



Keeping steady

✓ Jackie Daldorph explains how creating more stable pension schemes means creating time for action

As part of Aon Hewitt’s ongoing research, we regularly ask pension scheme trustees and sponsors what issues keep them awake at night.

In response, we see the same things cropping up again and again: lack of time, lack of knowledge or available information and lack of resources. All of these are frequently cited as the reasons why those responsible for scheme management cannot do all they would like.

In recent years, this challenge has grown as investment and de-risking solutions have become more complex and defined contribution arrangements have required more attention. Keeping up with a defined benefit (DB) scheme’s

financials and the many potential routes for making it better-funded or more stable is not something easily fitted within a few hours a month.

We believe that, for most DB schemes, the overriding aim is to achieve stability. But, given the lack of time and resource facing them, how can trustees and sponsors achieve these aims?

Two words spring to mind here: governance and operations. While, in recent years, schemes have been focused on financial risk, now is the time for looking more closely at operational risk, which can be vital to the success or failure of any attempts to create a more stable scheme.

As a start point, ensure that all the processes, policies, roles and responsibilities relating to the scheme are helping to achieve its strategy and objectives. Are all the current processes as efficient as they could be? Are they all needed – and conversely, are there other things that can be done to reach the scheme’s goals?

There is a wealth of financial ideas out there to help schemes achieve pensions stability. The trouble is, given the pressures on time, there may not be enough to explore fully all (or any) of them. Should a different approach be adopted?

There may also be more effective ways to do the things that are already done. Again though, with limited time, it may be a struggle to identify how to be more efficient. The very thing that might help to save time is impossible to find because there is not enough time...

We believe that the way a scheme is run can be slicker by consciously deciding which one of three approaches should be used for individual items: Get Busy, Get Simple, or Get Help.

‘Get Busy’ means empowering

stakeholders to take prompt action where required – ensuring they have the time, knowledge, data and budget they need to drive correct scheme decisions.

‘Get Simple’ means taking a no-nonsense approach to scheme management – stripping out the unnecessary and focusing on the important things. In other words, deciding which things not to do and which to not overly complicate.

‘Get Help’ is where there is the will to do everything that ‘Get Busy’ does but where there is insufficient time. There needs to be a decision on what could benefit from delegation to third parties. This could be implementing investment, strategy, member communications, group life insurance placement or any number of other elements. For many aspects of a scheme, there are resources available which can remove the burden from the trustees.

The right approach will differ for different items – for some, schemes may be happy to ‘Get Busy’ while in others, delegation to external experts will be the right route. In this way, precious time can be focused on the areas that really add value.

Pensions stability may feel like a far-distant aim. However, with a focus on governance and some operational rigour – plus being open to new ways of working such as delegating the implementation of some items – faster progress can be made towards a more stable pension scheme.

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