

THE PENSION TRUSTEE'S BREXIT TO DO LIST

A PLSA briefing note

THIS NOTE SETS OUT TEN ACTIONS THAT TRUSTEES SHOULD TAKE TO ENSURE THEIR SCHEME IS WELL-PLACED TO DEAL WITH BREXIT.

1. READ THE REGULATOR'S STATEMENT

The Pensions Regulator has published a useful [statement on Brexit](#) – essential reading for trustees of DB schemes.

2. REVIEW YOUR EMPLOYER COVENANT

You should review your sponsoring employer's situation and any impact on its support for your scheme – either in terms of DB funding or contributions to DC pots. Discuss with the sponsor whether its prospects are affected by the uncertain economic climate or by shifts in currency and other markets – particularly if the company trades internationally. Then discuss with fellow trustees what this means for the scheme.

3. CHECK THE IMPACT ON DB LIABILITIES

Continuing low interest rates and Quantitative Easing mean DB liabilities remain high. Ensure you understand the impact on your scheme.

4. REVIEW VALUATION ASSUMPTIONS AND FUNDING LEVEL

Again, new market conditions throw up questions about whether your valuation is still current. Check with your advisers. Review how points 2, 3 and 4 affect your overall funding level.

5. CHECK FOR OPPORTUNITIES TO DERISK

Buy-out prices for DB schemes are now more attractive. Check with your advisers whether now is the time to remove some risk from your scheme.

6. REVIEW YOUR INVESTMENT STRATEGY

For DB schemes, is your investment strategy still fit for today's market conditions? Are there opportunities to purchase assets at cheaper prices? Check with your investment advisers. For DC schemes, is your default fund suitably diversified so as to protect members from any shock to the UK or European economy?

7. REVIEW YOUR HEDGING ARRANGEMENTS

Check whether there has been an impact on the value of collateral that your scheme posts or receives under derivatives contracts. You might need to post extra margin – or ask your counterparties to do so.

8. REVIEW OVERSEAS INVESTMENTS

It will be some while before we have clarity on how Brexit affects your scheme's investments, contingent assets and investment vehicles in other countries – both EU and non-EU. Keep this under review.

9. REMAIN VIGILANT FOR SCAMS

Scammers may try to exploit current uncertainty by offering your members 'attractive' transfers away from the UK. Factor this into your warnings to members requesting transfers. Continue using the Pensions Regulator's [anti-scams material](#).

10. REASSURE MEMBERS

You cannot remove Brexit risk for members, but you can reassure them that the trustees are monitoring and responding to risks on their behalf. Tell members what you are doing in response to Brexit.

Further information on Brexit and pension schemes is available at www.plsa.co.uk or please contact James Walsh, Head of Membership Engagement at James.Walsh@plsa.co.uk