

A 6-POINT REVIEW FOR PENSION SCHEME SPONSORS

Increasing defined benefit pension costs, balance sheet deficits and spiralling pension risk have been a key features. Looking forward companies need a plan to manage these challenges. Our 6-point review for pensions will identify where to focus your efforts and give you a clear framework for action for your next financial year.

1. DEFINE YOUR PENSION STRATEGY

This first stage provides the foundation for everything else and identifies where to focus your efforts.

- + Establish your company's principles and objectives
- + Understand constraints – cash, capital and risk metrics
- + Identify company resources and governance structure available for managing pensions
- + Review of benefit structure – is it competitive, fair and sustainable?

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2. REDUCE CASH COSTS BY CHALLENGING THE STATUS QUO

Review your current pension arrangements to assess current cash costs. This stage will identify where there are quick wins and other cost reduction options.

- + Review of on-going contributions to the pension scheme
- + Challenge deficit contributions
- + Assess alternatives to cash funding
- + Review administration structure to identify opportunities for reducing costs
- + Take action to reduce the PPF levy.

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3. IMPROVE YOUR FINANCIAL REPORTING

Taking a proactive approach to your pension accounting can improve your financial reporting benchmarks. We make sure you are getting the best performance from your pension accounting and you are aligned with best practice.

- + Review accounting assumptions to strip out any unnecessary prudence
- + Update accounting policies to reduce P&L figures such as service cost
- + Monitor risk from changes to the accounting standard and consider options to control these risks
- + Look at ways to manage pension deficits so they don't adversely impact on the company's ability to pay dividends or raise capital.

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4. MANAGE YOUR PENSION RISKS

Working from your strategy and risk constraints identified in the first stage, this stage will identify the most promising options for reducing risk and volatility.

- + Identify the key sources of risk in your pension arrangements
- + Review risks relative to key metrics such as benchmark profit
- + Identify actions you can take to manage the risks and help you prioritise those actions given constraints on your time and budget
- + Highlight legal uncertainties and red flags which could help or hinder meeting your objectives.

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5. TAKE THE LEAD ON YOUR INVESTMENT STRATEGY

Translate your pension strategy into the company's investment strategy. This stage prepares you to be proactive and engage with the trustees on investment.

- + High-level review of your investment profile
- + Quantify risk and return improvement opportunities in £ amounts
- + Benchmark investment charges to confirm value for money.

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6. OPTIMISE YOUR DC PLANS

A final important stage is to check your defined contribution arrangements are on track. The bulk of your current workforce is likely to be covered by DC plans so you will want to know that they are getting the best out of them.

- + Assess likely income replacement ratios for your DC plans
- + Check compliance with evolving regulations and best practice
- + Confirm charges are competitive and comply with new rules
- + Review investment funds for your membership profile
- + Review the contribution structure for your DC plan
- + Review alternative workplace savings options.

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KICK OFF A CLEAR ACTION PLAN FOR YOUR PENSION ARRANGEMENTS

[Click here](#) to receive a 6-point review from LCP's pension and investment specialists.



More information



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