

# Brain drain

**Thanks to auto-enrolment and the closure of DB schemes to new entrants, attention is now turning towards DC. However, it is still many years before every DB scheme is wound up. But as those with DB expertise leave the industry and new entrants focus on DC, is there a risk of a DB skills shortage? *Pensions Age* asks: What impact will a DB knowledge gap have on the industry and how can the problems this may cause be minimised?**

The move from DB to DC presents a skills and knowledge challenge to schemes, sponsors and their advisers, as DB expertise gradually ebbs away when a scheme becomes viewed as a legacy financial issue rather than a key business priority. It can become harder to recruit new trustees, and harder to find individuals within corporates with the knowledge to effectively act on behalf of the sponsor. Advisers need to find a balance between directing resources to growing areas such as DC whilst maintaining their expertise in DB.

However, other developments in the industry can serve to at least partially address this. The number of pensioners who are trustees continues to increase, indicating that trustees who have experience and knowledge are not necessarily being lost. Also, the rise in the number of professional trustees, in many cases experienced pension consultants, investment specialists or lawyers, retains their collective knowledge within the DB sphere.

As a significant proportion of schemes move towards buyout, that process requires that historic issues with data, benefits and documentation are 'flushed out' and addressed,

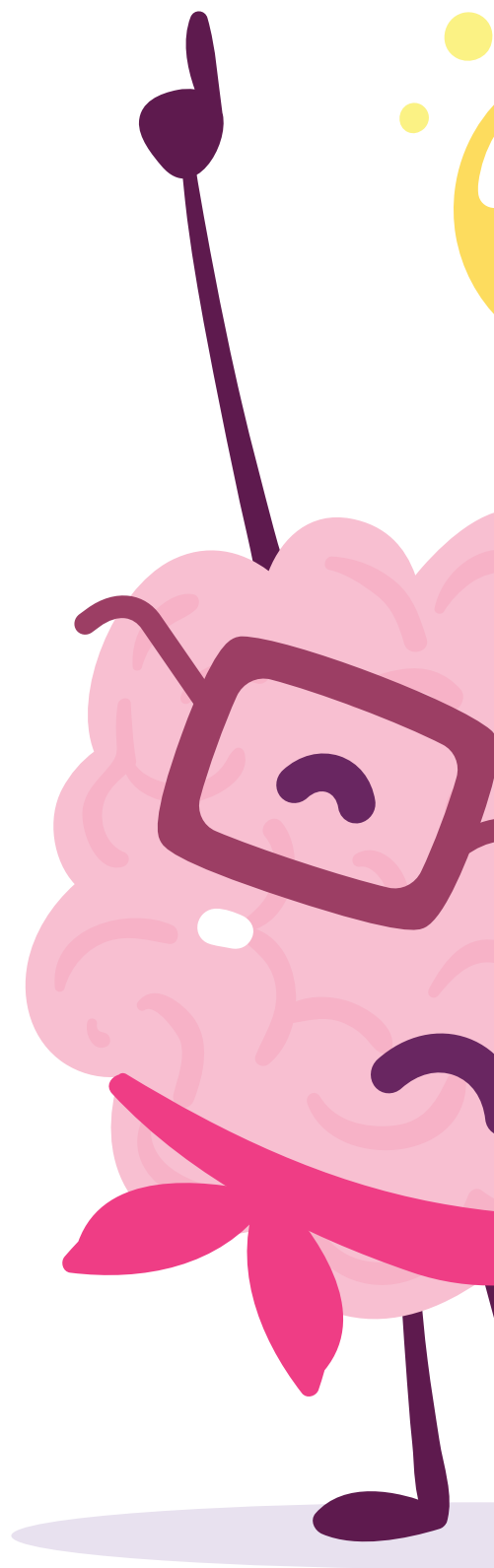
crystallising existing knowledge; and of course once the scheme completes a buyout, that knowledge is no longer required. Across the industry, as the number of schemes shrinks, the pool of experience required also therefore reduces.

Even the spectre of GMP equalisation presents an opportunity here – if schemes elect to go down the conversion route and extend to a more general benefit conversion exercise, that can be viewed as an opportunity to simplify the scheme and reduce the knowledge requirements going forwards.

For advisers of all types, perhaps the best approach is to ensure that new staff coming through are multi-skilled; having experience in a number of areas and being flexible will be beneficial to the individual in their career, so having a varied training programme including DB is a key way to ensure that knowledge is retained.

The same argument applies for training needs for trustees and corporates where there is a DB scheme, making sure that new 'recruits' receive proper training, which is of course consistent with TPR's expectations.

**Mercer principal Mark Wilkinson**



The knowledge and skills needed to administer a defined benefit pension could become a 'black art', with the few remaining practitioners naming their price. Older pension schemes are already suffering from having experienced staff retire or leave without passing on key information, but a little common sense can help avoid a 'brain drain' that slows down complex work in rarely-explored areas.

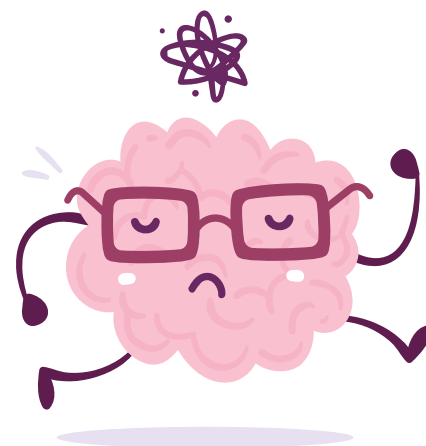
Companies must identify emerging skills gaps and make sure knowledge is readily available; managers can note if there are any staff that are regularly called upon as experts, and encourage them to train their peers and prepare written instructions. A skills matrix can be a great help here.

The industry cannot afford to lose that knowledge, but if people with DB experience and credentials are to be kept in the workforce, talent retention is critical – and a higher salary and better tangible benefits may no longer be the main motivations for change.

Modern lifestyles make flexible working, both in pattern and location, and training and education in the workplace key drivers of employee satisfaction. Younger, more agile companies have discovered this and are reaping the

benefits. DB pensions may not evolve, but the companies that administer them must do so, or pay a steep price.

#### Intellica head of pensions Garreth Hirons



Logically of course DB knowledge will become gradually more scarce, as those who have spent most of their career in DB administration retire. However the prospects are not so frightening as, for example, is the scarcity of programmers who are expert in the COBOL language, used by many of the early mainframe computers.

There have been many profound changes in the pensions landscape over the past 40-50 years; not least the fundamental change in the pensions tax regime on 6 April 2006 ('A Day'). Experts on the fiendishly complicated Revenue Limits regimes, which ruled member benefits in the pre-A Day world, have been retiring ever since, but no-one is panicking.

DB and DC are not completely foreign languages, one to the other. Many of the skills are transferrable, and professional development courses and qualifications such as those provided by the Pensions Management Institute continue to encompass DB as well as DC knowledge.

#### Aries Insight director Ian Neale

