PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

THE PENSION TRUSTEE'S BREXIT TO DO LIST

A PLSA briefing note

Article 50 has been triggered. The UK is due to leave the European Union by the end of March 2019.

This note sets out ten actions that trustees should take to ensure their scheme is well-placed to deal with Brexit.

1. **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.

2. **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.

3. **Review valuation assumptions**
   Again, new market conditions throw up questions about whether your valuation is still current. Check with your advisers.

4. **Review funding level**
   The above three points all have a bearing on funding of DB schemes. Many schemes have seen both assets and liabilities rise, with a bigger increase on the liabilities side pushing up deficits. Other schemes have seen both assets and liabilities rise by similar amounts, leaving the funding level unchanged but the scheme bigger than it was relative to the sponsor. Either scenario means more risk; you should discuss how to mitigate it.

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?

PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

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 no-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 'scorpion' scams leaflet.

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/PolicyandResearch/Europe-and-International/Brexit.aspx