

**Srinivas Sriperumbuduri**  
**Leader, Retirement Service Center, Mercer, India**

**Evolving Frontiers, Exciting Prospects**

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- Scope and drivers for global pension actuarial services

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- Key considerations

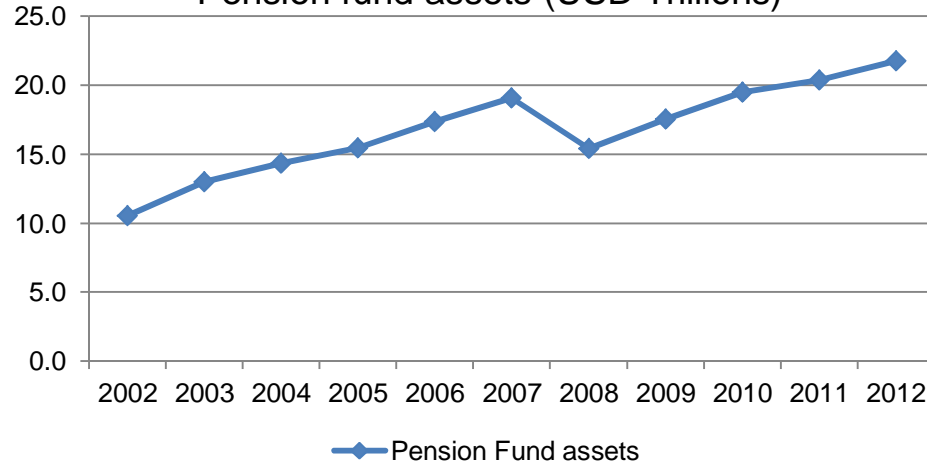
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- Looking to the future

# Retirement industry – global view

Sizeable industry, DB continues to be significant even as other solutions expand

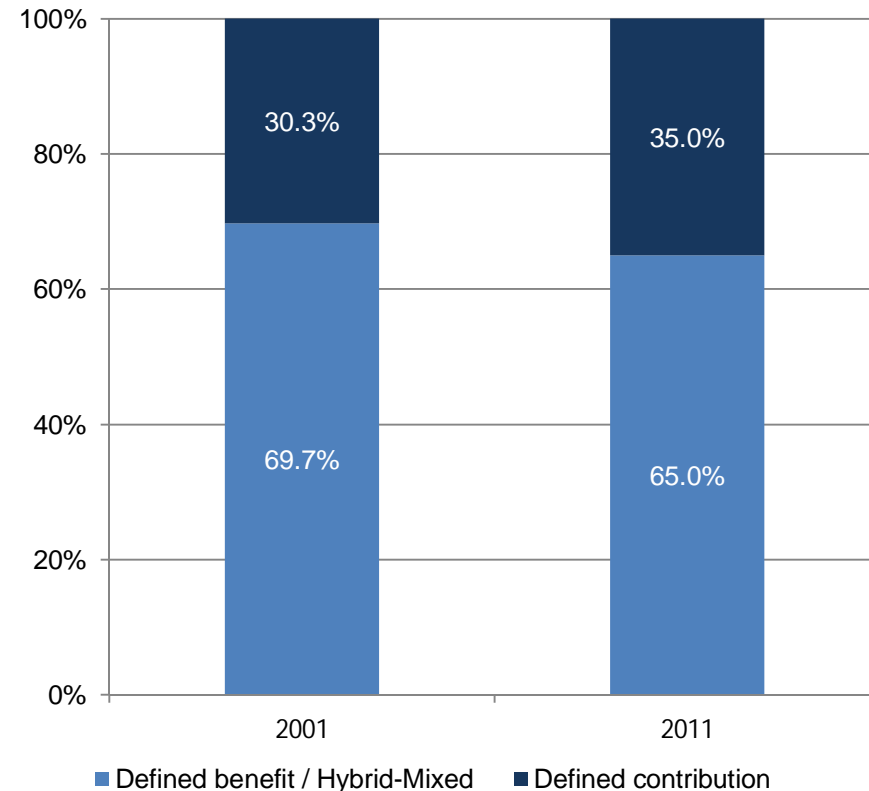
Pension fund assets (USD Trillions)



*Survey conducted by OECD for 26 major economies of the world .*

- Pension assets doubled in a decade  
2002: \$ 10.5 trillions  
2012: \$ 21.8 trillions
- US owns more than 50% of the pension fund assets with total assets as \$11.6 trillions

DB (traditional and hybrid-mixed) vs. DC assets as a % of total pension fund assets\*



\* Data for 17 OECD countries

Source: OECD Global Pension Statistics for 2012

# Scope of global pension actuarial services

The role of a pension actuary/trusted advisor stays till the **last member** of a retirement scheme exits - there are quite a few decades to go for that!

## *Scope of services*

- Funding valuations
- Accounting valuations and reporting
- Projections and experience studies
- Administration and trustee services
- Plan design and related feasibility studies
- Developing scheme de-risking management tools
- Member communication of retirement benefits
- Defined contribution plan design, monitoring and recordkeeping
- Asset liability modelling

\* These services are already being delivered in some form out of global offshore centres

# Drivers for offshoring

There are compelling reasons driving development of global actuarial services

## *Drivers for offshoring*

- Pressure on pricing
- Many of core services are seen as commodity
- Gain from economies of scale in shared services
- Lack of resources and high attrition in some countries
- Enter new markets and develop new products/ services
- Use offshoring to standardize processes, tools and technologies

# Evolution of global pension actuarial services

Mercer experience indicates a step wise approach enhances chances of success

## Testing Waters

## Building Capability

## Leveraging Capability

### Model

- Start with pilots

- Scale the model
- Focus “Doing” with detailed review onshore
- Build credibility

- Deliver fully “checked” work
- High level onshore review
- Expand to adjacent services

### People capabilities

- Focus on learning

- Gain experience
- Build knowledge – pension, actuarial, process

- Build domain expertise
- Problem solving, communicating effectively
- Leverage skills across countries

### Operational focus

- Establish process and governance
- Measures of success

- Adherence to process
- Onshore heavily involved in oversight
- Begin efficiency journey

- Quality culture
- Improving efficiency
- Continuous improvement

### Value to business

- Reduced risk

- Offshore cost advantage

- Efficient model
- Offshore leveraged for entry to new markets, services
- Offshore cost advantage

# Key considerations

It takes time and investment to build the capabilities

- Talent – availability, retention, career paths in an evolving industry
- Investment – to build technical, people and operations management skills
- Long lead time to develop experienced technical resources
- Data protection
- Local language

# Looking to the future

Services will be more client ready, roles more complex and value delivered higher

- Deliver more client ready services requiring minimal onshore review
- More customized work
- Higher involvement in special projects like Plan design, Asset liability modeling etc.
- Development of more professionals with exposure to working on global standards



# Thank You