



January 2018

Dear Clients,

Just before the Christmas holidays, I was on a trip to Atlanta. I always bring two books with me on trips, and this time one of them was *Principles: Life and Work*, by Ray Dalio. The author is the founder of the world's largest hedge fund manager and was ranked the third richest American hedge fund manager by Forbes. I have read about Ray's brutally honest management approach before, so I finished the book with great anticipation and excitement.

The first part of the book is Ray's autobiography, where he's coming from, his adventure, success and greatest challenge. The second part of the book revealed his life and work principles in truth and transparency, which built the unique culture and the success of Bridgewater Associates. The book offered such clarity that it inspired me to reflect on our adventure in 2017 and to write this annual letter. We hope you are excited about the power of pensions in transforming the future of work and would like to share your ideas with us for next year.

Why We Started Marris & Miller

I spent most of my career with Mercer, one of Marsh & McLennan Companies. We helped businesses and organizations manage their pension plans, mostly doing actuarial valuation work for defined benefit type of pensions. I am proud of our work and grateful for the professional growth and learnings.

While doing the actuarial side of the work, I have seen members retiring with well-funded lifetime pensions; I have also seen hardships, where a member can no longer work but had to take reduced pension benefits. I have seen businesses saved millions of dollars and secured members' financial future; I have also worked with companies going through bankruptcy and their members' pension benefits cut. It seemed that our job was to convey the hard actuarial realities, but there is no consistent solution to make pension work. How can we make pension work for business, people and society?

I went on to learn about the history of the pension systems, the success and failure of pension institutions, and past works of industry experts. Two of such influential work was written by Steven A. Sass (“Promise of Private Pensions”) and Peter F. Drucker (“The Unseen Revolution”). These two books propelled my curiosity for understanding the rationales that drive the various subsystems of the pension institution. However, I was unsatisfied with the conflict between the principles of actuarial soundness and managerial interests, and our ignorance of the collapse of a system which was once viewed as a permanent economic fixture and a solid foundation for social stability. What’s more unsatisfactory is that the industry was willing to accept that certain pension system was standing on the brink of failure yet few asked the question how we can make it work.

Over the last eight years, we worked as an independent strategic partner to provide actuarial advisory service to employers with Defined Benefit pension plans. We partnered with business leaders not only to cut costs but also to secure plan members’ financial future. Our clients’ business thrived, so did their pension funding status. With the plans achieving surpluses, and millions of dollars in savings, I felt a profound obligation to help employers of all shapes and sizes to achieve the same success. As a result, I co-founded an independent firm Marris & Miller and became the managing partner of the firm.

What We Stand Up For and What We Are Doing About It

Internally, we have a Marris & Miller “Codebook” contains principles for our work and criteria for client decisions. These principles and criteria are guided by our beliefs which are to be tested by our actions and our clients’ successes:

1. We believe that pension actuaries hold a particular set of knowledge and experience that is key to pension development and innovation. We are not a traditional firm because we are facing a new era of actuarial pension services. Pension industry is not doing enough things that are transformative. The industry has been pressing forward as it always had. To lead the change, we need to be different: radically different.
2. We believe that little things can make a big difference. Retirement security has evolved into a social problem. To solve this problem, we need to step outside the fence and be part of the solution to inspire change. Our first step to achieve that is through collaboration and the discovery of social innovation. Last year, our team designed the Modern Pension Model Canvas which we share as open source to all plan sponsors. In 2018, we plan to launch an initiative to raise the standards of pension governance.

3. We believe that machine-assisted learning will be the core of actuarial pension work, from setting risk tolerance to stabilizing funding requirements, from workforce analytics to retirement tables, from mortality study to hedging strategies, from economic development strategies to business and organization's financial strength. We are not there yet. We will be.

The Future of Pension Governance

A few weeks ago, I read the annual report of the CAAT Pension Plan, which in my opinion, is one of the best-managed pension plans in Canada. There are many great lessons to learn from CAAT on how to make pension a success, but at that moment I found two validations to our beliefs: 1. A collaborative culture could lead to genuinely result-oriented pension governance, 2. The principles of actuarial soundness, when understood, shared and applied with good governance, would deliver efficient, well-run pension plans that can work for its members, the employers and the society.

If there were moments that we felt the new firm is an ambitious undertaking (it still is), now we are ready and proud to take it on as a life's pursuit. With a sharpened commitment to finding out what's true and what to stand for, we look forward to 2018. We hope you are excited about the power of pension programs in shaping the future of work and would like to share your ideas. You can reach us at hello@marrismiller.com.

Best,

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Managing Partner, Marris + Miller
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