



Retirement Conference



Agenda



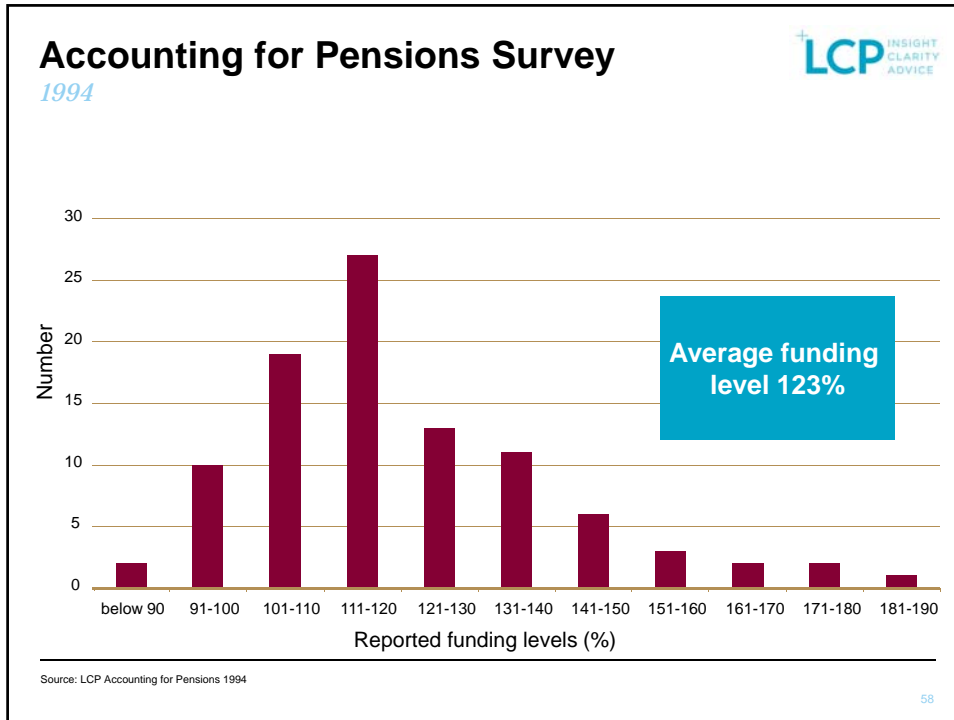
Background


Managing the legacy

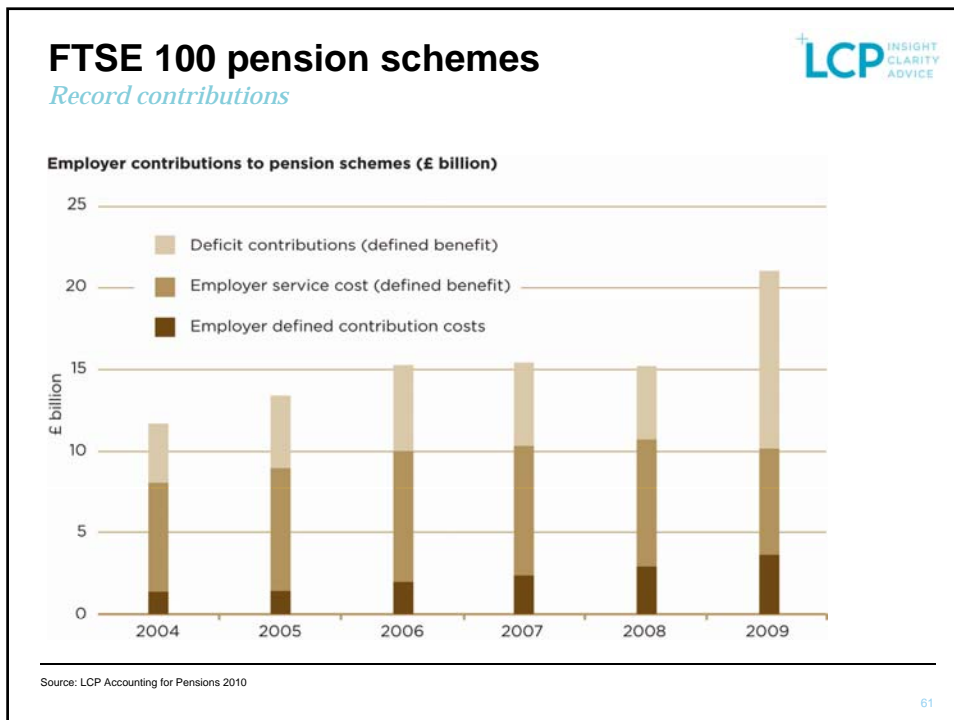
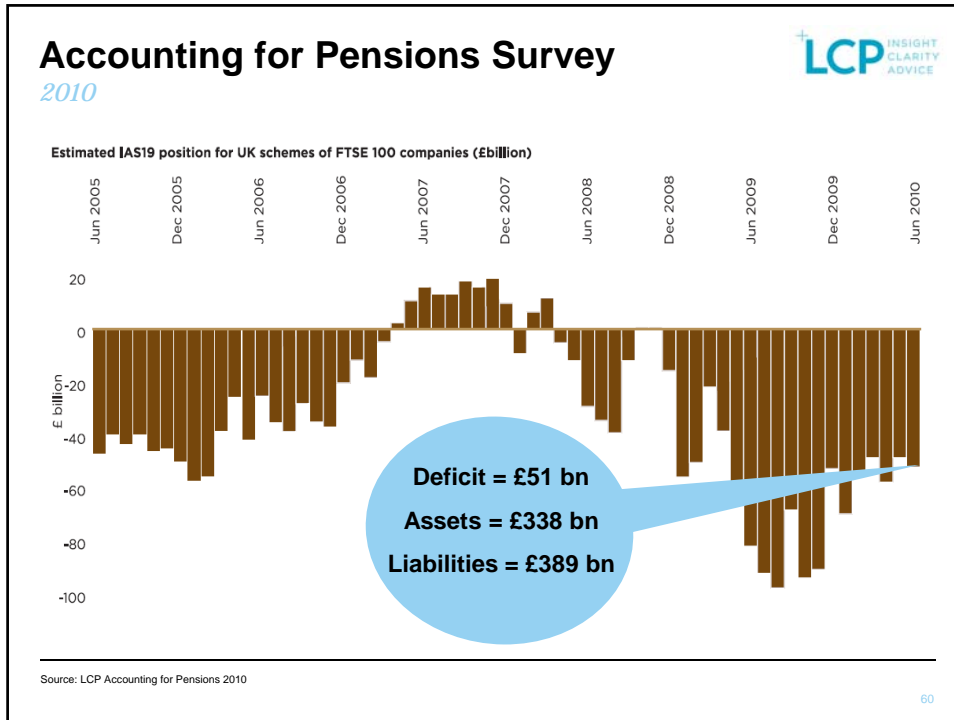
Looking to the future



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- ### FTSE 100 pension schemes 1994
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- Final salary schemes common
 - Generous benefits, costs not necessarily recognised in full
 - Relatively benign economic/legislative environment
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FTSE 100 pension schemes

2010



- Many schemes closed
- Benefits cut back, contributions increased
- Regulatory regime much more onerous
- Economic outlook uncertain

Pension schemes seen as a major risk

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Managing liabilities now



Controlling the future


Capping off the past

Closing out the risk

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Managing liabilities now



Controlling the future


Capping off the past

Closing out the risk

- All options available
- Tax and auto-enrolment triggers for review
- Planning and communication are keys to success

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Managing liabilities now



Controlling the future

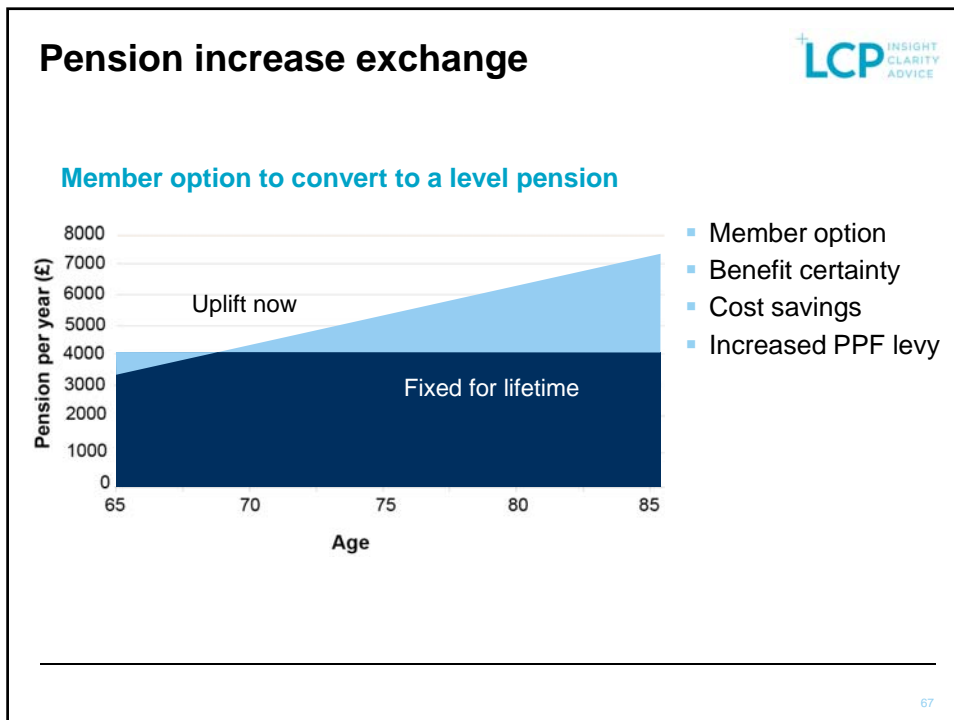
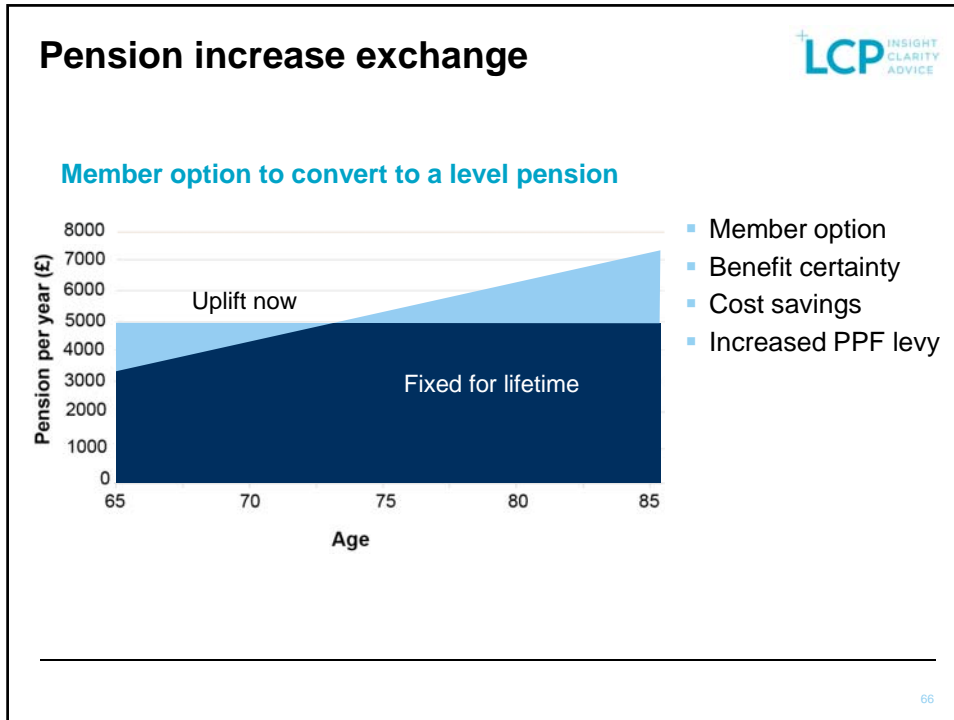
Capping off the past

Closing out the risk

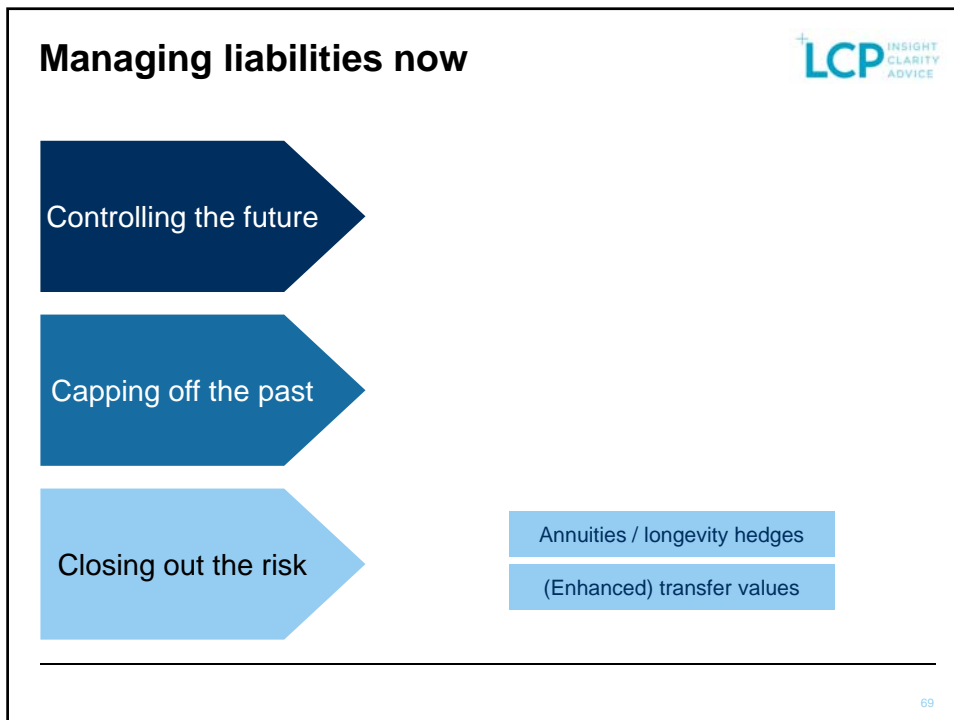
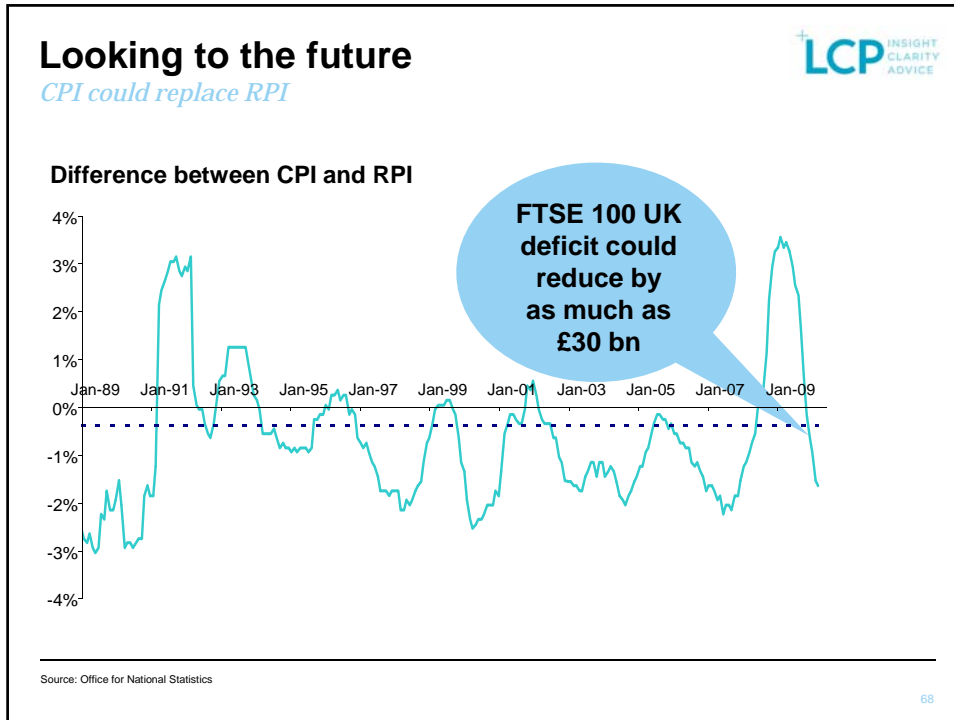
- Address as part of future changes
- Cap the growth of the liabilities
- Simplify the benefit structures

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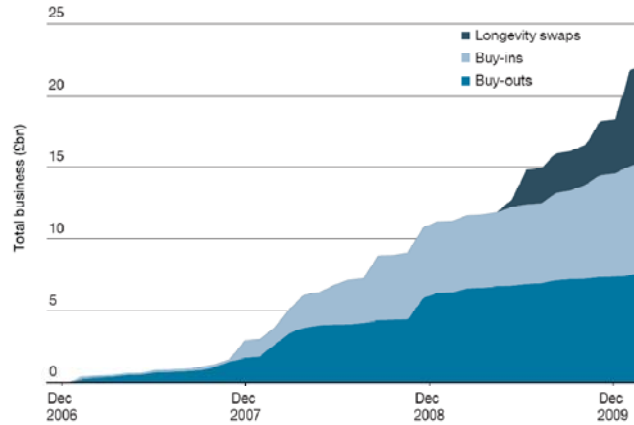


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Buy-outs and longevity hedging

Figure 3: Cumulative transaction volumes

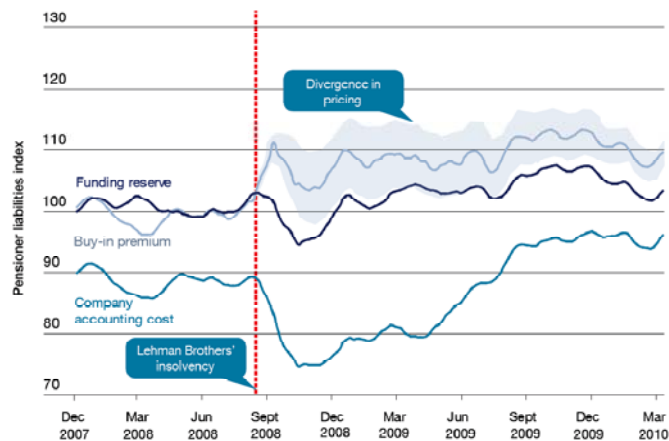


Source: LCP Pension Buyouts 2010

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Buy-out pricing

Figure 10: Funding measures for pensioner liabilities



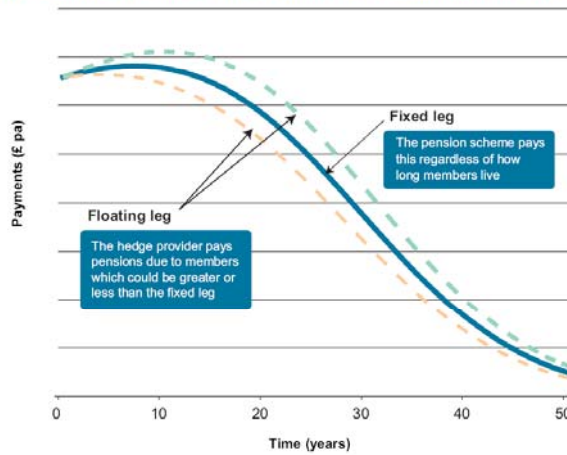
Source: LCP Pension Buyouts 2010

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Longevity hedging

Figure 19: Annual pension scheme payments with and without a longevity hedge

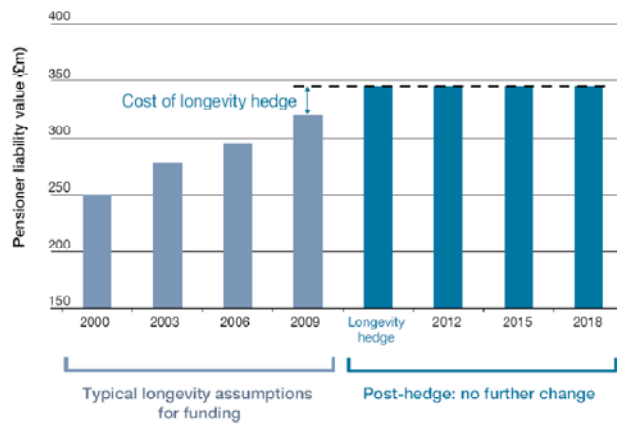


Source: LCP Pension Buyouts 2010

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Longevity hedging

Figure 18: Impact of changing longevity expectations on pensioner liabilities



Source: LCP Pension Buyouts 2010

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Enhanced transfer values



- Potentially a “win-win”
- Regulator expressed concern
- 2012 contracting-out changes may limit future exercises

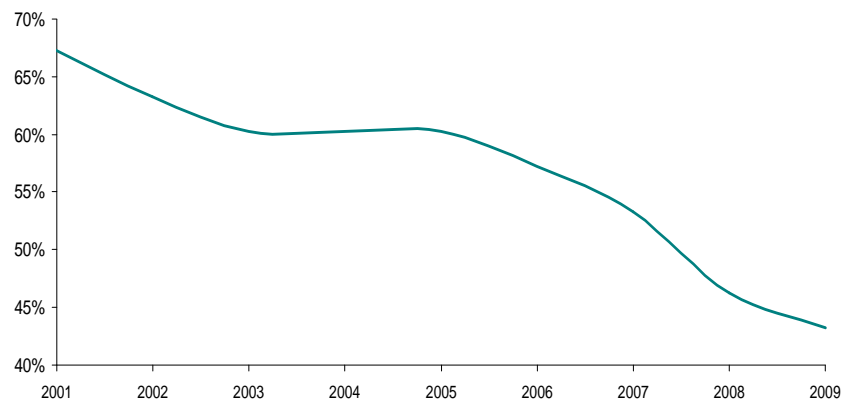
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FTSE 100 pension schemes

Investment strategy changes



Percentage of assets held in equities



Source: LCP Accounting for Pensions 2002-2010

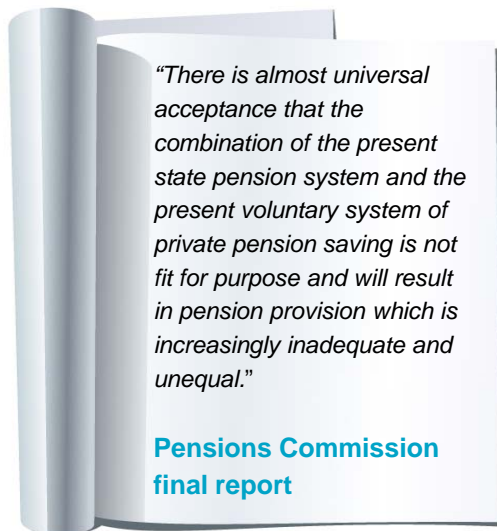
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Recovery plans

- Longer
- Back-end loaded
- Alternatives to cash funding
 - Property deals
 - Limited liability partnerships
 - Links to company profitability
 - Additional support triggered by certain events
 - Specific assets used as collateral
 - Parent company guarantees
 - Letters of credit
 - Escrow accounts

The future



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Vision of 2046

- Occupational and private savings too low to retire on
- State pension at poverty level from age 68 (or later)
- Compulsory retirement age abolished?



Need higher retirement savings

How?

- Fairer risk sharing**
- Flexibility**
- Simplicity**
- Political support and stability**
- Tax incentives**






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The likely default?

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- The Australian model




Anticipate higher minimum contributions

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Contact details

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Scope



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