidental part of the professional services we have been engaged to provide.

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