FINANCIAL NEWS

How to select the best managers

Mark Cobley

29 Nov 2010

Lars Wallberg, chief financial officer of the Danish public pension fund LD Pension, helped oversee one of the biggest searches for fund managers in Europe this year, when his organisation outsourced €5.7bn of its assets to external firms.

Lars Wallberg

LD, founded in 1980, looks after a €7.2bn pool of cash used to pay a discontinued cost-of-living adjustment to Danes. It is set to wind down during the next 10 to 15 years as the pool is depleted. In 2004, the Danish government allowed LD to transfer its in-house investment operation to a subsidiary, LD Invest, to manage the capital of other pensions institutions, and began a separation of the firm from its parent.

This process culminated earlier this year with the outsourcing of the funds, in which LD Invest participated on equal terms with more than 100 private-sector firms from around the world, and ended up retaining around €1.8bn.

Eight other asset managers also picked up business: Fisher Francis Trees & Watts (wholly owned by BNP Paribas Investment Management), Carnegie Asset Management, Impax Asset Management (partly owned by BNP Paribas Investment Management), MFS Investment Management, Nordea Investment Management, Schroders, Wellington Management and Western Asset Management.

Wallberg shares his thoughts on how to run a successful and professional mandate search and what is next on the agenda for LD.

Financial News: Why has LD decided to bring in external managers, rather than keeping its investments with LD Invest?

Lars Wallberg: The contract with LD Invest was awarded in 2005. At that time we did not have a formal tender, because LD Invest was a subsidiary of the pension fund, so it was not a legal requirement to put it out to tender. The rules have now been changed. It was understood at the time, in 2005, that we would have a competitive process at the end of this period.

FN: When you put out tenders in April, there was an overwhelming response from fund managers, with 230 applications from over 100 firms. How did you deal with that?

LW: The regulations require a totally open process. We published a contract notice, which was a request for information. We had no idea how many would apply. We put that on our website and anyone could download it. There were some minimum requirements, such as being under a regulatory framework, like the Financial Services Authority's, and a minimum size, which was €2.5bn under management for institutional investors, and a few others. This was meant to ensure no one wasted their time. So in this process there was an element of self-selection.

By mid-May we had received about 230 applications, and we evaluated those, and on the basis of this we 'pre-qualified' 40 companies with 70 different products by the end of June. Then we sent these firms a much longer questionnaire, and a contract that they had to sign. They spent the summer filling those in.
We received their responses on August 20. The next three weeks we spent with our consultant, PPCmetrics, evaluating the requests for proposals, which contained information on investment process, organisation, processes, performance and so on. In mid-September, we were able to narrow it down to 20 companies with 34 products we were interested in.

We held meetings with them. We worked out which would be awarded an active mandate and which would be put on a reserve list [firms that may be called on for further work in future]. Of the 20, 12 active mandates were awarded [between nine companies].

FN: How did you conduct those meetings and what were you looking for?

LW: We discussed their answers to the tender questionnaires. We focused quite a lot on the way the team works and their investment process, in order to ascertain whether what they told us in their questionnaire was also what the portfolio manager told us. How do they select the securities; how does the team work; how does the risk management work? The price was also important, but this was not open for negotiation. They gave us an offer and that was that. All managers fully respected the restriction that no new information was to be presented at the meetings.

FN: Did you encounter many firms where there was a difference between the questionnaire submitted, and what the portfolio manager said in person?

LW: We wanted to be absolutely sure that we did not go for a manager if the portfolio manager was not able to validate and elaborate the description that was given in the questionnaire. There are differences between companies as to the portfolio managers and risk managers' ability to really explain their processes. Some were better than others at explaining.

It was a privilege to meet all the companies we talked to. It was a matter of choosing the best among the excellent. Some were simply a bit better than others.

FN: What are your top tips for anyone else conducting such searches?

LW: Firstly, I would recommend that you engage a good consultant. We have hired PPCmetrics, and they have been absolutely excellent. They were flexible in allowing us to decide our own criteria and did the hard work and the number-crunching. We also had PA Consulting to advise us on project planning, which made the job a lot easier for our small organisation. Finally, our lawyers from Kromann Reumert contributed invaluable insight into the EU procurement regulation and contractual details.

Secondly, you have to plan it well in advance. If you have used some criteria in the first stages, you can't use the same criteria later. You have to have a road map. You have to be rigorous, but without that rigour turning into rigidity. Some elements of the process are rigid enough anyway, because they are set by law, such as deadlines.

FN: And what are your tips for fund managers wanting to win business?

LW: Please be punctual and read the guidance offered concerning the questionnaires. Some people had the courage to send in their tenders one minute before deadline.

The deadline really counts. We also have had to tell them to be precise, to check the pricing and so on.

Maybe if you haven't been in this process before, you would not realise it, but people make errors – all the errors you can imagine and some that you cannot imagine.

This happened despite our best efforts to guide the managers through the process in detail. There are lots of RFPs sent out every year. Some [fund managers] are more precise in their response to the RFP than others. But in an EU procurement process you are not allowed to ask for further information should the responses be missing. So the managers should be advised to get it right the first time.

FN: Will the allocation of LD's investments change, now that new managers are in place?

LW: We have been rather broadly invested already in the past few years. In choosing new managers, the intention was not to change asset allocation, though it may be a result of it in the long run. It was finding the best managers for the investment strategy that we have at the moment. Any future changes will be for the board of directors to decide. There is a strategy meeting in December, when the board decides on the strategy for 2011.

FN: Finally, what is next on the agenda for LD Pension?

LW: Of course, we have the transition issues to address now. Portfolios have to be transferred from LD Invest. That will take place at the beginning of 2011. We are analysing the portfolios together with the managers.

Later in 2011 we expect that we will conduct another tender, for a custodian bank and for investment administration. Our contracts with our custodian Danske Bank and investment administrator Danske Invest expire at the end of 2011. We expect a lot of interest from custodians and administrators.

Denmark's LD Pension awards mandates worth total of €5.7bn

22 minutes ago

DENMARK – LD Pension has awarded 12 investment mandates covering an estimated DKK42.5bn (€5.7bn) worth of assets, nearly four-fifths of the scheme's total value.

Most of LD's assets were previously managed by LD Invest, in which the scheme is a majority shareholder. The company has retained three of the mandates.

The pension fund also put in place almost two dozen framework agreements, allowing it to drop underperforming direct managers without having to re-tender.

Carsten Koch, managing director of the scheme, said the new awards would enable the fund to achieve lower management costs in the long term.

"In the short run, we have not obtained cost savings compared with our present agreement with LD Invest A/S," he said.

"But this agreement could not be continued, and by entering the new agreements, LD will continue to offer a cost-effective solution."

He said if managers failed to deliver adequate returns or provide the quality required on a day-to-day basis, the mandate could be reexamined.

"The framework agreements offer that possibility by undertaking a mini-tender, and this will most certainly contribute to improve performance among the chosen investment mangers."

Along with LD Invest, Nordea Investment Management has been awarded a DKK19.4bn Danish high-grade bond mandate, with BNP Paribas Investment Partners and Fisher Francis Trees and Watt sharing responsibility for a DKK400m global inflation-linked bond portfolio.

Additionally, Nordea will be in charge of a smaller portfolio invested in Danish short-term bonds.

The second-largest portfolio has been awarded to MFS Investment Management and Wellington Management, which were both successful in their applications for the DKK9.3bn global equity mandate.

Both the Danish office of Carnegie Asset Management and LD Invest will manage a DKK6.3bn Danish equity mandate, with Schroder Asset Management in charge of a DKK1.5bn emerging market equity mandate.

Western Asset Management is to manage a credit investment portfolio, while a framework agreement is in place with JP Morgan Asset Management and Wellington AM if the scheme chooses to switch managers.

BNP Paribas and Impax Asset Management have been awarded joint responsibility for a DKK600m fund investing in environment and climate change equity, with the final award again going to LD Invest, which is in charge of a Danish money market portfolio.

Lønmodtagernes Dyrtidsfond, which has DKK53.3bn of assets under management, first announced its intention to tender the mandates in February and later revealed that more than 100 companies had applied to be an asset manager, with 40 pre-qualifying and able to submit official proposals.

Overall, the 12 mandates were divided among 14 investment managers, along with a further 23 framework agreements.

Author: Jonathan Williams

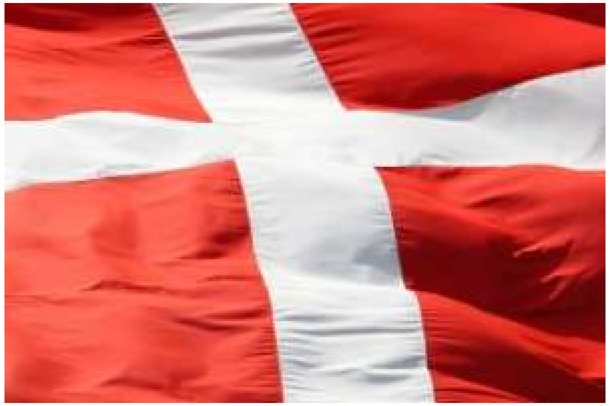
FINANCIAL NEWS

International managers benefit as Danish scheme outsources €5bn

Mark Cobley

03 Nov 2010

Fund managers including MFS, Schroders and Western Asset Management are among the victors in one of the biggest and fiercest new business contests in European fund management this year, after the €7.2bn Danish state pension fund LD outsourced most of its investments.



LD decided earlier this year to farm out the management of about 70% of its €7.2bn portfolio to external firms, and today said it has hired eight international fund management firms to run portions of that. Over 100 managers had put their names forward.

LD Invest, the scheme's in-house manager which was allowed to compete on an equal basis with the private-sector firms, retained three of the outsourced mandates - in Danish domestic bonds, equities and money-markets, likely totalling around €1.8bn.

Other Danish and Scandinavian managers were also well-represented. The LD scheme's other manager of Danish bonds will be Nordea Investment Management, while the other Danish equity firm is Carnegie Asset Management. Nordea is also to look after €125m in Danish short-term bonds.

But international managers have also got a look-in. BNP Paribas Investment Management has been hired to look after €50m in global inflation-linked bonds, and will also share a €75m allocation to green equities with the UK's Impax Asset Management - which is marketed in Denmark by Nordic fund manager Alfred Berg.

Blue-blooded UK investment house Schroders has scored a coup by winning €200m in emerging-markets equities. And the fund's two new global-equities managers, who will share €1.25bn, are MFS Investment Management and Wellington Management. US-owned Western Asset Management will be looking after €500m in credit.

The LD fund relates to an element in the Danish state pension system that has been discontinued by the government, and so the pool is in run-off, and expected to be wound down by about 2020. LD Invest was semi-spun out in 2004 and has begun taking on third-party business. LD's ownership stake in the company has been reduced to 33%.

Carsten Koch, the fund's chief executive, said: "We make sure to keep a lean LD organisation and with only 20 employees, we are able to keep a fund with assets of Dkr54bn ($10.1bn) and almost 900,000 members running. This is made possible via the agreements we enter with collaboration partners within the different areas. Our primary task today, is the overall management of the fund."

When LD put out its call for third-party managers it quickly became one of the most hotly-contested mandate contests in Europe. Over 100 fund managers put their names forward, and 40 made the long-list this summer. PA Consulting and PPCmetrics, a Swiss consultancy, helped LD to make its choices.

In addition to its nine direct hires, the scheme has also appointed an 11-strong "reserve bench" of fund managers, who will be called on if LD decides to replace one of the others.

Koch said: "It is important for LD to have the opportunity of 'shutting down' an active manager who does not deliver sufficiently good results or sufficient quality in the daily collaboration and replace him with another manager."

The 11 include local financial groups BankInvest, Jyske Bank, Nykredit, PFA Kapitalforvaltning and Sparinvest, as well as several international firms: Standard Life Investments, JP Morgan Asset Management, ING Asset Management, Rexiter Capital Management, T Rowe Price, and F&C Asset Management.

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How We Run Our Money

Martin Steward spoke with Dorrit Vanglo, LD Pension's new CEO, and head of investment and finance Lars Walberg about tendering €6bn worth of investment mandates

Maintaining value

When Dorrit Vanglo succeeded Carsten Koch as chief executive of LD Pension (Lønmodtagernes Dyrtidsfond), she found herself at the head of an institution that, like many other pension funds, is winding down.

But that is where the similarities end. LD Pension was winding down when Vanglo joined in 1989. In fact, it was winding down pretty much from day one: LD is no normal pension fund.

The clue is in the name, which translates as 'Employees' Shortfall Fund'. It was an endowment of just over €1bn made by the government in 1980, representing the inflation-linked salary that would otherwise have been paid by employers to the 2.5m Danes in the workforce between 1977 and 1979. Since then it has provided a non-guaranteed lump-sum for those members, which they are allowed, but not obliged, to take at the age of 60.

So far, about 1.6m accounts have been cashed in – and they have done very well out of it, too. The net average annual return for members who left their share in the default LD Vælger ('LD Discretionary') portfolio for the past 30 years is more than 10%.

The set-up is simple. Members get to choose from 10 different 'pools', or the default LD Vælger. Eight of the pools are 'plain vanilla': Danish equities; global equities; short-term Danish bonds; mixed global sovereign and corporate bonds; and four of Denmark's biggest mutual funds (balanced funds from BankInvest, Danske Invest and Jyske Invest, and a portfolio of Danish bonds and European credit from Nordea Investment Management). Then there is an environment and climate change-themed equity 'pool' (replacing an environment and health-themed 'pool' discontinued at the end of 2010); and an innovative 'pool' called LD Kontra, made up of very short and very long-term bonds, gold resource equities, low-beta stocks and options, designed to protect wealth during financial turmoil – which it did, admirably, in 2008.

Around 9% of LD's members shop around in these 'pools', leaving the vast majority in LD Vælger. Today, that portfolio has 49% in government and mortgage bonds. The 20% it has in non-Danish equities is split 38% US, 10% Japan, 13% UK, 22% other developed markets and 3% emerging markets. In terms of sectors, its global portfolio is fairly reflective of standard benchmarks.

Since 2004, when the adoption of new legislation led to a reorganisation of LD Pension, all of the assets outside the four mutual fund offerings have been managed under a five-year contract with LD Invest, an independent subsidiary spun out to pursue third-party clients. LD Pension owns 33% of LD Invest and at the end of 2010 its members' assets accounted for more than 70% of the firm's assets under management and 40% of its revenues.

However, when LD Invest was first established, LD Pension owned virtually 100% of the business – which was why it did not have to open the mandate to a competitive tender. Five years later, when its contract expired, LD Pension was required to go to market. It did so in spring 2010, with a total of €6bn worth of business – the entire fund with the exception of its private equity and property allocations, the BankInvest, Danske, Jyske and Nordea 'pools', and LD Kontra (members who chose this 'pool' are being moved into a near-identical retail mutual fund offered by LD Invest, with a special fee rebate).

LD Invest is a robust independent business. While LD Pension's assets account for 40% of its revenues, the mandates out for tender represented only 16%. It has more than 50 other clients for its asset management business, including most of the major Danish pension funds. Pitching against the biggest names in the fund management industry, it held on to half of the LD Pension's Danish investment-grade bonds and Danish equities allocations, and all of its Danish money-market assets. Perhaps more impressively, it is retained as a standby for global equities.

"We wanted managers that were not so huge that we would get lost among a crowd of other, bigger clients, but also not so boutique that they would struggle to deal with large mandates," says Vanglo. "It is difficult for a boutique like LD Invest to compete with the international firms – but that is why it is impressive that they came through our process with some mandates, even in the face of that competition."

EU procurement rules were not the only reason to change the arrangement with LD Invest. To understand the longer-term perspective, remember that it has no inflows and that its remaining members were all in the Danish workforce between 1977 and 1979. The youngest are in their late 40s and the average age is about 55.

Illustration: Michael McGuiness

The proportion of over-60s who can withdraw their savings is growing, not just for the obvious reason that they get older each day, but also because more and more are postponing withdrawal to older age.

"About 25-30% withdraw at age 60," says Vanglo. "About the same proportion again withdraws at age 62, because many Danes can draw on a late-unemployment scheme from that age, while Denmark's public pension plan isn't available until 65."

That means that a full 30% of LD Pension's assets could be withdrawn within two weeks, says chief finance officer Lars Wallberg. "However, the average member has about DKK60,000 (€8,000) in the scheme – so it's usually only a small part of their total wealth and pension provision and withdrawal tends to be a gradual process," he says. "We've had some success persuading members to leave their money in the short-term bonds pool if they don't need the cash when they retire, but for the same reasons we are also quite sensitive to policy changes around pensions."

Add all this up, and it is inevitable that assets are on the way down from their 2005 peak of DKK63bn (€8.4bn). About €600m is withdrawn or transferred each year and the expectation is that the fund will be half its current size in 10 years' time and will cease to exist a few years after that.

At least two consequences follow from that fact. The first is related to portfolio management. "We have been reducing unlisted assets like private equity and property," says Vanglo. "But we are looking at liquidity in the quoted equity and bond portfolios, too."

The fund's equity allocation has been reduced since 2004, from more than 50% to its current level of 35%, reflecting the fact that volatility is almost as bad as illiquidity in tougher times – while LD Pension has no guaranteed liabilities as such, no one wants to see members cashing in after a crash of 20% from peak value.

"We haven't taken any specific measures to target low-volatility returns aside from reducing our overall equity exposure," says Vanglo. "We are more comfortable advising our members not to withdraw money in bad times unless they really have to, which has been a successful approach in the past. We think that's better than potentially giving up some returns in order to keep volatility low."

The fact that broader pension provision has increased and members are more willing and able to postpone withdrawal helps them to ride out volatility, adds Wallberg. "The first time we experienced negative returns, in 2001-02, we had members shouting down the phone for their money," he recalls. "After 2008 they were quite calm and fewer than expected withdrew."

The second consequence of diminishing assets is related to costs. The contract with LD Invest was agreed at fixed cost in 2004 – which obviously means higher cost-per-krone as assets decrease. That is not to say that the deal was not a great one for LD's members or, even, that it would not have continued to be good for a few more years yet. Speaking to IPE during the procurement process in 2010, Henrik Parkhøi, LD Invest's managing director doubted that the fund could get a better price on the market with asset-based fees. Vanglo is the first to agree: "Asset-based costs will start to save us money against the old fixed costs, but it's true that it will be more expensive at first," she says. "Which just goes to show how good the LD Invest contract was!"

LD Pension is keen to stress that price was not the be-all-and-end-all of its procurement process, but Wallberg indicates that it had a 30% weighting in selection and emphasises the importance of operational value-for-money – a diverse range of brokers, for example, or superior execution capabilities. This is an imperative for the fund, because a decreasing asset base will inevitably mean economies of scale being lost, even as savings are made from the shift away from fixed costs. As such, LD Pension designed the procurement to maximise price competition.

"The relatively small size of our mandates might have been expected to present high costs, but we have tried to mitigate that by avoiding complex and expensive investment strategies," says Wallberg. "We also tried to mitigate that by creating large mandates – other funds of our size can easily have twice the number of mandates – but at the same time we divided some of the biggest into two to create competition. In the end, we think we saw all the price competition we could have asked for."

In addition, a structural change to 'cross-pool investment management' was implemented to maintain economies of scale.

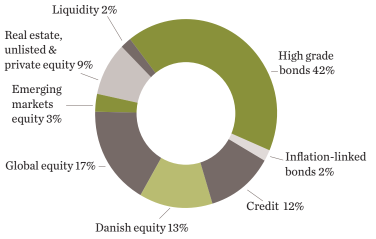
"Before, each 'pool' had its own separate portfolio," Vanglo explains. "Now, we are much more like a fund of funds manager, bringing together the money from separate 'pools' for each asset class before we go to each mandate manager, creating scale and getting a better price. For instance, we have investment 'pools' and a mandate in LD Vælger that all have exposure to Danish equities: now they will all own part of the mandates we have awarded for Danish equities."

Given this emphasis on maintaining value, some may be surprised that LD Pension currently has no place for passive management – particularly as it used to get its asset allocation service included in the fixed price from LD Invest and is now taking responsibility for those decisions back in-house. As at least one of the two new hires it made last year has asset allocation as one of his remits, why not offset this cost by focusing on this top-down decision and implementing it with index funds?

Active management is to some extent written into the DNA of the fund – it believes in it ("at the right price") and has pursued it since the days when all assets were run in-house. "That's not to say that we won't look at passive management as the asset base shrinks," notes Vanglo. "We may reach a point at which it becomes more efficient in terms of cost per unit of return."

And in a way that sums up the story of LD Pension: a changing, evolving effort to squeeze the best value from the asset management industry for a diminishing group of members with a shrinking pool of assets, negotiating the obstacles and compromises along the way. It has done a great job so far – but on that score there is little doubt that its last decade or so will also be its most challenging.

Asset allocation LD Vælger



Source: LD Pension

LD Pension on... the procurement process

"The most difficult part of the process is the fact that you have to plan everything out right from the beginning, because once you have given information out to the market it is too late to change," says Dorrit Vanglo. "That does make it difficult to have a real dialogue with the asset managers. They can't just phone up and say: 'We don't really understand this question, what can we do about it?' The EU procurement process requires very thorough reporting – so if you do enter into any dialogue you have to report that just in case there is a complaint. Essentially, you have to evaluate everyone on the information they send you and that inevitably makes the prospect for dialogue much narrower than it might otherwise be. There were instances where, had we not been subject to those requirements, we might have picked up the phone and asked people to perhaps provide more data or more detail. In all of this, of course it helped that our advisers, PA Consulting in Denmark and PPC Metrics from Switzerland, had lots of experience in preparing these processes with other clients."

External asset manager mandates

Danish high-grade bonds
LD Invest
Nordea Investment Management
Standby mandates: Jyske Bank; Nykredit AM; PFA AM; Sparinvest

Global inflation-linked bonds
Fischer Francis Trees & Watts (BNP Paribas Investment Partners/Alfred Berg)
Standby mandate: Western AM

Credit
Western AM (starting July 2011)
Standby mandates: JPMorgan AM; Wellington Mgt

Global equities
MFS Investment Mgt
Wellington Mgt
Standby mandates: LD Invest; ING Investment Mgt; Schroders

Danish equities
LD Invest
Carnegie AM
Standby mandates: BankInvest; Jyske Bank; Nykredit AM; PFA AM

Emerging market equities
Schroders
Standby mandates: Rexiter Capital Mgt; T Rowe Price

Danish short-term bonds
Nordea Investment Management
Standby mandates: LD Invest; Jyske Bank

Environment & Climate equities
Impax Asset Management (BNP Paribas Investment Partners/Alfred Berg)
Standby mandates: F&C Management; ING Investment Management

Danish money market instruments
LD Invest (starting July 2011)
Standby mandates: Nykredit AM

LD Pension – vital statistics

- Fund structure type: Non-guaranteed lump sum available from age 60
- Members: Approximately 850,000
- Date established: 1980
- Invested total assets: DKK54bn (€7.2bn)

PRESS RELEASE

2. November 2010

Investment managers selected for LD assets of more than EUR 5 billion

Having completed the open tender procurement procedure, LD has now selected the managers who will be responsible for LD's portfolio management regarding the fund's listed investments of more than EUR 5 billion from 2011.

Based on applications from more than 100 Danish and foreign asset managers LD decided to prequalify 40 managers in summer 2010 which thereby gained access to submit an actual offer for one or more of the mandates. The evaluation of the submitted offers has resulted in that LD will sign framework agreements with 20 companies.

Among the 20 companies which were awarded framework agreements, LD has now chosen those who will be active managers on 12 different investment mandates starting from 2011. The other managers with framework agreements will be entitled to participate in future bid-rounds, which will take place in case LD decides to replace one or more of the present active managers.

LD has benefited from consultancy services from the Swiss company, PPCmetrics, who specialize in structured selection of investment managers, and PA Consulting Group.

Increased adaptability

The framework agreements with the investment managers provide LD with a number of advantages, especially in relation to increased adaptability in relation to costs. The costs for investment management will decrease concurrently with a decrease in LD's assets, and the costs will be lower if the interests of the members dictate that the costs will be lower if the investments, to a larger extend, are placed in securities with a lower return/risk profile.
The chosen structure also means that LD can maintain a varied offer of investment funds which is the foundation of the individual investment choices of the members. In the future

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LD Discretionary and the pools will be able to draw on cross-pool investment management which more funds will benefit from thus making management more cost effective.

"In the long run the agreements ensure that we will be able to maintain a low cost level. In the short run we have not obtained cost savings compared to our present agreement with LD Invest A/S, but this agreement could not be continued, and by entering the new agreements LD will continue to offer a cost effective solution", explains Carsten Koch.

The present agreement with LD Invest A/S is cost based at a level which was determined when LD established the company in 2005. LD was obligated to put the investment management out to tender, a process which now has been completed.

Investment managers "on the bench"

The companies, not chosen as active managers in the first round, will have the opportunity to be considered later on. The framework agreements give LD the possibility of undertaking a mini-tender among the managers awarded framework agreements in relation to a specific investment mandate. The framework agreements thus ensure a seat "on the bench".

"It is important for LD to have the opportunity of "shutting down" an active manager who does not deliver sufficiently good results or sufficient quality in the daily collaboration and replace him with another manager. The framework agreements offer that possibility by undertaking a mini-ender, and this will most certainly contribute to improve performance among the chosen investment mangers", says Carsten Koch.

A lean and focused organization

Despite an increase in LD's assets in 2010, it is not expected that the assets will regain the pinnacle of DKK 63 billion, which was achieved in 2005.

Since 2004 LD has worked on adjusting the organization in the light of an expected decrease in assets and members. In 2005 the whole investment organization at the time was transferred to the subsidiary LD invest A/S. The Danish Financial Supervisory Authority approved that the subsidiary was allowed to provide investment management services to other clients and that the earnings from other clients and LD could ensure continuation of the whole investment organization. LD Invest A/S has since then established a number of new business areas and LD has reduced its owner's share to 33 per cent.

The framework agreements ensure LD access to very competent investment managers and simultaneously the costs may be adjusted to asset development.

In October 2010 LD transferred its member administration from ATP to FDC A/S and has also here after a completed EU tender process obtained more adaptability on services and costs.

In 2012 LD will evaluate the future organization in relation to investment administration and also expects to put out an EU tender for this area.

"We make sure to keep a lean LD organization and with only 20 employees, we are able to keep a fund with assets of DKK 54 billion and almost 900,000 members running. This is made possible via the agreements we enter with collaboration partners within the different areas. Our primary task today, is the overall management of the fund", says Carsten Koch.

Selection based on quality and price

Competition for the offered mandates has been fierce among the bidding companies. Price has not been the only decisive factor for LD. Quality regarding e.g. the investment process, competence of the investment team and investment returns have also been a key part of the decision. Similarly, capacity and processes in relation to risk management and trade execution have also weighted significantly in the decision.

Enclosure 1 shows an overview of which investment managers have been awarded framework agreements and who have been chosen as active managers. LD only pays fees to the"active managers".

Additional information

Additional information can be obtained by contacting Carsten Koch, CEO in LD.
Contact should take place by contacting Anita Mechlenburg, Executive Assistant, Tel: +45 33 36 89 22 and email: anm@ld.dk

./. Enclosure 1: Overview of awarded framework agreements and selected active managers.

Enclosure 1: Overview of awarded framework agreements and selected active managers

The below overview shows which companies have been chosen as active managers as per 1 January 2011. For two of the investment mandates – namely Credit Investments and Danish Money Markets – the handover of the active mandate has been postponed until 1 July 2011.

The overview also shows which companies have been awarded framework agreements and thus have the opportunity at a later stage to make an offer for the investment mandates.

As active managers the companies are entitled to offer investment management on a share of LD's asserts. The overview shows an estimate of how much LD expects should be invested in the investment areas in question. LD will on a continuous basis inform each individual active manager about the size of the assets the manager in question must place in securities and LD will be able to adjust the size of the assets administrated by each investment manager both in upwards/downwards direction.

The companies are listed in alphabetical order and the order does not express the evaluation result.

Investment Mandates

1. Danish High Grade Bonds

A preliminary estimate indicates that EUR 2.6 billion placed in the investment area.

Company Name		**Per 1 January 2011**
Fondsmæglerselskabet LD Invest	Denmark	**Active manager**
Jyske Bank	Denmark	Framework agreement
Nordea Investment Management	Sweden/ Denmark	**Active manager**
Nykredit Bank (Asset Management)	Denmark	Framework agreement
PFA Kapitalforvaltning, Fondsmæglerselskab	Denmark	Framework agreement
Sparinvest Fondsmæglerselskab	Denmark	Framework agreement

2. Global Inflation Linked Bonds

A preliminary estimate indicates that EUR 0.05 billion placed in the investment area.

Company Name		Per 1 January 2011
BNPP Investment Partners / Fisher Francis Trees and Watts(1)	France/ USA	**Active manager**
Standard Life Investments	Great Britain	Framework agreement
Western Asset Management	USA/ Great Britain	Framework agreement

(1) Alfred Berg is the representative in Denmark

3. Credit Investments

A preliminary estimate indicates that EUR 0.5 billion placed in the investment area.

Company Name		Per 1 July 20 2011
J.P. Morgan Asset Management	USA/ Great Britain	Framework agreement
Wellington Management	USA/ Great Britain	Framework agreement
Western Asset Management	USA/ Great Britain	**Active manager**

4. Global Equity A preliminary estimate indicates that EUR 1.25 billion placed in the investment area.

Company Name		Per 1 January 2011
Fondsmæglerselskabet LD Invest	Denmark	Framework agreement
ING Asset Management	The Netherlands	Framework agreement
MFS Investment Management	USA/ Great Britain	**Active manager**
Schroder Investment Management	Great Britain	Framework agreement
Wellington Management	USA/ Great Britain	**Active manager**

5. Danish Equity

A preliminary estimate indicates that EUR 0.85 billion placed in the investment area.

Company Name		Per 1 January 2011
BankInvest Asset Management A/S	Denmark	Framework agreement
Carnegie Asset Management Fondmæglerselskab	Denmark	**Active manager**
Fondsmæglerselskabet LD Invest	Denmark	**Active manager**
Jyske Bank	Denmark	Framework agreement
Nykredit Bank (Asset Management)	Denmark	Framework agreement
PFA Kapitalforvaltning, Fondsmæglerselskab	Denmark	Framework agreement

6. Emerging Markets Equity A preliminary estimate indicates that EUR 0.2 billion placed in the investment area.

Company Name		Per 1 January 2011
Rexiter Capital Management Limited	Great Britain	Framework agreement
Schroder Investment Management	Great Britain	**Active manager**
T. Rowe Price Global Investment Services	USA/ Great Britain	Framework agreement

7. Danish Short Term Bonds

A preliminary estimate indicates that EUR 0.125 billion placed in the investment area.

Company Name		Per 1 January 2011
Fondsmæglerselskabet LD Invest	Denmark	Framework agreement
Jyske Bank	Denmark	Framework agreement
Nordea Investment Management	Sweden/ Denmark	**Active manager**

8. Environment and Climate Equity (

A preliminary estimate indicates that EUR 0.075 billion placed in the investment area.

Company Name		Per 1 January 2011
BNPP Investment Partners / Impax Asset Management (1)	France/ Great Britain	**Active manager**
F&C Management	Great Britain	Framework agreement
ING Asset Management	The Netherlands	Framework agreement

(1)Alfred Berg is the representative in Denmark

9. Danish Money Market Instruments

A preliminary estimate indicates that EUR 0.05 billion placed in the investment area.

Company Name		**Per 1 July 2011**
Fondsmæglerselskabet LD Invest	Denmark	**Active manager**
Nykredit Bank (Asset Management)	Denmark	Framework agreement