



CARIBBEAN ACTUARIAL ASSOCIATION



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2013 Conference

“Risk, Recovery & Real Growth”

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Pension Risk Management

A multi-national's approach in the Caribbean

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Background

- Global organisation
- Significant pension exposure: DB, DC, post-retirement medical, “special deals” for senior staff, multiple plans in the same country and/or region, small and large plans
- Considers pensions to be a risk to be managed



What might the Company be thinking?

“Where is this scheme headed, I’ve just been asked for more cash”

“Why are there 3 schemes in Barbados?”

“so many de-risking options, which is the right one”

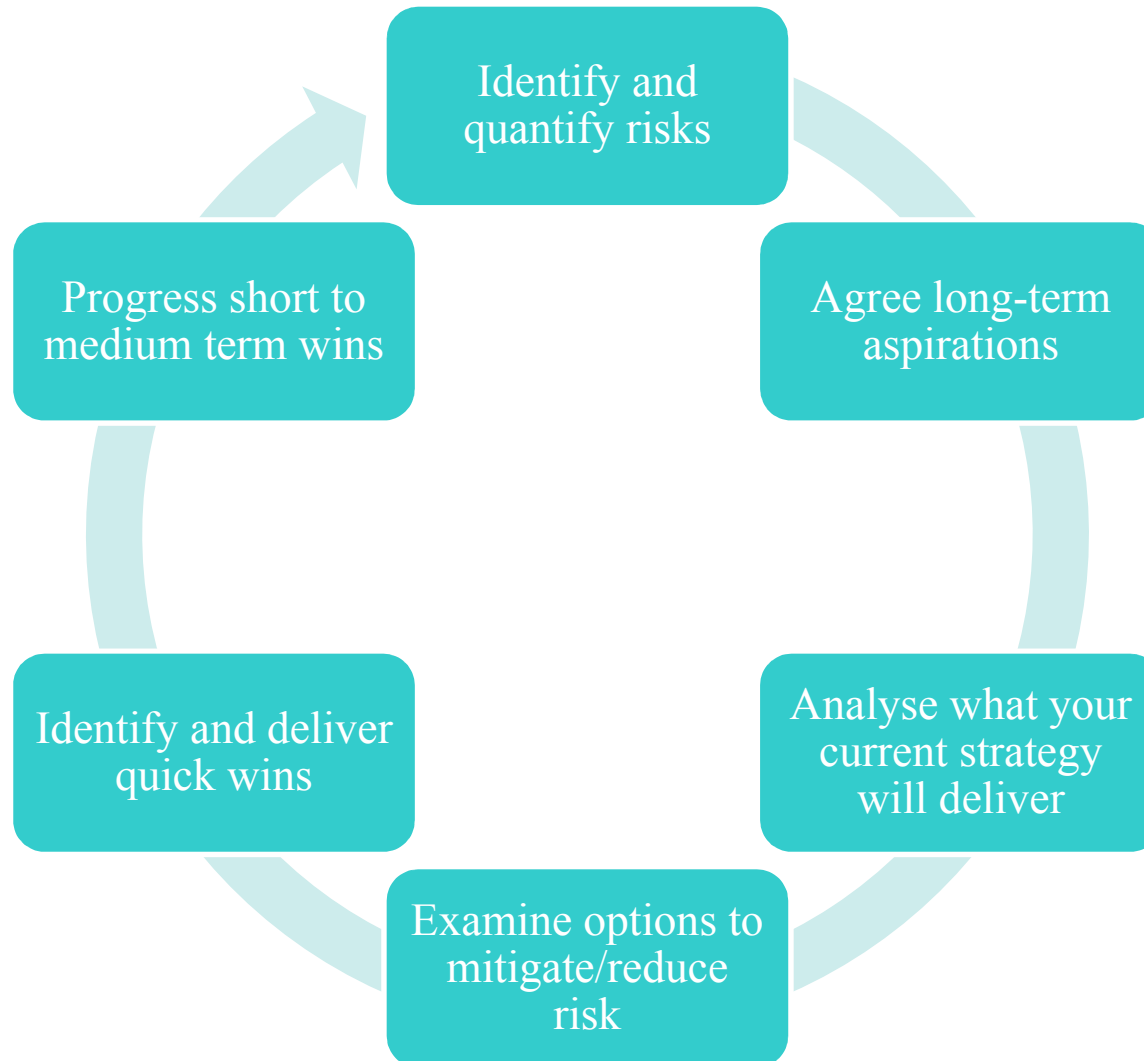
“Ultimately I want to separate the pension scheme from the business, what’s the right path to get there”

“I’ve been burnt by Clico and Government debt exchanges. How can I reduce investment related risks”

“The balance sheet volatility and P&L impact of pensions are too high”

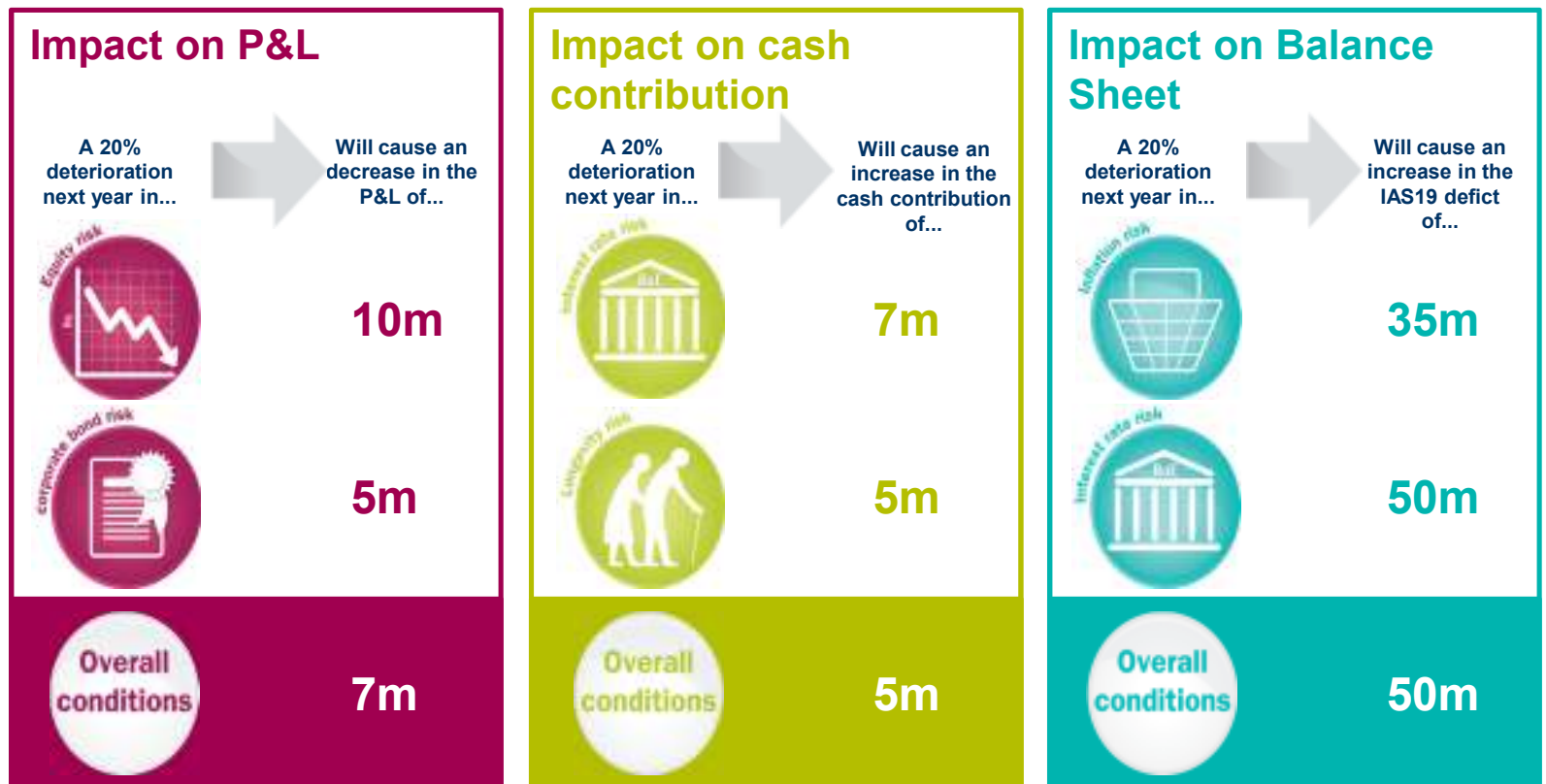


So what can the Company do



Identify and quantify risks

- Information collection, benchmarking, compliance audit
- Financial analysis (illustrative example below)



Long-term aspirations

Reduce DB exposure by 500m

- Stop or limit new DB accruals
- Convert DB to DC
- Cash out special promises, post-retirement medical benefits
- Secure DB benefits via annuities
- Wind-up plans
- Access surplus

Better, cheaper governance

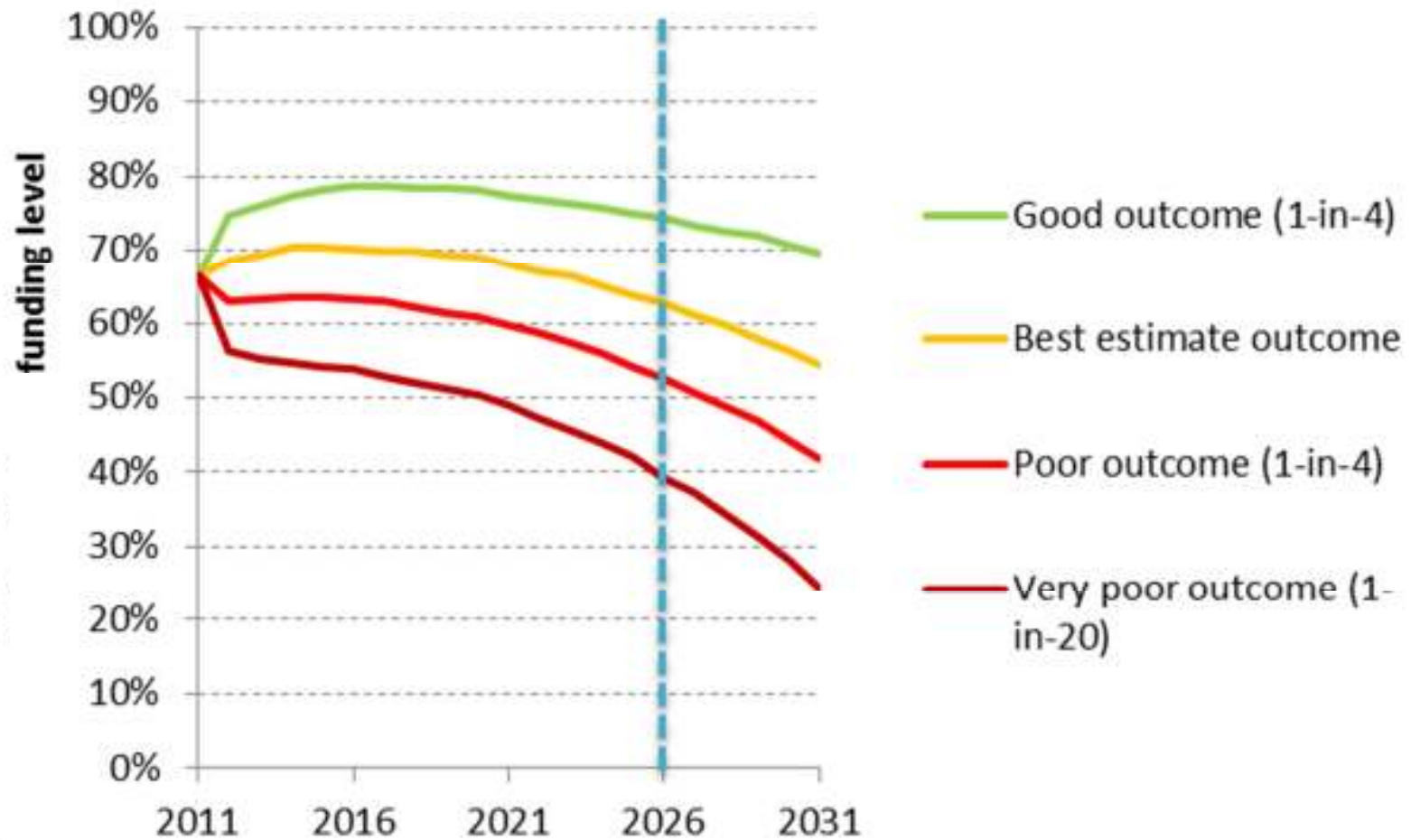
- Lower costs
- Fewer plans or a pan-Caribbean plan
- Better or no trustees
- The same benefits and options in all countries
- Managing conflicts
- HQ involved when the decision has a price tag

Better DC

- Good outcomes for members in retirement
- Default investment options
- Educate members
- At retirement choices
- Good administration



Do nothing



The de-risking playbook

- Assets
- Liability
- Governance
- DC



Assets playbook

Intentional underfunding

Corporate bonds **Annuities** **Multiple mandates**

Maximise self investment

Member contributions local, Company contributions overseas

Infrastructure *Joint ventures*

Wind-up to claim surplus **Virtual DC**

Understand your investment contract

Targetted funding *Giftting of assets*



INNOVATIVE FUNDING PLANS

Liabilities playbook

DB DB- CARE DC+ DC

Cease/control discretions Retirement Transfer options

Infrastructure *Cash out* Coverage of members

US\$ annuities

Manage member expectations

Annuitise benefits

know what you've promised

Trivial commutation *Early retirement exercise*

Normal or Enhanced transfer value



Governance playbook

- Global strategy, local implementation
- HQ oversight
- Education of all stakeholders
- Balance of powers, clarity on duties and roles
- Conflicts recognition and management
- A healthy relationship with advisers
- Regular updates and training



Better DC playbook

Join

- Auto-enrol
- Part-timers, contract workers, hourly paid

Educate

- Face to face
- Webcasts + Paper
- Regular updates

Contribute

- You pay more, we pay more
- Enrol at maximum rate
- HR annual “nudges”

Invest

- Design a good default
- Clear and distinct options
- Focus on fees

Unitised funds
Full credit of investment returns

Monitor

- On-line tools and regular education (annual benefits week)
- Retirement projections
- Analyse member behaviour, make improvements

@ Retirement

- Open market options
- Education on the full range of at retirement options
- Independent advice to aid decision making

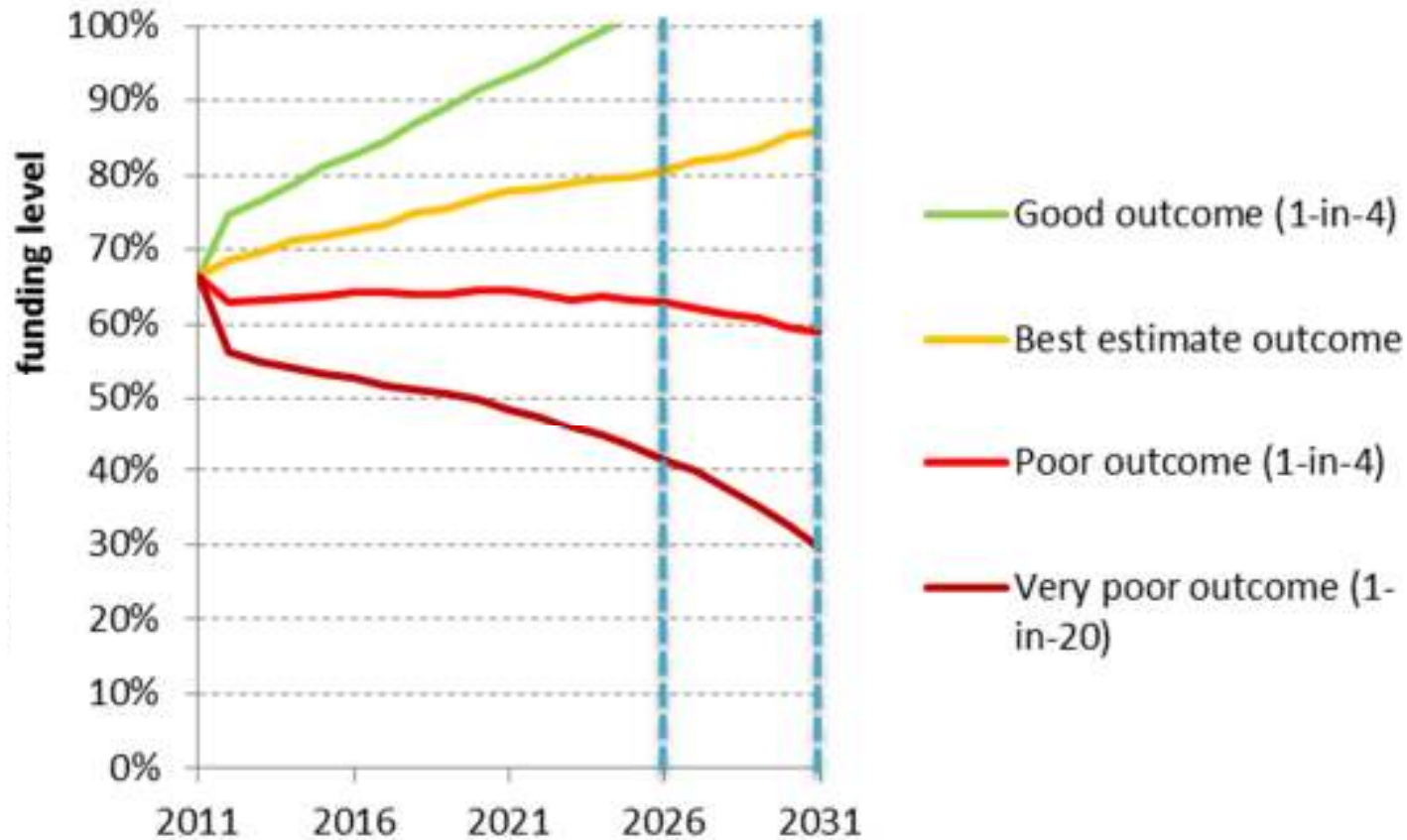


Your road map

- Quick wins
- Medium-term wins
- HQ approval
- Local engagement
- Implementation
- Re-visit, review and adapt



A better outcome



Let's do it again

