



Malcolm Delahaye
Director at SuperTrust UK

Global Retirement Plan **Innovation**

Outcome-focused ideas from around the world

By CUATRO TOLSON, Regional Director, Dimensional Fund Advisors

When Malcolm Delahaye started his first job in Britain's pension industry, the year was 1966. "I recall it vividly because it was the last time England won the FIFA World Cup," Delahaye says with a laugh. "We've been waiting for another victory ever since." While Britain's days as World Cup champion may be long gone, the nation's pension industry has moved quickly toward the future as employers continue to replace antiquated defined benefit plans with creative alternatives. >>

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In a career that has spanned more than forty-five years, Delahaye has witnessed tremendous changes in retirement plans, including the debut and debate about defined contribution versions. As DC plans continue to evolve, he believes it’s essential for plan sponsors to remember what they should ultimately deliver—a steady income in retirement. “DC plans involve savings products, so it’s tempting to view them as principally designed for saving,” Delahaye says. “However, I believe it’s important for plan sponsors to shift their focus from savings to generating better outcomes for participants.”

While such a shift may require plan sponsors to embrace new solutions, the idea of income-based retirement planning is decidedly old-fashioned. “Pensions were originally designed to provide employees with a reliable source of income in retirement, rather than a lump-sum retirement benefit,” Delahaye says. “The goal was to help employees make a smooth transition from their working years to their retirement years while maintaining a similar quality of life after they stop working.”

SETTING THE BAR HIGHER

In 2005, Delahaye and his business partner Dennis Kemp launched SuperTrust UK, providing DC plan solutions to employers worldwide. The firm’s flagship product, Supertrust UK, is a multi-employer retirement plan designed to help small to mid-size organizations benefit from the economies of scale enjoyed by larger plan sponsors. Delahaye believes that joining a multi-employer plan can be an effective way for growing businesses to meet their fiduciary obligations to employees while continuing to focus on their core competencies.

FOCUSING ON RETIREMENT INCOME

Delahaye believes the next generation of retirement solutions will need to focus on annuity-style outcomes for plan participants—by helping them address both inflation and longevity risks more

effectively. “While there are significant differences between DB and DC plans, both in terms of how the retirement plans are funded and who carries the risk, many of the fundamental investment strategies and risk management techniques used in DB plans can be effectively transferred to DC plans,” he says. “We’re trying to bring participants the best of what DB plans have to offer.”

As an early adopter of outcome-based retirement planning, Delahaye expects to see this approach gain more traction with employers as organizations continue to review and update their benefit plans. A changing regulatory environment in the US and abroad—one encouraging greater fiduciary

Lord Hutton: Combine Best of DB & DC

Lord John Hutton, who recently chaired Britain’s Independent Public Service Pensions Commission, is a vocal advocate for bringing the best elements of DB plans into DC plans.



At the 2011 National Association of Pension Funds conference, Hutton outlined three primary challenges that he believes are currently facing DC plan sponsors:

- Guaranteeing a satisfactory income to plan participants.
- Protecting that income against inflation.
- Generating income that will potentially last for a participant’s lifetime.

“DC must do all of the heavy lifting as we try to reassure people about their standard of living in retirement.”

—Lord Hutton

MALCOLM DELAHAYE is a director of SuperTrust UK Pension Trustees Ltd., which is responsible for the operation of the SuperTrust UK Master Trust, a DC occupational scheme set up in 2005 for non-associated employers. Malcolm is also a fellow of the Pensions Management Institute (PMI). Previously, he was technical director at Godwins (now part of Aon Hewitt), pensions development manager at P&O, and pensions manager at Lend Lease. His trustee experience has included a position as a member-elected trustee and a trust company director.



responsibilities for plan sponsors—may be one of the catalysts bringing change to many retirement plans. “In my experience, employers often prefer to avoid making key decisions until the last minute. People need a catalyst for change,” Delahaye says.

Helping plan participants do a better job of replacing income in retirement requires a new way of thinking, notes Delahaye. “Employers can no longer afford to think of defined contribution plans as simply another cash benefit,” he says. “As a result, many employers may need to review their default investment options in the context of the potential they have to generate actual income in retirement. Ultimately, I expect to see employers worldwide becoming more actively engaged with their employees in the retirement planning process.” ■

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