

NAPF Position Statement on the T Charter

Introduction

1. The NAPF recognises the importance of achieving high standards in the transition management industry and so welcomes the adoption of the first T Charter. We are, therefore, pleased to offer our endorsement of the Charter.
2. We would, however, like to take this opportunity to suggest some ways in which we hope the transition management industry will consider developing the charter further in the future. These concern issues related to governance, compliance requirements, and disclosure. Our suggestions are outlined in this note.
3. We shall also be providing some NAPF guidance to pension fund trustees and other asset owners regarding the T Charter and transition management. Our planned guidance is also set out below.

NAPF suggestions for the future development of the T Charter

Governance

4. We recommend that a formal steering group be established to govern and further develop the T-Charter. We suggest that the steering group should include key stakeholders beyond the transition management industry such as pension funds, other significant owners of institutional assets and industry bodies including the NAPF. To promote transparency and understanding we also suggest that the steering group should make available to key stakeholders the agendas and minutes of its meetings.

Compliance Requirement

5. We suggest that the T Charter should include a “comply or explain” requirement, that is to say, an approach based on disclosure rather than prescription.

Disclosure

6. Finally, we propose that consideration should be given to improving the transparency of reporting and disclosure. We suggest that this might be done by encouraging pension funds to require their transition manager to comply with paragraph 6 of the T Charter and disclose sources of income earned by the transition manager and its affiliates for each transition management exercise undertaken.

Planned NAPF guidance to pension fund trustees and other asset owners

- The NAPF recommends that pension fund trustees and other asset owners should consider compliance with the T-charter as a requirement within all Transition Management Agreements (TMA's).
- Asset owners should recognise that in most circumstances transition managers (and associates) –whether agent or principal - will have conflicts of interest, understand what those conflicts are and how they will be managed so that overall interests are best served.
- Asset owners should also be aware of the key implementation issues, namely execution, project management and reporting, regarding transition management and realise that being a fiduciary does not provide assurance that a transition manager will implement matters competently.

NAPF
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