

Insights from our work with large schemes

In the UK, a significant proportion of defined benefit (DB) scheme assets are held by a small number of large schemes. These large schemes have unique needs and face different challenges compared to smaller ones. As advisers to over half of the twenty largest schemes in the UK and one in five with assets above £1bn, we understand these different needs and want to share our insights through a series of case studies. You can read the first in the series [here](#).

Acting as a sounding board: a case study

In this case study, we share our insights from acting as a sounding board to a large scheme's in-house trustee executive team.

The client's scenario

Our client is an experienced in-house executive team at a multi-billion-pound scheme with a range of stakeholders, including several professional trustees on the board.

In recent years, technical provisions had become the main driver of strategy, with a rolling 10-year horizon for recovery. This created a focus on satisfying regulatory requirements and emphasised short-termism, constraining the investment strategy. The in-house team came to us for a fresh perspective on both the scheme's strategic objectives and their approach to achieving those objectives.

What challenges did the client face?

- A key challenge was the constrained investment strategy, resulting from the focus on technical provisions, which didn't adequately support the scheme's long-term horizon.
- The stability of sponsor contributions was also critical, given the nature of the sponsor covenant.
- Another challenge was understanding the new DB Funding Code, and whether the trustee's preferred 'fast-track' objective could be achieved.

- Lastly, the various advisers were using differing terminology and definitions of risk, which was creating confusion and slowing down decision-making.

Our job was to provide a fresh perspective, ultimately giving the in-house team greater confidence to influence the solutions under discussion.

Working together to find solutions

First, we held a collaborative workshop to hear views from both the trustee and sponsor. We then used our integrated approach to funding and investment to refocus the conversation on longer-term strategic questions, particularly the sustainability of the scheme. This provided a platform for agreeing a clear set of objectives, with associated measurement criteria, allowing the trustee to prioritise and tackle challenges more effectively.

Working together, we identified the following potential solutions.

- **Short term:** fast-track Funding Code compliance and the introduction of a single set of KPIs across all advisers
- **Medium term:** a better balance between quantum and stability of contributions
- **Long term:** funding and investment strategy aligned with scheme sustainability

This phased approach helped to align stakeholders and address their immediate challenges, while introducing the prospect of greater changes over time.

Key takeaways

By working closely with the in-house team and identifying the right questions to ask, we helped the client revisit their strategic objectives. We then identified potential solutions to address their short, medium and long-term challenges.

The in-house team valued our insights and experience gained from advising other large DB pension schemes. Our collaborative approach helped align trustee and sponsor objectives, creating a more effective and sustainable long-term plan for the scheme.

To discuss the ideas and solutions in this case study, please contact one of our experts below, or get in touch [here](#).



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