



Association of Member Nominated Trustees Conference

22nd February 2017

'Pension Trustees: Have your say'

Breakout session on Risk assessment and management led by Sanjay Gupta, of Willis Towers Watson

This breakout session was attended by 18 participants who were offered a choice of DB-based topics and DC-based topics for discussion. Most participants were from DB or hybrid schemes and wished to focus on the DB issues.

Scheme Funding

Sanjay Gupta outlined the key elements of the Green paper, *Security and Sustainability in Defined Benefit Pension Schemes* which had been published about forty eight hours before the conference. The tenor of the green paper was that the current system was 'fit for purpose' but that comments and further evidence were invited from the pensions industry including MNTs.

There was a lively discussion on valuation methods/assumptions. Participants discussed the pros and cons of flexibility versus firmer prescriptive guidance and control on matters such as discount rates. A number of participants wanted to retain the ability to act according to the specific needs of their schemes and their members, for example on the period of time for a recovery plan.

The green paper took a relaxed view of Deficit reduction contributions and regarded these as generally affordable. Participants were more concerned about the high percentage of DB schemes which were underfunded and cited one case of a sponsoring employer which not in profit because of the costs of the pension scheme.

Indexation

Some participants expressed their disappointment that the green paper did not make definitive statements on indexation although they had earlier heard the views of the Minister that the government had not made up its mind on the matter. There was discussion of the pros and cons of the different indexes. Moving to CPI was generally viewed as a cost cutting measure and could be a route taken by 'stressed' schemes. Participants noted that the green paper did not define how a stressed employer could be identified.

Consolidation

Sanjay said that the green paper made clear the advantages of consolidation (Green paper pp74- 85) but did not think it was down to the Government to offer a vehicle but left it open to the private sector and market forces.. Participants were aware of a number of barriers to consolidation and apart from pooled investment fund there was the issue of what could be consolidated eg different funding levels, different covenants

Member Advice

The MNTs were not in favour of their members being allowed to take funds from their DC or hybrid pension pot to obtain pensions and retirement advice. It was argued that this reduced the size of their pension pot without improving the quality of the advice which members were given. It might have the effect of raising the costs of such advice and did not tackle the crucial issue that people would often not seek advice until they were on the point of retiring which was too late.

