









FM Transition - Trustee checklist

This checklist reflects a transition from one FM to another, but the key principles apply for schemes moving to FM for the first time.

	TOPIC	TRUSTEE QUESTIONS	 
	Investment strategy	<ul style="list-style-type: none"> • Does the new FM's proposed investment strategy reflect the objectives and requirements of the pension scheme? • Do the investment objectives and guidelines in the Fiduciary Management Agreement reflect the agreed investment strategy, with sufficient risk controls? • Has the new FM considered the cost-benefit of retaining any existing assets (e.g. illiquid assets or LDI)? 	
	Transition plan	<ul style="list-style-type: none"> • Is the transition plan realistic and achievable, allowing pre-transition actions (e.g. legal reviews, custodian appointments and strategy reviews)? • Is the transition plan structured to balance speedy implementation with management of transition costs and market risks? • Has the new FM explained the level of discretion they have in relation to timing of trades? 	
	Barriers to exit	<ul style="list-style-type: none"> • Do you understand the true liquidity of the portfolio? (e.g. allowing for trade notification periods, settlement periods, redemption queues and/or gates.) • Are there any other operational factors which may delay the winding up of the existing fiduciary management arrangement? 	
	Provider responsibilities	<ul style="list-style-type: none"> • Have you considered the investment and advisory responsibilities of both the new and ceding FM during the transition period, in particular in relation to any legacy assets which are to be retained? • Has this been clearly communicated to both parties? 	
	Fees and cost	<ul style="list-style-type: none"> • Have you reviewed the level and timing of fees payable to the new and ceding FM, taking into account their responsibilities during the transition? • Do you understand the implications of termination on any performance-related fees? • Have estimated transition costs been provided and explained? 	
	Post transition	<ul style="list-style-type: none"> • Have both new and ceding FM confirmed the transition process is complete? • Has the ceding FM confirmed that all outstanding fees have been settled? • Has a post transition review been completed by the new FM, comparing expectations, timeframes and costs against pre-transition estimates? 	

Note: For schemes looking to change their fiduciary manager, this checklist sets out the elements which are key to a smooth and orderly transition. This is not intended to be exhaustive and there may be scheme-specific factors to consider.