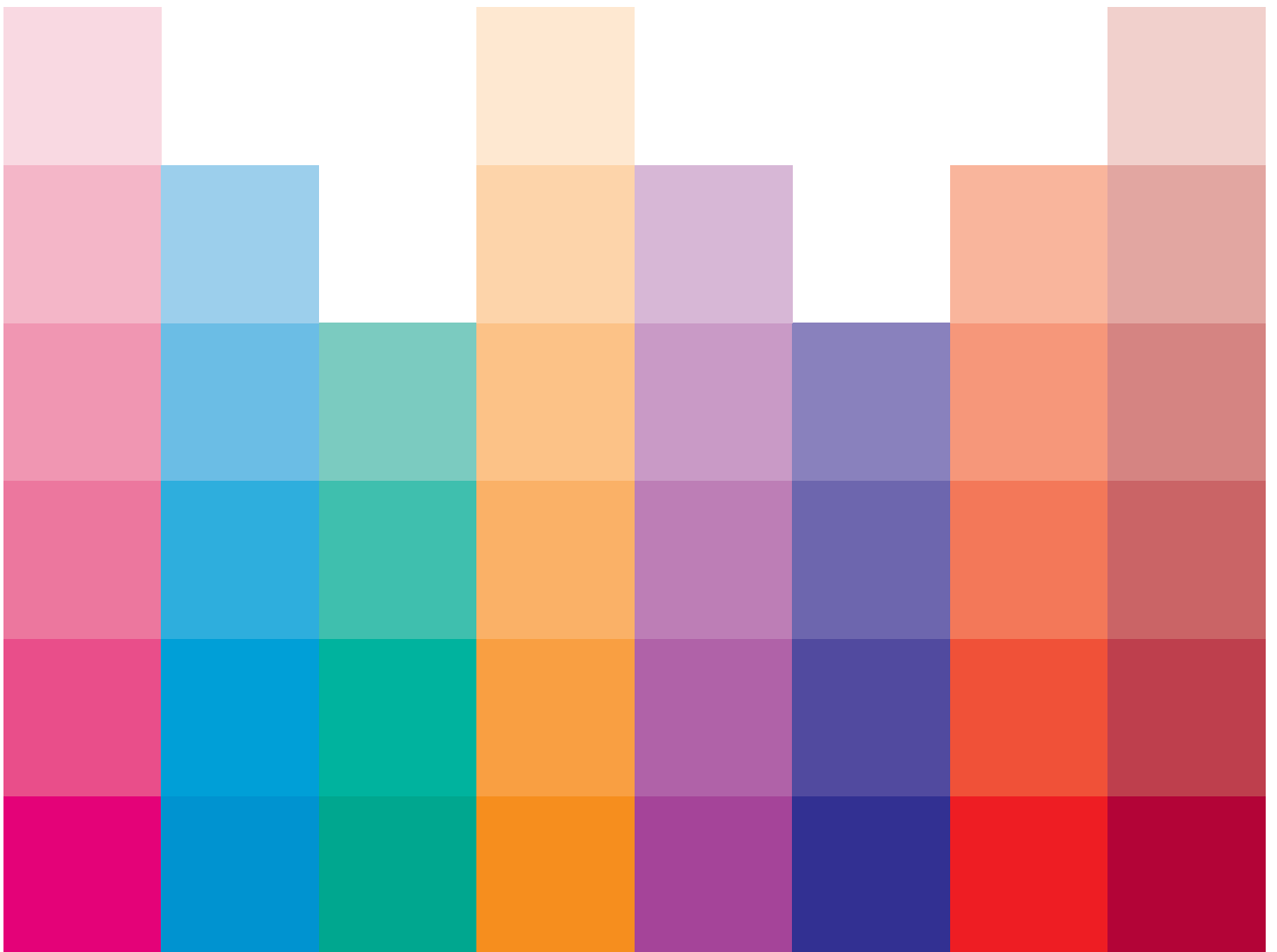


Barnett Waddingham

Annual Review | 2009/2010



CONTENTS

Introduction	4
New Partners and Consultants	6
Our Services	
Trustee Consulting	7
Corporate Consulting	8
Public Sector Pensions	9
Pension Administration	10
Employee Benefits	11
Investment Consulting	12
Insurance Consulting	14
Executive Pensions	15
Barnett Waddingham Investments	16
Self Invested Pensions	17
What's Been Happening	19
Nilesh Dodhia Fund	20
Glasgow Office	21
Cheltenham Office	22
Partners, Consultants and Associates	23

INTRODUCTION

Barnett Waddingham has always been optimistic – even when the outlook has appeared bleak for savers. The last decade overall has been beset with problems: the “perfect storm” for pensions included continuing low interest rates, substantial increases in longevity, weak investment markets and the continuing cost of complying with regulation.



Adrian Waddingham, Senior Partner

Insurance companies have also faced up to intervention, both from the FSA and from the European Parliament, and much work continues in addressing “Solvency II” and the Retail Distribution Review in particular.

The plethora of legislation on financial services has invariably focussed on prevention of bad events rather than the promotion of good ones. For example the last government may take some satisfaction from the protection that now supports workplace pensions (such as the Pension Protection Fund, and a pension deficit becoming a debt on the sponsoring employer) but that government never saw any reason to encourage good pension practice and was blind to the needs of hard-pressed pension sponsors. Gordon Brown gets much criticism for the unhelpful dividend tax change in 1997 but that step continued a trend started by the previous Chancellor four years earlier. Gordon Brown’s major mistake was not that tax change but rather his failure to help pension schemes after 2000 when it was clear to all that they were in trouble.

The political imperative for protection of pensions has meant that those employees with good pensions, - members of defined benefit plans - have benefited from the Herculean efforts of companies to raise their funding but at the cost of the next generation who have generally been denied access to good pensions. It is to be hoped that, since those efforts are seen to have enabled pension schemes to make progress in reducing deficits,

we can now concentrate on new types of pension plans on which the current working generation can rely.

Steve Webb, the Coalition Government’s Pensions Minister hit the ground running. The Minister has had a keen interest in pension schemes for many years, and whilst he could not have expected to become the Minister responsible so quickly, he has slipped into the job easily.

The Minister’s priority is to address what he sees as the inadequate, and unwieldy, state pension. Whilst we are impatient to see action to re-energise workplace pensions, starting with reform of the state benefit must be right. It was always a puzzle that governments had invested so much in the design of second-tier pension provision before getting tier one sorted. Not only should a civilised country like ours take responsibility for its citizens in older age, a simpler state arrangement will make it so much easier to build further layers through either workplace or personal pension arrangements. So better state pensions, restoration of the earnings-link and the intention to take the level of benefit up to £140 per week are improvements well worth the speedier increase in state pension ages.

But opening up the scope for private provision must not be delayed long – especially with the new, defined contribution “NEST” scheme due to start in 2012. Employers must have a wider choice of alternatives to NEST than traditional defined benefit schemes. Much as we liked the old

models, for most they became too expensive. The best must not be allowed to become the enemy of the good and we hope that Lord Hutton, in his current review of public sector pensions, will lead the way in recommending models for the public sector that are affordable for private sector employers too. Furthermore, employers will have new business reasons to help their employees afford a decent retirement.

The government is removing the default retirement age of 65 - not before time. Employees would like to choose the right retirement date for themselves, and the lack of good pension provision will deny them that choice. We will be disappointed if we cannot offer "risk-sharing" pension schemes by 2012. With no "protection scheme" for money purchase pensions (and none proposed) how much better if employers can offer to share investment, inflation and longevity risks with their employees.

Insurance saving took a knock with the collapse of Equitable Life, and confidence is not easily re-built. We can hope that, bad though it was, the Equitable was a one-off: insurers generally – at least British insurers – coped with the credit crunch without major disaster. There is no room for complacency and the Solvency II framework and the new controls on commissions are welcome.

Barnett Waddingham has been providing consultancy advice to life insurers since we formed back in 1989,

and it is only in the last couple of years that we have started advising on general insurance too. This has proved to be an attractive area and the members of our general insurance team is already busy. Our work takes us to Lloyds syndicates, captive insurers and advising self-insurers on their reserving requirements.

We are fortunate at Barnett Waddingham to have a strong practice in advising individuals on their pensions saving, including the many who chose to operate self-administered pension plans. We believe in incentives to encourage long-term saving (perhaps more important now than ever) and tax relief for those willing to lock savings away until retirement always seemed to be a good deal for both the saver and the taxman. One wonders whether, without the encouraging tax regime, Britain would have built up its investment markets to the extent that it has – and how much poorer would our nation be but for our strong position in financial services. Long-term savers need both simplicity and stability of savings tax rules and the Coalition Government will believe that it has achieved this. We fear that the changes, whilst keeping us busy, are not conducive to new saving. There are simpler ways of achieving national objectives and they must be made as soon as economic recovery permits.

Barnett Waddingham remains in good spirits and confident about the future. We do try to ensure that, as we grow, we do not lose the nimbleness that

allows us to provide sensible and timely advice to our clients. We do not forget that the world becomes more challenging every year and that we must stick to our core values to ensure we never let down either clients or staff. To ensure that we do not become complacent, we ask both clients and staff to tell us what we do right- and more importantly what we could improve to better achieve our objectives. I and all the partners thank you all sincerely for your feedback and continuing support.

It has always been part of our culture to support the financial services industry and partners and staff are generous in their support to the various pensions and insurance bodies. We, like you, are ever aware of our responsibilities in the "big society"; we encourage the support of charities and strive to operate our business to good ethical standards. Staff are encouraged to give of their time to good causes and to share their good fortune with those less able to help themselves.

I hope you find this Annual Review interesting. We try to capture both what we do and what drives us. You might conclude that we all enjoy what we do - even the actuaries amongst us. You would be right: we do.



Adrian Waddingham
Senior Partner

NEW PARTNERS AND CONSULTANTS

We have continued to grow and this has enabled us to expand our partnership with the appointment of four new Partners in 2009 (Sarah Brown, Alison Hamilton, Paul Houghton and Matt Tickle) and a further three Partners (Julia Bassett, Jane Galvin and Steve Hitchiner) in 2010.

Jane Galvin in fact joined Barnett Waddingham in 2010 to take on the role of Chief Operating Officer and was appointed Partner as part of this process. Jane is responsible for

ensuring that the business runs as effectively and efficiently as possible and that all the different services that we provide work together and are ably supported by HR, IT, Marketing, Compliance and Finance.

In addition, we were delighted to welcome Malcolm Mclean as a consultant. Malcolm, a well known figure in the pensions industry, joined Barnett Waddingham after 13 years as Chief Executive of The Pensions Advisory Service (TPAS).

Malcolm is a regular speaker at pension conferences as well as frequently broadcasting on radio and television. He is well known to daytime television viewers from his regular appearances on BBC2's Working Lunch programme where for 9 years he was the "resident pensions expert".



Sarah Brown



Alison Hamilton



Paul Houghton



Matt Tickle



Julia Bassett



Steve Hitchiner



Jane Galvin



Malcolm McLean

TRUSTEE CONSULTING

Barnett Waddingham is the largest independently-owned provider of actuarial services to the trustees of occupational pension schemes in the UK.

During 2010 we were delighted to provide services to many new pension schemes for employers such as Hapag Lloyd and Money Controls Limited, to help many existing clients with innovative solutions to new problems and to broaden our service offering further.

Building on the expertise of our Insurance Consulting team, we undertook pensioner longevity analysis for many pension schemes during the year. This can involve weighting standard longevity tables according to a socio-economic analysis of the pension scheme members, or a more detailed analysis of membership experience and geographical locations. We have also advised trustees on sharing mortality risk with third parties such as insurance companies.

The Pensions Regulator issued updated guidance on pension scheme governance during 2010. We help many trustees with their governance, and our services include storing trustee documentation electronically; providing trustee secretarial services; trustee training; project management; and help with risk registers, conflict policies, trustee elections, internal controls, scheme calendars, and dispute resolution procedures.

We have helped many trustees deal with recent changes in employer covenant strength or scheme restructuring. This has included advising on new funding mechanisms such as introducing property assets or a parent company guarantee as security.

CASE STUDY

We pioneered an innovative method for securing pension benefits for schemes in a PPF Assessment Period, with the ultimate target of buying-out benefits of a similar type to those provided by the PPF but at a higher level. Two recent cases where the pension scheme continues to take on managed investment risk during the Assessment Period resulted in significantly higher benefits being secured.

We have also helped trustees of multi-employer schemes deal with entry and exit of new employers.

During 2010 we received excellent feedback from the Pension Protection Fund (PPF) on our consulting services for schemes in Pension Protection Fund assessment (as well as our associated administration services). Our PPF services include dealing with the pensions aspects of "pre-pack" administrations and an innovative approach to securing benefits – see Case Study above.

Many trustees have asked for funding information more frequently, for trustee meetings or at quarter ends. We are able to provide this meaning there is no need to wait for the results of triennial valuations or annual reviews. These updates can be used to tie in with dynamic changes to investment strategy such as a strategy for "locking in" funding profits.

Our reputation as an actuarial expert witness continues to grow, and we have acted in relation to several pensions disputes during the year.

Looking forward to 2011, we expect to continue discussing the potential change from Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as a reference inflation measure. The different calculation method for the CPI means it is normally expected to provide a lower measure of inflation than the RPI, and the potential long-term saving for some pension schemes could be significant.

We expect this will be just one of many new developments that trustees will need to consider as pension schemes continue to evolve and take advantage of new opportunities to reduce and manage risk.

Danny Wilding
Trustee Consulting
Practice Area Leader

CORPORATE CONSULTING

Employers are continuing to take a more and more active role in managing their pension scheme and we have continued to develop the range of services we can offer employers.

Our advice on mitigating the Pension Protection Fund (PPF) Levy was again popular with clients particularly in the lead up to the PPF deadlines at the end of March. With the PPF levy becoming a significant expense for many employers with a defined benefit scheme, we found that our advice and expertise in this area is well appreciated as it results in a direct cost saving. For some of our larger clients this has resulted in millions of pounds of savings.

One of the areas where we found we could particularly help our clients reduce their PPF levy was with the Dun & Bradstreet (D&B) "failure score" (or risk of insolvency) which plays a major part in the calculation of the levy. Although D&B do not publish explicit details of their rating system, the Corporate Consulting team has built up considerable expertise on

how companies can improve this score and decrease the levy. Our record saving for a client exceeds £7m! (See 'A good days work' below).

Our arrangement with MetLife for dealing with bulk annuities has continued to be popular, particularly with smaller pension schemes: an accurate indicative quotation can be obtained in a matter of days and many of our clients have found this very useful in determining the viability of a bulk annuity contract without incurring significant fees. Some buy-outs have now been completed with MetLife from start to finish.

Although not a new concept, liability reduction or management exercises such as Enhanced Transfers Value Exercises and Pension Increase Exchanges gained more exposure in 2010 as a number of high profile

companies had success with them. Some clients have also run these exercises although we feel it is important for employers to consider all their options and establish higher level objectives to ensure they reduce the risks in their scheme in the most efficient way. We are expecting more activity in this area during 2011 as more employers look at the cost saving and risk reduction options available to them.

Throughout 2010 the Corporate Consulting team has produced a number of information sheets and training videos on various topical issues, all of which can be found on our website.

Nick Griggs
Corporate Consulting
Practice Area Leader



Nick Griggs

A GOOD DAYS WORK

One client's failure score had historically been very good so it paid a relatively low levy. However, a sharp fall in the failure score during late 2009 was expected to increase the 2011/12 levy by several million pounds. The client contacted D&B but still could not ascertain why the failure score had fallen.

We used our detailed knowledge of the factors considered by D&B to determine why there was an adjustment and worked with the client to appeal against the adjustment. The appeal, addressing the specific issues concerning D&B, was successful. The saving to the client was over £7m, demonstrating some significant added value by our corporate consulting team!

PUBLIC SECTOR PENSIONS

We now provide actuarial services to over 20% of UK Local Authority Pension Funds, ranging from Dundee to Devon, Highland to Hounslow with the team growing to meet the increased workloads and to enhance our public sector benefit administration support services.

We now provide actuarial services to over 20% of UK Local Authority Pension Funds, ranging from Dundee to Devon, Highland to Hounslow with the team growing to meet the increased workloads and to enhance our existing actuarial and growing public sector benefit administration support services.

Formal actuarial valuations were due for our English clients as at 31 March 2010, and with the spotlight specifically on the continuing questions of affordability and sustainability of public sector pensions, it has been a testing time for Local Authority Pension Funds.

Despite this, we have managed to keep contributions rates for most clients relatively stable; the switch to Consumer Price Indexation for pensions increase providing some unexpected assistance. It came as no surprise that the so called "gold plated" public sector pensions would come under pressure for change - not that this was new to us or to public sector schemes as within the last five years, the Civil Service, NHS, Teachers, Police, Fire and Local Government Pension Schemes have all been reviewed.

However, as the majority of these schemes are unfunded, with the exception of Local Government, the cost to the Treasury will continue to rise as expected, unless action

is taken. Lord Hutton headed up "The Independent Public Sector Pension Commission" who were asked by the Government to conduct a fundamental structural review of public sector pension provision.

The key focus was to make recommendations on pension arrangements that are sustainable and affordable in the long term, fair to the taxpayer and to people who work in the public sector, and consistent with the fiscal challenges ahead, while protecting accrued rights. Lord Hutton's interim report, issued in early October, rejected that public sector pensions were "gold plated" and noted that there should be "no race to the bottom". Public sector pensions should be the benchmark that the private sector aims for. However, it also noted that the status quo was not tenable, that final salary pension schemes are no longer a robust and fair mechanism and that higher retirement ages and contributions are required. The Commission issued its final report in March 2011 and made a number of recommendations, the main one being that schemes should switch from a final salary to a career average formula. It also recommended that employees should pay a larger share of the cost of their pensions and should have to wait longer before they start to be paid.

TAXING TIMES

We have developed a spreadsheet to allow employers and scheme administrators to provide an estimate of the potential tax payable due to "excessive" pension accrual following a pay rise, promotion or other pay increase. The spreadsheet is available to clients via our website.

In particular the Government announced that it intends to increase member contributions by an average 3%, phased in from April 2012 and to review the Fair Deal policy for transfers to the private sector. With valuations due to be completed by 31 March, a new regime for restricting tax relief due to come into force from 6 April, a review of Fair Deal to take place and new public sector schemes to be developed, 2011 will certainly be a testing time for all of our public sector clients and the team will continue to help navigate them through the stormy waters that no doubt lie ahead.

Graeme Muir
Public Sector
Practice Area Leader

PENSION ADMINISTRATION

The pension administration practice is a key part of the Barnett Waddingham success story.

We now have 135 pension administrators across our 7 offices providing full administration services to over 250 pension schemes across the UK. With just under 75% of staff PMI-qualified or currently studying, we are leading the way in the drive to professionalise administration services.

The key pension administration theme in 2010 was 'flexibility' with a steady stream of legislative 'tweaks' and substantial policy initiatives, such as the impending reductions to the annual and lifetime allowances and the shift to Consumer Price Index (CPI) indexation.

In troubling economic times for trustees and employers, we have focussed on helping our clients weather the storm in 2010 while gearing up for change in the coming months - tailoring our people, systems and procedures to expect the unexpected.

BWebstream, our proprietary software system, provides a full range of integrated IT solutions, bringing increased speed, efficiency, accessibility and accuracy to all aspects of pension scheme administration. Using our own system means we can react quickly to changes in legislation and scheme benefits – very important given the changes highlighted above.

We also have an increased number of clients signing up to our Trustee, HR and recently launched member-access online services. This is clearly the route for efficient administration and you can view a demo at www.bwebstream.com using login details noted to the right.

Data quality is one of the biggest issues in pension administration and The Pension Regulator issued guidance on record-keeping during 2010. Having control of our software system has allowed us and our clients to stay ahead of the game with our development team rolling out cost effective data verification and interrogation solutions.

Finally, our annual AAF 01/06 Assurance Report on our internal controls is the cornerstone of our confidence in our nationally integrated practice. By throwing open our records and procedures to external auditors we constantly challenge ourselves to ensure locally applied processes and controls are integrated at the national level.

A copy of the latest report, which was audited by KPMG and covers the period from 1 April 2009 to 31 March 2010, can be downloaded from our website.

Jon Bridger
Pension Administration
Practice Area Leader

BWebstream login

Username:	Guest
Password:	Password1
Memorable word:	Memorable

CASE STUDY

We provide actuarial services to one particular client who employs their own in-house administrator with no support from anyone else. The client was aware that there was a serious continuity risk, a risk borne out when their sole administrator had a long-term illness. We provided a stand-in administrator on part-time secondment within just a few days. The in-house administrator has now returned to work, and the client now has better continuity plans having integrated with our administration team.

EMPLOYEE BENEFITS

A company-sponsored pension is usually the main employee benefit provided by employers and a vast majority of our work involves dealing with all aspects of defined contribution pensions together with other employee benefits such as life cover, medical insurance and income protection.

Employers have had to contend with constant tweaking to pension rules, including the setting of a national default retirement age of 65 and then the announcement of the subsequent scrapping of this in 2011. For many, 'auto-enrolment' will result in extra administration and additional costs and so we have been busy discussing implications with employers and helping them to make preliminary plans for the forthcoming legislation.

We have of course continued to assist employers in managing the switch from defined benefit to defined contribution accrual. In previous years we were involved mainly with the closure of schemes to new entrants; in 2010 the prevalent practice has been to cease all future accrual and break the link with future salary rises. We have been advising on investment choice, pricing and design of the default investment arrangement.

Two key elements of this process are the design of the new defined contribution pension plan and a thorough communication programme for the affected employees. Setting a suitable contribution level is often key and many employers have provided matching contributions based on financial models that we have produced.

Our member communication services have (yet again) taken us all around the country addressing employees at group presentations. Despite the



Clive Grimley

advent of web-based communication and our personally manned helpline (no electronic menu of buttons to press), feedback shows that presentations are the most effective method of raising levels of understanding and have always been well received by employees.

Salary sacrifice has proved popular because of the savings made in National Insurance Contributions (NICs) which have helped some with the transition from a final salary scheme, offsetting some of the increased NICs resulting from a move from contracted-out to contracted-in service.

Also popular was our pension transfer service, where we give advice to employees on whether or not to consolidate various pensions into one plan.

Partner Caroline Harrington oversees group risk benefits which deals with many different types of group insurance as well as life cover, medical insurance and income protection. Group Life Cover rates have been falling as insurers fight to keep business but there is now evidence that rates are beginning to harden. There has been some movement among the insurers too, some pulling out of the market, others merging.

The Group Income Protection market has continued to evolve, with improved products on offer and keener pricing. The range of benefits that employers are offering their staff is expanding; in particular cycle to work schemes have proved popular this year.

The Private Medical Insurance market is growing steadily, resulting in our appointment of a PMI specialist earlier in the year.

Against a rather mixed economic background, we have been pleased that our services have been in great demand; we have conducted a number of projects for existing clients and have welcomed many new clients during the year.

Clive Grimley
*Employee Benefits
Practice Area Leader*

INVESTMENT CONSULTING

When the times were good in the investment world little thought was given to fee levels. With returns looking elusive and tight times upon us, there is rightly a focus on investment manager fees.



Marcus Whitehead

Academic research into active equity management has often shown how difficult it is for managers to outperform the market once their fees have been taken into account. A particularly nice study, the snappily titled 'Pension Fund Performance and Risk Taking under Decentralised Investment Management' by Blake, Timmerman, Tonks & Wermers 2009, looked at the investment performance of over 2,000 UK pension funds over a 20 year period and found that 'for UK equities, the average alpha for specialist mandates is a significant 67 basis points'. That's well and good, but the study could only look at the performance before fees and, surprise surprise, the typical manager fees for this kind of equity mandate are about 60 to 70 basis points – the fees eat up all the skill!

It is far worse if you look at traditional hedge fund fees of a 2% annual charge and 20% performance fee.

There is a nice fee analysis commentary by Terry Smith, CEO of Tullet Prebon. He highlights that \$1,000 invested 45 years ago in Warren Buffet's firm, Berkshire Hathaway, would now be worth about \$4.3m. The sting is that if a hedge fund 2% and 20% fee structure had been applied to this performance, the investor would instead now be sitting on an investment worth \$0.3m. I really struggle to see the long term value for pension schemes in investing under such fee structures.

So what can pension schemes do about manager fees? I have had the opportunity to talk to many managers about their charging structures and investigated what scope there is for negotiation of fee levels, my top tips are overleaf.

Marcus Whitehead
Investment Consulting
Practice Area Leader

CASE STUDY

We were appointed to devise an investment strategy in which the scheme's bond investments could be made to produce payments broadly similar to the benefit payments due over the next 20-25 years. We helped select a bond manager and then agreed bespoke benchmark based on the scheme's benefit payments; the bond manager's objective was to produce the stated cashflow rather than outperform a quoted index.

My top tips, starting with size and prestige factors.

1. Size is everything: the biggest factor by far in negotiating fees is size of the investment, with an explicit sliding fee scale for larger investments being most common.

2. Size of company group: collective bargaining is also effective. If a client has a number of schemes, even cross continent, managers will often consider them as a single asset pool for negotiating fees.

3. Company prestige: investment managers can be influenced (read offer lower fees!) by a prestigious client name.

4. Most favoured nation clause: large and prestigious pension funds are also able to seek to negotiate such clauses, to ensure they are always offered equal best fee terms.

The next group relate to the manager's particular fund.

5. Product strength: Managers will hold firm on pricing for successful funds, but will be far more flexible for funds struggling to attract money. An existing investor in a struggling fund can often negotiate good fee reductions, on the back of the manager's fear of losing the client.



6. Capacity constraint: Managers will be firm on pricing for fund strategies with a constraint on the size the fund can reach and still perform well. Conversely, there is greater negotiation scope on strategies without such constraints.

7. First mover: early investors in a fund still building a track record and reputation can often get beneficial terms.

8. Minimum term commitment: certain managers offer improved terms if an investor will tie into longer minimum investment terms, though caution is necessary with any such tie in.

9. Legacy fee rates: the terms for longstanding investments may have been left behind, with managers offering better terms to new investors. Always test the market to keep on top of pricing developments.

Last but not least, the managers favourite!

10. Performance related fees: This is the area where there is most room for manoeuvre and where the manager has a distinct information advantage. There is an excellent recent paper, 'Performance-Based Fees and Moral Hazard: Aligning the Interests of Investors and Managers', Molenkamp 2010. This summarises earlier fee research and sets out his own research. This shows that the common performance related fee structure of a 3 year average of outperformance against a benchmark could still reward a manager who underperforms over the long term! Base fees need to be as close to passive manager fees as possible, performance fees triggered only after a suitable period of time, and with an appropriate high-water mark.

INSURANCE CONSULTING

Insurance consulting work is currently dominated by the preparation for and implementation of the EU's "Solvency II" directives.



John O'Neill

The new regime comes into force in 2013 and places new capital, reporting and governance requirements on all European insurers. This has resulted in all insurers having to look at their reporting and modelling capabilities under the new regime and to identify any gaps in their corporate governance. We have successfully completed GAP analyses and the European Commission's fifth Quantitative Impact study ('QIS5') for a number of clients.

During the last year we were very pleased to develop our links to the friendly society and mutual sector by joining the Association of Financial Mutuals. We are now better placed to support and promote sector-wide initiatives, and have presented at conferences on topics of interest to these organisations.

We have set up a dedicated team to carry out independent research and provide second opinions to large risk carriers and their advisers on longevity and protection risks and have carried out longevity studies for pension schemes, buy-out insurers and investment banks.

We are also very proud of our long-standing association with the Continuous Mortality Investigation, a research body of the UK Actuarial Profession that collects and analyses the mortality and morbidity experience of UK insurance companies and self-administered pension schemes.

Our clients now range from Lloyd's syndicates to Captives and from small friendly societies to Global reinsurers and public sector.

John O'Neill

*Insurance Consulting
Practice Area Leader*

SERVICES TO PUBLIC SECTOR

A particular area where we have been able to make use of our general insurance skills is to provide assistance to local authorities and other public bodies in respect of evaluating their insurance funds. In particular, we see significant potential for local authorities to reduce their costs through gaining a better understanding of their short and long term liability risks.

EXECUTIVE PENSIONS

The Executive Pensions team has provided expert advice to an increasing array of individuals and companies, particularly in relation to the numerous changes to pensions tax relief.



Bhargaw Buddhdev

Not surprisingly, these often complex changes have caused much confusion among many executives. We have been able to provide significant value-added expertise for such people by combining our expertise as actuaries with our experience on executive pension issues.

This and other recent work includes:

Advice to Companies

- Pension planning for senior staff
- Help with communication of new legislation
- Presentations to senior staff
- Assistance with pre-hire, redundancy and pension settlement negotiations

Advice to Individuals

- Transfers from defined benefit schemes
- Pension sharing in divorce
- Retirement planning
- Advice on QROPS

Bhargaw Buddhdev

*Executive Pensions
Practice Area Leader*

PENSION SHARING: A WIN : WIN SOLUTION!

We were asked by a firm of lawyers to assist one of their clients, who was going through a divorce. He and his wife, both age 65, were divorcing. The court had ruled on the sharing of non-pension assets and stated that pension income should be equalised. The client had several pensions already in payment, amounting to about £240,000 per year, incorporating registered schemes, an unfunded arrangement and a funded EFRBS.

We identified issues relating to the Lifetime Allowance and by obtaining agreement from both parties to use the EFRBS as part of the pension sharing, we managed to split the pension so that both parties ended up with higher net income than if the pension sharing had proceeded without due care and attention.

With pensions often forming a substantial and valuable part of divorce proceedings, we believe it is worthwhile having pension experts such as ourselves review the options to see if there is an optimal result for both parties.

BARNETT WADDINGHAM INVESTMENTS

During the past year, we continued to advocate the same investment philosophy as has been the case since the firm was established 'investing in high quality, liquid assets with the aim of producing attractive real returns above inflation along with low volatility'. This approach has served our clients well to date.



Andrew Coveney

Up until now, the firm has offered an investment advisory service to clients. The essence of this advisory service is the recommendation and on-going monitoring of investment portfolios managed by external fund managers. Any changes to these portfolios need to be authorised in advance by the client(s) concerned. Whilst this type of service continues to serve clients well, a number have expressed a desire for a more proactive service, i.e. one via which we are able to manage portfolio investments without the need for prior client approval on each occasion when changes are required.

With the above in mind, we are delighted to announce our authorisation from the Financial Services Authority to manage investments on a discretionary basis. The new service will be complementary to our investment advisory service which will continue to be offered in the usual way. The additional service is due to be launched during Spring 2011.

Importantly, our new service will not change our underlying investment philosophy and will represent an 'evolution' of our investment advisory service rather than a 'revolution'.

Other than our core investment services, we offer a wide range of related services. In addition to Barnett

NON UK PENSIONS

An existing investment client decided to emigrate from the UK a few years ago and informed us that he had no intention of returning to the UK. We therefore considered whether his UK pension arrangements would remain suitable, noting that after being a non-resident for UK tax purposes for five complete tax years, certain advantages may be gained were he to transfer to a Qualifying Recognised Overseas Pension Scheme (QROPS).

Waddingham Investments own significant resources as Chartered Financial Planners, we are also able to draw on the broader skills and resources of Barnett Waddingham in its role as the UK's leading independent firm of actuaries and consultants. The example in question relates to a client who wished to escape the UK's cold winter weather and even colder tax environment. We are happy to confirm that he has now successfully managed both!

Andrew Coveney
Barnett Waddingham Investments
Practice Area Leader

SELF INVESTED PENSIONS – FOR BUSINESSES

Small Self-Administered Schemes (SSAS) are pensions schemes typically set up for business owners wanting more control than a SIPP over how their pension monies are invested and managed.



Richard Millson

Investments often include interaction with their own business through loanbacks or leasebacks (see Providing Working Capital below), and this has become more and more important throughout the credit crunch. Despite lobbying the Revenue to make loanbacks more readily available, there are still rigorous criteria for any such lending to be authorised.

The Revenue has started to audit SSASs, using data from the annual Registered Pension Scheme Returns to select those which pose a higher likelihood of being liable to tax charges. We have assisted schemes in responding to these queries. We have found that those who decided to manage their schemes without a professional trustee call upon us to give their scheme a 'health check'.

As well as managing such requests, we have also been liaising with clients over the various pension rule charges. Overall, business owners will generally be better able to plan for their retirement with confidence that pension funds can be used by the family and will not suffer high rates of tax.

The year ahead will see us relaying the new rules and thus opportunities to our clients. We also continue to service one of the largest portfolios of Funded Unapproved Retirement Benefits Schemes (FURBS) in the industry.

Richard Millson
SSAS
Practice Area Leader

PROVIDING WORKING CAPITAL

Two brothers and sister who own a building supplies business set up a SSAS so that they could "leaseback" company premises – the SSAS would buy the property from the company and then lease it back to the same company. As with any investment deal interacting with a connected party, the transactions had to take place at a fair market price. The purchase price was set at £500,000 plus costs, being financed by existing pension monies worth £300,000, new contributions of £60,000 and bank finance of £180,000.

The deal released cash into the business and the rental income was viewed as means of increasing their pension saving. The cash injected into the business helped it expand and create more local jobs. The pension scheme borrowing is expected to be repaid in under six years as the pension scheme receives the rental income gross, as part of the benefit of being a registered pension scheme.

SELF INVESTED PENSIONS – FOR INDIVIDUALS

Self-Invested Personal Pension Plans (SIPP) have continued their march of popularity amongst those wanting to manage their pension savings by choosing from a wide range of investments including commercial property, discretionary fund managers and esoteric investments.



Julia Bassett

CLIENT TESTIMONIAL

Callum Grant, a SIPP client of ours, had this to say about us:

"The transfer of my SIPP to Barnett Waddingham was smooth and instant personal contacts and communications were established. I now have confidence that my interests are well looked after and deal with real people at the other end of a phone call or email delivering real service when I require it."

Our SIPP product is very popular with people who want a reliable service backing up their SIPP. We look at all investment transactions presented to us by clients and their advisors – we do not have a finite list of permitted investments.

During 2010 we worked to streamline applications for more investment providers and introduced more fixed fees as part of our program to make our fees more transparent.

In 2011 we hope to welcome our 2,000th client and to further improve our SIPP offering with more online tools and other product enhancements.

Julia Bassett
SIPP
Practice Area Leader

www.bwsipp.co.uk

ANOTHER BUSY YEAR FOR BARNETT WADDINGHAM...

Adrian Waddingham won the 2010 Pensions Personality of the Year Award. This was decided by votes cast by attendees on the evening and by more than two thousand Professional Pensions readers who took part in voting before the event.



Sailing Day



Bromsgrove Annual Summer Barbecue

Malcolm McLean has appeared in many radio and television broadcasts, including BBC News, BBC2's Working Lunch and Radio 4's Money Box, discussing all aspects of pensions.

The sporting activities during the year included football, table tennis, a 5k challenge run, golf and a couple of sailing days to tempt the not so faint-hearted! Our sailing days were well received and the rain held off. The day was spent learning how to sail on some small catamarans. Despite the strong wind there were no capsize which is a first for our Sailing Days. This gave people the confidence to have a joy ride in the Barnett Waddingham sponsored catamaran, which was being sailed by Jon Worthington (an actuary in the Bromsgrove office) and his sailing partner Seb Greber.

The Bromsgrove office held their final annual Summer barbecue in the grounds of Rigby Hall before their office move to a new building with an open-plan office structure and better seminar facilities.

We continue to promote the actuarial and pension profession and do this in a number of ways including attending careers fairs. One such fair as held at a secondary school, for students between ages 14 to 18. The school was keen to give students information about the different types of careers out in the market place and to give them the opportunity to ask questions of firms within different industries. There were a whole variety of firms present and so we were up against stiff competition.

The Amersham office organised a BWike ride from the London office to the Glasgow office to celebrate 20 years of Barnett Waddingham. Due to the change in weather, injuries and exams only the first leg could be completed! However, the final five legs (Amersham - Cheltenham - Bromsgrove - Liverpool - Leeds - Glasgow) have been rescheduled for in 2011.

On a final note, 22 births in 2010 - that means about 4.5% of our staff were involved in a different type of labour during 2010!

NILESH DODHIA FUND

Nilesh Dodhia worked for Barnett Waddingham from our start in 1989, qualified as a Fellow of the Institute of Actuaries in 1996 and was a Partner in the Amersham office for many years. Sadly he passed away on 4 September 2008. He was married to Daksha and they had two children – daughter Sonia and son Dhillon.



Sam Jones



Emily Cope



Nicole Rawlinson

The Nilesh Dodhia Fund was established by Daksha to make annual grants to children (under the age of eighteen or in full-time tertiary education) of the family of permanent employees of the firm. In particular the grants are awarded to cover the costs of sport participation and travel. These were chosen to reflect the love that Nilesh had for these two activities.

The Fund is managed by Daksha, Adrian Waddingham and Paul Latimer. The first awards were given in respect of the year to 31 May 2009. We were delighted to receive 14 applications and were able to help support seven.

A selection are listed here:

Sam, aged 19, received a contribution towards his airfare to Namibia where he worked on both a solar powered energy project and educated children on AIDS awareness.

Emily, aged 18, went to a children's camp in America to help with gymnastic training and we contributed towards her travel costs.

We received ten applications for the year to 31 May 2010 and were able to support eight of them.

A couple are shown below:

Nicole, aged 17, who was a member of the World Challenge Team travelling to Ghana to be involved in community based projects for two weeks.

Lizzie, aged 16, who attended a GCSE history trip to Berlin and Flanders Field.

We ask all successful applicants to let us know how they get on so that we can publish an account of their adventures, with pictures, on our intranet for all in the firm to read.



Lizzie Clarke

Applications for the year to 31 May 2011 are starting to be received and we look forward to helping more children over the coming years via this fitting memorial to Nilesh.

GLASGOW OFFICE – LOOKING FORWARD

As Glasgow begins to prepare for the next Commonwealth Games in 2014, prospects are also looking good for our Glasgow office.



Glasgow office

We have grown to four times the size we were when the Glasgow office opened in 2003, but we remain Barnett Waddingham's smallest office. Like the firm as a whole, we punch above our weight, and there has been no shortage of interesting work to do in recent times.

This includes advising on BIMBOs: A number of pension schemes have been buying annuities within their scheme (known as a "buy-in"). This might be done as part of a risk management exercise or as a first step in the move to wind-up the scheme (when the annuities will be "bought out"). This latter approach is fondly referred to as a BIMBO (which stands for "buy-in moving to buy-out"). Actuaries and their sense of humour, eh?

The office is still home to the six staff who originally set it up (Dot, Lisa, Jon, Graeme, Carol and Tracy) and they continue to look after Glasgow's SSAS and SIPP clients. The Public Sector Consulting team is also based (mainly) in Glasgow – more on them on page 9 of this review.

Barnett Waddingham is now an established player in the Scottish market, and as our good reputation spreads, so do our ambitions. We have been running monthly breakfast seminars for trustees, sponsors and advisers of group pension schemes and we are now looking to expand the reach of these sessions more widely in Scotland.

Our first "highlights" seminar (summarising the monthly seminars) was held in Aberdeen in November 2010. We are looking to provide these free seminars in Edinburgh and Inverness. Of course, we also run seminars for our SSAS and SIPP clients around the country too, and these continue to be very popular.

The Glasgow office continues to grow and at the same time we are doing more than our fair share to increase the local population – with four babies in the last year or so, and another one on the way. Looks like we'll be busy in more ways than one, in the run up to 2014.

GOING LARGE IN CHELTENHAM

Cheltenham is the biggest and the best Barnett Waddingham office*.



The SIPP Team

It has the largest pension administration team (47 people) and the largest pension administration client (Remploy Limited with over 20,000 members). Altogether, the Cheltenham office pays over 10,000 pensioners a total of £4million every month. Last year we carried out over 32,000 administration tasks with 95% of these tasks completed within the agreed turnaround times.

Cheltenham also has Barnett Waddingham's largest actuarial client, Zurich Financial Services, with assets in excess of £3billion. The effective date of the 2010 actuarial valuation of the Zurich pension scheme was 30 June 2010 and, despite the size of the scheme, preliminary results of the valuation were completed and sent to the Trustees on 3 September 2010, perhaps thanks in part to a miserable summer.

The Cheltenham office also has the tallest member of staff with Chris Elliott (6 feet 7 inches tall). Chris is a pension scheme administrator and we are pleased to say that he has not had to make use of his large physical presence during the course of his day job... although we do need to provide him with a special desk and chair.

Cheltenham also has Barnett Waddingham's largest SIPP team which is also our fastest growing team. We now have 22 people in Cheltenham looking after 1,250 SIPPs and £0.5billion of investments. Julia Bassett heads up the team and became a Partner in the Firm on 1 June 2010. "Cheltenham is definitely the biggest and best Barnett Waddingham office" said Tim Saxton, a Client Manager in the SIPP, team just before his 2010 salary review.

**according to a survey of Barnett Waddingham Partners in the Cheltenham office.*

PARTNERS, CONSULTANTS AND ASSOCIATES

AS AT 31 DECEMBER 2010

PARTNERS

Julia Bassett FPMI APFS
Jon Bridger FIA
Sarah Brown FIA
Bhargaw Buddhdev FIA
Andrew Coveney CFP
Mark Da Silva FIA
Jane Galvin FIA
Nick Griggs FIA
Clive Grimley MCII
Dave Grimshaw FIA
Nigel Hacking FIA APMI
Alison Hamilton FFA
Paul Hamilton FIA
Caroline Harrington FPMI
John Harrison FIA

Robert Hawkes FIA
Nuala Hedges
Steve Hitchiner FIA
Paul Houghton FIA
Mark Howard FIA
Shirley Jackson FPMI
Paul Jayson FIA
Mike Kennedy FFA
Paul Latimer APMI
Rod Marshall FFA
Colin Mayger FIA
Sam Meldrum FIA
Richard Millson APFS
Susanna Morran FIA
Graeme Muir FFA

John O'Neill FIA
Mike Rachman FIA
Andrew Roberts FIA
Nick Salter FIA ASA
Ed Spencer FIA
Matt Tickle FIA
Andrew Twells FIA
Mark Underwood FIA
Adrian Waddingham FIA ASA
Adam Walker FIA
Carole Ward FPMI ACII DipPFS
Marcus Whitehead FIA
Danny Wilding FIA

CONSULTANTS

Graham Cooper FIA ASA
Robert Garvin FIA

Neil Robjohns FIA
Ruth Thomas FIA

ASSOCIATES

David Bailey FIA
Mandie Bird APMI
Tony Broadhurst FCA
Peter Brook
Cherry Chan FIA
Dot Clark
David Connell
John Cornell FIA
Stuart Daly
Guy Dove FPMI
Phil Duly DipPFS
Kim Durniat FIA
John Flynn CFP ACII FPFS
Mark Fatcher
Peter Gage MPMI

Carol Gilbert
Rod Goodyer FIA
Jane Gregory APMI
Andy Greig APMI
Andrew Hague FPMI
Ben Harris FIA
Trevor Harvey FPMI
Paul Higgs APMI ACII
Paul Hubbard FIA
Sarah Innes FPMI
Debra Jackson FIA
John Lawton FIA
Paul Leandro APFS
Julian Mainwood APMI
Vivienne Maclure FIA

Sue Manning APMI ACII
Lisa McMinn
Kerry O'Shea FPMI
Mark Pipe FPMI
Alex Pocock FIA
Tyron Potts FIA
Ben Pullen FIA
Ben Roach FIA
Richard Routley MCSD
Simon Rusling
Amardeep Sitara MCSE CCNA ITIL
Vanessa Smart FIA
Claire de Thierry FIA
Rob Thomas ACII DipPFS
Robert Wakefield APMI

Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office.

Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), Barnett Waddingham Investments LLP (OC323081), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at Cheapside House, 138 Cheapside, London EC2V 6BW.

Barnett Waddingham LLP is authorised and regulated by the Financial Services Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Barnett Waddingham Investments LLP and BW SIPP LLP are authorised and regulated by the Financial Services Authority. Barnett Waddingham Actuaries and Consultants Limited is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities.

WHERE WE ARE

Chalfont Court, Hill Avenue
Amersham HP6 5BB
Tel: 01494 788100 Fax: 01494 788800

Silver Springs House, 2 Topaz Way
Birmingham Road, Bromsgrove B61 0GD
Tel: 01527 300 000 Fax: 01527 300 090

St James's House, St James's Square
Cheltenham GL50 3PR
Tel: 01242 538500 Fax: 01242 538501

163 West George Street, Glasgow G2 2JJ
Tel: 0141 243 4400 Fax: 0141 243 4432

West Riding House, 67 Albion Street
Leeds LS1 5AA
Tel: 0113 394 3700 Fax: 0113 394 3760

Port of Liverpool Building
Pier Head, Liverpool L3 1BW
Tel: 0151 235 6600 Fax: 0151 235 6640

Cheapside House, 138 Cheapside
London EC2V 6BW
Tel: 020 7776 2200 Fax: 020 7776 3800

www.barnett-waddingham.co.uk

