

Helping pension scheme trustees navigate their roles and responsibilities.

ENDGAME PLANNING



Endgame planning

Maturity dates of DB pension schemes are coming within tangible reach. The pensions industry is developing new solutions for managing liabilities to maturity. Trustees can expect a renewed focus by The Pensions Regulator on a scheme's long-term objective.

Trustees need to understand the opportunity and requirement for Endgame Planning as part of, and against the backdrop of, their legal fiduciary duties.

Understanding scheme outcomes and objectives



We believe that focussing trustees on the long-term objective for the scheme will give both the trustee and the scheme sponsors greater clarity about the actions and the time frame in which to meet the SFO for example through a journey plan. The Regulator will produce further guidance in their SFO in line with their long-term objective and the specific circumstances of their scheme.

Key factors for determining the appropriate Endgame strategy

Endgame Planning is scheme specific. But the factors which shape the endgame strategy are common.

Time to maturity

By 2037, DB liabilities will have reduced significantly.

Endgame planning should factor in the likely scheme size at the point of destination – this could be markedly different from today.

Funding

The ultimate outcome is a function of the current funding level, the achievable target funding level, and how risks and challenges can be managed.

Each endgame outcome has a differently sized funding requirement, supported by different funding regimes. Trustees need to understand the basis of each.

Covenant

Analysing the covenant and the risk it poses are crucial.

- Firstly, it reflects the ability of the sponsor to fund shortfalls / deficits
- Secondly, it fundamentally affects the ability to reach a desired outcome, and the timing of that outcome

Any long-term objective which counts on the continued existence of the sponsor is fatally exposed to an insolvency of the sponsor. If an insolvency event occurs in



respect of the sponsor, the scheme will enter into a PPF assessment.

At this point there are only two possible outcomes:

- If the value of the assets is below PPF levels, the scheme will enter into the PPF (with a cut of all benefits to PPF levels); or
- If the value of the assets is above PPF funding levels, the scheme will be required to insure the affordable benefits in the insurance market, again with a cut back to benefits.

In both cases this could mean that reduced benefits will be paid. This means that the initial long-term objective will not be achieved.

Risk management

Trustees have to identify, understand, and manage a range of risks.

| | |
|---------------------------|---|
| Covenant risk | Investment risk: <ul style="list-style-type: none">• Market risk (interest & inflation)• Reinvestment risk• Counterparty credit risk• Liquidity risk• Manager negligence |
| Expenses | |
| Human resource capability | |
| Optionality in benefits | |
| Data risk | |
| Administration risk | |
| Operational risk | |
| Longevity risk | |
| Change of law risk | |
| | |

Approach to endgame planning

Understand:

- The difference between outcomes and strategies
- Trustees' legal duties
- The factors relevant to endgame planning – and how they apply to a scheme.

Monitor the strategy – as factors change, so might the strategy. Endgame planning is dynamic not static!



The team "clearly understands the client's needs and has the knowledge to execute a comprehensive and reliable plan".



Pro bono

Pro bono initiatives giving individuals and organisations across the globe access to premier legal advice.

- Award-winning support for Refugees at Home (matching spare rooms with refugees' needs).
- Advocates for International Development (focused on eradicating global poverty).
- City YMCA (supporting new hostel construction and its merger with YMCA North London).



Diversity & Inclusion

Dedication to diversity and inclusion delivered through a range of initiatives and activities.

- Diversity by Design art initiative.
- Trans-inclusive policies and activities.
- Dedicated support and awareness-raising not just in Mental Health Awareness Week, but 24/7.
- Ranked 12 in the Stonewall Top 100 LGBT Employers List.
- Listed as a Top Trans Employer.



Corporate Social Responsibility

CSR activities touching the lives of thousands of communities in UK & internationally.

- Grants through the Travers Smith Foundation.
- Major charity partnerships like Contact the Elderly.
- Community engagement through multiple local organisations and schools.
- Supporting emerging artists through our CSR Art Programme.

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