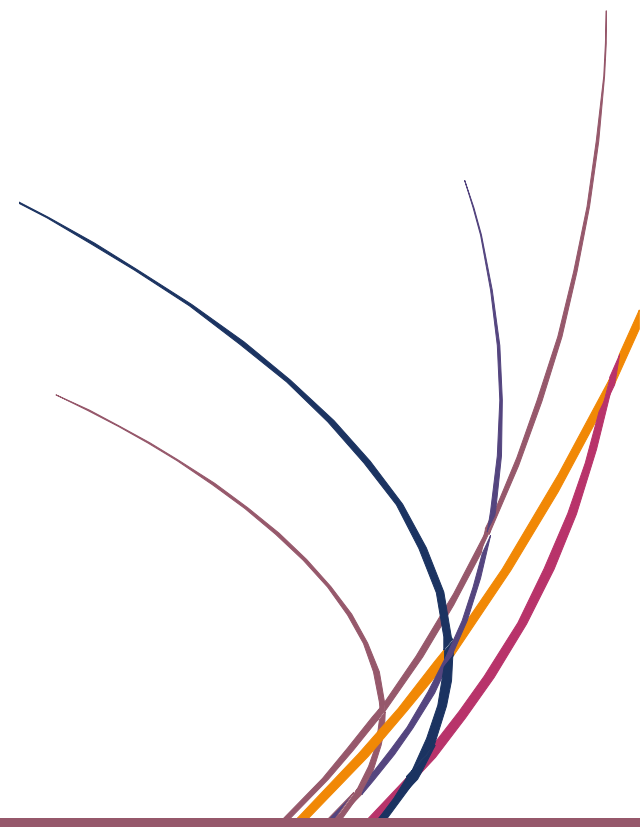




KGC associates

KGC's 9th Actuarial Survey

March 2020



# Foreword

We've had an election, Brexit has been given the go ahead and we're in the middle of global crisis caused by the spread of COVID-19. But, the world is still turning and people are still retiring. There's no rest for the wicked – I mean the Actuary.

In its 9<sup>th</sup> year, our Actuarial Survey continues to look at fees, services and industry trends enabling trustees and their service providers to benchmark service provision and answer the all-important value for money question.

Despite the number of DB schemes declining, actuaries still have a job to do for the foreseeable future. Even in a DC world, we believe actuaries can support trustees in their engagement with members and achieving better member outcomes.

2019 was certainly an interesting year, market volatility means 2020 looks to be more of a challenge.

We'd like to thank all those who participated in our 9<sup>th</sup> Actuarial Survey, we hope you find it as interesting as we do.



Hayley Mudge, Report Author

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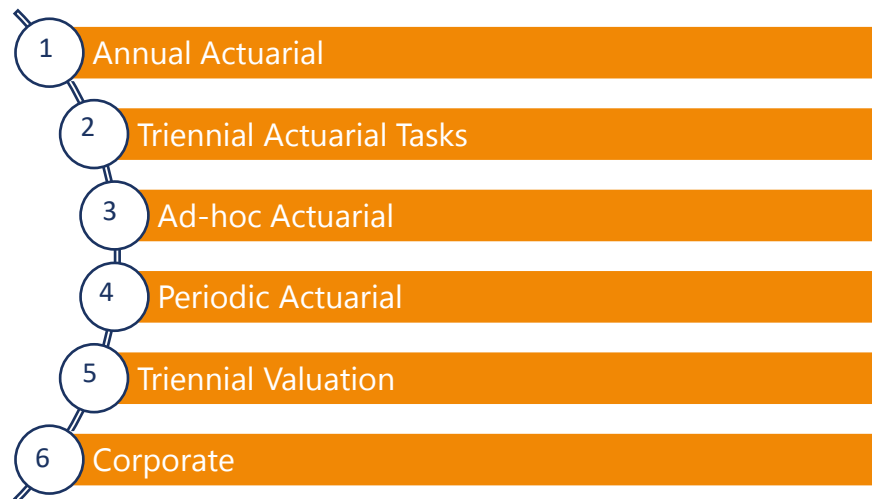


# Introduction

# Introduction

In Q3 2019 14 firms accepted our invitation to participate in the 9<sup>th</sup> KGC Actuarial Survey. Firms are asked to provide information on fees, services, engagement and the industry. We use a set of services we consider core for providing actuarial services to a scheme (see Appendix A) on which firms based their responses.

The main components<sup>1</sup> within an actuarial service are divided into six services, these include:



We look at the Year One cost for each scheme size and how these compare on a Unit Cost per Member basis.

Following on from the fee analysis we compare the core services participating firms include within their fees and ask the all-important 'is this value for money' question. We also explore how tasks normally considered non-core are billed.

Trustee meetings are vital and its unheard of an Actuary never attending. We analyse how many meetings are offered in a non-valuation year and valuation year and what the average cost for an Actuary to attend a meeting would be.

It's no surprise the hourly rate of a Scheme Actuary is high, we compare the different rates for a Scheme Actuary, Actuary and Actuarial Support.

Our final section covers the industry view. We asked participating firms a series of topical questions and showcase their answers.

<sup>1</sup> Based on experience derived from KGC procurement and benchmarking exercises

## Scenario Assumptions

Firms' cost for eight different scheme sizes:



No account is made for asset size. All schemes are closed to new members and the smaller schemes (200 – 2,000) are closed to future accrual with no salary link.

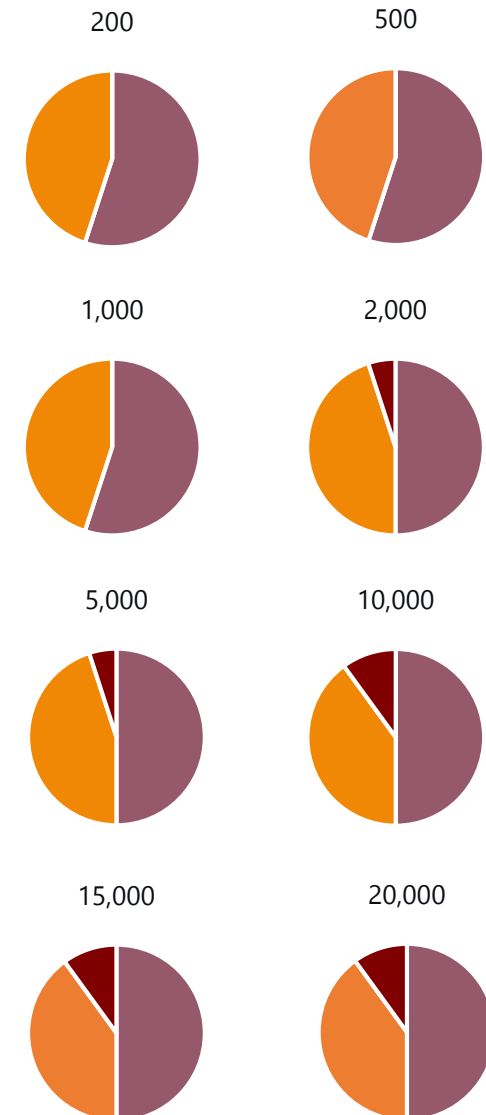
The survey didn't take into account the new Code on DB Scheme Funding, nor which GMP Equalisation method will be used.

There is one category of member:

- 1/60 accrual, LPI pension increases, where there are active members, pensionable salary is set at renewal at 01/04 as basic salary exclusive of fluctuating emoluments
- A data cleanse and GMP rectification are not yet complete
- A mixture of meetings held onsite and at the client

## Membership

The membership of each scheme is broken down by:



## Fee Analysis

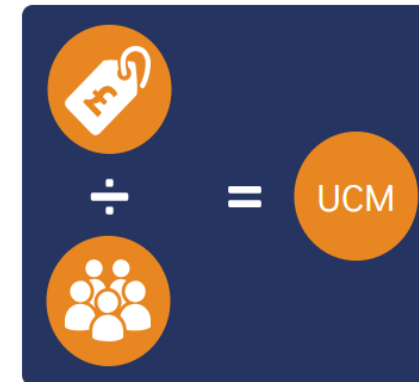
Fees are segmented into three different categories for each scheme size and the average fee highlighted. Firms only complete responses where they deliver services for a particular scheme size. The fees are broken down within the following three sections:

- 1 Annual Actuarial Fee – includes:
  - annual actuarial – e.g. annual certification
  - ad-hoc actuarial – e.g. updates
  - periodic actuarial – e.g. attendance at trustee meetings
- 2 Triennial Valuation Fee – includes:
  - triennial actuarial tasks – e.g. factor review
  - full valuation cost
- 3 Year One Cost – includes:
  - annual actuarial
  - ad-hoc actuarial
  - periodic actuarial
  - triennial actuarial tasks – as a one of cost
  - corporate actuarial
  - valuation cost divided by three

The fees and services offered should be considered pre-negotiation, with no account being taken for the attractiveness or otherwise of a prospective client.

## Unit Cost per Member

Year One includes a Unit Cost per Member (UCM) for the highest, average and lowest fees. This is derived by dividing the total cost by number of members.

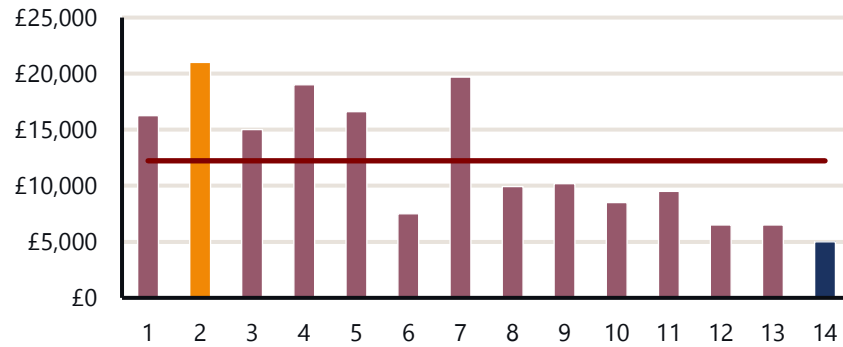


The range of UCMs across scheme sizes is interesting. Smaller schemes of 200 and 500 lives pay on average £136.57 and £61.44. Compare this to the UCMs of 15,000 and 20,000 life schemes at £5.17 and £4.17. We understand there'll always be a differential due to economies of scale. But is this significant difference justified? This approach mirrored our last Administration Survey results. But surprisingly administration UCM's for 200 and 500 life schemes were £132.41 and £79.15, with schemes of 15,000 and 20,000 lives producing UCMs of £29.53 and £27.05. Perhaps the day to day work of a Scheme Actuary is not as complicated as administration?!



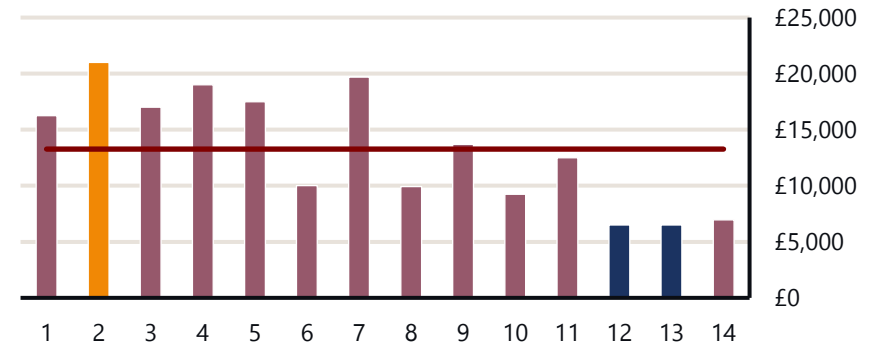
Annual Actuarial Fee

200 Life Scheme



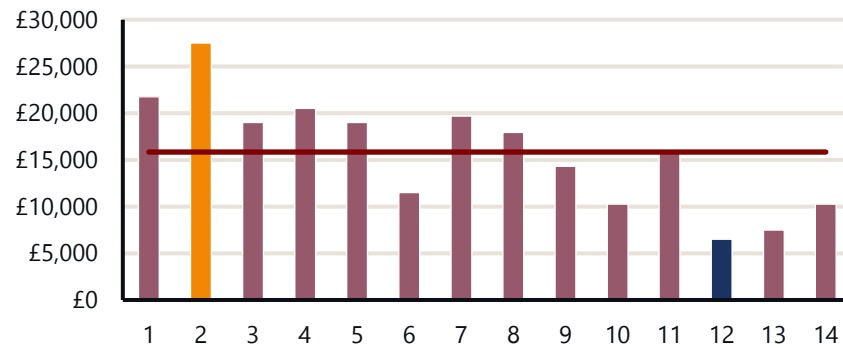
Highest Fee £21,000 | Average Fee £12,225 | Lowest Fee £5,000

500 Life Scheme



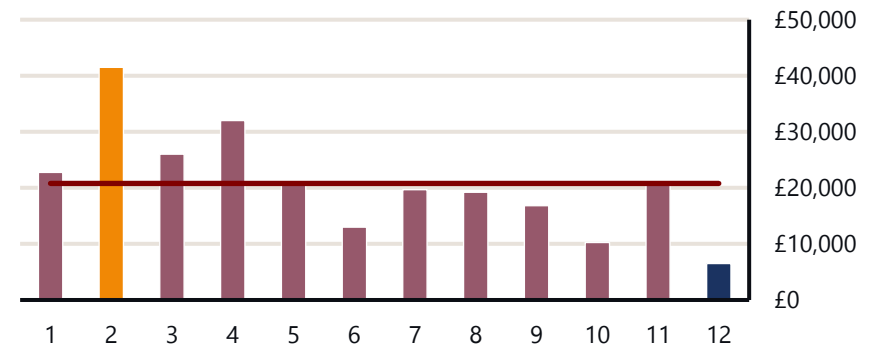
Highest Fee £21,000 | Average Fee £13,269 | Lowest Fee £6,500

1,000 Life Scheme



Highest Fee £27,500 | Average Fee £15,834 | Lowest Fee £6,500

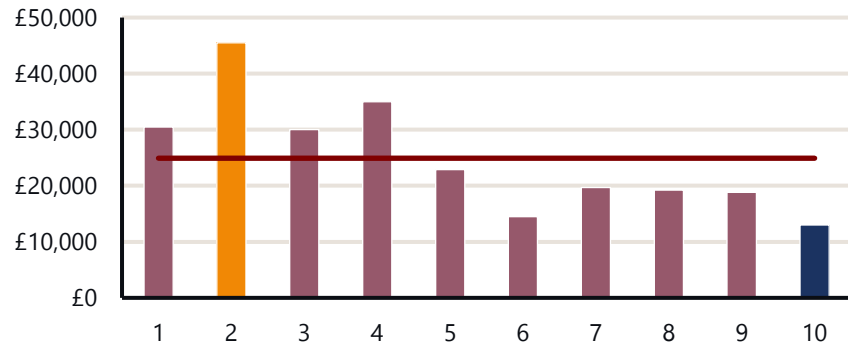
2,000 Life Scheme



Highest Fee £41,500 | Average Fee £20,792 | Lowest Fee £6,500

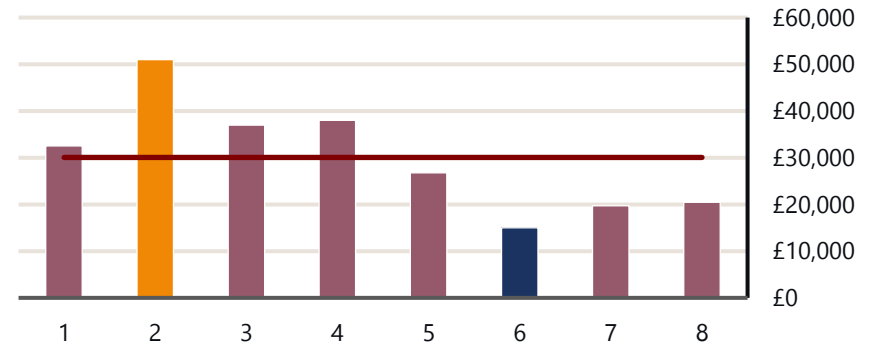


5,000 Life Scheme



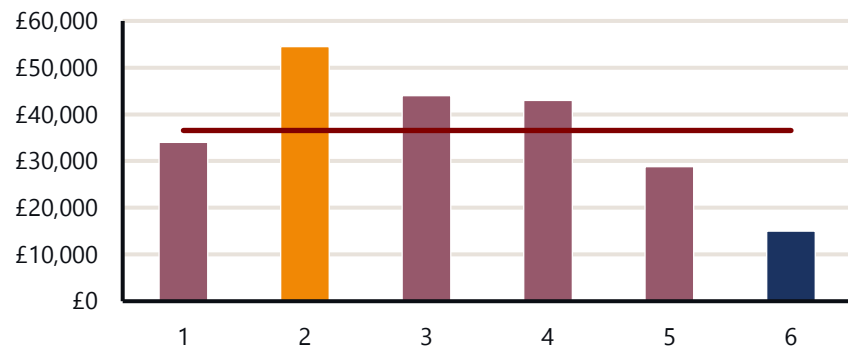
Highest Fee £45,500 | Average Fee £24,910 | Lowest Fee £13,000

10,000 Life Scheme



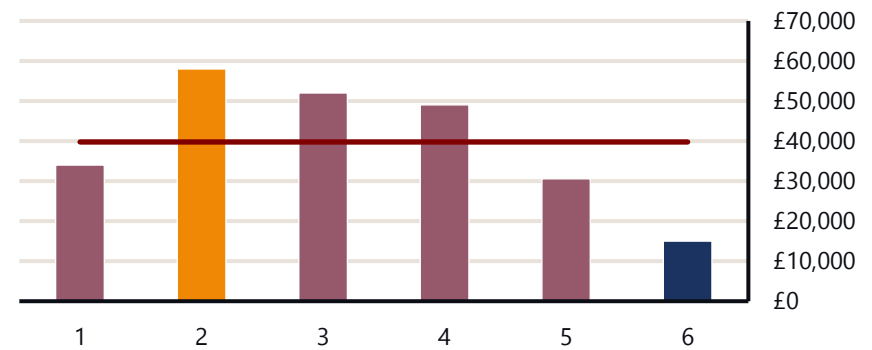
Highest Fee £51,000 | Average Fee £30,061 | Lowest Fee £15,000

15,000 Life Scheme




Highest Fee £54,500 | Average Fee £36,550 | Lowest Fee £15,000

20,000 Life Scheme

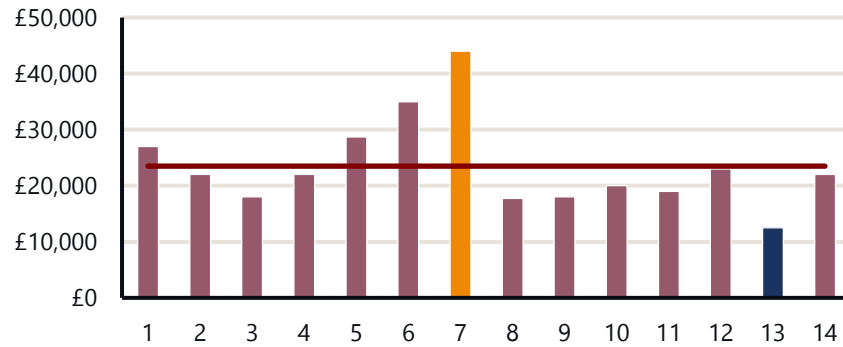


Highest Fee £58,000 | Average Fee £39,767 | Lowest Fee £15,000

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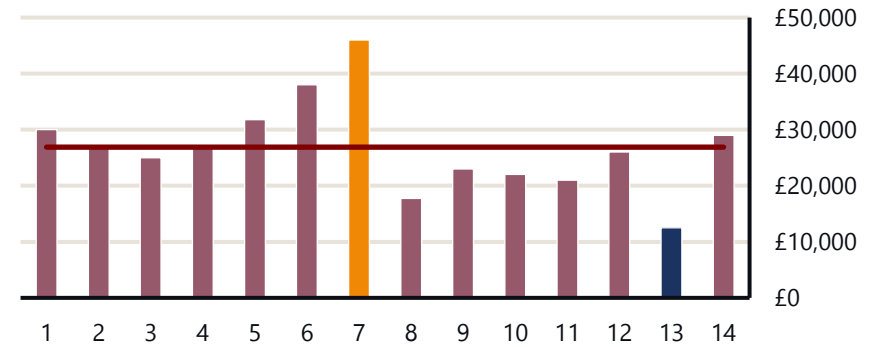
# Triennial Actuarial Fee

200 Life Scheme



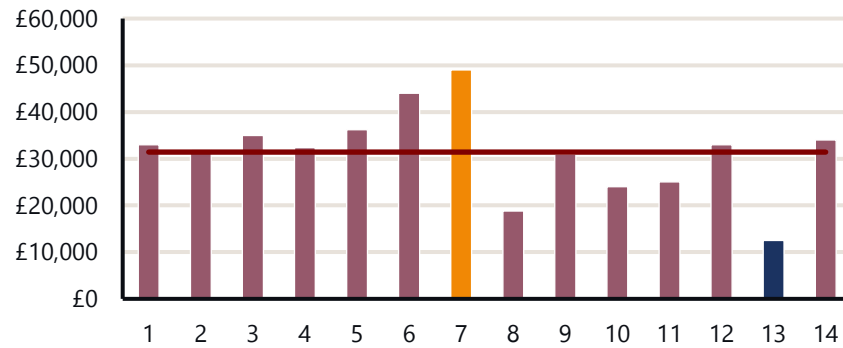
Highest Fee £44,000 | Average Fee £23,497 | Lowest Fee £12,500

500 Life Scheme



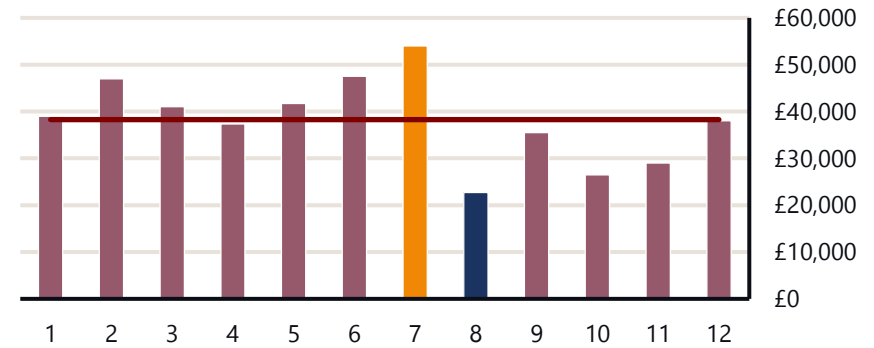
Highest Fee £46,000 | Average Fee £26,885 | Lowest Fee £12,500

1,000 Life Scheme



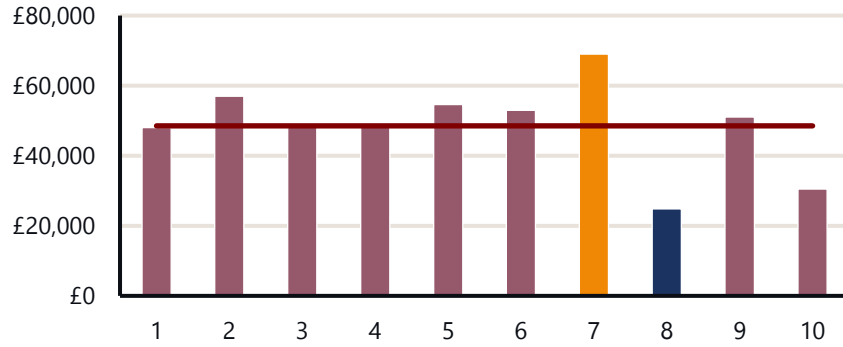
Highest Fee £49,000 | Average Fee £31,417 | Lowest Fee £12,500

2,000 Life Scheme



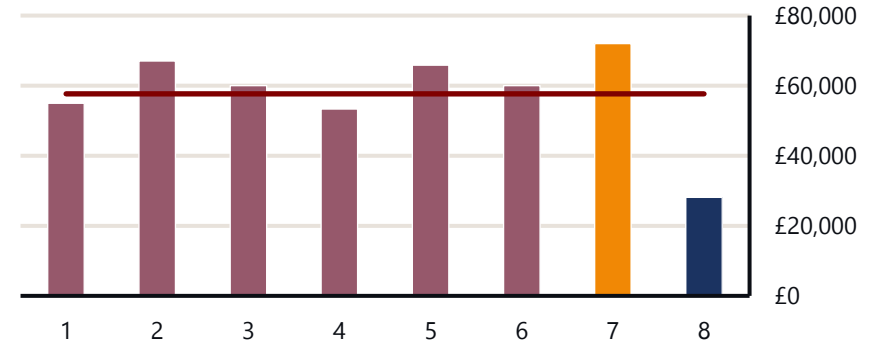
Highest Fee £54,000 | Average Fee £38,270 | Lowest Fee £22,710

5,000 Life Scheme



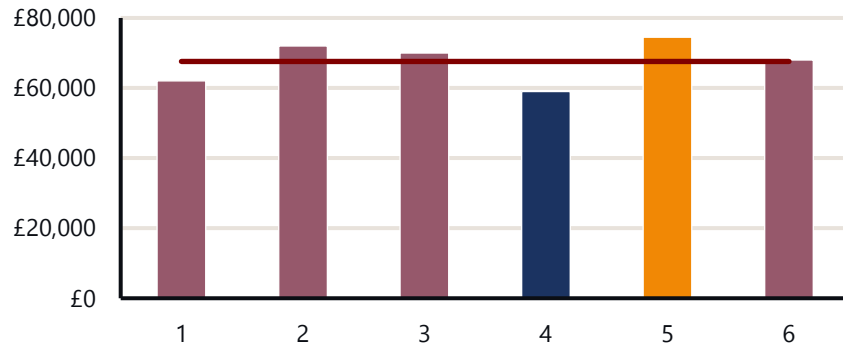
Highest Fee £69,000 | Average Fee £48,525 | Lowest Fee £24,820

10,000 Life Scheme



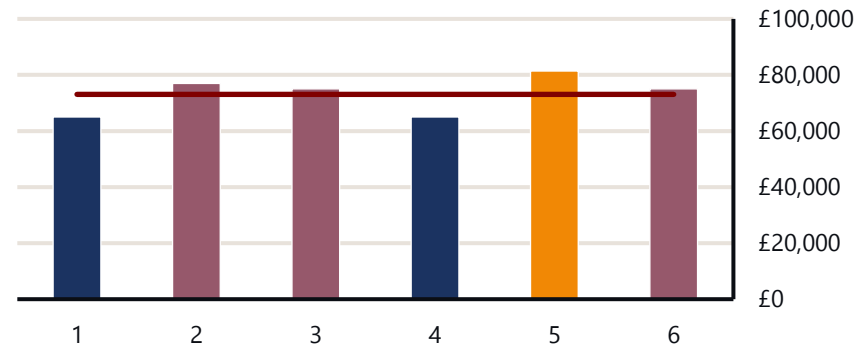
Highest Fee £72,000 | Average Fee £57,657 | Lowest Fee £28,120

15,000 Life Scheme



Highest Fee £74,500 | Average Fee £67,583 | Lowest Fee £59,000

20,000 Life Scheme

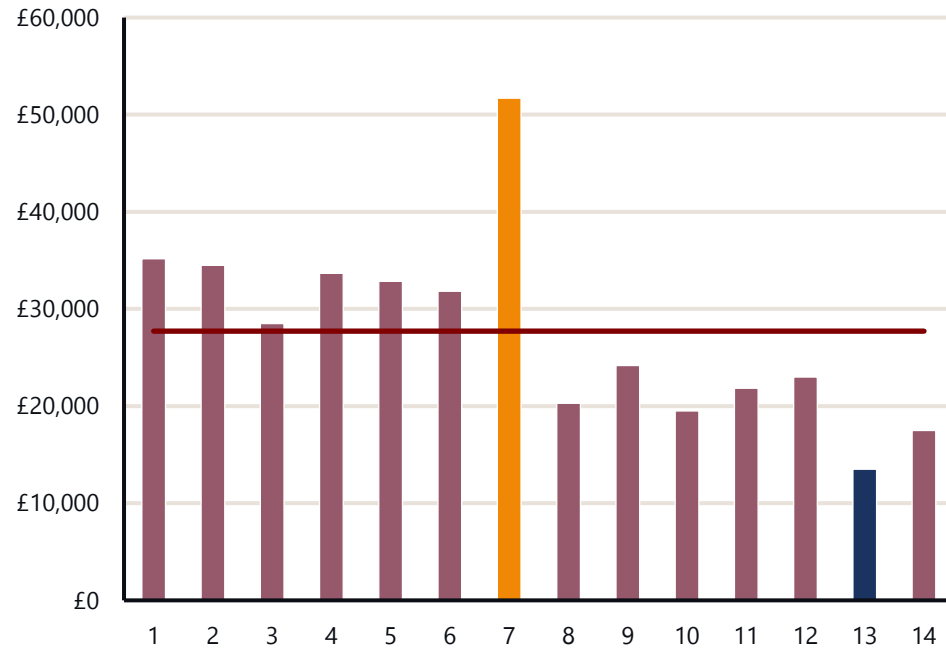


Highest Fee £81,400 | Average Fee £73,067 | Lowest Fee £65,000



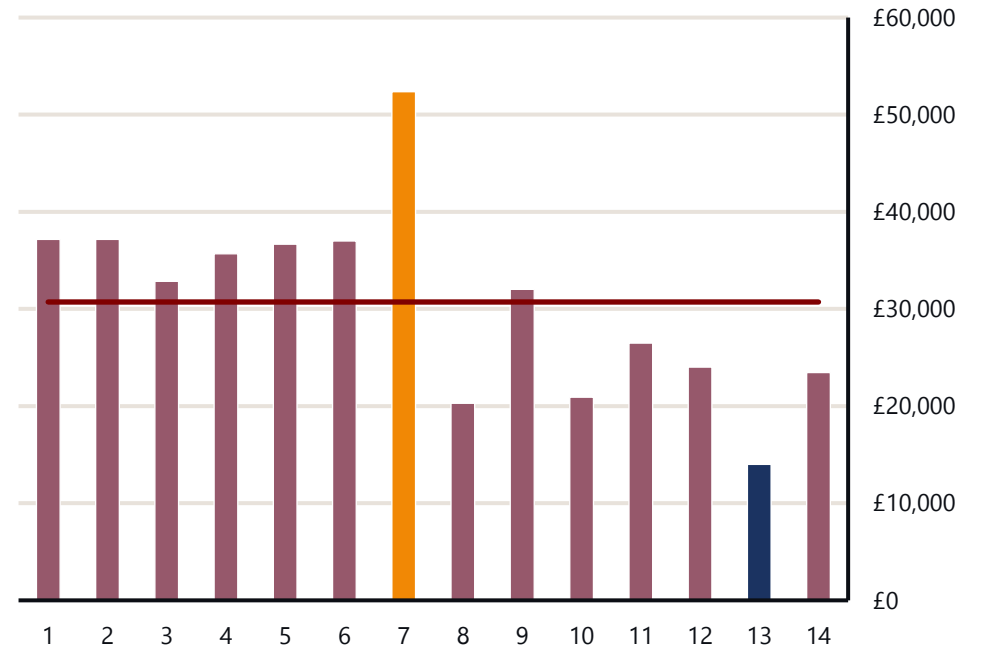
Year One Cost

200 Life Scheme



Highest Fee £51,700 | Average Fee £27,715 | Lowest Fee £13,500

500 Life Scheme



Highest Fee £52,367 | Average Fee £30,719 | Lowest Fee £14,000



Highest £258.50

Average £138.57

Lowest £67.50

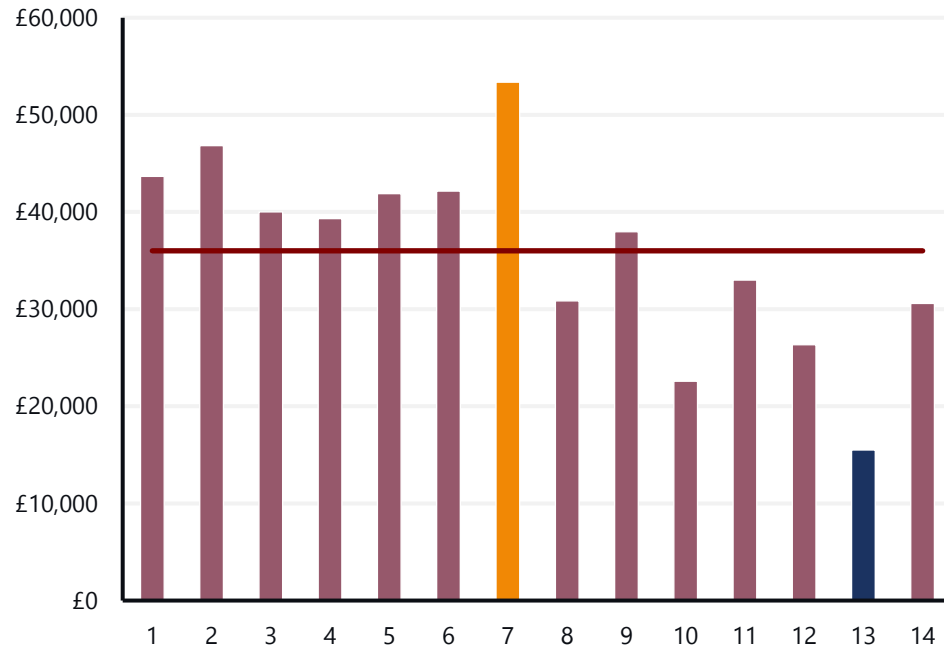


Highest £104.73

Average £61.44

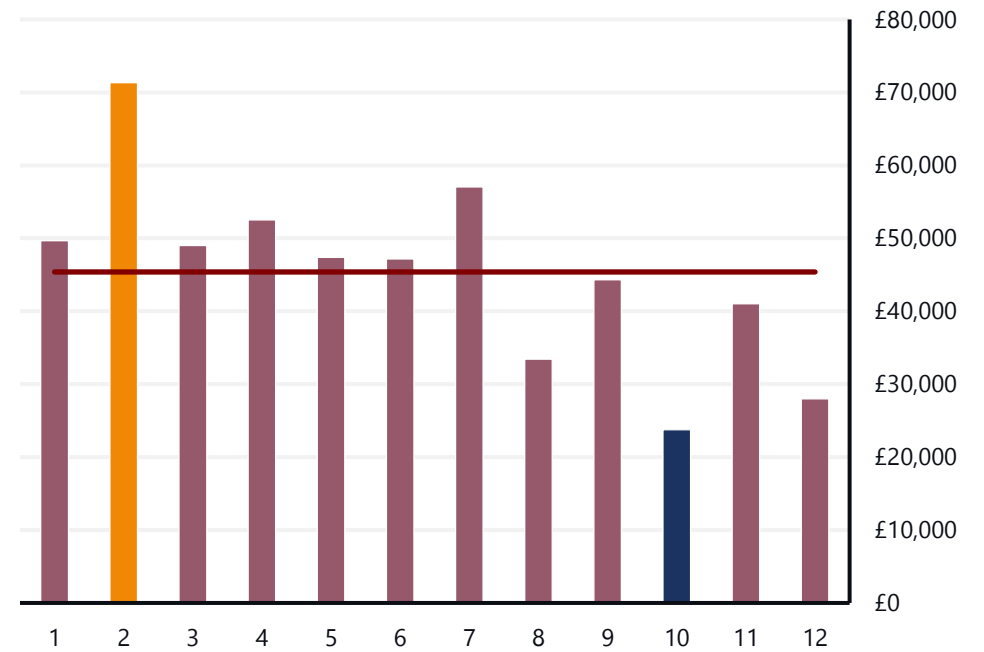
Lowest £28.00

1,000 Life Scheme



Highest Fee £53,367 | Average Fee £36,006 | Lowest Fee £15,500

2,000 Life Scheme



Highest Fee £71,333 | Average Fee £45,379 | Lowest Fee £23,750



Highest £53.37

Average £36.01

Lowest £15.50



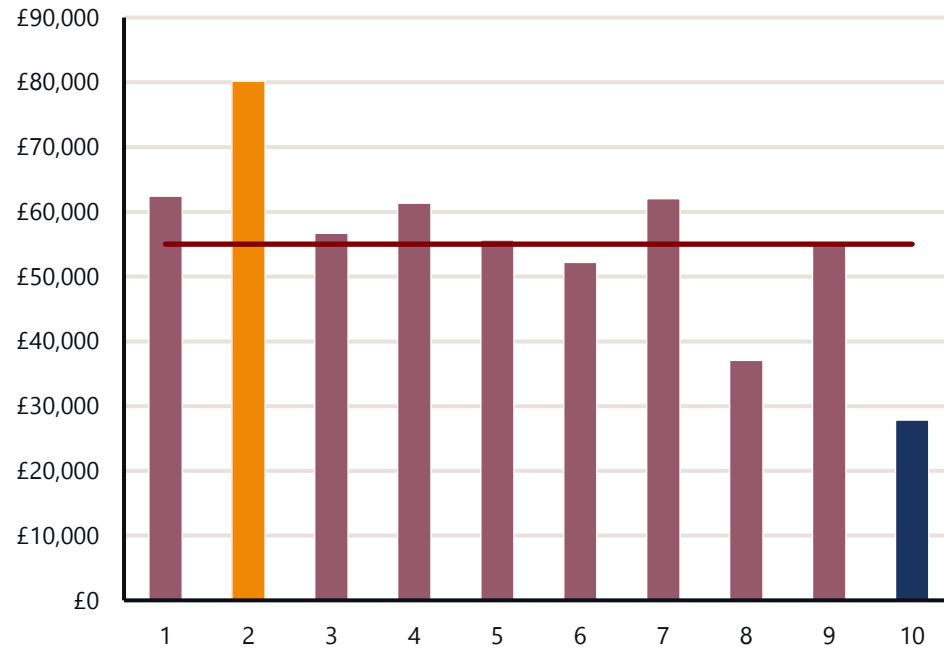
Highest £35.67

Average £22.69

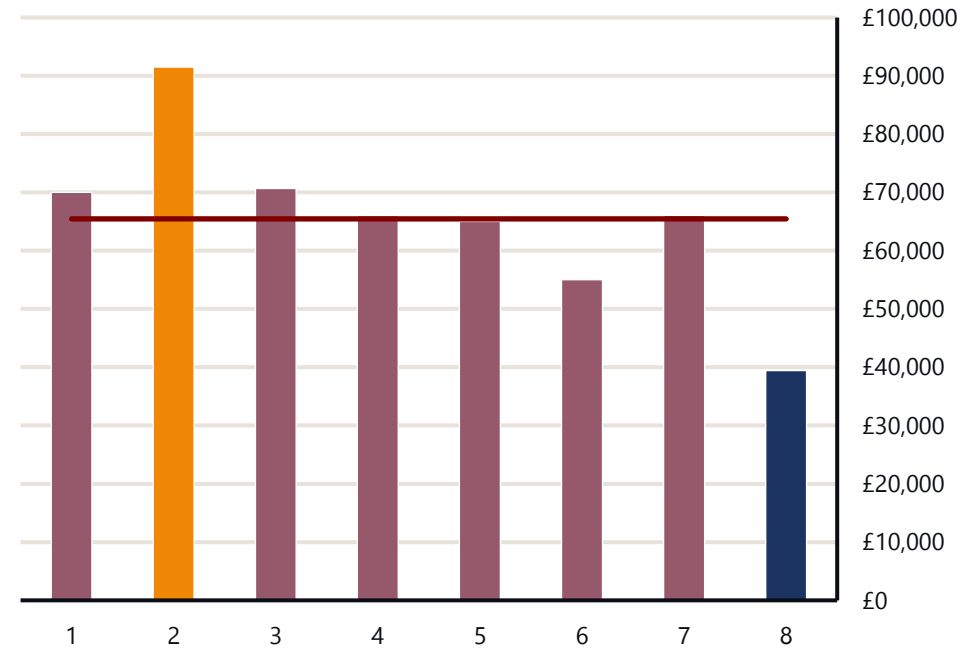
Lowest £11.88

5,000 Life Scheme

10,000 Life Scheme



Highest Fee £80,167 | Average Fee £55,009 | Lowest Fee £27,833



Highest Fee £91,500 | Average Fee £65,457 | Lowest Fee £39,427



Highest £16.03

Average £11.00

Lowest £5.57



Highest £9.15

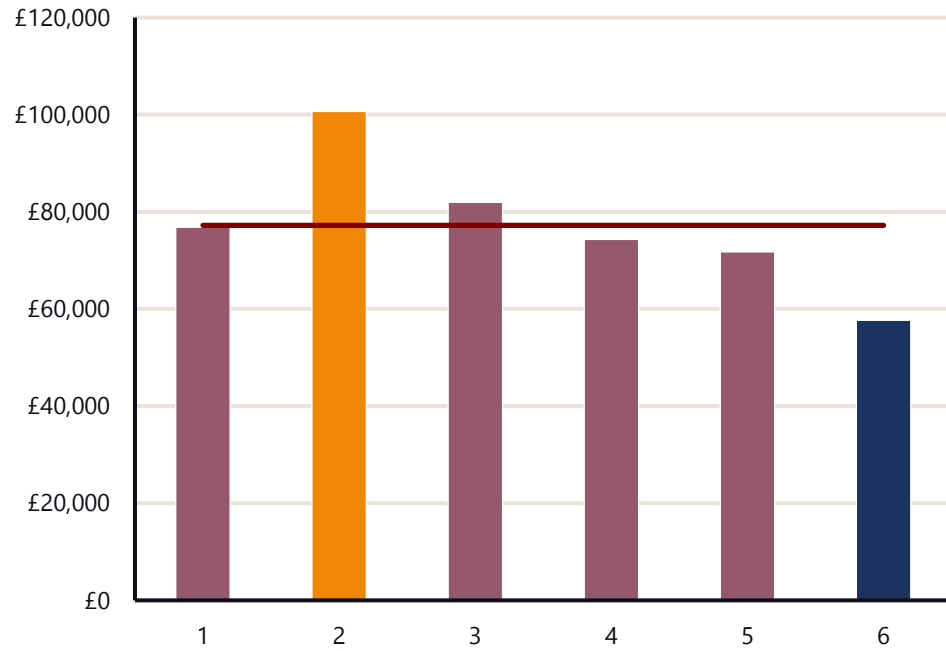
Average £6.55

Lowest £3.94

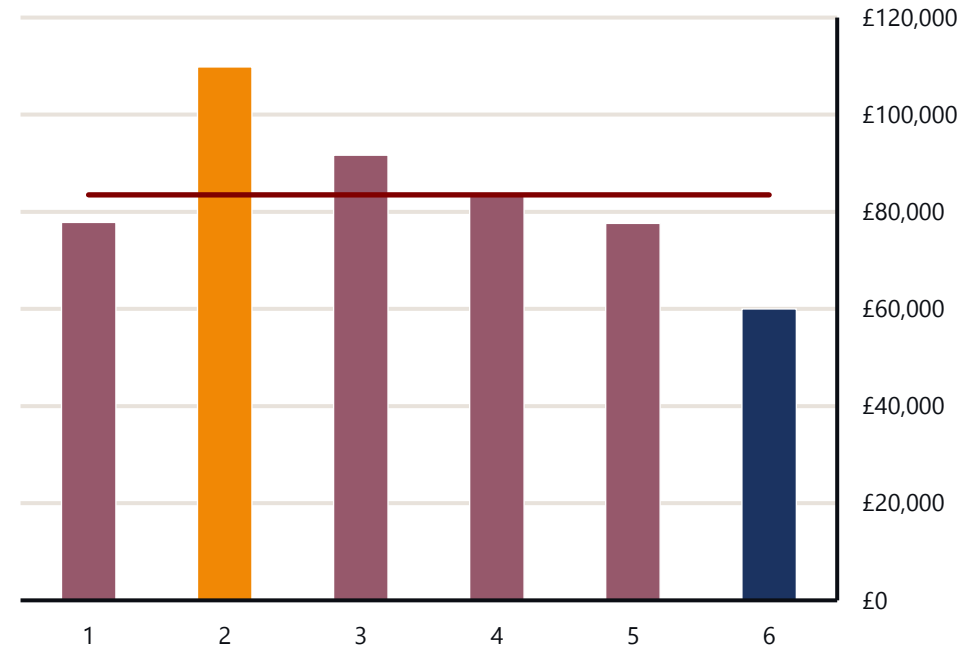


15,000 Life Scheme

20,000 Life Scheme



Highest Fee £100,667 | Average Fee £77,211 | Lowest Fee £57,667



Highest Fee £109,833 | Average Fee £83,494 | Lowest Fee £60,000



Highest £6.71

Average £5.15

Lowest £3.84



Highest £5.49

Average £4.17

Lowest £3.00



## Core vs Non-Core

## Core

All firms were asked to base their fees on a set of key tasks we consider to be 'core' in delivering a 21<sup>st</sup> Century actuarial service, these include:

- Production of Annual Summary Funding Statements and actuarial reports as required by legislation
- Providing input to required mandatory document certification e.g. scheme return, assistance an actuarial wording and matters for annual accounts
- Provision of a standard set of actuarial factors e.g. early retirement, commutation, late retirement
- Provision of papers for trustees on topical actuarial issues
- Attending trustee meetings and,
- Carrying out the triennial valuation

A full list of these tasks can be found in Appendix A.

Our results show:



Although the average is 92%, we found the trend is for firms to become less inclusive. This approach was reflected in our last Administration Survey. We think trustees need to be asking their actuaries how their firms are treating core fees.

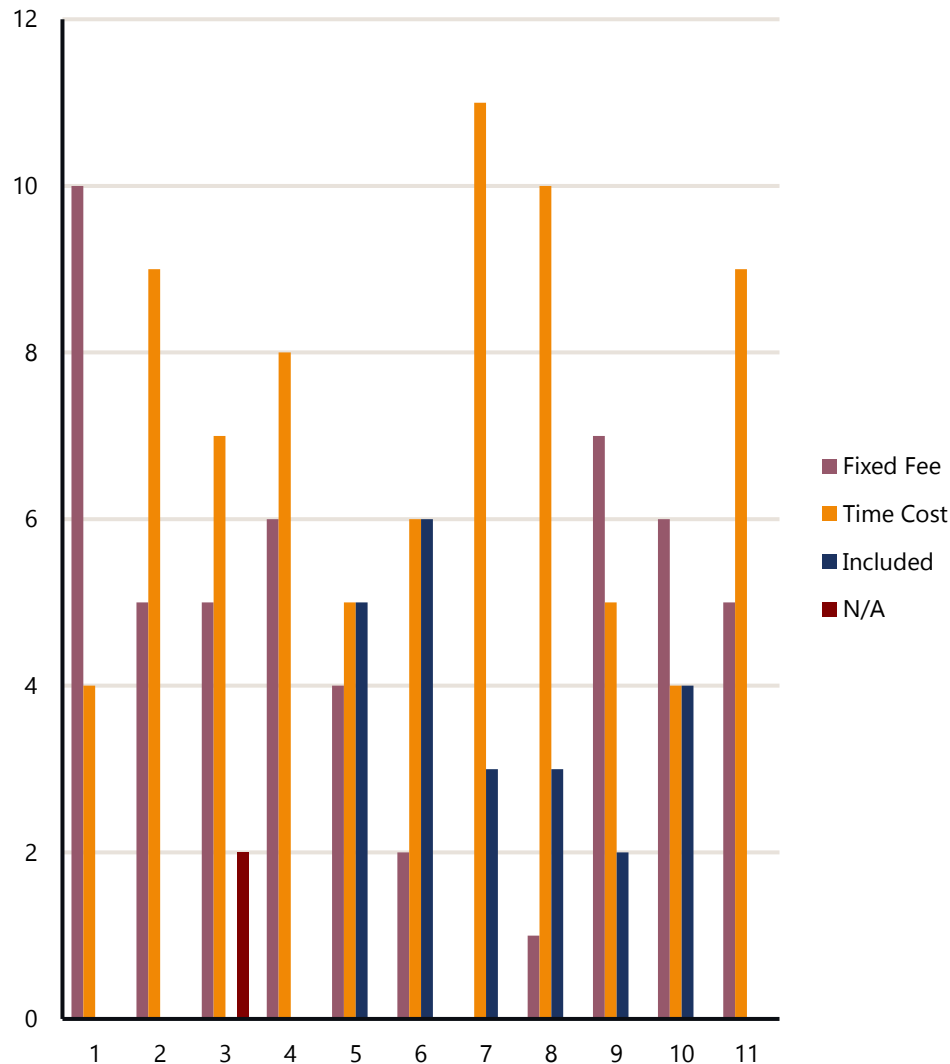
10 firms do not include 'Calculation of VaR for purposes of TPR scheme return (to include the date/liability/%of VaR calculated/period of which it is modelled)' within their core fees. As so many don't include it, perhaps it's time to move this on to the non-core list?

## Non-Core

There are times when additional services may be required, but as you would expect there's usually an additional fee. Below we've listed some tasks we consider to be non-core (outside of what you can expect to be provided as standard).

Task	Description
1	Ad-hoc valuations arising as a result of changes in scheme structure, membership, membership profile or business activities
2	Advice relating to benefit changes, provision of non-guaranteed pension increases, individual member benefit augmentations including reporting on financial implications, additional contributions required, accounting treatment and/or solvency issues
3	Advice relating to material changes in staffing levels and reporting on financial implications for members and benefit arrangements
4	Provision of certificates other than those provided under the services e.g. Section 67 Certificates
5	Actuarial input/comment in relation to Statement of Investment Principles (SIP)
6	Liaise with trustees on scheme administration matters as and when required e.g. calculation of transfer values over an agreed limit, cost of augmentations etc.
7	Discussions with TPR in relation to funding plans, including particular Recovery Plans, Summary Funding Statement and calculation of Technical Provisions
8	Reporting to TPR of any legislative breaches of which Scheme Actuary is made aware and, if appropriate, any late payments or underpayments of contributions notified by administrators
9	Detailed advice in relation to the impact on funding and solvency levels of transfer values (TVs) and the provision of TVs where schemes are not fully funded
10	Detailed advice on alternative bases for the calculation of actuarial factors
11	Advising on terms of any bulk transfers to be paid/received

We asked the firms whether these tasks would be provided with an **additional fixed fee**, on a **time cost basis**, included in the core fee, or **not available**.



For most firms, Task 1 would be provided as an **additional fixed fee**.

The majority of firms stated Task 7 and Task 8 would be provided on a **time cost basis**, considering both of these include liaising with TPR it's not surprising this is the case.

Most firms said Task 6 would be provided on either a **time cost basis** or **included in the core fee**, however we'd like to see more firms including liaison with trustees on administration matters as part of their core fees. We believe transfer amount limits should be reviewed so as many transfer values as possible are calculated by the administrator. Augmentations should be an additional fixed fee.

## Are you receiving Value for Money?

Value for money (VfM) is something all trustees strive for, but how can you tell whether what you're receiving is a true representation of VfM? It's a tough one. What's considered VfM for one trustee board and scheme might not necessarily be the same for another. It really depends on your membership, goals and objectives. However, comparing what you could pay against the service you're receiving is a good place to start. The tables below show the highest and lowest fees for each scheme size and their associated percentage of core tasks (listed in Appendix A).

Across all scheme scenarios neither the firm with the highest or lowest fee offers 100% of services. With the exception of the two largest scheme sizes, the firm with lowest fee offers more or the same in its core service than the highest fee.

		£	% core tasks
200 life scheme	Highest	51,700	89%
	Lowest	13,500	95%
500 life scheme	Highest	52,367	89%
	Lowest	14,000	95%
1,000 life scheme	Highest	53,367	89%
	Lowest	15,500	95%
2,000 life scheme	Highest	71,333	89%
	Lowest	23,750	89%

		£	% core tasks
5,000 life scheme	Highest	80,167	89%
	Lowest	27,833	89%
10,000 life scheme	Highest	91,500	89%
	Lowest	39,427	95%
15,000 life scheme	Highest	100,667	89%
	Lowest	57,667	68%
20,000 life scheme	Highest	109,833	89%
	Lowest	60,000	68%



## Trustee Engagement

## Trustee Meetings

Trustee meetings are an invaluable part of a scheme’s lifecycle – whether they’re face to face or virtual. They’re an opportunity for any issues to be discussed, at both a scheme or global level. They facilitate discussions around service delivery, as well as being the driving force behind getting a scheme where it needs to be. Trustees must be engaged with their scheme regardless of the size of its membership to ensure good governance prevails.

We asked firms how many trustee meetings they would attend in a non-valuation year. For the smaller 200 to 1,000 life schemes, actuaries were likely to attend 2 meetings per annum and would cost on average £2,440 to £2,575 per meeting. Schemes of 2,000 lives and above average 4 trustee meetings offered was 4, costing on average £2,658 to £3,625 per meeting.



The triennial valuation will always take up a lot of time, it requires more work from the Actuary and trustees will want to be fully engaged with the process. Technology has allowed actuaries to deliver accurate on demand valuations at trustee meetings making best use of everyone’s time.

We asked firms how many trustee meetings they would attend in a valuation year. For the smaller 200 to 1,000 life schemes actuaries would attend 3 meetings and costing on average £2,512 to £2,738 per meeting. For a 5,000, 15,000 and 20,000 life scheme it’s likely an actuary would attend 5 meetings, and this could cost £3,293 to £4,375 per meeting. Firms were split for a 10,000 life scheme with firms offering 4, 5 or 6 meetings per annum! The average cost differential was also the greatest at between £1,125 and £3,208 per meeting.



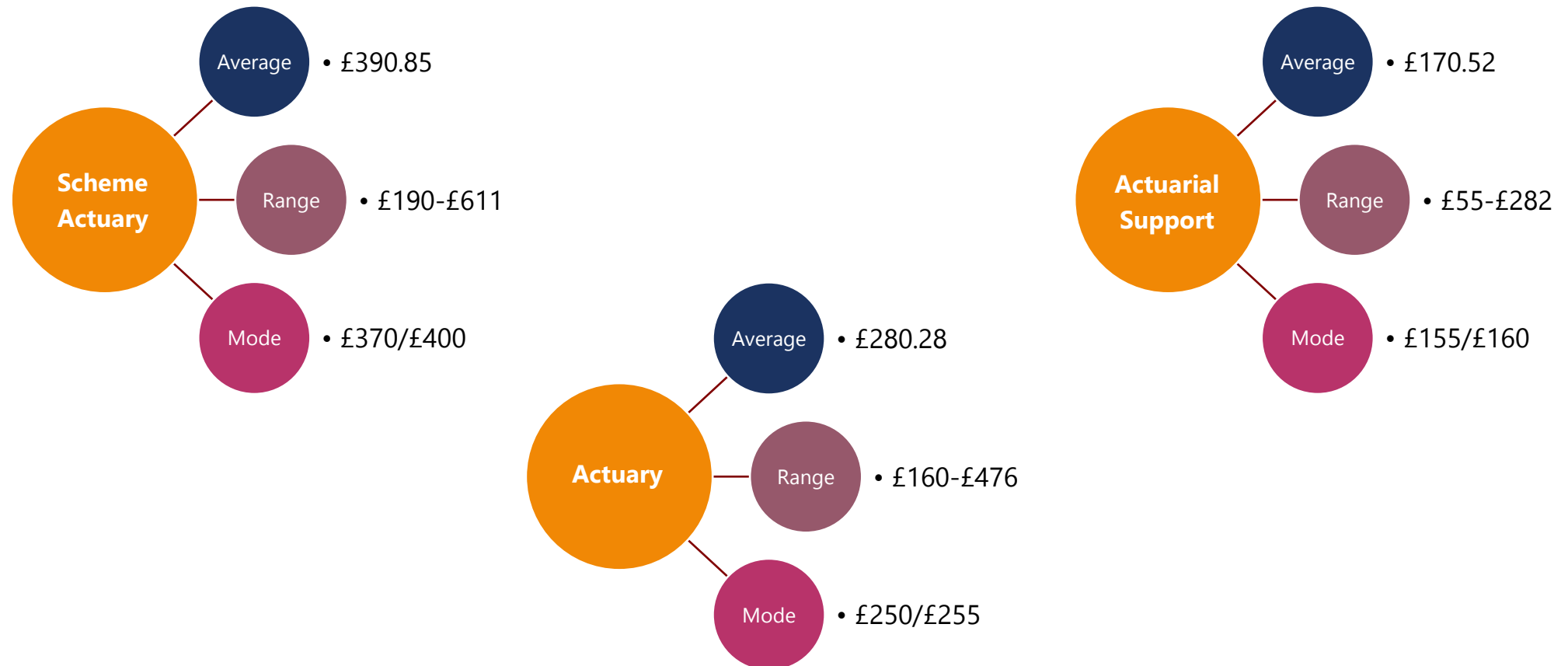




## Hourly Rates

## Your Actuary's Worth

We recommend any out of scope work is budgeted with a fixed fee but appreciate this isn't always possible and time cost charges will apply. It's no surprise charge out rates for different levels of expertise will vary, as shown below. Whilst at first glance the Scheme Actuary could be a more expensive option, sometimes work can't be delegated down to a more junior level – or it could take longer. However, some deputising actuaries can be very experienced and more in touch with the scheme. So, it'll be down to your team and how they work with you. Of course, trustees should always work with their actuarial team to ensure work is carried out at the appropriate level to help control costs. You don't want to be paying your expensive Scheme Actuary to carry out something a less expensive resource could do just as easily.





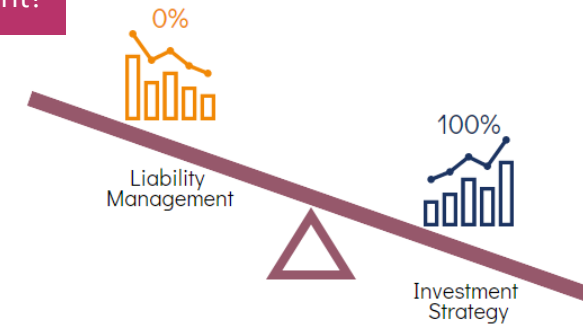
## Industry View

## What's going on?

We asked participating firms to answer a series of wider industry focused questions, to see if there are any themes or trends to look out for over this coming year.

### 1. Are the majority of your schemes de-risking through their investment strategy or liability management?

All firms said their clients were de-risking through their investment strategy. In our last Actuarial Survey, 84% of clients were using their investment strategy and 11% using the liability management route. It seems liability management has fallen out of favour.



### 2. Have you noticed a change in employers' ability to fund de-risking?



This question provided quite a split bag, 50% said they've seen the ability to fund de-risking go up, 14% said they've seen it go down and 36% said they've not noticed any change.

This question was a talking point with quite a few comments made:

“ Affordability tends to be wrapped up in deficit contributions, so it is difficult to pick out how much is going towards de-risking. However, we would say more schemes now have a longer-term plan, which includes an idea of how and when they might/will de-risk, so we are seeing more willingness to de-risk. We also have more schemes now adopting a 'cashflow driven investment approach', which has significantly reduced their investment risk relative to their liability cashflows. ”

“ The challenging economic environment will inevitably put increased pressure on the finances of the employers. While many employers will still appreciate the long-term benefits of de-risking their pension schemes, we suspect such de-risking may be deferred. ”

“ No, but enthusiasm for liability management has reduced, with TV exercises in particular now becoming unviable. ”

### 3. What do you see having the biggest impact in the next 12-18 months?

We find this is always an interesting question to ask and one topic is never a clear leader. When we issued the survey, no one knew how the novel Coronavirus would impact our lives, let alone our pension schemes. The options given were:

- a) **Brexit**
- b) **GMP Equalisation**
- c) **Pensions Dashboard**
- d) **New Requirements on Scheme Funding**
- e) **Other**



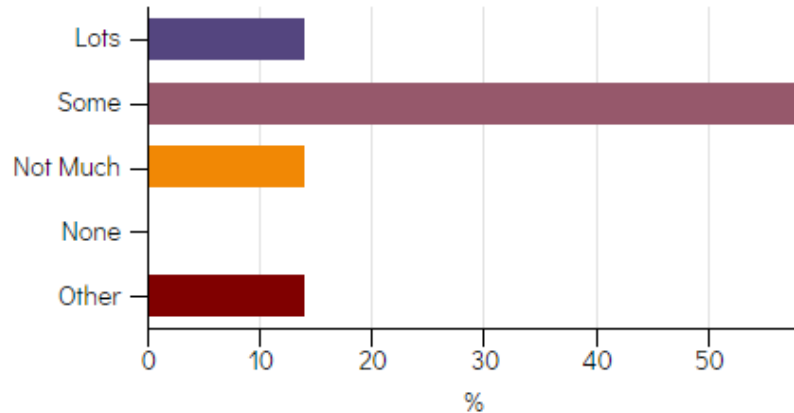
The results showed **New Requirements on Scheme Funding** to be at the top of the list for **58%** of firms, followed by **Brexit** – **14%** and **GMP Equalisation** – **7%**. Interestingly, **Pensions Dashboard** wasn't considered to have the biggest impact by any firm. We had a few comments and a couple of participants believed more than one of these would have the biggest impact.

“ GMP Equalisation and new requirements on scheme funding. GMP Equalisation because of the time, cost and complexity (operational work), and the scheme funding requirements because of their impact on liabilities, long-term strategy and relationship between trustees and their sponsors. ”

“ Mix off all the above. Some schemes will be unaffected by Brexit, others heavily impacted. GMP equalisation will again hit some schemes more than others, the administration teams will probably carry out a lot of the work. General tidying up of data ready for IORPII & pension dashboard will again hit the admin teams. ”

“ Record low yields and volatile investments (partially related to Brexit) resulting in significant (and volatile) funding and accounting deficits. Whilst the costs of implementing GMP equalisation and any requirements in respect of the pension dashboard will be a concern, we suspect smaller schemes will not be early adopters. ”

4. How much interest are clients showing in introducing long term funding targets prior to the 2020 deadline?



The Pensions Schemes Bill introduced in Parliament in October 2019 proposed new requirements for schemes to set a long-term funding and investment target, in addition to the ongoing statutory funding target. Whilst the Pensions Bill is yet to receive Royal Assent, it's expected to include this. TPR launched its [Consultation on DB Funding Code of Practice](#) on 03 March 2020.

It's positive to see over 75% of participating firms' clients are showing interest in this area. Now there's more clarity, we expect this interest to peak. TPR is moving away from 'comply or explain', the expectation is trustees will have to comply and then evidence this. With trustees needing to decide whether they'll be taking Fast Track, or the Bespoke route to funding.

“ Schemes with current valuations taking note of TPRs latest funding statement. ”

“ Schemes just starting valuations, or those with valuations next year are starting to discuss LTFT. ”

## 5. How can the actuarial industry help engage more people in pensions?


The main themes picked out here were – actuaries can help engage members and support trustees with this engagement, communication is key and actuaries can support the communications aimed at improving member outcomes AND all of this can be supported by improved technology.

- “ By encouraging our clients to operate absolute best practice in engaging their workforce as most people rely on their employers for pensions engagement. We should also recognise many people will never engage and therefore we should make sure our default option, not just DC funds, but the way we engage members around their pension scheme gets the best outcome for as many people as possible. Trustees with the support of their advisors need to step up to the plate and help members to best understand and get the most from their pension scheme. ”
- “ By helping trustees to simplify communications, using less jargon and simplifying the solutions put forward that affect members. They can help with the direction of member engagement in their pension provision to improve ownership of a member's benefit. ”
- “ Showcasing and championing excellent communications e.g. in member option packs, investment during DC accumulation and relationship between trustees and their sponsors. ”
- “ Embracing technology is vital to engaging customers in pension saving. This includes supporting DB members' choices at retirement and steering DC members to build up adequate assets, then spend wisely in retirement. The Pensions Dashboard has the potential to transform public perception of pensions. Ready access to information should lead to genuine sense of ownership of pension assets. Keeping pensions simple and making decisions straightforward are things the actuary must do, as we push the PenTech boundaries to boost engagement. ”

## 6. Any other thoughts?

As always, we give participating firms the opportunity to give their view and opinion. We only had a couple of comments this year:

- “ The role of the Scheme Actuary is seemingly only becoming more complex and we are increasingly seeing clients looking for more experienced individuals. For example, when we run selection panels where an incumbent actuary is being replaced for whatever reason, the clients almost always pick the most senior person that they met, despite knowing that comes with a higher charge rate. ”
- “ Have noticed significant increase in TPR scrutiny e.g. 'long recovery plan' questionnaire, scrutiny on investment strategies. Increased TPR scrutiny on governance e.g. conflicts of interest. Markets continue to be very volatile. Increased interest in full buyout where affordable. Increased interest in Master Trusts (but not consolidators). ”

A square icon with a dark blue border, containing three horizontal lines on the left and three downward-pointing chevrons on the right, representing a list or summary.

# Summary



## So, what have we learnt?

This year's survey results showed core actuarial services were cheaper at a UCM level than core administration. Yet actuarial is considered the more complex and expensive service! Again, the survey highlighted, larger schemes pay less per member than smaller schemes. It's highly unlikely this will ever change due to economies of scale. Trustees could investigate working differently, or streamlining their service delivery to avoid extra costs.

We've seen less firms offering 100% of core services, following the trend highlighted in our last Administration survey. The most common service not included in core is 'Calculation of VaR for purposes of TPR scheme return (to include date/liability/%of VaR calculated/period of which it is modelled)'. 10 firms don't include this within their core fees. Is this something too scheme specific to be treated as core and should it move to the non-core list? As schemes move towards the end-game, is that true of some of the other services?

Understanding what represents Value for Money (VfM) is individual to each scheme, all factors around this should be considered and only then can trustees understand how to achieve VfM for their own schemes. The survey showed across all scheme scenarios neither the firm with the highest or lowest fee offers 100% of services. Except for the two largest scheme sizes, the firm

with lowest fee offers more or the same in its core service than the firm with the highest fee. We think the following quote highlights the VfM argument 'It's not what you pay a man, but what he costs you that counts': Will Rogers, Actor.

Actuaries can most definitely add value at Trustee Meetings and of course Scheme Actuaries are fundamental to the triennial valuation. Naturally this would see them attend further meetings. For smaller schemes in a non-valuation year it's likely an Actuary would attend two meetings per annum, increasing to three meetings in a valuation year. For the larger schemes, the majority of schemes offered four meetings per annum and in a valuation year, increasing to five and sometimes six.

It's inevitable ad-hoc projects will occur; we highly recommend these types of projects are always fully scoped and budgeted. Sometimes it's not possible for these projects to have a precise budget attached to them, in this instance we recommend trustees ensure the work is carried out at a suitable level to control costs. Often work can be completed by a deputy who's not a Scheme Actuary, or a part qualified, but there are times when only the Scheme Actuary has the necessary skills and knowledge. In turn this will have an impact on costs.

Our industry section had some really interesting stats and comments from participating firms. We found de-risking through schemes' investment strategies to be more popular. With participating firms stating none of their clients were de-risking through liability management. Following on from this, half of participating firms said they've noticed an increase in employer's ability to fund de-risking.

New Requirements on Scheme Funding is thought to have the biggest impact over the next 12-18 months, followed by Brexit and GMP Equalisation. Interestingly, Pensions Dashboard wasn't considered to have the biggest impact by any firm. What none of us knew was the fallout from COVID-19 is likely to have the biggest impact on all areas of scheme management over the next 12-18 months.

Interest in Long Term Funding Objectives is high and given TPR has now launched its consultation<sup>2</sup>. Trustees and employers will be showing much more interest here as they grapple with whether they'll be adopting the Fast Track or Bespoke approach.

Whilst DB is phasing out, it probably won't be in our lifetimes.

Actuaries will still have a central role to play for decades to come. The industry believes:

- actuaries can support trustees in engaging members
- actuaries can support communications aimed at improving member outcomes AND,
- all of this can be supported by improved technology

2019 was an interesting year for pensions and it looks like 2020 isn't going to be an easy ride either!

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<sup>2</sup> <https://www.thepensionsregulator.gov.uk/en/document-library/consultations/defined-benefit-funding-code-of-practice-consultation>

## KGC Services

Our services range from supporting trustee boards in meeting their due diligence requirements and achieving a quality value for money service, through working with firms delivering pension services and supporting them to keep their service in line with the ever changing pensions landscape.



### Benchmarking & Market Reviews

Our in-depth market knowledge and experience means KGC is well placed to guide you through a review process. We ensure you can demonstrate good governance and due diligence through our detailed Benchmarking & Market Reviews of service providers: administration, actuarial, investment consulting, fiduciary management, secretarial services and independent trustees.



### Fiduciary Management Governance

Fiduciary Management is coming to the forefront of investment solutions for today's pension schemes. The KGC FM Framework© assesses whether the service delivered is in line with your expectations and good practice, ensuring due diligence is evidenced. As regulatory oversight on Fiduciary Managers increases, we can track their responses to these pressures.



### DC Consulting

In the DC world it is important trustees and employers understand and meet their regulatory responsibilities. An expert with a long-standing DC heritage we provide practical, operational or strategic support helping demonstrate a high degree of due diligence and regulatory compliance. We work with schemes and Master Trusts to either simply remain compliant, or prepare for assurance audit. We also provide real life practical experience to IGCs.



### Process & Relationship Management

TPR's 21st Century Trustee needs to provide the good governance necessary for a well-run scheme. The risk of overlaps, disconnects and gaps all hinder its operation. As part of a KGC Scheme MOT, we review scheme operations across service providers, re-designing processes, recommending improvements and redefining roles, ensuring value for money across all service providers.



### Trustee Effectiveness

A balanced Trustee Board benefits from having a good mix of skills and experience. We support trustees in evaluating skill as a whole, identifying how individual attributes fit within the Board dynamics. We detect gaps and highlight expertise to recommend improvements to support good governance. This enables the whole Board to have greater focus on scheme strategy.



### Management Consulting

As an independent management consultancy, we can provide an external objective market view to aid market understanding and help strategic development. This is complementary to our governance services. Our pool of market research enables us to combine insights, create value and communicate practical and suitable solutions, as well as improving business performance.

**Even before 'governance' became the byword for pensions, good governance has always been at the core of our services to clients.**

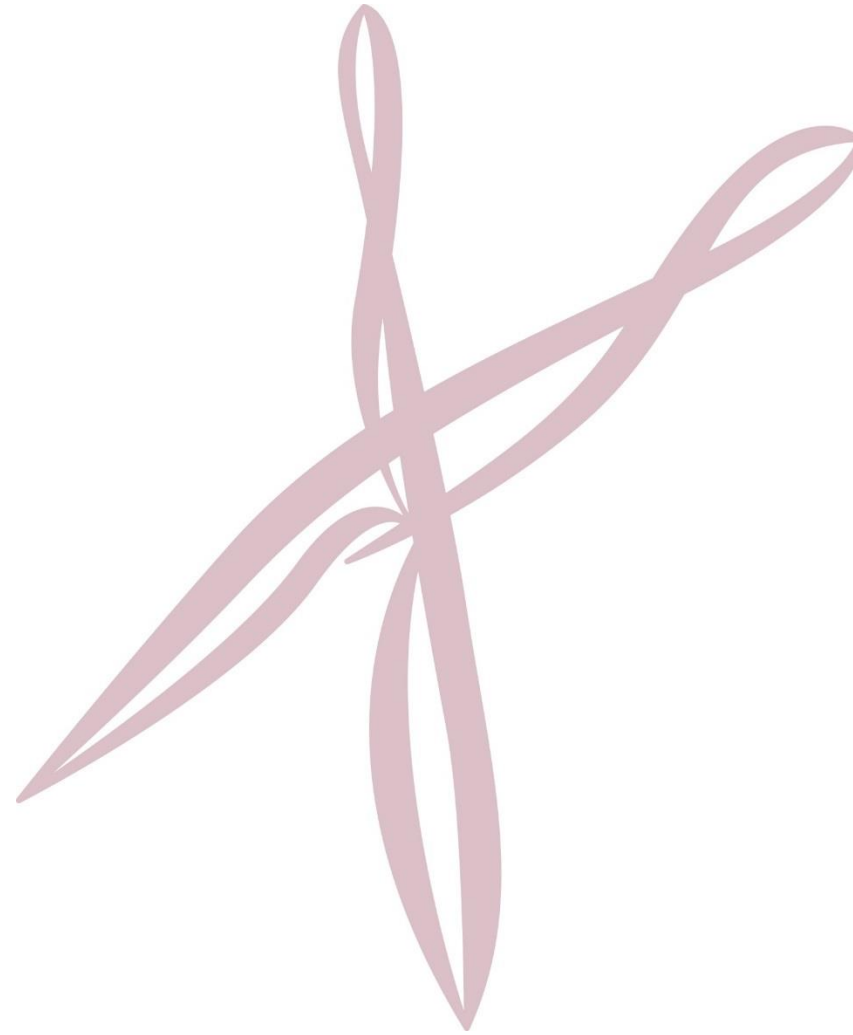


## Appendix A

## Services Provided

The chart below sets out the tasks we consider core to delivering an actuarial service. All firms were asked to state if these tasks are included in their own core service.

Production of Annual Summary Funding Statements (SFS) and annual actuarial report(s) as required by legislation – including approximate annual updates of funding position	Specification of data requirements and liaison with Scheme administrator or other parties over provision of data by electronic means in an agreed format
Notification and guidance on PPF levy (level of levy to be expected in the coming year). Guidance regarding contingent assets, Experian monitoring for Mean Score, Levy Band and Levy Rate	Validation checks on membership data to ensure it is adequate for valuation purposes
Calculate/deliver and certify annual deficit reduction figures. Annual submission of deficit reduction certificates o PPF via Exchange	Provision of scheme specific modeller
Provide input to required mandatory document certification e.g. Scheme Return, assistance on actuarial working and matters for Annual accounts etc	Calculation of results and draft valuation report
Provide monthly market yields if appropriate	Advise the trustees on contributions and Schedule, advice in relation to plans to meet the statutory funding objective, their policies under Statement of Funding Principles, term and preparation of Recovery Plan and submission to TPR
Provision of a standard basis for calculating transfer values (CETVs), production of transfer factors and pro forma for administrator to determine benefits to be granted in respect of CETVs (i.e.) not modeller) not including advice on assumptions/factors or member test cases	Analysis of results to identify factors which have acted in favour of and against the financial strength of the Scheme
Provision of a standard set of actuarial factors e.g. early retirement, commutation, late retirement	Preparation and certification of Schedule of Contributions
Calculation of VaR for purposes of TPR scheme return (to include date/liability basis/% of VaR calculated/period of which it is modelled)	Preparation and certification of other statutory certificates
Provide legislative updates (info only not in depth advice)	Advice on pension and other benefit accounting costs for purposes of FRS102, IAS19 and FAS87 accounting (assume one set of accounting figures annually and provision of draft disclosures for one employer)
Provide papers for trustees on topical actuarial issues	



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