

A PROVEN PATH TO A FULLY FUNDED FUTURE

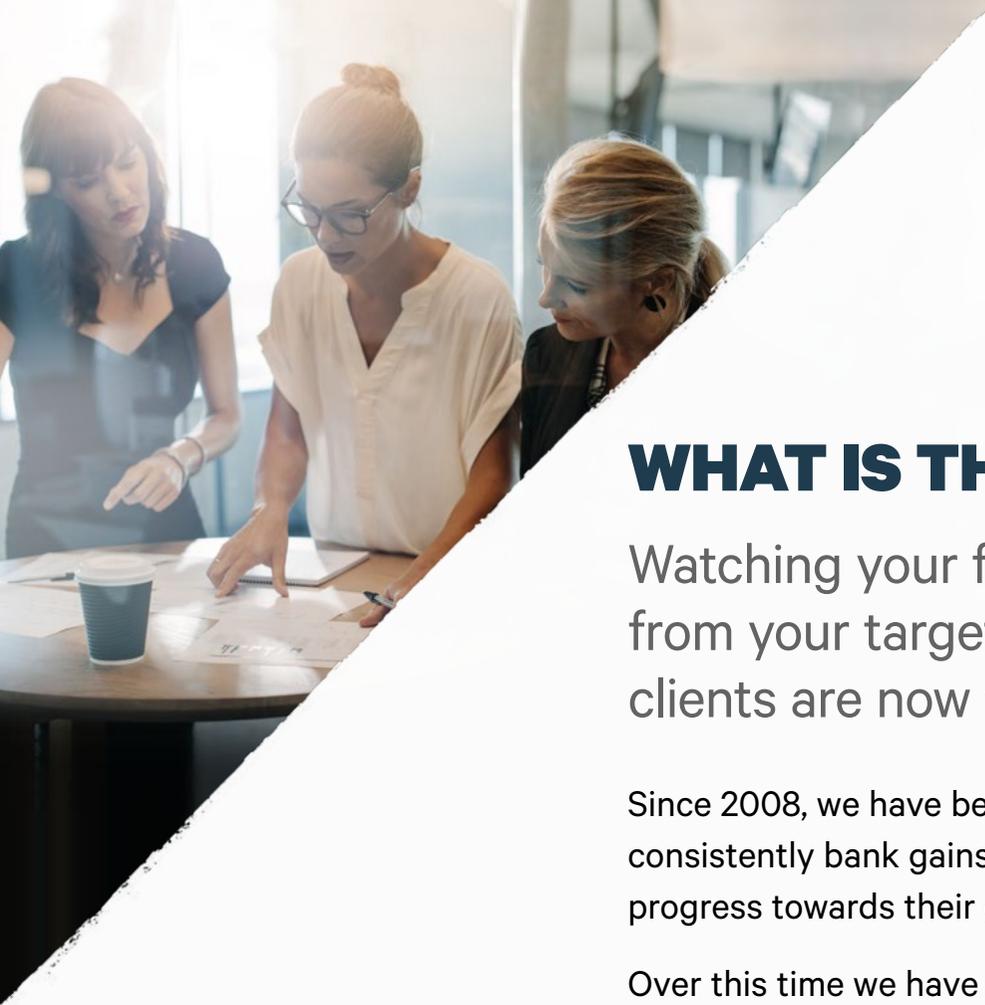
this way



If you are one of the many UK pension schemes in a difficult funding position and aren't sure how to navigate the path ahead, this series is for you.

REDINGTON





WHAT IS THIS SERIES ABOUT?

Watching your funding level fluctuate and move further away from your target can be frustrating, we get it. While most of our clients are now well-funded, they didn't all start out this way.

Since 2008, we have been helping schemes consistently bank gains and make meaningful progress towards their goals.

Over this time we have developed and refined a process for schemes that have different governance budgets and objectives, but are all on the same journey. This has been tested under a wide range of market conditions.

Through designing this process we have learnt that there are some common steps which, if implemented in a disciplined way, will help you progress towards your funding goals clearly and efficiently.

It might not seem easy at first, but we are confident that all schemes can achieve their goals, and that we can find a positive solution to most situations, by approaching old problems in new ways.

We will share this mindset with you via our This Way series: a series of guides that highlight the problem areas common to all schemes and that share the lessons we and our clients have learnt along the path to full funding.

We invite you to find out more...

WHO IS THIS WAY FOR?

This Way is for schemes and trustees looking for a clear way to navigate their journey to full funding that will lead to real outcomes.

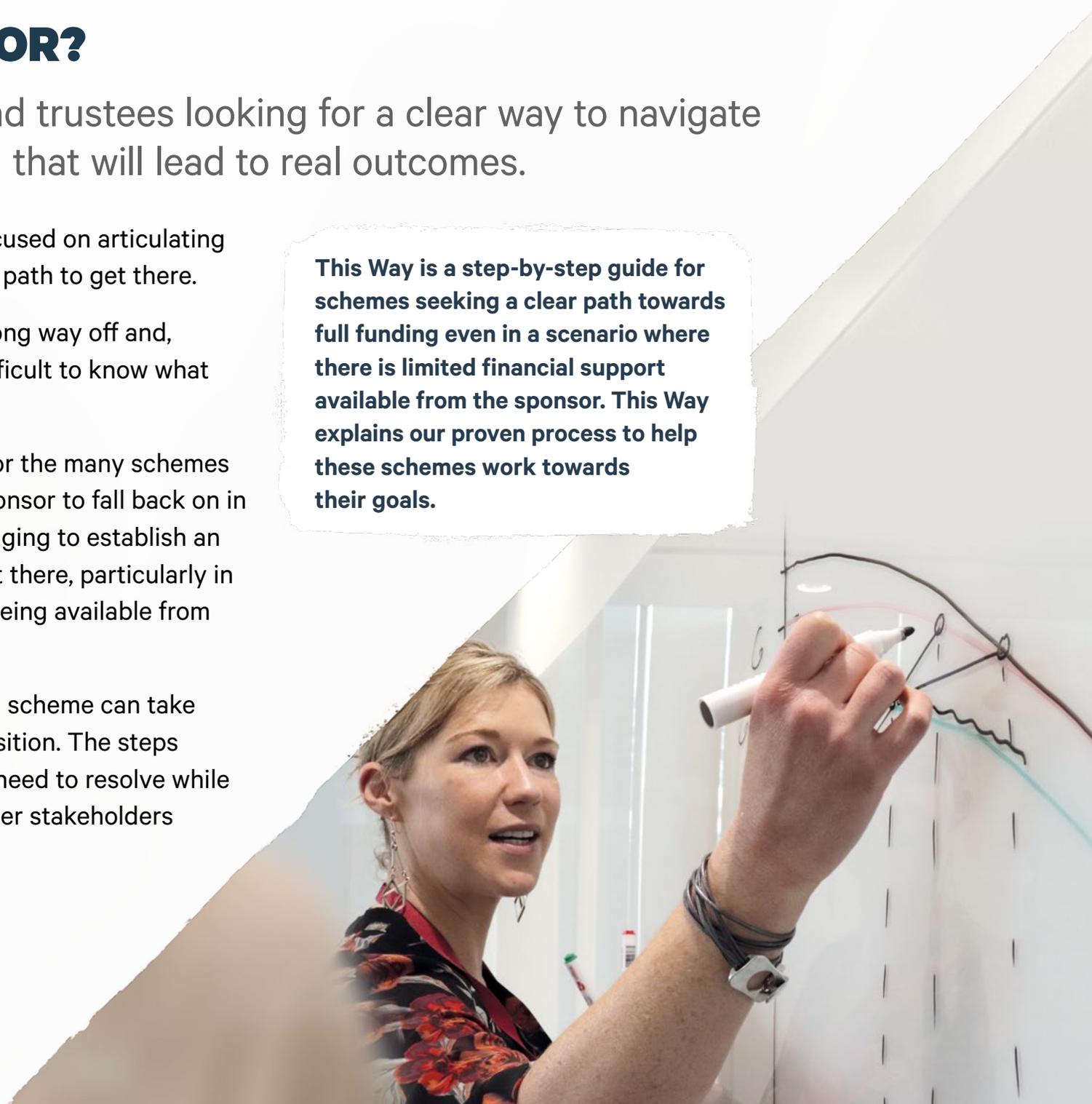
UK pension schemes are increasingly focused on articulating their long-term objectives and plotting a path to get there.

But for many schemes, full funding is a long way off and, without a clear goal in sight, it can be difficult to know what step to take next.

We created This Way to provide clarity for the many schemes that don't have the luxury of a strong sponsor to fall back on in tough times. Schemes who find it challenging to establish an achievable goal and a plan for how to get there, particularly in the context of limited financial support being available from the sponsor.

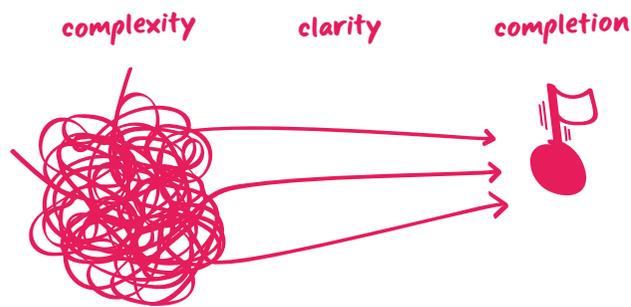
This Way is a series of steps any pension scheme can take towards improving its overall funding position. The steps reflect common problems that schemes need to resolve while bringing their sponsors, trustees and other stakeholders along with them.

This Way is a step-by-step guide for schemes seeking a clear path towards full funding even in a scenario where there is limited financial support available from the sponsor. This Way explains our proven process to help these schemes work towards their goals.



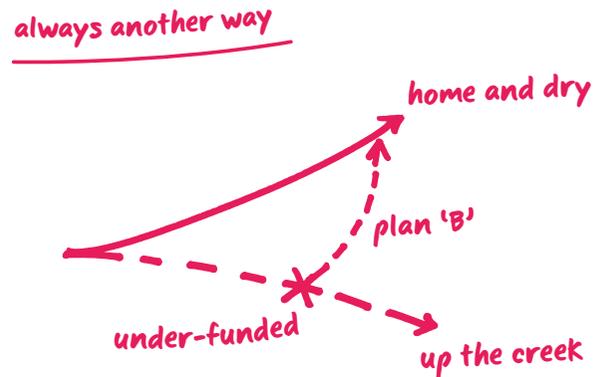
OUR THREE STEPS TO SUCCESS

This Way is divided into three key areas that schemes should focus on when navigating their journey to full funding.



#1 CONTEXT CLARITY

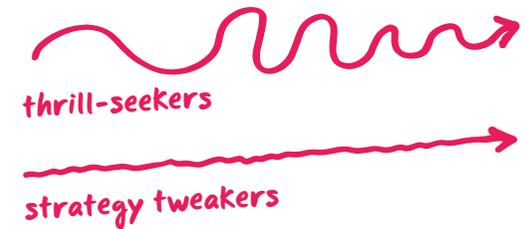
How to make a clear assessment of where you are, reach alignment with all key stakeholders on reasonable targets and identify where you need to focus your efforts to best progress towards your goal.



#2 PORTFOLIO CONSTRUCTION

Once you've determined where you need to get to and how quickly, you need to design a portfolio that gives you the greatest possible chance of getting there. Having a clear set of objectives will help keep you on track, while a contingency plan will get you out of trouble should you stray.

a dynamic approach, without the ups and downs



#3 OPERATIONAL AND COST CONTROL

Freeing up time to focus on the decisions that matter is crucial; this might mean outsourcing implementation to your managers or advisors. Plus quick wins, like simplifying the managers you work with, could save you millions.

‘BUT WILL IT WORK FOR ME?’

Every scheme is unique, but there are some common steps that can help any scheme reach its goal.

We know that every scheme is different, but we also recognise that there are some commonalities. This has helped us define a series of steps that any scheme can take to reach its goal.

Here is an example of one of our clients’ journeys – its starting point might sound like yours.

In 2009 we started working with a scheme that had seen its deficit widen significantly – it was less than 75% funded. This drop in funding level was mainly due to the plunge in asset values during the financial crisis, not helped by the widespread cutting of interest rates to help the economy recover.

In addition, its sponsor covenant had been weakened by the crisis, posing a real risk to the long-term viability of the scheme. This deterioration of sponsor strength meant the company could only afford to make limited contributions to close the scheme’s funding deficit.

1. Context Clarity

Over 10 years we worked closely with the sponsor and trustee board (one independent and four lay trustees) to set a clear funding objective and risk management framework that was ambitious yet comfortable for all stakeholders.

2. Portfolio Construction

The scheme used this framework to focus decision-making on constructing a portfolio that helped it progress towards its goal, controlling risk carefully while allowing sufficient asset return to ease the pressure on company contributions.

3. Operational and Cost Control

Delegating implementation responsibilities to an asset manager and automating decision-making where possible allowed the scheme to minimise its governance burden and control costs.

By always keeping the end goal at the forefront of our minds, we grew scheme assets by c.£75m, with only £5m in deficit repair contributions from the sponsor.

The Trustees have now achieved a full scheme buy-in, ensuring the highest level of security for its members with no further financial or governance costs for the sponsor.

Explore our This Way content to find out how these three steps could help your scheme reach its goal.

THE TOOLS TO HELP YOU REACH FULL FUNDING ARE OUT THERE.

Let us show you how to use them

this way



LEARN MORE

OR VISIT

redington.co.uk/this-way

for more information

#thisway

REDINGTON



Redington Ltd.

Floor 6 One Angel Court

London EC2R7HJ

+44 (0)20 7250 3331

thisway@redington.co.uk