PENSIONS AT THE CROSSROADS
What direction will you take?

LCP ANNUAL PENSIONS CONFERENCE
16 SEPTEMBER 2014
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Welcome to our Annual Pensions Conference. We will be identifying the key actions for your scheme over the next few months, including practical guidance and tips on how you can take advantage of opportunities as they arise.
Bob Scott
Senior Partner, LCP

Bob is an experienced conference chairman. He has been a partner of LCP since 1988 and became senior partner on 1 April 2011. He is the honorary secretary of the Association of Consulting Actuaries. Bob is the author of LCP’s Accounting for Pensions report and is a regular commentator on UK pensions issues in the media.
Welcome to our 17th Annual Pensions Conference: **Pensions at the crossroads – what direction will you take?**

The past 15 years or so have not been happy ones for sponsors of defined benefit pension schemes. Many companies have had to pump money into their schemes to compensate for falling equity markets, lower gilt yields and an ever ageing population. However, in recent months we have seen signs that suggest the tide may be changing. The flexibilities announced in the 2014 Budget are not only attractive for scheme members but they can help companies and trustees manage their liabilities more efficiently. We have seen favourable pricing in the buy-out market as well as transactions of a size not previously contemplated. And it is interesting to note that alternatives to cash funding are gaining traction as well as credibility.

Later this week the people of Scotland go to the polls to decide whether Scotland should remain part of the United Kingdom. How would you vote? We’ll be seeking your feedback later, mindful that a “Yes” vote could bring a new set of challenges for pension schemes, trustees and sponsors.

I am delighted to welcome our guest speakers who will be joining the LCP experts on stage this morning. Stephen Soper will give a first-hand account of The Pensions Regulator’s view of the pensions landscape and regulatory developments in the past year. Heath Mottram will take you through his experiences of the ICI buy-in, which included the largest bulk annuity policy ever executed in the UK pensions market. Finally, Fiona Trafford-Walker joins us from Australia to give insight into the Australian Superannuation system and how their experiences, both good and bad, can help the UK market as the UK seems to be moving towards similar arrangements.

During the course of this morning’s conference we will help you to identify the key actions for your scheme over the next few months, including practical guidance and tips on how you can take advantage of opportunities as they arise.

**Bob Scott**
Senior Partner, LCP
WANT TO MAKE YOUR NEXT DE-RISKING STEP REALLY COUNT?

Effective de-risking requires insightful and clear advice.

With one of the most experienced teams in the UK, LCP helps schemes achieve risk reduction objectives in a cost effective way.

Focusing on de-risking transactions of all sizes, from ground-breaking buy-ins for some of the UK’s largest pension plans to one-off exercises to benefit from the new flexibilities from the Budget, we can help you navigate efficiently to the right solution for your scheme.

www.lcp.uk.com/derisking
AGENDA

SESSION 1
09:00AM - 10:40AM

Bob Scott
LCP

CHAIRMAN’S WELCOME

Stephen Soper
The Pensions Regulator

OPENING ADDRESS
Stephen gives us the regulator’s views of the pensions landscape.

Euan Reid
LCP

YOUR PENSION SCHEME TODAY – ISSUES, CHALLENGES AND OPPORTUNITIES
With so much to do, we look at how to stay on top of your scheme’s finances, make the most of good news and manage the de-risking journey.

Michelle Wright
LCP

HOW A BUY-IN OR BUY-OUT CAN HELP
We explore how buy-ins can form part of your wider de-risking strategy and how understanding the insurance market is the first step to achieving competitive pricing.

Heath Mottram
ICI Pension Fund

THE ICI PENSION FUND BUY-IN: A CASE STUDY
Heath talks us through his experience of insuring £3.6 billion of pensioner liabilities, including the largest bulk annuity policy ever executed in the UK.
SESSION 2
11:00AM - 13:00PM

Jonathan Camfield
LCP

BUDGET: FLEXIBILITY, FREEDOM OR FOLLY?
We’ll explore the new opportunities for both DB and DC schemes arising from the 2014 Budget, including the possibility of achieving significant pension risk reduction, and actions you should be taking before April 2015.

Justine Joy
LCP

THE GOOD, THE NOT-BAD AND THE UGLY OF PENSIONS ADMINISTRATION
How do you rate your pensions administration? Using practical case studies we demonstrate what good (and not so good) administration looks and feels like and share some insight on how to improve and impress.

Fiona Trafford-Walker
Frontier Advisors

THE AUSTRALIAN EXPERIENCE – WHAT LESSONS COULD THE UK LEARN?
As UK pension provision shifts closer to the Australian Superannuation system, Fiona highlights the strengths and weaknesses of their model.

James Fermont
LCP

INVESTING FOR THE FUTURE
What investment objectives should schemes aim to achieve? We look at how you can realise your goals, while managing cashflow requirements and de-risking along the way.

Bob Scott
LCP

CHAIRMAN’S CONCLUSION AND QUESTIONS
Stephen Soper is currently the interim Chief Executive for The Pensions Regulator.

His previous role was Executive Director for Defined Benefit where he was responsible for both policy and operational decisions of current and future DB regulation.

Stephen joined the regulator nearly five years ago having spent over 23 years working in multinational financial services organisations, specialising in international banking and insurance.

A Chartered Banker (ACIB) Stephen began his career at RBS within the International Banking Division and subsequently worked within the Allied Dunbar Group, British American Tobacco Financial Services, Zurich Financial Services, Eagle Star and Aon, holding various executive and board level positions including Treasurer, Restructuring Director, COO of a UK bank and Group Change Director.
We are very happy to have Stephen deliver the opening address at our conference. Stephen will give us a view into the regulator’s perspective on the current issues facing pension schemes in the UK. He will talk us through his views on the new Code of Practice, and provide an update on how he believes the new code is working.

Stephen will also talk us through the key areas trustees should be focusing on in the post-Budget world as the responsibilities of trustees continue to grow.
Euan Reid
Partner, LCP

Euan helps pension scheme trustees and sponsors to manage their strategy and run their schemes effectively. He enjoys using LCP’s real-time models and iPad technology to help his clients make better informed decisions more quickly. With colleagues on LCP’s Think Tank, Euan keeps our ideas at the cutting edge. Euan is an LCP partner and scheme actuary with 10 years’ experience.

Stay on top of your scheme’s finances.
You could forgive pension scheme trustees and sponsors for feeling weighed down by years of difficult funding negotiations and regulatory creep. But for the first time in his 10 years as an actuary, Euan is enjoying giving some of his clients good news. Increased flexibility following the 2014 Budget, and a general improvement in funding levels, offer some hope and certainly some opportunities.

Wherever your scheme’s finances stand, the technology to help you plan your scheme’s future and understand different strategies has developed rapidly in the past 12 months. Euan will show how this technical wizardry translates into practical action.

Euan assures us that the bags under his eyes are nothing to do with last minute preparation for this conference, although his 2 month old daughter did have some very helpful suggestions.
Real-time control of your pension scheme

LCP Visualise combines our pensions consultancy with intuitive technology and real-time facts and figures.

We invite you to see the benefits.

Look out for our LCP Visualise experts who can show you a demo today.

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Benefits to you

Dashboard
Real-time analytics showing you what you need, when you need it

What if?
Real-time scenario tests so you can make quicker and better decisions on funding and investment

Triggers
Monitor your journey plan and switching triggers, to ensure investment opportunities are seized

Cashflow
Instantly understand how the scheme cashflows develop over time

Investment
Allows you to get to grips with risk metrics and the impact of changing your investment strategy

Recovery
See progress of the recovery plan, and what action you can take to keep on track

Pensioner buy-in
Identify when to approach market, based on a range of indicative insurer pricing

Print
Flexibility to print information at any date and generate PDFs to streamline your reporting
Michelle Wright
Partner, LCP

Michelle is a member of LCP’s specialist buy-out and de-risking team, focusing on helping trustees and companies to understand and implement risk-reduction strategies for their pension schemes. Michelle has recently worked on a number of high-profile transactions, including the £900 million pensioner buy-ins for GSK; the £830 million PPF+ buy-in for the Uniq plc Pension Scheme; and the £3.6 billion pensioner buy-ins for the ICI Pension Fund.

Understanding the insurance market is the first step to achieving competitive pricing.
SESSION 1
HOW A BUY-IN OR BUY-OUT CAN HELP

Michelle is very excited to be talking to you about buy-ins and buy-outs in what has so far been a record-breaking year for bulk annuities. Michelle joined LCP as a graduate back in 2006 and for her the timing couldn’t have been better, enabling her to start her career working on some of the first new-style pensioner buy-in contracts. Since then, she’s been fortunate enough to advise on some of the UK’s most innovative and high-profile transactions. This includes a simultaneous pensioner buy-in and full buy-out of two different pension schemes for Aggregate Industries, a £900 million collateralised pensioner buy-in for GSK and Uniq’s innovative PPF+ buy-in. Most recently, Michelle helped advise the Trustee of the ICI Pension Fund on its £3.6 billion buy-ins with L&G and Prudential – the largest ever executed in the UK.

Michelle is passionate about ensuring that all trustees and companies understand the potential benefits of buy-in and buy-out solutions. She enjoys working with her clients and the insurers to help deliver competitive pricing and policies that suit each scheme’s differing needs and objectives.

When she’s not negotiating buy-in contracts, Michelle’s spare time has recently been spent negotiating food and venue contracts having got married just a few weeks ago. Having previously spoken at the annual conference as Michelle Butler, she is now trying to get used to her new name “Mrs Wright” – although, as one of her clients kindly put it, “isn’t she always?”.

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Specialist areas:
- Buy-ins, Buy-outs and Longevity Swaps
- Strategic consulting for trustees
Heath Mottram
Chief Executive, ICI Pension Fund

Heath is a Fellow of the Institute and Faculty of Actuaries and is an elected member of the National Association of Pension Funds’ Defined Benefit Council.

From 2005 to 2011, Heath was Head of Investment and Funding at the Royal Mail Pension Plan where he developed and implemented all strategic risk, investment and funding strategies. He also led the project to transfer the Plan’s historic pension liabilities to Government.

Prior to joining ICI, Heath was Head of Fixed Income & Liability Management at the Universities Superannuation Scheme where he led the integration of funding and investment strategy and developed and implemented the liability-hedging strategy.

Heath’s previous roles included Head of the UK & Ireland Fiduciary Management team at Russell Investments and he was a Partner at Watson Wyatt, where he was responsible for managing and advising some of the firm’s most significant clients.
Heath Mottram will be talking us through his experience of insuring £3.6 billion of pensioner liabilities, including the largest bulk annuity policy ever executed in the UK.

Heath is Chief Executive of Pensions Secretariat Services Limited, which is a wholly owned subsidiary of the ICI Pension Fund and has over 26 years’ experience of advising on and directing strategy for some of the largest pension schemes in the UK.
Jonathan Camfield  
Partner, LCP

Jonathan has over 20 years’ wide-ranging experience in helping larger companies manage the pensions aspects of change, including pension de-risking, changes to benefits and restructuring. Jonathan is usually involved at the forefront of LCP’s response to change, including LCP’s response to legal, economic and political developments and most recently the dramatic developments of the 2014 Budget.

New opportunities have arisen for both DB and DC schemes from the 2014 Budget.
On 19 March 2014, the pensions world changed forever and so did Jonathan’s diary! Within days, Jonathan was in detailed discussions with Steve Webb and DWP and Treasury officials, assisting in the detailed macro-economic analysis that led to Government concluding in July that the new pension flexibilities should be extended to DB schemes. Jonathan is a member of the Member Incentive Monitoring Board, and has been working closely with DWP officials considering how the Code of Good Practice should be amended as a result of the Budget. Since March Jonathan has also led LCP’s response to the Budget, ensuring our people and our clients are on top of the changes and what they mean for them.

Jonathan takes a keen interest in ensuring that the law and wider regulatory environment work in combination to give employers and trustees the tools to manage their liabilities, whilst ensuring that members are treated fairly and are adequately protected – not always an easy task!

Never backward in coming forward, usually one step ahead of everyone else and never afraid of tackling a challenge, Jonathan is also a keen walker and has recently walked the Coast to Coast Footpath with his three sons and is currently in the process of walking the South West Coastal Footpath (rather actuarially, he informs us that he has completed 28% of the 630 miles).
WANT A DC SCHEME YOU CAN BE PROUD OF?

LCP’s award winning DC team can help you make sure you get maximum value for your members.

We can work with you to ensure you are ready for April 2015. From reviewing your default strategy to updating your member communications, together we can implement DC strategies that are right for your business.

www.lcp.uk.com/dc
Justine Joy
Senior Consultant, LCP

Justine is a senior consultant in our pensions administration department and has worked for both in-house and third party administrations. She heads up the internal audit team at LCP and her experience in this role helps her to provide an insight into trustees’ governance and compliance responsibilities. She is an experienced Secretary to the Trustee and provides consultancy services for a number of clients.

How do you rate your pensions administration?
Justine is delighted to represent LCP’s pensions administration department at what is an exciting time for the industry. Particularly as major changes announced in the budget will potentially change the way many pensions are administered. Justine has a wealth of experience having worked in pensions administration for over 20 years.

Throughout her career in pensions, both in-house and third party, Justine has recognised the importance of holding and maintaining up to date and accurate data, as it is the foundation of good administration. Without good data, schemes are at risk of being unable to pay the right benefits, at the right time, to the right person, which is what pensions administration is all about.

This is the first time that Justine has presented at the Annual Conference. She is a keen theatregoer and regularly watches productions at the RSC and the National Theatre. It makes a change for her to be on the stage rather than watching it.
Fiona Trafford-Walker
Director of Consulting,
Frontier Advisors

Fiona has been with Frontier since its inaugural year in 1994. She has responsibility for the delivery of advice and research through its consulting team. As Director of Consulting, Fiona is responsible for overseeing the firm’s investment consulting deliverables and provides advisory services to clients herself.

Fiona was ranked in the world’s top 25 most influential investment consultants by global finance journal aiCIO and received the Woman of the Year title in the inaugural Money Management Women in Finance awards in 2013. Fiona holds a Bachelor of Economics with first class Honours from James Cook University, receiving a University Medal, and holds a Master of Finance from RMIT. Fiona is a member of the Investment Committee of the Walter and Eliza Hall Institute.

Today Fiona will be talking about the Australian experience and highlighting what lessons the UK could learn. As UK pension provision shifts closer to the Australian Superannuation system, Fiona will be highlighting the strengths and weaknesses of their model.
Multi-sector fixed income

Developments in fixed income markets coupled with the current needs of investors are changing the landscape of fixed income product offerings. The increasing breadth of debt markets accessed by institutional investors is making way for products that provide managers with the flexibility to access a diverse range of debt sub-sectors in one dynamic product offering.

A broad label for this type of investing is multi-sector fixed income.

The spectrum of approaches

Multi-sector fixed income investing can be classified into two broad “buckets”, namely a multi-sector fixed income/credit or an absolute return approach. However, it is difficult to draw a line in the sand between the two.

Typically multi-sector credit strategies asset allocate globally across the liquid credit spectrum with ideally the flexibility to allocate to government bonds or cash if the outlook for credit is poor.

Multi-sector fixed income (as distinct from just credit) strategies tend to allocate across a similar universe but will also actively invest across the global government bond spectrum (eg rates, inflation and currency).

Multi-sector and absolute return fixed income strategies make sense both from a structural and current environment perspective.

There are also strategies that allocate across the illiquid credit spectrum. The universe of absolute return managers is also diverse and strategies can have quite different structures, objectives and risk/return targets.

Why multi-sector fixed income?

Multi-sector and absolute return fixed income strategies make sense both from a structural and current environment perspective. The key rationale is to outsource the asset allocation decision making to a manager who is able to make real time changes to the portfolio and is closer to the daily market dynamics. Additionally, the ability for investors to access a broad range of debt asset classes and

MARKET INSIGHT FROM FRONTIER ADVISORS
The chart below shows the performance of the eVestment Global Multi-Sector Fixed Interest universe compared with equity market performance and a cash plus benchmark. This analysis shows that multi-sector fixed income has broadly delivered on its cash plus objective.

However, it also shows a reasonable correlation with equity markets and at the broad universe level does not provide downside protection during stressed equity market environments.

This highlights the importance of maintaining an allocation to traditional longer duration government bonds as it is believed this is the best way to capture the desired characteristics of fixed interest from a total fund perspective, which are downside protection and diversification.

**Market environment and opportunities**

From a multi-sector fixed income/credit perspective, those strategies with the flexibility to hedge credit risk make sense given where credit spreads have moved to. This still allows investors to benefit from the reasonable current yield but reduces the risk somewhat. Total return and cash plus strategies should also provide a level of protection against rate rises and offer sufficient flexibility not to leave investors overly exposed to credit beta or a particular market or strategy. We are increasingly in an environment of divergent macroeconomic outlooks in terms of interest rates, inflation and growth expectations. In this type of environment, managers with proven top down skills, broad global coverage and implementation flexibility should outperform from a risk-adjusted perspective.

There are a number of worthwhile strategies within the multi-sector and total return fixed income universe that have merit as structural allocations. While most will not provide the same downside protection as government bonds, they do provide some diversification benefits with a reasonable return profile exhibiting much lower levels of volatility compared with equities.

Frontier Advisors is an independent asset consultant and have been successfully advising Australian institutional investors for two decades. With some of the nation’s leading analysts and advisors in their team, they provide advice to institutional investors with around $200 billion in assets across the superannuation, charity, public sector and higher education sectors.
BROADEN YOUR HORIZONS

Global Investment Research Alliance.

As proud members of the Global Investment Research Alliance (GIRA), we can deliver you the most informed global investment ideas. The alliance allows us to look at a wider universe of managers and bring these insights to our clients.

To find out more about the GIRA network and our manager research programme please visit:

www.lcp.uk.com/managerresearch
What investment objectives should schemes aim to achieve?

James Fermont
Partner, LCP

James advises clients on a range of issues concerning investment strategy. His specialism is helping his clients better manage their liability risks by structuring and implementing liability-driven investment strategies, which have helped protect funding positions over the last five years. James has played a key role in developing tools to demonstrate these risks to his clients and has incorporated ideas from investment banks and fund managers, with whom he meets regularly.
James’ talk comes at a fascinating time for investment markets. For many pension schemes, their fortunes continue to hang on to the prospect of rising interest rates and surging equity markets. James will discuss how trustees and sponsors should set their long-term investment strategies in such an environment, utilising the latest modelling tools that he has played a pivotal role in developing.

Investment has always been a passion of James’, ever since he joined LCP’s investment department via its graduate programme in 2006. Since then he has spent the majority of his time advising trustees and sponsors on the importance of setting the right investment strategy and has come to understand how best to communicate the issues that make a real difference to pension schemes.

Although not aware at the time of joining LCP and embarking on a career as an actuary, James has actuarial blood in his veins – his great great uncle was President of the Institute of Actuaries between 1918-1920.
Can increased shareholder engagement increase investor returns?

Written by Joel Hartley
Senior Investment Consultant

Traditional active equity management is hard. An active equity manager tries to spot something the rest of the market hasn’t seen, buy when the stock is under-valued and wait for the market to recognise it has made a mistake....

Is the bar finally being raised on transparency of investment costs?

Written by Lee Dodds
Partner

The question: “what fees am I paying on my investments?” should be a straightforward one to answer, however far too often it is not. Recently though there are signs that things could be starting to change, which should hopefully lead to more transparency and better outcomes for investors...

Read all our blog posts at www.lcp.uk.com/blog
KEEPING YOU INFORMED: VIDEOS

WATCH AND LISTEN TO OUR COMMENTS ON TOPICAL ISSUES.

How might investment strategies of DC Schemes change post-Budget 2014?

Featuring Laura Myers
Senior Investment Consultant
Laura discusses potential changes to DC scheme investment strategies following the Budget 2014.

Extension of new pensions flexibility to DB scheme members

Featuring Phil Cuddeford
Partner
Phil highlights why this announcement is important and what actions employers and trustees need to take now.

Watch all our videos at www.lcp.uk.com/video
KEEPING YOU INFORMED: LCP EVENTS AND TRAINING COURSES

MEET OUR EXPERTS AND STAY UP-TO-DATE WITH THE LATEST ISSUES.

A brave new world? The new Code of Practice on scheme funding; how can it affect you and your next valuation?

21 October 2014 8:45AM
LCP, 95 Wigmore Street, London W1U 1DQ
Free of charge

Our breakfast briefing will help pension scheme managers, trustees and their sponsoring employers understand the impact of the new Code of Practice; demonstrate how investment, funding and covenant advice can be usefully joined up to help manage the risk in your scheme; and explore how best to formulate scheme objectives, identify and manage the risks taken and agree contingency plans.

To register, or for more events visit www.lcp.uk.com/events

Trustee Training course:
Duties & Responsibilities
8 October 2014 9:00AM
LCP, 95 Wigmore Street, London W1U 1DQ
£480 plus VAT per delegate

The course will cover issues including legal framework of pension schemes; overview of trusteeship; discretionary powers in practice; member protection; and changes that lie ahead.

Trustee Training course:
Funding & Investment
22 October 2014 9:00AM
LCP, 95 Wigmore Street, London W1U 1DQ
£480 plus VAT per delegate

The course will cover issues including how a scheme is funded; assets and liabilities; contributions and actuarial advice; investment policy; setting of investment strategy; and investment management structures.

To find out more about our trustee training packages visit www.lcp.uk.com/trusteetraining