



Knowledge Sharing Scotland DC Pensions: Consolidate and Certify

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Aon Hewitt
Retirement & Investment

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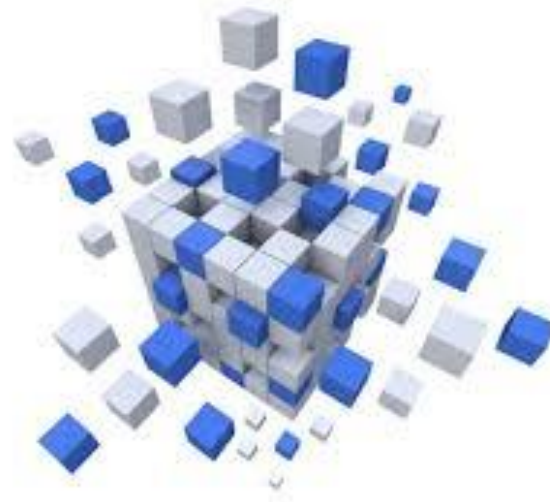
Agenda

- Why consolidate?
- DC developments
- What is important?
- The actuarial certification



Why consolidate?

- Corporate transaction
- Reduce trustee governance burden
 - Regular DC
 - AVCs for DB schemes
- Reduce running costs
- “Better” or alternative delivery



The coming retirement crisis

15%

Contribution needed for reasonable pension outcome

2004 Pension Commission

12.7%

Average contribution rate to UK DC plans

(Aon 2016)

1/4

of employees saving less than 5%

(Aon/Cass study)

1 in 4

Have no idea what income they need to maintain standard of living

(Aon 2016)

Less than half expect to retire by 65

(Aon 2016)

Millennials twice as likely to seek advice online

(Aon 2016)

2/3

Still want income in retirement

(Aon 2016)

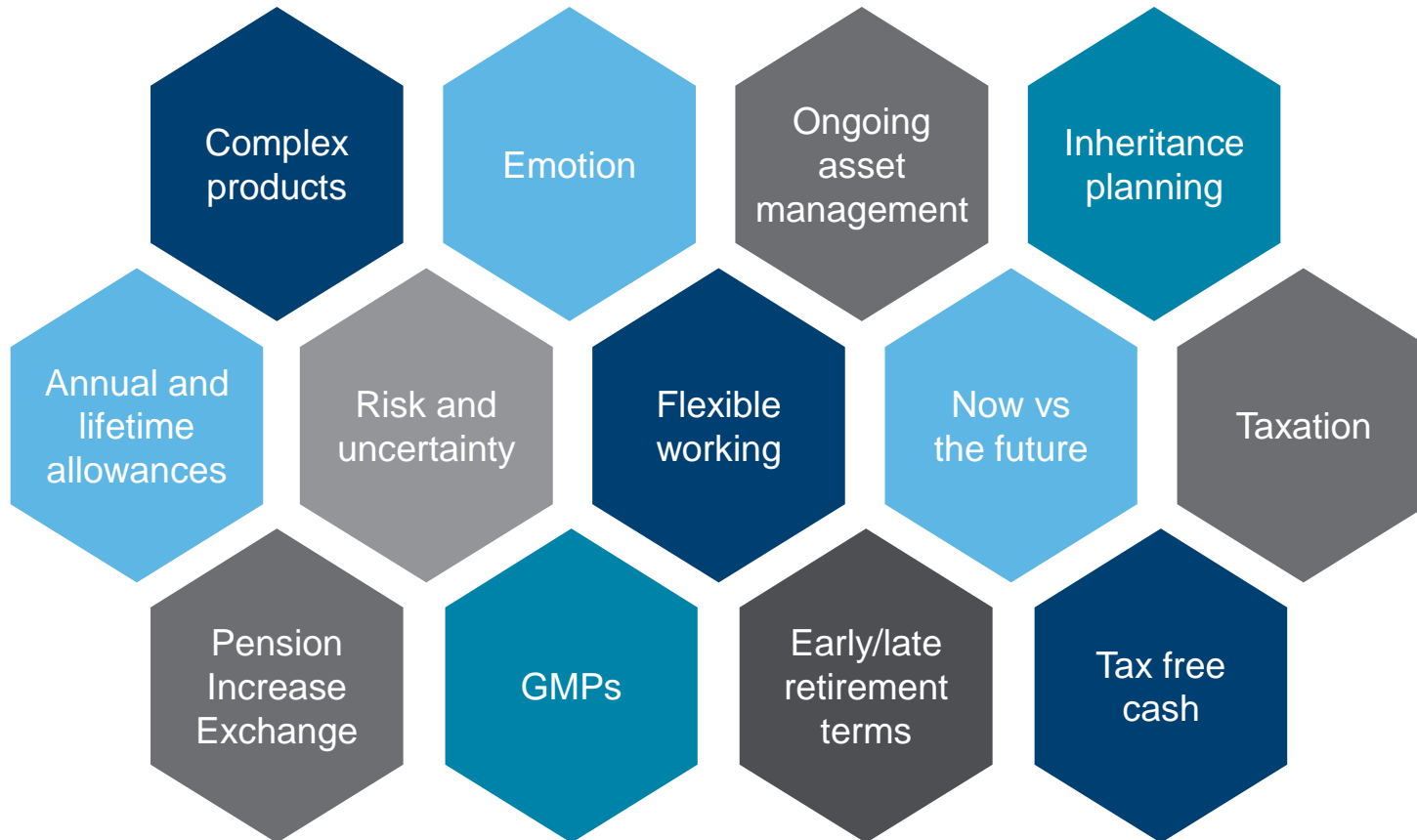
62%

Will rely financially on their company pension

(Aon 2016)

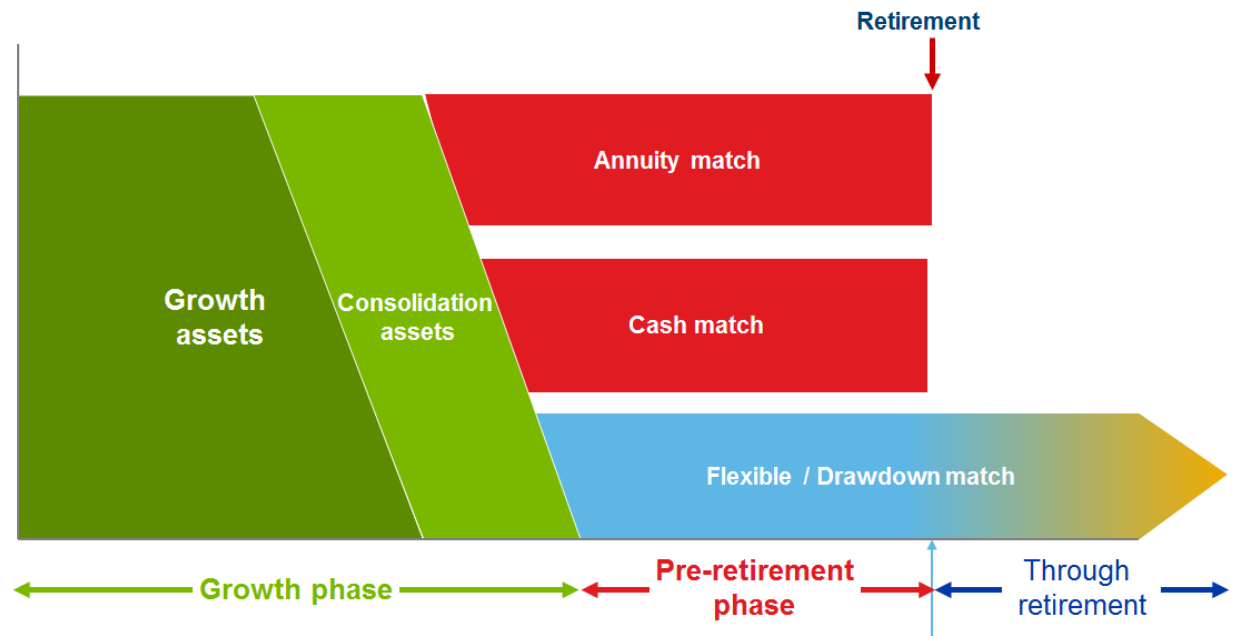
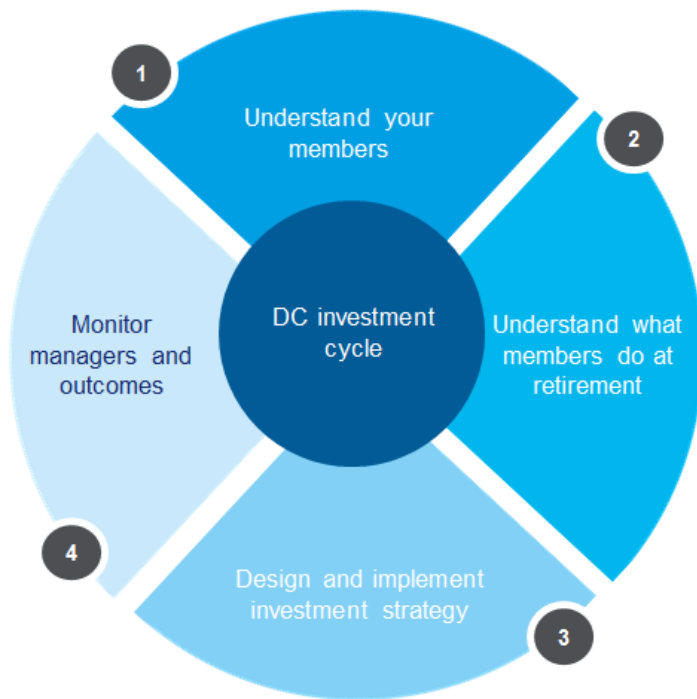
DC developments...

Pensions Freedom brought in choices, but also complications...



What is important to trustees of transferring schemes?

To act in the members' best interests...



What else impacts the 'value' to the members?

- Range of funds available and mapping
- Charges/costs – both on transfer and ongoing
- Out of market risk
- Governance
- Support to members
- Member security

Other things to watch out for?

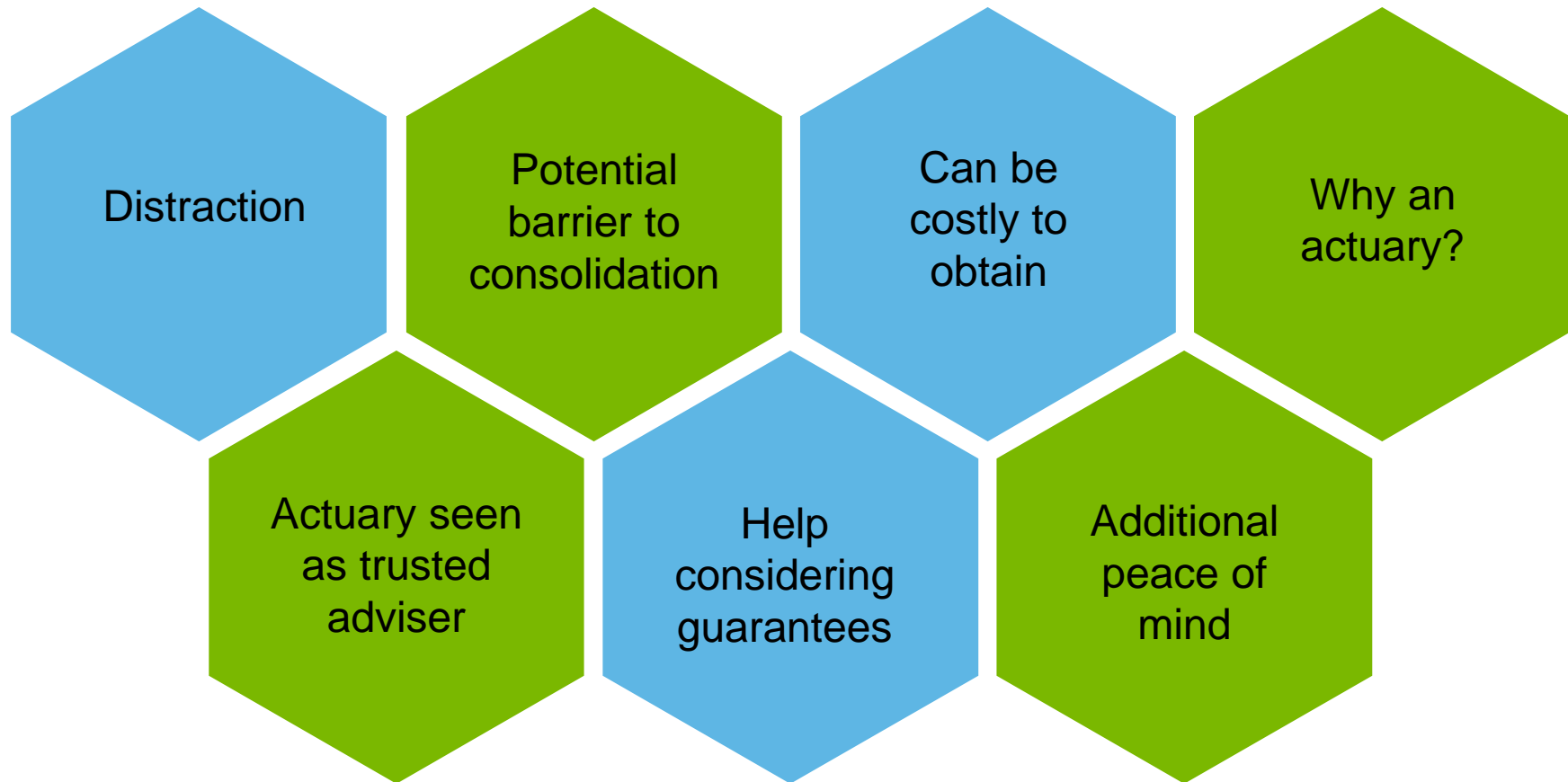
- Trustee protections
- Tax free cash (if transferring scheme hybrid)
- Death benefits
- Guarantees

Lots of advice required – legal, investment, governance, actuarial?

“...the **transfer credits** to be acquired for each member under the receiving scheme in the categories of member covered by this certificate are, **broadly, no less favourable** than the **rights to be transferred.**”

“Where it is the established custom for **discretionary benefits or increases in benefits** to be awarded under the transferring scheme ... there is good cause to believe that the award of discretionary benefits or increases in benefits under the receiving scheme will ... **be, broadly, no less favourable.**”

Some food for thought...



What's included on the certification?

- How common?
- Fees involved?
- Broadly no less favourable?
- Actuarial certificate or alternative quality check appropriate?
- Guarantees?



Bulk transfers of defined contribution pensions without member consent

Call for evidence

December 2016

What happens next?

- Await response from the DWP
- If change in legislation required intention was to implement from April 2018



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