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The truth about your pension fund

Exclusive Is your cash languishing in a poorly performing scheme? Find out, or you risk losing thousands in retirement, says **Mark Atherton**

Savers could be missing out on thousands of pounds of income in retirement because their money is languishing in poorly performing pension funds, including some popular schemes offered by high street banks.

Millions of UK savers have little idea whether the managers of their pension fund are good or bad, even though the performance of these funds will play a crucial part in determining the standard of living they enjoy when they stop working.

Increase Your Pension, a specialist pensions advice website, has identified more than a dozen pension fund managers who between them have tens of billions of pounds in poorly performing funds. The guide looks at the performance of 58 of the UK's pension fund managers. For each manager, it looked at the number of pension funds they ran and each fund's Financial Express star ratings — five being the top rating and one the bottom. It then calculated an average rating for each manager. Those scoring above 3 were classified as good, those with a rating of 2.5 to 3 were ranked average, while those with a rating of less than 2.5 were classified as poor.

Thirteen pension managers were rated good. The top five were Invesco Pension, B&CE (provider of the People's Pension), Royal London Pooled Pension, State Street Global Advisors (SSGA) and Baillie Gifford. Other well-known names in the top table were M&G, Fidelity, Old Mutual Wealth (Professional) and Threadneedle.

Craig Palfrey, a director at Increase Your Pension, says: "The fund houses that tend to show up well are the ones that have a long-established expertise in managing funds and commonly specialise in just that. They do not deviate from their core offering, they do not rely on other business channels and they work with defined and proven investment processes."

There were 15 financial groups in the table of poor pension managers. The joint worst performers were St James's Place and Scottish Mutual Assurance, followed by Abbey Life, Lloyds TSB and Capita Financial Managers.

Mr Palfrey says: "The fund groups displaying the worst results typically divide into two categories. One consists of those that don't rely principally on their track records to bring in business, but instead have a large sales force selling to the public. St James's Place is a classic example of this. The other main category of poor performers are the banks, or groups with a bank tie-in, such as Lloyds TSB Life. This means they can often acquire funds through a distribution outlet, such as customers at a bank branch. The conclusion is that specialist fund managers are the ones to go with."

The winner and losers

The top 12	The bottom 12
Invesco Pension 4.44	Phoenix Life Limited 2.35
B&CE 3.9	Equitable Life Assurance Society 2.33
Royal London Pooled Pension 3.78	Marine & General Mutual 2.29
SSGA UK 3.33	Phoenix Life & Pension 2.22
Baillie Gifford Life 3.27	ReAssure Limited 2.21
M&G 3.27	Wesleyan Assurance 2.19
Fidelity (FIL Life Insurance) 3.24	Old Mutual Wealth Inst 2.16
Old Mutual Wealth Professional 3.13	Capita Financial Managers 2.14
Royal Liver Assurance 3.12	Lloyds TSB Life 2.14
Hawthorn Life DAC 3.11	Abbey Life 2.12
Threadneedle Pensions 3.11	Scottish Mutual Assurance 2
Prudential Pension Ltd 3.10	St James's Place UK 2

Jason Hollands, the managing director of Tilney Group, the wealth manager, says: "A number of managers with lower scores are those who manage funds that are closed to new business and tend to run more conservative portfolios with higher weightings to bonds, which tend to be less risky, but less rewarding than shares."

Patrick Connolly, an adviser at Chase de Vere, the independent financial adviser, says: "Invesco Perpetual maintain a focus on investing in good-quality companies across its range of funds and this is an approach that usually produces consistent long-term results."

Ryan Hughes, the head of fund selection at AJ Bell, the investment and pension business, says: "Baillie Gifford plays particularly well to the pension market, given its long-term investment approach and low levels of portfolio turnover, which keeps transaction costs as low as possible. Royal London also has a focus on keeping costs low, which has an impact when investing over a long period."

A spokesman for St James's Place says: "The performance of St James's Place's funds is net of all costs; including advice, platform, fund managers and product costs, so comparing them with clean share classes is not a like-for-like comparison."

Scottish Mutual and Abbey Life had no comment to make.

What should you do if your pension fund manager is ranked as poor? Don't panic. Take a look at your investments, says Mr Palfrey. "The pension manager rating is an average of all a group's funds, so it is possible to have some good funds within the stable of a generally poor manager, just as you can have some bad funds with a good manager."

Mr Hollands says: "If you are in a dull, poor-performing pension scheme it is still vital to check before transferring it elsewhere, as doing so might incur hefty penalties or the loss of benefits."

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