

# LCP can help your scheme be more effective

August 2017

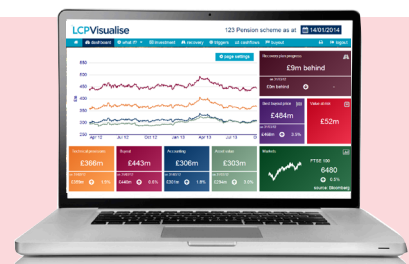
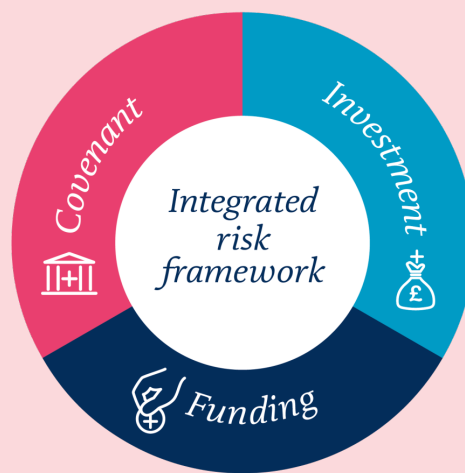
## *An effective integrated risk management framework joins up covenant, investment and funding.*

Well managed schemes can deliver greater security for their members, and enable trustees and sponsors to work collaboratively together to achieve the best overall outcome.

The Pensions Regulator’s Code of Practice on Funding Defined Benefits prompts trustees and sponsors to reassess whether they really do **“adopt an integrated approach to risk management across the key risk areas to funding plan success – employer covenant, investment and funding related risks.”**

### *An integrated approach*

LCP is well placed to help you operate a truly integrated approach. We have been weaving these concepts together in our advice for many years. Our covenant advisers, investment consultants and scheme actuaries work closely together, or with other advisers, to deliver a truly joined-up approach.



### **LCP Visualise**

Our real time software LCP Visualise is readily accessible to our clients, dynamically links up funding and investment, and will link in covenant risk metrics too.

### **Agree objectives for the scheme, which might be:**

- Target self-sufficiency within the next 10 years
- Reduce risk of contributions doubling at the next valuation
- Buyout and wind up in the next 15 years
- Limit the Value at Risk to less than 25% of sponsor profits

Pension scheme risks should be understood, appropriately managed, monitored and relevant contingency plans put in place so that actions are taken promptly if any material risks crystallise. LCP Visualise can support you with this process - it allows you to monitor the scheme’s position on a daily basis and provides you with immediate notification when you need to take action under a pre-defined plan.

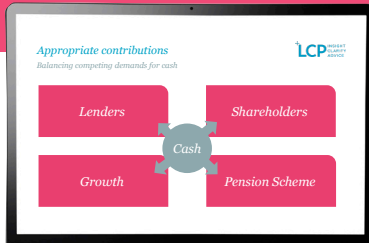
A natural starting point for any funding or investment strategy review is for the trustee and sponsor to consider and agree objectives for the scheme.

# Integrated Risk Management Continued

An integrated risk management framework to meet your objectives

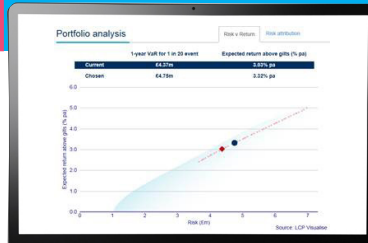
## Covenant

- How much is it appropriate for the sponsor to pay?
- How much more might it be able to pay if experience is poor?
- What might be the outcome for members if the sponsor failed?
- Could anything be done to strengthen the covenant?
- Is the scheme a risk to the sponsor?



## Investment

- How much investment risk can the covenant support?
- When do you reach your target level of funding?
- What return is required?
- Is this consistent with the broad objectives, or are any objectives unrealistic and need reconsidering?



## Funding

- What is the funding target, based on ultimate objectives?
- Discount rates reflect actual investment strategy but what level of prudence is required?
- Are contributions appropriate?
- Valuation results and funding plan then naturally fall out of the process



## Want to find out more?

If you would like further information, please contact your usual LCP adviser or one of the people below.



**Jill Ampleford - Partner**  
+44 (0)20 7432 6757  
jill.ampleford@lcp.uk.com



**James Atherton - Partner**  
+44 (0)20 7432 6630  
james.atherton@lcp.uk.com



**John Clements - Partner**  
+44 (0)20 7432 0600  
john.clements@lcp.uk.com



**Jon Wolff - Partner**  
+44 (0) 20 3824 7301  
jonathan.wolff@lcp.uk.com

LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics.

London | Winchester | Ireland | the Netherlands

All rights to this document are reserved to Lane Clark & Peacock LLP ("LCP"). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given. We accept no liability to anyone to whom this document has been provided (with or without our consent). Lane Clark & Peacock LLP is a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK (Regd. TM No 2315442) and in the EU (Regd. TM No 002935583). All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London W1U 1DQ, the firm's principal place of business and registered office. The firm is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. The firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are licensed by the Institute and Faculty of Actuaries. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.