



Helping with the Challenges Of Running a DB scheme - Working to agree long-term objectives

Janine Wood



Context

The sponsor, a global fast food chain, has a small UK pension scheme for head office staff only, involving approximately £30m assets under management, with all scheme related matters being managed by its US based parent.

The Challenge

With only one UK based trustee, the scheme's board was experiencing significant difficulties in engaging effectively with its UK advisers and so ITS was appointed as a professional trustee to both educate and better engage with the US parent on key issues for the scheme and within the content of the overall UK pensions landscape.

Our Approach

Whilst the scheme was not large per se, particularly compared to the scale of the overall parent, the UK parent was effectively no longer trading and therefore had no assets. Once appointed, our priority was to get the attention of the US parent by focussing on why a covenant review was needed and particularly the need for a parental guarantee. We needed to get the valuation done and it was also a clear that as investment strategy had not been reviewed for over 10 years, the approach was very dated and was not delivering optimal returns.

The Outcomes

We secured a guarantee from the parent company, which allowed us to agree a mutually acceptable valuation funding package with the sponsor. Continuing to work closely on education with the company, we made amendments to the scheme's investment strategy, maintaining the same target level of return as desired to support the funding package, but at a greatly reduced level of risk.