DC plans and actuarial advice

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IACA 2000

The global shift towards DC plans will continue
Actuaries and DC

- No longer needed
- Expensive
- Perhaps not the best communicators

or perhaps we innovate..

DC plans should be viewed as a group of one member DB plans
DC members..

- Must decide on
  - contributions
  - investment strategy
  - benefits
- And these all interact...
- Need individual actuarial advice

Key difference

- DC members cannot choose retirement date
- whereas...
- DB sponsors can “smooth” over time
UK historic range

Pension as % salary

Lane Clark & Peacock

1aca 2000 424
We must make use of technology to develop DC advice tools

One route..

Stochastic benefit illustrations
Stochastic illustrator

Stochastic DC Illustrator (100% equity investment)

Payment in £5 per annum - today's money

£11,000
£9,000
£7,000
£5,000
£3,000

Lane Clark & Peacock

Stochastic illustrator

Stochastic DC Illustrator (100% bond investment)

Payment in £5 per annum - today's money

£11,000
£9,000
£7,000
£5,000
£3,000

Lane Clark & Peacock
Stochastic illustrations
Advantages

- Nice pictures!
- Communicate investment and conversion risks
- Communicate likelihood
- Less reliance on assumptions

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