

## **Crisis, what crisis? DB trustees leave LDI upheaval with confidence in LDI strategies**

- When thinking about the LDI crisis in 2022, as many as 82% of trustees believe that they had the knowledge and skills they needed to handle the crisis.
- 72% of trustees say they're confident using liability-driven investments (LDI) as a tool to manage risk.
- 78% of trustees agree that their scheme had the right governance in place to handle the LDI crisis.

New research from Charles Stanley Fiduciary Management has shed light on the impacts that the 2022 LDI crisis had on the behaviour and outlook of professional pension trustees of UK defined benefit (DB) pension schemes.

Approaching the first anniversary of the crisis, which exposed the pitfalls of leveraged LDI, DB trustees emerged from the LDI crisis with confidence in their LDI strategies largely intact.

According to the research, which polled 68 professional DB trustees appointed on schemes with an average AuM of £1.38bn in July and August this year, as many as 82% of trustees believe they had the knowledge and skills they needed to handle the crisis. 78% agree that their scheme had the right governance in place to handle the crisis, while a healthy 72% say they're confident using liability-driven investments (LDI) as a tool to manage risk. Surprisingly, 48% of trustees said that their appetite for illiquid investments has actually increased since the crisis.

Additionally, 82% of trustees said they received the right information in a timely manner from their consultants and 79% feel the same with regards to their fund managers. Positively, 72% of trustees also said that the LDI crisis has made them more likely to adopt fiduciary management for their schemes.

When looking at the partners trustees work with, the research highlighted the importance trustees place on client servicing needs. The LDI crisis highlighted that clarity and promptness of communications and client service now outweigh the speed of responses, with 66% of trustees considering client service to be more important than it was before the crisis.

**PRESS RELEASE**

**Changes in priorities for trustees’ partners (i.e. investment consultants and fiduciary managers) as a result of the Q4 2022 LDI crisis:**

	<b>More important</b>	<b>No change</b>	<b>Less important</b>
<b>Speed of response</b>	43%	46%	10%
<b>Clarity and promptness of communications</b>	54%	34%	12%
<b>Ability to make decisions without trustee input</b>	58%	39%	3%
<b>Client service in general</b>	66%	30%	4%

However, despite the generally high levels of satisfaction with consultants and managers during the crisis, a number of schemes are now taking the opportunity to review their advisors. For example, 55% of trustees have already changed their LDI Manager because the LDI crisis, while 42% changed their Fiduciary Manager, 34% their investment consultant, and 30% their non-LDI investment Managers.

Attitudes towards liability hedging have also changed. A notable finding was that 54% of trustees said they are now more inclined towards hedging scheme liabilities – significantly up from 40% in 2022.

**Bob Campion, Senior Portfolio Manager, Charles Stanley Fiduciary Management comments:**

“Last autumn was the ultimate stress test for DB pension schemes, particularly those with advanced LDI hedging strategies. The good news is that the majority of pension schemes were able to navigate the choppy waters, but the few examples where there have been casualties has made professional trustees re-consider their consultants and fiduciary managers. They now recognise that client service is a key component of investment management – particularly when times are tough.”

**ENDS**

**Methodology**

Research was carried out by Censuswide among 67 professional pension trustees of UK DB pension schemes, who manage an average of five DB pension schemes each, with an average scheme size of £415million. The average total AUM each trustee presides over is £1.38 billion (significant increase on 2022 which was £863m). The survey was completed between 05/07/23 – 08/08/23.

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Charles Stanley has been acting as a fiduciary manager to UK defined benefit pension schemes for more than 10 years. Our Fiduciary service is designed to be a comprehensive investment solution. It aims to support schemes of any size, providing hands on assistance to the trustees and their other service providers throughout the pension scheme's journey. Charles Stanley Fiduciary Management works alongside trustees to plan their investment strategy and then take complete responsibility for implementing it and providing regular progress reports. Its dedicated fiduciary portfolio managers provide trustees with tailored training, advice and ongoing support as often as needed. The team of over 160 investment professionals provide the depth of resource needed to design and implement a sophisticated, long-term investment strategy. And the substantial scale of the organisation allows our clients to leverage best-in-class funds, research, and investment ideas.

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