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OneDB: One supplier. One adviser. One fee.

Introducing the ALL-IN-ONE defined benefit
full-service pension scheme management solution





Introduction

Defined benefit (DB) pension schemes have been in the press for all the wrong reasons in recent years. Carillion, BHS and Toys 'R' Us are just a few of the household names that have hit headlines with underfunded schemes and no employer to support them, ultimately resulting in reductions in members' pensions.

DB casualties have increased the scrutiny of the government and ramped up the regulatory burden on companies and trustees. At the same time, corporate sponsors are becoming more removed from DB schemes. With few employees saving into such schemes, they are often viewed as debts on the balance sheet rather than serving their original purpose as employee attraction and retention tools.

These developments mean that the people running pension schemes must be more highly skilled than ever before. The government is even consulting on consolidating pensions into large, commercial vehicles, governed by professionals.

The direction of travel for UK DB schemes is clear. However, no single, seamless outsourcing solution has existed with an established provider. Until now.

Shouldering the burden

Willis Towers Watson has launched a service which delivers everything trustees and companies need under one roof, for one fee. It's called OneDB.

OneDB offers a complete service to DB schemes that are no longer open to new savers. Trustees and companies retain overall control of their strategy, but they outsource the day-to-day running of the scheme to trusted professionals at Willis Towers Watson.

The service breaks down the traditional barriers between a trustee board's set of advisers, putting an end to silos. Schemes will have access to best-of-breed investment, administration, actuarial and consultancy services, all under one roof, delivered by an experienced strategic consultant.

We at Willis Towers Watson are excited to announce the launch of OneDB. Read on to find out more about what prompted us to create this new service and discover how it can help you.



The DB challenge

In the lingering aftermath of the financial crisis, DB schemes have been grappling with a Herculean task. For trustee boards and company finance directors alike, the pension scheme surpluses of the 1980s and 1990s are a distant memory.

The trustee role has become much more difficult than anyone could have originally envisaged. In a prolonged low interest rate environment, many DB schemes are underfunded. Trustee boards are turning to a wide range of asset classes in a bid to improve their scheme funding. However, the greater complexity of managing scheme assets and liabilities means trustees need to be more highly skilled than before.

Trustees can also struggle to access the best investment pricing. Lack of scale is a barrier for those who are responsible for small and mid-sized schemes. Trustees may also not always know if they are getting the best deal, lacking a means of comparison and transparency for the pricing they are offered.

Small and medium-sized schemes fail to meet The Pensions Regulator's (TPR's) expected governance standards more than larger schemes, and trustee decision-making is often not optimal, according to a paper by TPR, *DC and DB research response*, published in September 2017.

The regulatory burden is also ever-increasing. A series of high street retailers and other corporate giants have declared bankruptcy over the last few years, meaning

that many people will no longer receive the full amount of DB pension that they were promised. This prompted a slew of negative headlines, as well as closer scrutiny from government and regulators.

The government is taking steps to increase the protections for DB scheme members, as it sets out in its March 2018 White Paper, *Protecting Defined Benefit Pension Schemes*. In the years to come, we are likely to see more regulatory interventions, where schemes are thought to be in danger of failing to meet their promises to members.

The role of the 21st century trustee

Trustees have found their workload stretched well beyond the traditional quarterly meeting schedule. From monitoring the sponsor covenant and investment strategy to keeping up with member queries as well as fast-evolving regulation, running a pension scheme is a demanding job.

Trustees are also having to get to grips with changing actuarial assumptions. These mean that the DB scheme end-game, whether that is buyout or self-sufficiency, is ever more uncertain. Life expectancy rose beyond most people's wildest dreams in the late 20th century, thanks to medical advances and people living healthier lives.

In addition, the current uncertainty within financial markets due to the ongoing political challenges around the world means that it remains difficult to predict how things will look in the future. All of this uncertainty creates challenges for trustees and scheme sponsors, requiring more and more time as well as effort to keep on top of developments and to assess an ever-evolving picture.



These challenges are further increased by ever-developing legislation. While much of the recent legislation has largely been focused on defined contribution (DC) schemes and resulted in a sharp uptick in activity for these schemes, some of this, such as freedom and choice has had impacts for DB schemes as well. The introduction of pension freedoms and choice in 2014 has resulted in an increase in transfer value requests, as members look to take advantage of the options available to them.

All things considered, the role of the 21st century trustee is a heavy burden. With the time commitment and level of expertise involved, it's no wonder that schemes often struggle to recruit trustees.

A corporate burden

Corporate sponsors are also struggling to shoulder the DB burden. Only 14% of DB and hybrid pension schemes are still open to new members, according to TPR's *The DB landscape: Defined benefit pensions 2017* report.

With few employees still saving into DB pension schemes, companies are pouring money into schemes that are largely populated by deferred members and retirees, creating little value for today's employees.

Companies' weighty DB legacies are straining their balance sheets, preventing them from investing in their future growth. Finance directors are constantly concerned that they may need to put additional money into their DB schemes to make up for sluggish investment returns, but conversely, if they end up with a surplus, it is very difficult to release the extra cash.

Time for change

All things considered, it's no wonder that trustees and financial directors are increasingly contemplating delegating the day-to-day running of their pension scheme. Insurance buy-ins and fiduciary management are two delegation models which have proven popular with schemes to date, whilst the industry has been very active in talking about master trusts.

However, these models will not be right for every scheme. Some schemes will not be ready for an insurance buyout. Fiduciary management is an effective way to delegate day-to-day investment decision-making but, on its own, does not remove the burden of other challenging areas, like administration. Conversely, for some schemes, delegating to a master trust will feel like a bridge too far, with trustees often unwilling to pass on their overall responsibility for member security to an unconnected new set of trustees, within a vehicle that is still relatively new to the market.

Consolidation was a key subject of the government's White Paper, *Protecting Defined Benefit Pension Schemes*, but the media and pensions industry have tended to focus on the corporate consolidators, which are likely to only be relevant for the few. One of the focuses of the White Paper, that is often overlooked, is the need for the industry to further publicise the existing consolidation options. Many trustees and scheme sponsors have a pressing need to act now to mitigate the growing challenges associated with running a DB scheme.

We took a step back to evaluate all the issues that trustees and scheme sponsors face, as well as the current solutions available. OneDB is our answer.

OneDB in a nutshell

Our vision with OneDB is to support schemes who want to make swift decisions, without delays due to adviser conflicts or incompatible systems. Where each opportunity is viewed on its own merits as part of the scheme strategy, allowing the scheme to move quickly when an opportunity arises (for example, for de-risking) and with timelines for key projects such as valuations reduced by months.

When we examined the myriad of challenges DB schemes face, it was clear that they needed a more holistic set of services to help them to achieve their goals.

OneDB is our **ALL-IN-ONE** solution. Trustees and scheme sponsors retain overall control of their strategic direction. However, the day-to-day running of the scheme is entirely outsourced.

Schemes will have access to the very best investment, administration, actuarial and consultancy services; all under one roof. Working with Willis Towers Watson professionals, trustees and scheme sponsors can set strategic objectives, whether that's being fully funded on the statutory measure, achieving self-sufficiency, or buying out the scheme entirely with an insurer.

On a ground-breaking new dashboard, progress towards these customised objectives is updated in real time, helping schemes to pinpoint where they are on their journey with far greater precision than ever before.

Figure 1. **The complete proposition**





OneDB breaks down barriers, creating a seamlessly run pension scheme. Additionally, we will enhance the member experience. With the scheme's administrator and actuary aligned about the scheme's valuation data, members will be able to access DB to DC transfer value quotations directly online.

This data alignment will also save schemes time when it comes to making administration upgrades, whether these are in response to new services coming to market, or new regulation. Schemes will be painlessly transitioned to the most up-to-date administration solutions by a partner that constantly improves its technology and processes.

Schemes will also benefit from our best-of-breed delegated investment management services. As the largest such provider in the UK, we harness economies of scale on behalf of our many clients, allowing us to negotiate better fee deals with investment managers. With our scale, we can also access a wide selection of investment opportunities, giving you a diversified portfolio which is more resilient to market risk.

OneDB vision

- One lead consultant across all service lines
- Valuation timelines improved by months due to straight-through processes
- No delay when calculations need to be 'referred to an actuary'
- Investment strategy proposals showing the key impact on funding and on the administrator cashflow as part of a single piece of advice
- Investment, administration and accounting teams in harmony when managing cashflows and preparing scheme report and accounts

OneDB: Key benefits in brief

Governance

OneDB helps trustees and scheme sponsors to devote more time to the strategic issues that matter. The day-to-day running of a pension scheme is entrusted to the experts.

This delegated structure brings big governance benefits. Schemes get valuable time back to focus on the big picture. Meanwhile, trustees receive the best service from skilled professionals who will ensure that the scheme is being run according to the latest best practice and is fully compliant with regulation in this fast-changing environment.

Delegating to one set of experts means everyone has a full picture of what's happening in the pension scheme at any one time. Running a scheme this way means that there's far less risk that something might fall into the cracks between different sets of advisers. The risk of unwitting crossover between advisers and duplication of effort is also mitigated, resulting in potential cost savings.

Risk management

Running a DB scheme is a risky business. With experts running the scheme, DB scheme risks are constantly assessed and thoroughly managed.

Let's take investment risk as an example. Working closely with their advisers, trustees and sponsors will consider what level of investment risk they are comfortable with taking, their end goal, and how quickly they hope to reach that point.

Willis Towers Watson's experts will then construct a portfolio to deliver the return needed to meet these objectives, for the lowest level of risk. As large investors, we can access a highly diversified set of opportunities on our clients' behalf, reducing the exposure to the volatility in individual markets.

Consolidation

Bringing together DB schemes that face similar challenges makes running them more efficient. The Department for Work and Pensions recognises this and is consulting on ways to consolidate DB schemes.

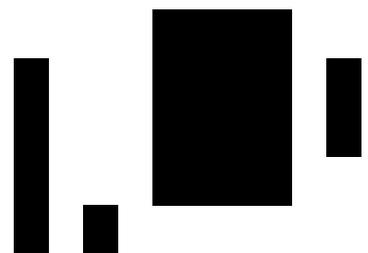
OneDB offers the best of all worlds. Schemes access economies of scale when it comes to investment and administration efficiencies, for instance. However, they retain control of the scheme's strategy.

Member experience

Members will benefit from access to DB to DC transfer values through an online member portal. More broadly, they will benefit from a more efficiently run scheme, which is better placed to deliver the pensions promises it made.

OneDB software

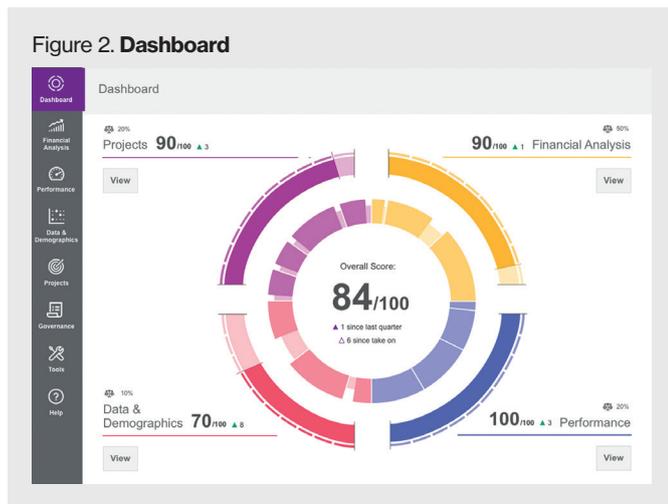
OneDB has a powerful, reliable software platform which gives trustees and sponsors access to their pension scheme status in seconds. The OneDB software clearly sets out progress on each scheme objective, while also allowing trustees and sponsors to take a deeper dive into each area via our ePA administration and Asset Liability Suite software which is included within our core offering. Here's an overview of some of the OneDB software screens and the information you will have available to you.



High-level information to quickly show trustees where they should focus their attention

The personalised front screen is designed to give you an immediate impression of how your scheme is performing, using the overall score metric. This score is based on the scheme's performance in four different areas: 'financial analysis', 'performance', 'data and demographics' and 'projects'. As a trustee, you can choose how important each area is in determining the overall score, so that you can focus on the issues that are most important to you.

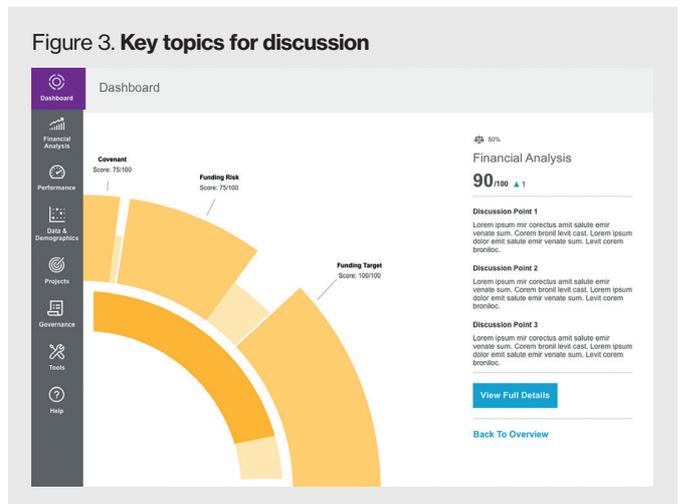
The OneDB software looks at your pension scheme in a holistic way – rather than looking at the actuarial, investment and administration information in isolation. By looking at all of the available information in a joined-up way, schemes are able to make more informed strategic decisions and look at the bigger picture more easily.



Trustee meeting pack – key points drawn out by strategic adviser

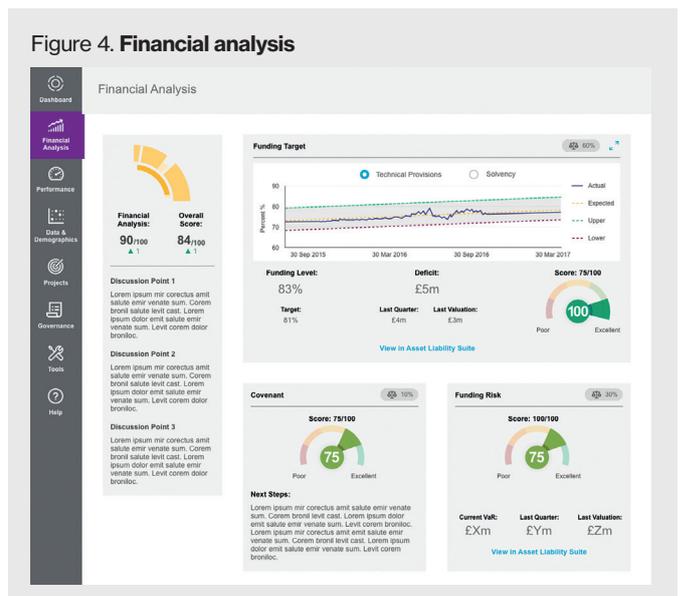
Within the OneDB software your one lead adviser will draw out the key discussion points allowing trustees to quickly and easily identify the main areas of focus to shape strategic discussions between trustees.

All of your key trustee meeting papers, for example, factor review papers, latest cashflow projections and more detailed investment management information will be available at the click of a button. In addition, key governance documents such as risk registers, trust deed and rules as well as minutes from previous meetings will be easily accessible from the software to facilitate quicker decision-making.



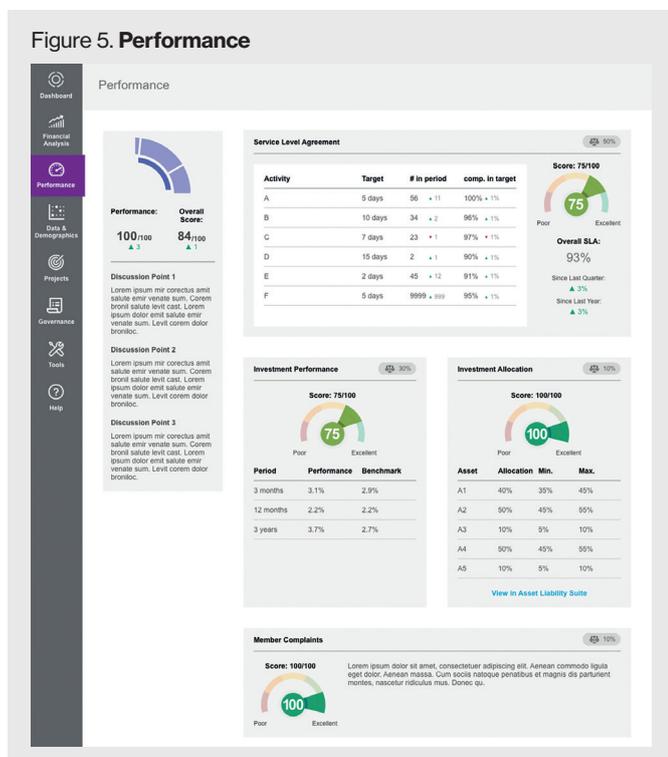
Key metrics: Financial analysis

Within the financial analysis section, the focus is on integrated risk management by looking at your funding, investment and covenant in a holistic way. Firstly, there is a focus on how your scheme is performing relative to your journey plan, based on the latest information available from our Asset Liability Suite software. The other two metrics focus on the downside funding risk and the strength of the employer covenant, so that trustees can assess whether the level of risk run by the scheme is appropriate given the level of sponsor support.



Key metrics: Performance

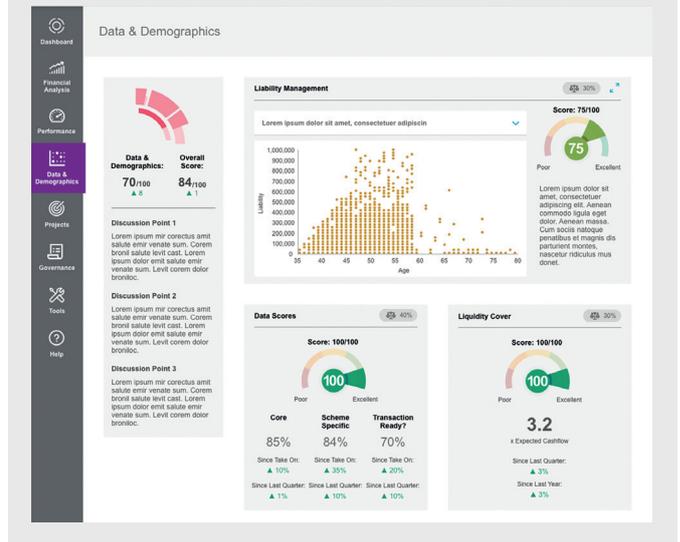
The performance section allows trustees to have confidence that their scheme is being run professionally and in line with their expectations. This is where reporting information is provided based on the administration service level agreement, allowing trustees to monitor performance. Other key metrics here include investment performance relative to the journey plan benchmark and a review of the asset allocations relative to the agreed guidelines. There are also high-level details on any current member complaint cases, so that these can be reviewed on an ongoing basis.



Key metrics: Data and demographics

The data and demographics section provides focus on the long-term scheme strategy and helps prepare the scheme for the next round of challenges. It includes summaries of the liability profile of scheme membership, allowing trustees to look at different groups of members with common characteristics, and consider possible projects to help reduce risk for these members. It also provides information on the quality of scheme data through common and scheme-specific data scores (as defined by TPR), as well as taking it a step further and reviewing whether the data is suitable for an insurer's pricing purposes if a transaction were to take place. The other key metric here looks at asset liquidity and whether there are enough realisable investments to cover the scheme cashflow requirements.

Figure 6. Data and Demographics



Key metrics: Projects

The final section of the OneDB software allows the trustees to monitor the status of their key ongoing projects. The metrics here focus on how far a project has progressed and provides details on important next steps and decisions that trustees will need to make. More detail on each of these projects can be found via direct links to key papers within the OneDB software.

Figure 7. Projects



What challenges could OneDB solve?

"I am working towards a de-risking transaction with an insurer but find that by the time I have an up-to-date picture of my scheme funding, I've missed the opportunity to lock into a great deal."

A

The OneDB software is updated live. For schemes progressing towards de-risking transactions, access to regularly updated information about their funding level could make all the difference when planning for a buy-in or buyout.

"My advisers spend a lot of time debating the best course of action with each other in meetings."

A

OneDB will unlock more efficient meetings. Your one lead adviser will be responsible for the day-to-day running of the scheme, allowing you to focus on the big picture. They will have oversight of everything going on within your scheme, which means that they will be able to bring you the latest information and a consistent set of recommendations about what is right for your scheme, while still providing you access to experts in specific key areas as and when required.

"We've thought about outsourcing before but have been put off by the cost."

A

OneDB could help create cost efficiencies for your scheme. Separate advisers can easily sit in silos and not communicate with each other, meaning that you end up paying for overlapping services. OneDB is a seamless service which pulls together everything you need, in a coherent way, and helps you achieve better results. It offers your scheme unrivalled value for money.

"Scheme valuations seem like a really protracted process. What can we do to make them more efficient?"

A

Scheme valuations can take a long time to agree. The scheme administrator and actuary must work together to get to a clean set of data. When those advisers work on the same team, we can be confident that the data is accurate and assumptions can be agreed much more quickly. We think it could save the average scheme about three months.

"We've seen a big uptick in transfer value requests from members, following the introduction of pension freedoms and choice. We are struggling to answer the requests in a timely manner."

A

Let us shoulder the burden. With scheme data updated regularly, members will be able to log into a portal and access an instant transfer value. This gives them much greater clarity and helps ensure that people who are taking a fresh interest in pensions, in the environment of freedom and choice, receive a great experience.

"We find making investment decisions hugely complex as more and more products seem to be coming to market."

A

In the aftermath of the financial crisis, achieving investment returns that put DB schemes on a sustainable path towards full funding have become more challenging. Professional investors, like Willis Towers Watson, are able to negotiate the best possible pricing with investment managers, meaning cost savings for end investors. Our team of investment experts are also constantly seeking out the best ideas for your portfolio, ensuring it is well-diversified and able to withstand unexpected market volatility.

"I'm an independent trustee and it takes a long time to review my schemes' performance, with all the different reporting methods that they use."

A

If you are an independent trustee, it's likely you will have a consistent way of working across your schemes – but your advisers' reporting may not have caught up. OneDB allows independent trustees to use the same dashboard reporting method for multiple schemes.

"I work for an international company with a UK DB scheme. I struggle to get to grips with the complexities of the UK pensions system, and the UK DB scheme's progress towards its goal."

A

OneDB's simple dashboard contains all the information you need, in one place. It will give you an accurate, up-to-date picture of how the scheme is funded. You will also be able to check on the scheme's strategy to achieve its objectives.

Further information

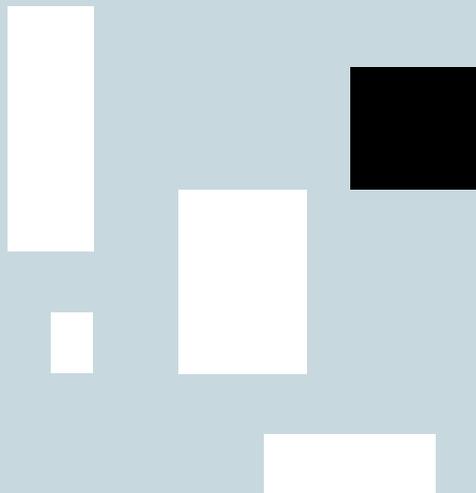
To find out more about OneDB, please contact your Willis Towers Watson consultant, or



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About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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