



# Helping With The Challenges Of Running A DB Scheme - Difficult Valuation Exercise

Rachel Croft



**Independent  
Trustee Services**

## Context

The trustees and sponsoring employer of a defined benefit scheme with c. £300m assets under management and a membership of c.3,000, were about to embark on the next actuarial valuation. The Pensions Regulator (TPR) had notified them that it would be working alongside them on the valuation as a result of the length of the recovery period agreed during the previous triennial valuation exercise.

## The Challenge

The sponsoring employer had many priorities for investment in its business to manage alongside the deficit in the pension scheme, whilst TPR was recommending consideration of a reduction in the length of the recovery plan of approximately 25%, resulting in a significant increase in deficit reduction contributions. The trustees of the scheme were either pensioners or senior executives in the business and so were faced with the difficult challenge of either negotiating robustly with colleagues and/or impacting the profitability of the business.

## Our Approach

As an independent trustee we helped to scope a proportionate and cost-effective covenant review with the aim of independently assessing affordability. We worked collaboratively with the scheme's advisers to obtain best value from their input. We helped ensure productive discussions with the employer and TPR, playing a key support role alongside the Chair of Trustees in negotiations.

## The Outcomes

The valuation was agreed to the satisfaction of all parties well within the statutory timescales. and TPR subsequently concluded its period of involvement. An agreed de-risking and journey plan was agreed with the employer, as was an approach to continued engagement on the pension scheme for the long-term.