

## Deloitte Pensions Lab

A multi-disciplinary interactive pension workshop to help employers and trustees test their existing funding and investment strategy and explore whether alternative approaches might better meet both parties' objectives.

### What is it?

The Deloitte Pensions Lab brings together experts from across Deloitte in a flexible and interactive workshop setting to explore with employers and trustees in real-time how their pension scheme would respond to a range of future economic and demographic scenarios.

### How does it work?

We conduct our lab online by video conference. We use market leading scenario modelling software which will be loaded with your scheme details in advance. Overlaid with insights from our experienced and multi-disciplined team of pension consultants, this allows you to make better informed decisions, helping align pensions strategy with their broader corporate strategy. It will also help employers to understand and manage pensions risk, work together with their scheme's trustees and capitalise on future opportunities.

### Why now?

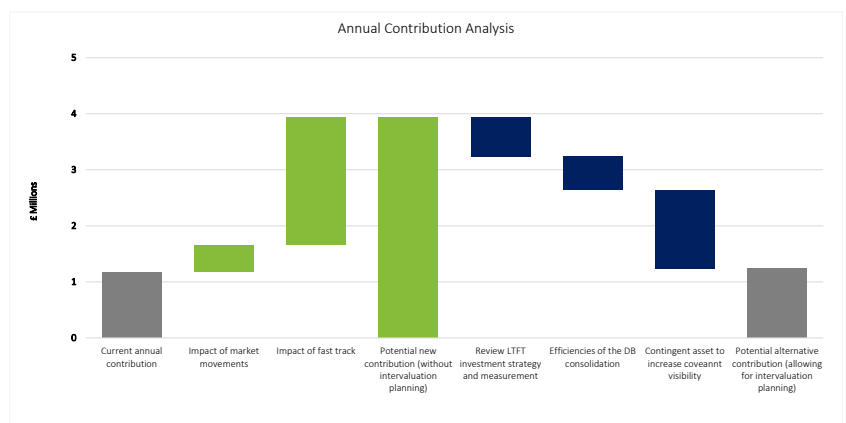
Market movements may result in an increase in funding requirements when schemes next undergo a formal actuarial valuation. This increase in funding will, for some schemes, be exacerbated by the pending regulatory regime change. The chart on the right shows how potential actions (quantified by the blue bars) can be used to offset a potential threefold increase in contributions (green bars) for a sample £150m pension scheme.

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*The Deloitte Pension Lab was completely tailored to our business and the specific of our pension scheme. The team at Deloitte combined to provide a clear picture of how we can evolve our existing pensions strategy to fit with our corporate objectives. We particularly enjoyed the insights into covenant, role of illiquid investments and potential for cash alternatives.*

**Ryan Mahoney, Deputy CFO, Avon Rubber plc**

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Your bespoke Deloitte Pensions lab can be tailored to your needs and split into two sections.

## Section One: recap of your current strategy and experience to current day

Your scheme will be pre-loaded on our valuation software and in the opening session we seek to recap your current strategy. We'll play back to some or all of the following:

- Your scheme's most recent funding position and progress against funding plan (figure 1).
- What are the annual contributions paid, including budget for expenses.
- What level of risk is inherent within the current investment strategy, both upside as well as downside.
- What reliance is placed on the sponsor covenant. How do we assess it? What is the timeframe to buyout (figure 2)?

The above section can be used as a health check on your pension scheme management and we have not yet run a lab where we haven't been able to identify at least one area where improvements could be made.

## Section Two: Develop the solution

The most valuable part of the session will be to explore the pros and cons of various actions that can be taken to manage cost and/or risk. Our analysis will always consider the impact on member benefit security and contrary to popular belief, we strongly believe that **cost reduction can be achieved whilst at the same time improving expected member outcomes.**

Specific areas we look to explore in this section are:

- Investment strategy, both now and the future
- Whether the liability measurement basis can be more integrated with the current and future investment strategy
- Role of contingent assets in demonstrating covenant visibility
- Fast-track vs bespoke in the new pensions regulatory regime
- Efficient ways to run the scheme to accelerate the time to the end-game

We consider the above questions from the perspective of multiple stakeholders of the pension scheme, including trustees, company shareholders, current employees, members, regulators, future buyers of the company and/or pension scheme.

Figure 1: Progress against plan



Figure 2: Estimating timeframe to buyout

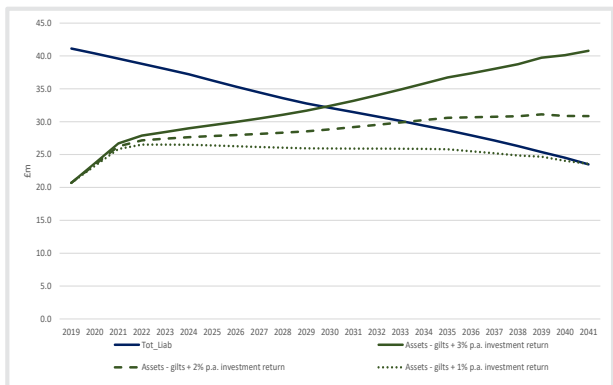


Figure 3: Quantifying risk

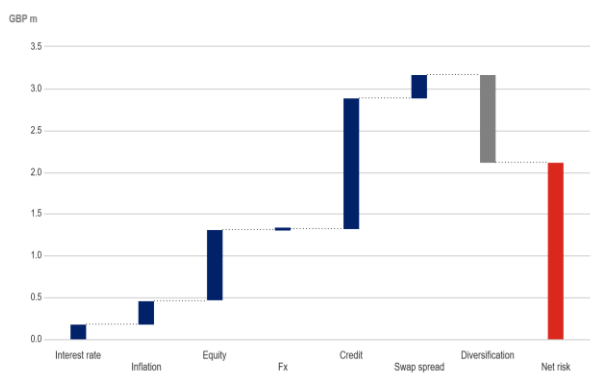
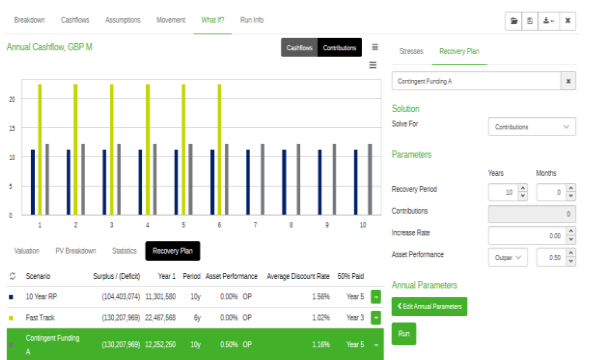


Figure 4: Quantifying the benefit of contingent funding



## Finding out more

If you would like to quantify the impact of advance valuation planning for your scheme then we can arrange a short online pensions lab for you.

All we need in order to tailor the lab to your scheme is the report on the latest actuarial valuation, most recent funding update and investment monitoring report.

If you would like to know more then please speak to your usual Deloitte consultant or contact one of our specialists below.



**Paul Geeson**

Email: [pgeeson@deloitte.co.uk](mailto:pgeeson@deloitte.co.uk)  
Tel: 020 7303 0878



**Sankar Mahalingham**

Email: [samahalingham@deloitte.co.uk](mailto:samahalingham@deloitte.co.uk)  
Tel: 020 7007 8877



**Brian Denyer**

Email: [bdenyer@deloitte.co.uk](mailto:bdenyer@deloitte.co.uk)  
Tel: 0131 535 7002



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