Defined contributions: key issues for consulting actuaries

Presented to IACA 2000, Hershey, PA

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PEST analysis

■ Political
  - Third Way
  - State / private

■ Sociological
  - Falling support ratios
  - Individualisation
  - Financial education
  - Litigious

■ Economic
  - Volatile markets
  - Social exclusion

■ Technological
  - Internet
  - e-commerce
  - Computing power
Conclusions for consulting actuaries

- **Strengths**
  - Valuable skill set
  - Reputation
  - Embrace new technology

- **Weaknesses**
  - Others have relevant skills
  - Risk if things go wrong
  - Technology focus

- **Opportunities**
  - Improve presentation skills
  - Growth in DC market
  - Exploit risk/change

- **Threats**
  - The world is more complex and volatile
  - Easy to enter market
  - Litigation

The challenge

- Balance commercial imperatives with public interest

- Update our skills and how we apply them
Examples

■ Explode annuity myths
  - "Incomes for new retirees are lower than expected because annuity rates are uncompetitive"
  - "The solutions are drawdown and packaged products"

Examples

■ Projections
  - Real assumptions not nominal
  - Focus on retirement planning and risk management not charge comparisons
  - Focus on delivery of advice: accessibility, clarity and affordability
  - Innovate
    ■ Stochastic methods
    ■ Expert systems
Examples

- Plan design
  - Innovate: avoid DC / DB polarity
  - Talk about features not pros and cons
  - Factor in the hidden costs of DC
    - Investment inefficiency
    - Information and advice