

The Actuarial Profession

making financial sense of the future

2003 Pensions Convention

Where are we heading?

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Where are we now?

- The balance between the roles of the State, employers and individuals is changing.
- Times are tough for funded pensions - investment conditions, bureaucracy and longevity.
- Management of human capital in UK plc is poor.
- Advice on senior executive benefits is booming - but what about everyone else?
- Corporate Governance is firmly on the map.

Building on Sound Foundations

- Are current State pension policies sustainable?
- You cannot escape the demographic projections.
- Dynamic labour market policies and reforms are essential.
- Politicians need help and new ideas, not criticism.

Benefit Design

- What benefits do people need?
- Has final salary given the DB concept a bad name?
- Babies and bath water.
- Long term v. short term.
- Advice has been timid and bog standard.
- The Profession should have a view.

The Pensions Promise

- Where I went to school, a promise was a guarantee.
- It's not our job to decide on how strong the "promise" is, or should be.
- We should help Parliament to clarify its intentions ...
- Before we debate (politely please) how to value it.
- Clarification may come as part of the terms of a compensation fund.
- Pensions actuaries and risk will meet at last!

The Equity versus Bond Debate

- Time horizons and risk.
- Many DB scheme sponsors are not quoted companies.
- Back to the pensions promise - should DB schemes be treated like with profit funds?
- Financing UK plc in a bond-dominated pensions world.
- Bonds - the next bubble?

Pension Scheme Governance

- Time to reconsider the Trust-based system?
- Power and influence - do we have the right balance between employers and trustees?
- Independence of advisers will rise up the agenda.
- Disclosure.

Where are we heading?

- More effective influencing:
 - Of State provision
 - Of benefit design
 - Of the balance of responsibilities between the state, employers and employees.
- In meeting people's needs, final salary schemes may vanish but defined benefit schemes will not.
- An American-style compensation scheme is a distinct possibility.
- Substantial deficiencies will persist, unless acceptable ways are found to reduce benefits.

Where are we heading?

- It will become best practice for employers and trustees to be advised by separate firms.
- Be prepared for the bursting of the bond bubble.
