Governance and building a community
Robert Gardner, Redington Ltd.

Highlights of the Pensions conference 2010

Let’s get creative…

Pensions governance today

Collaboration and Kindness of Strangers

Social Media

Governance 2.0- Building a community
Let's start by getting creative...

- Bob McKim
- Stanford University
- A Creativity researcher in 60s and 70s
- Ran Stanford Design Programme
- One of his Creativity Exercises
- Draw your neighbour very quickly...
- 30 Seconds...
- ...Let's GO

Creativity exercise
Here’s one I made earlier...

...solve these problems?

- Multi-Dimensional Decision Making
- Governance: Responsibility of the Trustees
- Complex Decision Making Process
- The pension fund industry faces tough times
- Multiple insolvencies have added to the problem
- Companies are reacting
- Filtering through the information noise
- How are trustees reacting:
Governance
Responsibility of the trustees

Accountable, Responsible Decision Making

Negotiating with the Sponsor

Assets: Investment decisions

Setting a recovery plan

Setting a risk budget

Agreeing a funding schedule

Design and implementation of a hedging programme

Establishing a view on financial markets

Assessing available financial products

Strategic asset allocation

Fund Manager appointments

Exploiting tactical market opportunities

Liabilities: Benefits decisions

Agreeing the technical provisions with the Scheme Actuary

Governance
The decision making process

Complex decision making process

Main Trustee Board

Advisor(s)

Scheme Actuary

Investment sub-committee

Non financial sub-committees

Joint Working Group(s)
The Pension Fund Industry faces tough times

Companies are reacting

WH Smith to close pension scheme

Companies are reacting to cut the final-salary pension scheme in a move that would affect about 3,000 workers.

The retailer said that 12% of its staff are members of the scheme, which was closed to new members since 1993.

WH Smith, which split its high street retail and distribution businesses last year, said the pension scheme accounted for £35m of its £200m annual pension contributions.
Filtering through the noise

Actuaries

Lawyers

Investment Consultant

Regulator

Chairman

Employer nominated

CIO

Employee nominated

Independent

Asset Managers

Corporate Sponsor

Investment Banks

Product Providers

How are trustees reacting

100 trustees...

Lack of expertise

Making decisions takes too long

Focus on past, not future strategy

Too much information

...lonely...

Not enough time

Implementing decisions takes too long

Lack of accountability

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How far have we come?

Mainframe
• 1970s

Internet
• 1990s

PC
• 1980s

Social Networking
• Today

Globalization 3.0 and an Exciting Future

• “In the technology industry people always overestimate what you can do in one year and underestimate what you can do in one decade.”

• Marc Benioff,
Founder and CEO salesforce.com

Apollo 11

X1million more powerful

iPhone

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The rise of collaboration

- Yochai Benkler dubs it “the wealth of networks”
- Howard Rheingold's term is "smart mobs."
- It's the idea of technology-enabled collaboration … and it's making us all smarter.

The collective action of beehives, photographed by Ted Horowitz.

THIN “GEEKY” LINE

- WHY?
- Octavius Black - A calling
- “because they care”
The free encyclopaedia

- Jimmy Wales began Wikipedia on 2001 based on the willingness of people to share their knowledge.
- ...one of the most-referenced, most-used repositories of knowledge on the planet, with more than one million articles in English (compared with the Britannica's 80,000)
- The “wiki” in the name refers to software that allows anyone with Internet access to add, delete or edit entries. This has led to controversies about the reliability of the information, prompting the Wikimedia Foundation to set tighter rules for editors, while still keeping Wikipedia open-source.
- "Wikipedia represents a belief in the supremacy of reason and the goodness of others.
- "...From the respectful clash of opposing viewpoints and the combined wisdom of the many, something resembling the truth will emerge. Most of the time."

http://www.wikipedia.org/

Wikipedia: Counter-Vandalism Unit

Civility, Maturity, Responsibility " Shortcut:

WP-CVU The Counter-Vandalism Unit (CVU) aims to help in cleaning up vandalism on Wikipedia by producing tools to assist in removing vandalism, providing advice on dealing with vandals, and sharing information with other Wikipedians dealing with the same issues. Removing vandalism is a task open to all members of the Wikipedia community, and the CVU intends to make that task easier. In other words, anyone who wants to help with reverting vandalism is welcome to join.

Identifying with the CVU's role by one of the methods above does not grant you any special rights or privileges on Wikipedia. The CVU is not, and has not requested to be, sanctioned as an official project of the Wikimedia Foundation. It is merely a collection of individuals dedicated to removing vandalism and does not seek to represent itself as anything more. "Unit" is simply a little snappier than "WikiProject".
Social media

The convergence of Broadcasting & Communications Media
Growth of different forms of media

Time taken to reach 50 million users

Social Media: Timeline
Social Media: The Growth of Facebook

<table>
<thead>
<tr>
<th>Stage 1 - 2004</th>
<th>Stage 2 - 2005</th>
<th>Stage 3 - 2006</th>
<th>Stage 4 - 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard Only</td>
<td>High School Networks</td>
<td>Everyone</td>
<td>400+ million users</td>
</tr>
</tbody>
</table>

Social Media: Multiple Applications in Business

Building a Company with Social Media

- Senior Level
- Marketing
- Public Relations
- Sales/HR

SOLUTIONS:
- LinkedIn
- Twitter
- YouTube
- Employer Branding

I need channels to place my products. Therefore, a brand is...
Networking is king

By Andrew Shaw

Is social networking right for trustees?

Does a day pass by without social networking bumping in the news?
Facebook, Twitter, LinkedIn and the business favorite, LinkedIn, are all part of our daily lives. Do the old-school, hard-copy format companies have taken to building social during business heart, in order to get that

do some work.

Figure widely quoted on the internet is that more than a jolt of daily use of Facebook, and a jolt of world, is the fourth most popular in

the world, not possibly, the downturn. As many, if not all, messages exchanged are going to wind up online.

Twitter: Business Applications

Hi, Rob Gardner Pensions.

You have a new direct message.

actuaryjo: Thanks for interesting info! I'm looking for some ways to share pension info in Japan, using Twitter.

Reply to the web at http://twitter.com/#!/direct_messages/sender/actuaryjo.

If you would like to receive this message as text from Twitter, please contact services immediately. To unsubscribe or change other Twitter email preferences, visit your account at the web of Twitter. To remove reply-to or request support with your Twitter account, please visit the Twitter Support.
Social Media: Multiple Applications in Business

facebook

Actuaries: ERM reports on the merger:

UK actuarial profession votes for merger | InsuranceERM

Actuaries: Read how failure at football brought Kenyan

towerwatson

Towers Watson experts available to speak to business impact of 2010


Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management.
Social Media: Multiple Applications in Business

At Redington, our mission is to provide innovative, cutting edge tools and advice to those who manage risk and allocate assets for pension funds and insurance companies. We currently advise clients with pension scheme liabilities totalling in excess of £150 billion.

Redington’s pioneering approach is built on the philosophy and experience of its founding partners David Kondy-Ahulu and Robert Gardner. We offer completely independent strategic risk management and investment advice to the trustees and management teams of pension funds, corporate sponsors and insurance companies.

Governance 2.0: Building a community

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Social Media and Pensions

Forum Thinking
What should pension fund trustees be to pension portfolios in the current environment?
The combined role of chore tightening, European sovereign debt issues and the US economy are weighing heavily on market sentiment, valuations and returns. Read more

Web: www.mallowstreet.com

Wisdom of the Crowd
Why do we think about generational gaps?
Today’s pensions are faced with significant challenges, but the headline creation rate of 41% which sounds good, except it’s the result of people being employed to gather census data.

Not expected
The announcement of the rescue package failed to stabilise the situation, perhaps because more people know too deep the problems in the government, rather than the central banks. The headline creation rate of 41% which sounds good, except it’s the result of people being employed to gather census data.

Making a Mosaic Connection - Why should we be?
In our next episode, Theresa Thompson-Francis, Facebook and the role social media is now playing in the pensions space. As part of her research, she’s been focusing on and being active on Facebook as a way of connecting people who have never met.

When Louisianians called the Earth
Facebook has become a powerful workplace in the mid 90’s but that is when the social media phenomenon. Facebook has become a powerful workplace in the mid 90’s but that is when the social media phenomenon.

Getting the house in order to make sense
It is a very different experience to the world of social media, one that I’ve realized just how essential good governance is to every element of running a pension scheme.

Why let in the Netherlands by the World Cup?
The Viva World Cup 2010 tournament blog is a微观 time as a mini-hype. And we know the Netherlands audience is a born -and-bred fans. We shall see a World Cup side update on the World Cup, with going people sharing what.

Community Comments
Hedon Hodge
I’m having a day of discovery in Mallowstreet today. Another great contribution I’ve not seen before. The most interesting comment is your paragraph: “The US model” is pushed as being where we ought to be. Read more

Identifying and removing waste from Pension Board decision making
I had seen this blog before now, it’s not the emphasis on the depth of Mallowstreet and asking to my comfort zone of the Inverse. It’s a huge set of cases - first learned of it when came deployed in pensions administration... Read more

World Cup by the Netherlands by the World Cup?
If you want to talk about big brother, you look at the way FIFA are behaving in South Africa. They are calming down on processing anyone using any references to the World Cup who are not currently sponsored. Read more

What trustees are saying

We want one place to access all information
I can see what others think about solutions
We use independent trustees to challenge the board, advisors, managers etc

I can share experiences with other trustees
I can work at my own pace, when I have time
I feel better informed to make decisions

We each have defined roles
We have more regular meetings so spend more time looking forward than recapping the past
We have a small working group that focuses on implementation

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Another way

Community
- Share experience
- Hear others' views on providers
- In your own time
- Targeted education

Better governance
- Retain control
- Define roles
- More regular meetings
- Smaller implementation groups

Social Filtering

<table>
<thead>
<tr>
<th>Amount of Noise</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Social Media</td>
<td><img src="mallows.png" alt="Social Media" /></td>
<td><img src="facebook.png" alt="Social Media" /></td>
</tr>
<tr>
<td>High Internet Media</td>
<td><img src="amazon.png" alt="Internet Media" /></td>
<td></td>
</tr>
<tr>
<td>Low Traditional (non-digital) Media</td>
<td><img src="traditional.png" alt="Traditional Media" /></td>
<td></td>
</tr>
<tr>
<td>High PC Media</td>
<td><img src="email.png" alt="PC Media" /></td>
<td></td>
</tr>
</tbody>
</table>
Be responsive to change

“It is not the strongest of the species that survive, nor the most intelligent, but the most responsive to change”
Charles Darwin – Origin of the Species (1809 – 1882)

The Kindness of strangers

- The Kindness of strangers
- Explosion of social media and online work will continue to blur geographic boundaries
- Continuous improvements in communication and technology.
- Actuaries will be even more globalised.
- Actuaries have the opportunity to help their clients (and each other) with their skills and experience – need to adapt to changing landscape.

- Thank you and connect with me...
Contacts
Feel free to connect, share and discuss

- ...mail, phone and email

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