

Review of Myners principles for institutional investment decision-making

1 BACKGROUND

Paul Myners reported in March 2001 on Institutional Investment. He recommended that pension scheme trustees voluntarily adopt a series of principles and best practice for investment decision making.

The Government has been reviewing the extent to which pension schemes have implemented Myners and published the results of its research in November 2003 and July 2004. It has today announced its proposals for strengthening the Myners principles, in particular those areas where progress has in its view been inadequate. The Government's key concerns are trustees' levels of expertise and decision-making processes.

2 THE MAIN CHANGES

- The chair of the trustee board should be responsible for ensuring that trustees taking investment decisions are familiar with investment issues and that the board has sufficient trustees for that purpose.
- For funds with more than 5,000 members, the chair of the trustee board and at least one-third of trustees should be familiar with investment issues (even where investment decisions have been delegated to an investment subcommittee).
- Funds with more than 5,000 members should have access to in-house investment expertise equivalent at least to one full-time staff member familiar with investment issues.
- As well as contracting separately for investment and actuarial advice (as the principles currently require), in relation to investment advice, funds should also contract separately for strategic asset allocation and fund manager selection advice.

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- Trustees should provide the results of monitoring of their own performance to members, and ensure that key information provided to members is also available on a dedicated fund website

The Government will also be exploring the practicalities of a voluntary, independently-compiled report on compliance with the Myners principles by trustees. The intention is to provide an informed commentary on how the principles are being implemented, and help trustees validate and benchmark their decision-making procedures more effectively.

The consultation period will close on 16 March 2005.

3 CONCLUSION

Some of these changes bring the Myners principles in line with the “knowledge and understanding” requirements in the Pensions Act 2004. However, it remains to be seen how these proposals will sit with the code of practice currently being developed by OPRA on those requirements.

It appears that the revised principles will remain a voluntary code. However, the NAPF has undertaken to report to the Government in 2007 on its members’ progress against the Myners principles. The Government will then consider whether there remains a need for further policy action. Some of the proposals are likely to have cost implications for certain schemes, although the Government’s stated view is that these are “unlikely to be large”.