



PENSION JOURNEYS.

HAVE YOU SET THE RIGHT COURSE?

“Trustees and employers should be agreeing a clear strategy for achieving their long term goals, recognising how the balance between investment risk, contributions and covenant support may change over time, particularly as schemes become more mature and potentially better funded.”

The Pensions Regulator, announcing the 2019 Annual Funding Statement



PLAN THE JOURNEY

Schemes are often over-exposed to the fate of a handful of businesses in their covenant and the volatile returns of their investments. Getting to a place where less reliance is placed on these factors is crucial – this is a long journey for many schemes and requires careful planning.



STAY ON COURSE

Valuations are formal checkpoints along the journey to ensure risks remain balanced, but key variables need to be monitored continuously and contingency plans put in place, to prepare for expected events and withstand the unexpected.

**In the four roadmaps, we identify tools, resources, and ideas to help you successfully navigate through key phases of your scheme's journey.
Where is your scheme now?**

MONITORING

Keeping your journey on track by monitoring what matters

While on the road you should be keeping a close eye on your car's dashboard and GPS unit, making sure your engine runs smoothly and you remain on course. Similarly, between valuations, balanced and timely covenant, investment, and funding-level monitoring is crucial to spot any issues early and respond quickly. This will also help you avoid any surprises at the next valuation.

STAGE 1 SET UP MONITORING ARRANGEMENTS

AGREE CONTINGENCY PLAN

A well thought out contingency plan agreed by all parties can help you respond to emerging situations quickly and effectively.

- What are your scheme's and sponsor's risks in different scenarios, and what are their consequences?
- Set limits and triggers during calm periods.
- Pre-determine actions to take if there are breaches (e.g. what you will do if you are behind on your journey plan), but remain flexible enough to respond to the unexpected.
- Adjust your governance as necessary to enable trustee and sponsor to react and respond.

DETERMINE MONITORING ARRANGEMENTS

Timely and proportionate monitoring is crucial to effectively managing risk and keeping your journey on track.

- What metrics will be used to monitor your covenant, scheme, and funding position?
- How should information flow?
- Does scheme governance allow for an honest and open assessment of how things are going?

STAGE 2 IMPLEMENT YOUR MONITORING ARRANGEMENTS

PREPARE FOR UNEXPECTED EVENTS

What other indicators are there that might be cause for concern?

- Is demographic experience in line with assumptions?
- Where are we in the economic cycle?
- Are there wider geo-political events that could impact the scheme or sponsor, and lead to significant loss?
- Are there corporate activities or developments across the sector that cause concern? Are there any expected sponsor events (e.g. contract or debt maturities) to be aware of?

TRACK KEY PERFORMANCE INDICATORS

Keep an eye on the things that matter most, ensuring these get reviewed thoroughly and do not become a 'tick box' exercise:

- Covenant strength.
- Investment risk and return.
- Funding level.
- Scheme maturity.

NEXT VALUATION DATE

What next?

UNEXPECTED EVENTS JOURNEY PLANNING VALUATION

Contact us at: info@cardano.com