

“Professionalizing asset management”

July 2018

Ortec Finance provides Asset Liability Management and Risk Management for the Industry Pension Fund Confectionery since 2012. Confectionery had as their objective to organise their asset management more professionally and thoroughly and this led them to contact Ortec Finance. A custom-made solution ensured that risk management was designed to perfectly fit the Fund. Through the cooperation with Ortec Finance, the Board has become much more risk-aware. So not risk-averse, but risk-aware. This results in a solid basis for decision making, which helps Confectionery to answer to its stakeholders.

The Industry Pension Fund for the Confectionery industry regulates pensions for employees in the confectionery industry. This includes large and small manufacturers of cake and candy in the Netherlands. BPF confectionery is a medium-sized fund with 2.5 billion in invested assets and about 45,000 participants. This group consists of 9,000 active participants and 9,000 pensioners; the remainder are participants that have built up a pension but no longer work in the confectionery sector. Ortec Finance spoke with Leonne Jansen, Employee President Bpf confectionery. Leonne is Pension Fund Director since 1999, was a board member at various pension funds and is also a member of the Pension Working Group of the Stichting van de Arbeid on behalf of the FNV.

As a pension fund we are faced with various challenges. Low interest rates are one of them. This makes it quite a challenge to get returns that ensure that the pension of our participants can be indexed and to take responsible risks. Responsible risk management is important here, in order that the participant need not take much additional risk to get better returns.

Another challenge are the changing laws and regulations such as AVG and IORP II. And the developments with regard to the abolition of the average system or the new financial review framework (nFTK) also present their unique challenges.

Professionalizing asset management

In 2011, Bpf Confectionery had as their objective to organise their asset management more professionally and thoroughly. That is why we started looking for an Asset Management Coordinator. We deliberately do not call it Fiduciary Manager to make clear that we ourselves carry the responsibility. For the same reason we did not want to completely entrust risk management to the Asset Management Coordinator. We considered that this would assign too many large financial interests to a single person. Therefore, we also looked for an external party for risk management.

Mutual understanding

BPF Confectionery holds independence in high esteem. The other party that scored high in the selection process was not completely independent. So the choice for Ortec Finance did not take long. There was an immediate personal click with the Ortec Finance experts. We understood each other from the first moment. Although Ortec Finance is a commercial party, you never just tell us what we want to hear. There is a pleasant no-nonsense culture and communication is clear and straightforward. And we always feel that we have the same objective: to help BPF Confectionery forward, so that participants and pensioners will receive a good pension.

Appropriate risk management

What has also greatly contributed to the choice is that in 2011 we were still searching for a way to tackle risk management. Ortec Finance immediately understood in which direction we wanted to go and carries a wide range of products and services. We selected what works for us. In that way, risk management has really been tailored to fit our fund. That piece of customization by Ortec Finance really provided added value.

“There was an immediate personal click with the Ortec Finance experts.”

Keep each other focused

With all the knowledge that the Asset Management Coordinator has, he is always at a distance. You also want the countervailing power to be incorporated into your structure. It is a hygiene factor for a pension fund to have properly organised such a process. Because of this structure, the Asset Management Coordinator will not just raise something which is not in the interest of the Pension Fund. Sometimes Ortec Finance will address issues which the Asset Management Coordinator should really deal with, such as ESG. But in this way we keep each other on our toes.

No points-scoring contest

At the outset we saw a potential danger that both parties might engage in a points-scoring contest, but in practice we have seen none of that. Both parties have justified their existence. The success factors for the cooperation are 'stick to your role' and personality. There is no competitive atmosphere. The goal of both parties is to make our fund better. The board also keeps a critical eye on both parties. The final responsibility lies with our board. We want to be convinced of the content of certain decisions. It is not only important that we understand it, but also that we can work with it.

More grip

Over the past seven years, we have started working together in more areas. Ortec Finance now also takes care of non-financial risks, which is really helpful. We have come to know each other very well. Loranne van Lieshout, who manages our contract on behalf of Ortec Finance, has in-depth knowledge of our fund. This makes for speedy business discussions. Questions like 'what is really a risk' and 'how do you deal with it' are more quickly answered together, which provides more grip on risk management.

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Informed decisions

One of the biggest benefits that our cooperation has produced so far is a solid basis for decision making, in which a balanced trade off between the interests of different groups (pensioners, older workers, younger workers, future employees, sleepers and employers) is pivotal. Crucial decisions around risk management need a very solid evidence base. This ensures that we can be accountable to our stakeholders and can explain why we have taken certain steps.

Add value

Pension funds often think in returns, but risk management is essential for your pension fund. By applying sound risk management, we now dare take steps that we can properly account for afterwards, without becoming risk-averse. With good risk management, you do not necessarily become risk-averse. That was a real eye-opener for me personally. Through Ortec Finance, we have also gotten a much better grip on scenario thinking.

Risk-oriented

Through the cooperation with Ortec Finance, the Board has also become much more risk-oriented. So not risk-averse, but risk-aware. This means very carefully weighing which risks we do or do not want to take. Our participants cannot bear much loss and are therefore often risk-averse. And because we collectively manage pensions, Bpf Confectionery can really add value for the participant.

“Industry Pension Fund Foundation for the Confectionery industry is in relatively good condition. This year we have been able to apply a small indexation. We’re always working to improve our processes and work more efficiently. The supervisor also has few comments about the organisation of our risk management. This is of course dependent on many factors, but Ortec Finance certainly deserves part of the credit.”



Leonne Jansen, Employee President Bpf Confectionery

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Rotterdam

Boompjes 40
3011 XB Rotterdam
The Netherlands
Tel. +31 10 700 50 00

Zurich

Poststrasse 4
8808 Pfäffikon SZ
Switzerland
Tel. +41 55 410 38 38

Amsterdam

Naritaweg 51
1043 BP Amsterdam
The Netherlands
Tel. +31 20 700 97 00

Toronto

250 University Avenue #200
Toronto, ON M5H 3E5
Canada
Tel. +1 416 736 4955

London

Bridge House
181 Queen Victoria Street
London EC4V 4EG
United Kingdom
Tel. +44 20 3770 5780

Hong Kong

Unit 211, Building 12W
Phase 3 Hong Kong
Science Park
Shatin, Hong Kong
Tel. +852 2477 9288