

Successful actuarial valuation for the Kennel Club – A win-win for Trustees and Employer



Key outcomes



Smooth transfer of data and an efficient pension fund valuation – with a provider that is fair on fees



A sensible value placed on liabilities – removing the risk of unaffordable contributions for the Employer



Peace of mind for Trustees – with validation of their equity-focused strategy from investment specialists

Concerned about the risk of an Employer contribution increase as a result of high liabilities, Trustees of the Kennel Club Pension Fund turned to First Actuarial.

The challenge | Risk of increased Employer contributions due to high liabilities

High liabilities in the Kennel Club Pension Fund were starting to worry the Trustees and Employer. “The Scheme has been closed to new members for over a decade, but existing members are still accruing benefits,” explains Michael Townsend, chair of the Kennel Club Pension Fund Trustees. “And with a relatively young active membership, the Scheme’s liabilities stretch out into the long term.”

The Trustees, with the backing of a strong employer covenant, hold a high proportion of equities, in the belief

that they produce better returns over the long term than gilts or bonds.

The previous provider had measured the liabilities on the basis of a gilt yield, even though the Trustees only had a small proportion of funds invested in gilts. The valuation methodology made limited allowance for the higher return that the equities were expected to yield in the longer term. The Trustees and Employer were concerned that the liabilities were unnecessarily high and that the resulting deficit would have to be funded by increasing Employer contributions.

The solution | A fresh approach to measuring liabilities

The Trustees engaged First Actuarial as their new providers. “We’d had a number of problems with our previous provider,” says Michael. “They were slow to respond and looked for any opportunity to charge extra fees. We were impressed with First Actuarial’s attention to detail and the transfer of member data ran smoothly.”

Before the valuation, First Actuarial met the Trustees to discuss how the assessment of the liabilities could reflect the way they are actually invested. First Actuarial proposed a sensible alternative that recognised

the higher returns the pension fund could expect on its equities.

“First Actuarial then produced an actuarial analysis, and came back to discuss it with us,” says Michael. “They fed our comments into their final valuation, which the Trustees agreed.”

The valuation also needed the approval of the Employer. “First Actuarial supported the Trustees through that process,” says Michael. “We got the Kennel Club’s Chief Financial Officer involved and came to an agreement.”

Outcomes | Fair fees and no deficit contributions

▶ No deficit to fund

First Actuarial made a sensible measurement of the liabilities, and the Trustees were reassured that there were more than sufficient assets to pay members' pensions. This resulted in an overall reduction in Employer contributions.

"The surplus was great news for us as Trustees," says Michael. "It says that the pension scheme is fully funded for its existing obligations. It's also very good for the Employer, the Kennel Club, which doesn't have to fund a deficit."

▶ An efficiently-run Scheme valuation

First Actuarial completed the valuation in almost half the time that previous valuations had taken, avoiding the stress and regulatory risk of getting too close to the statutory deadline.

As a result, the Trustees spent considerably less time in meetings during the valuation process, and

having completed – months in advance of the deadline – could shift their attention to other important areas of the Scheme.

"The valuation went extremely well," says Michael. "First Actuarial were clear and helpful."

▶ Reassurance on the Trustees' investment approach

First Actuarial were supportive of the Kennel Club's preference for an equity-based strategy. They made sure that the Trustees were aware of the risks, and saw that the Kennel Club's strong balance sheet put the Employer in a good position to address any future funding gaps.

First Actuarial put a plan together to help them manage their liabilities, rather

than recommend a cautious, high-cost investment strategy, which was not what the Trustees wanted. "We appreciated that," says Michael. "It gave us peace of mind. Investing in equities is not uncommon, and we believe that we're matching our long-term liabilities with long-term investments."

▶ A good quality pension administrator

The Kennel Club Trustees have experienced a real positive change, with First Actuarial providing ongoing pension services.

"We have a great relationship with First Actuarial," says Michael.

"They keep us updated on the latest developments in pensions and legislation. And they give us guidance in a range of areas. They're really good and they make us think."

▶ Fair on fees

Their previous providers had regularly invoiced additional charges that had not been agreed. First Actuarial has adhered to its fixed fee, and any extra costs have been notified in advance.

"I don't feel that First Actuarial push the fee issue," says Michael. "When we

say we want to explore a certain area, their first reaction isn't to put one of their own people forward and propose an extra charge. They don't do that – they're fair, they're prompt, and they offer good breadth of guidance."

First Actuarial LLP is regulated in the UK by the Institute and Faculty of Actuaries in respect of a range of investment business activities.



"They're extremely professional and helpful. Their input always seems sound, logical and well presented. First Actuarial handled the transition well, they provide us with helpful guidance, and have delivered what they promised when they pitched for the work."

Michael Townsend,
Chair of the
Pension Fund Trustees

