

Actuaries Conference Celtic Manor

Advisors

David Blackwood

Advisors - the good old days

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Preamble

- Broad topic – advisors – what / why / who - hard to cover
- Personal views – views in pensions land are diverse
- All pension schemes are different
- Their relevant importance is different – scheme size / sponsor size / sponsor credit rating
- Recognise that professional firms have to make a living - try not make today a “moan” about costs (try!)
- Pensions is an industry that has moved centre stage over the last decade
- Crazy governance environment
- But its also a dying industry (long, slow profitable death)

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Closing !?

- Advisors must add value – at least on the corporate side
 - In a cost effective and well structured manner
 - Help me understand the issues and options – and prioritise
 - Help me (or the trustees) execute – there is no (/limited) value without implementation
- THANK YOU...

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Three perspectives

- Corporate support – operational
- Corporate support – risk and valuation / funding
 - Advisor selection
- Trustee support – but from a corporate perspective

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Corporate Support

- The (UK pensions) world is strewn with mountains of pensions analysis and presentations that has mainly led to complete inaction – true or false??
- If true – why?

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Some things I would expect

- Understanding a client perspective on pensions – and a willingness to challenge them / educate ? -- to discuss
- Recognition that clients have different degrees of understanding
- **A good advisor ought to be able to take a clear view on where work and effort is best focussed for the best return to the client – a commercial trade off on cost / benefit / ability to implement**
- Understanding that the biggest enemy of better is best

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With that in mind - the workplan – how can you help me with this

- closure to new entrants
- benefit modification
- closure to new accrual
- audit of liabilities
- transfer of liabilities
 - EHTV
 - selective annuitisation
- other liability mitigation – for example reshaping existing benefits
- costs – admin / (other) advisors / PPF / other

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RISK – what every good advisor knows



Different people and organisations have different understanding, different views, different approaches and different tolerances to risk

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Risk

- The most frequently produced chart in the UK is a pension fund risk chart showing liability risk is higher than asset risk – true or false?
- Every time I see one I think “so what”
- I want the “so what” – and its pros and cons

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Valuation and Funding – the difficult one

- Talk to this one
- Personal view
 - Shouldn't aim to avoid funding – putting money in is necessary!!
 - Should be what is required
 - To a timescale that is appropriate to the company plan
- For me therefore, the role of advisors is to meld the desirable with the achievable – not “what's the least I can get away with” (but it might be)

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Slide from a corporate risk presentation I did
about 6 year ago

Looking forward ten years

- In 10 years time, imagine a scheme
 - Closed to new entrants
 - Closed to new accrual
 - Many deferreds transferred out (incentivised)
- You are running a life company alongside your core business
- Where will the trustees be
- Where do you want to be
- This may well define the next trend in pensions

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Advisor selection - other comments

- Corporate side is clearly more relationship driven
- More churn than on the trustee side – but still limited once “in”
- Who is the buyer – the Board or the FD?
- Is the buyer knowledgeable or not
- Personally
 - People, not organisations
 - Knowledgeable
 - Clear communicators
 - Not pressing for the big ticket fee

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Advisors and trustees

- Not a sensible commercial relationship
- Corporate ability to influence advisor selection diminishing / difficult
- But if my advisor says its OK – why shouldn't the trustees advisor agree?
- A lot of compliance stuff – which SHOULD be cost driven
- If I had a choice
 - Similar characteristics to corporate advisor
 - Value for money on the compliance stuff
 - Pragmatic in facilitating closure with the sponsor on issues – not adversarial – and get there quickly
- A lot depends on trustee experience / characteristics / objectives

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Not touched on – but could discuss

- Admin
- DC schemes
- Accounting
- Other??

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IAS 19 support advice example discuss

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