

XPS Express for Employers

Bringing you the latest pensions news for employers

Managing employee pension costs to meet developing challenges



At a glance

COVID 19 has brought about challenging times for many businesses, and employers are having to react and reconsider their business plans

Many employers still providing defined benefit (DB) pensions are reviewing costs to ensure they remain affordable and the associated risks remain manageable

Current economic conditions, particularly low gilt yields, mean employers are having to pay significantly higher contributions to fund DB benefits currently being accrued

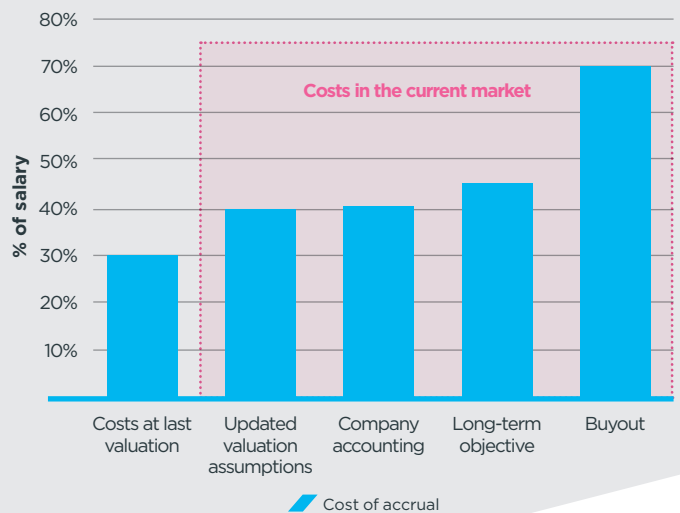
In addition, the amount employers are paying now under funding agreements may not be sufficient for their ultimate long-term target

There are many options for employers to move away from full DB benefits, including new risk sharing options like Collective Defined Contribution



What is the ultimate cost of DB benefits?

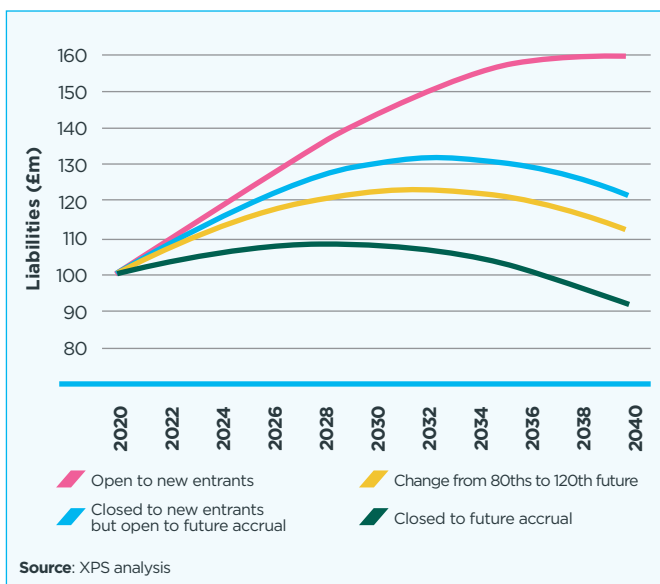
The contributions currently being paid into your pension scheme may not be sufficient.



Source: XPS analysis



How will your DB scheme look in the future?

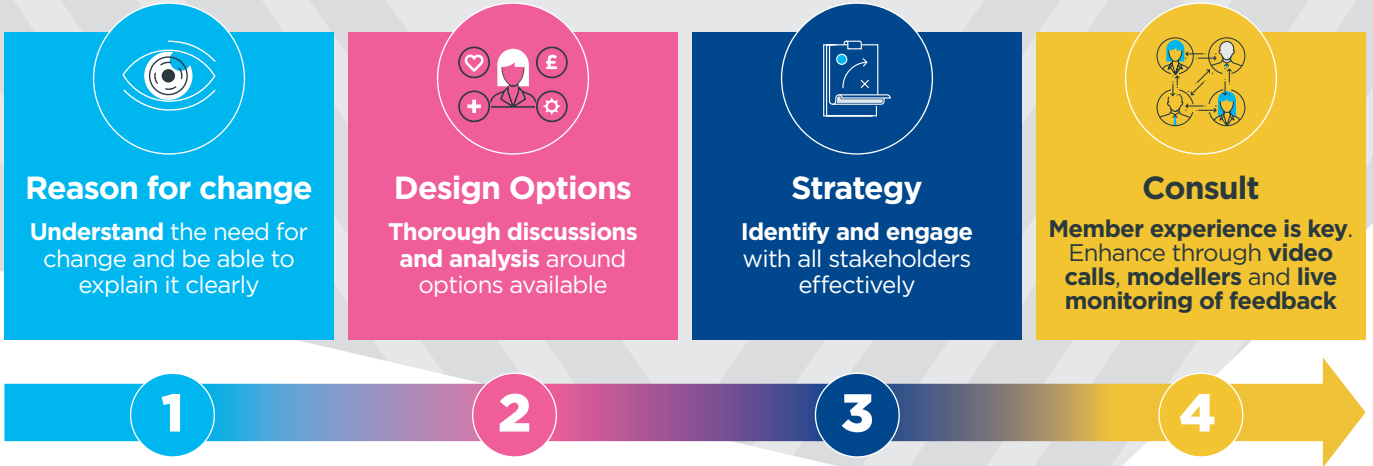


Actions employers can take

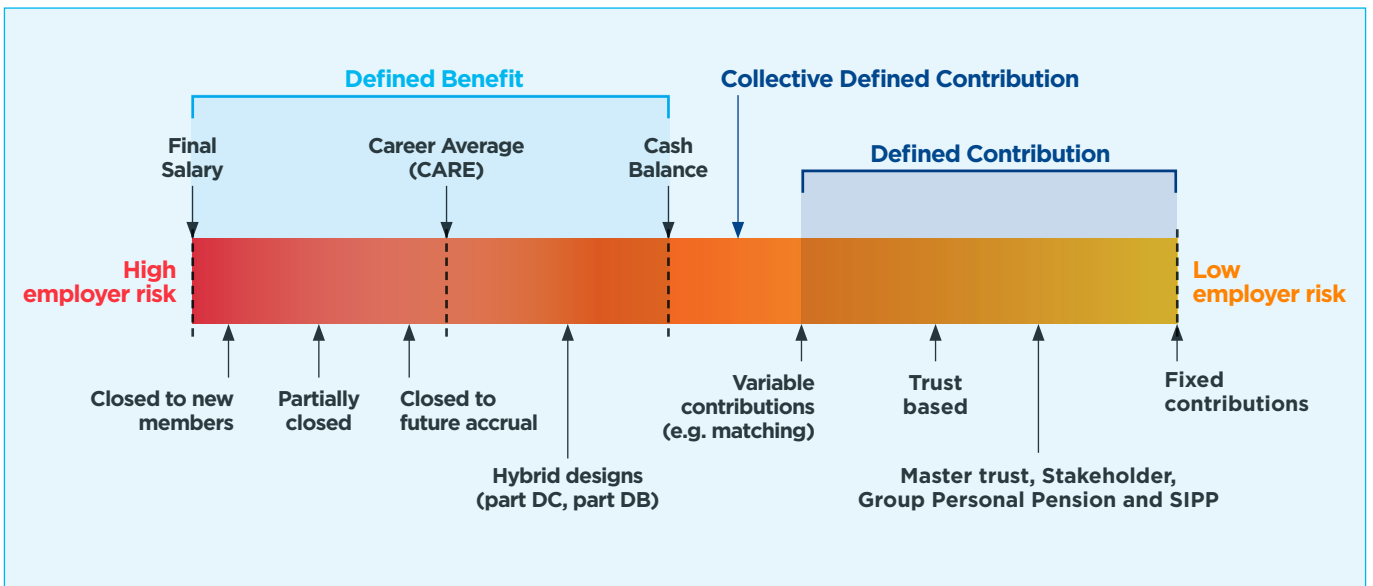
1. Assess how big your scheme (and associated risks) is likely to get with the current benefit design.
2. Decide if contingency plans are needed to manage benefit cost or whether change is needed now.
3. Consider your alternative benefit options, the extent of change you need to make and how you will communicate with employees in the current environment.
4. Measure the cost of your preferred benefit structure on your long-term funding target to understand the potential long-term cost.



Benefit change: The XPS Process



Benefit design options



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