

Funding and benefit actions for trustees during the current market conditions

Checklist

The recent gilt market movements are likely to have had a material impact on both your scheme's funding position and asset allocation. This is on top of the large movements we have already seen so far in 2022. These changes are driving a number of actions on managing investments, including looking at asset allocation, hedging and liquidity. The funding level impact, which may vary across the different measures of liabilities, has created opportunities to reassess the current position and manage pension costs and risks. It will also have impacted on the value of member options meaning they no longer offer fair value.

Trustees may also be concerned about how the ongoing market uncertainty is impacting its employer covenant and how the sponsor might be affected by current conditions. A robust updated funding position can help identify what flexibilities may exist to de-risk and protect the scheme without imposing further cost on the sponsor. In some cases, it may help provide cash funding flexibility.

Trustees can carry out the following to decide what actions are needed:

- 1. Obtain updates** of estimated cash funding (technical provisions), low dependency and buyout funding levels as at 30 September using actual asset values.
- 2. Establish whether** the employer covenant has changed in light of the market turbulence and what impact this may have had on the sponsor's ability to meet required contributions.
- 3.** If the funding estimate has improved, **consider the impact** on the timescale to meet your funding objective and if investment de-risking is an option.
- 4. If the term to buyout has shortened sufficiently**, consider commencement of 'buyout readiness', including looking at benefit specifications, data cleansing, and GMP rectification and equalisation.
- 5. Consider if transfer values still provide fair value** and should be calculated at more recent yields rather than using monthly rates.
- 6. Consider if cash commutation terms** still provide fair value, or should be reviewed.
- 7. Consider if updated cashflows** should be produced to support review of or recalibration of your hedging portfolio.
- 8. Recalculate duration of liabilities** and time to meet upcoming new strategy regulations.



Please also see our detailed **investment briefing and actions for trustees and sponsors**. [Click here](#)

For further information, please get in touch with **Danny Vassiliades** or speak to your usual XPS contact.



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