

# *Pensions: How charities can influence policy and set a robust strategy*

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**RNIB**

**+LCP** INSIGHT  
CLARITY  
ADVICE



*Sir Steve Webb*  
*Partner, LCP*

+44 (0)20 3824 7441  
Steve.webb@lcp.uk.com



*Stuart Fox*  
*Director of Finance Performance and  
Technology, RNIB*



*Edward Symes FIA*  
*Partner, LCP*

+44 (0)20 7432 0696  
Edward.symes@lcp.uk.com

*The current pension  
funding regime –  
and what may  
change*



*Sir Steve Webb  
Partner, LCP*

+44 (0)20 3824 7441  
Steve.webb@lcp.uk.com

# The current regime

- Defined Benefit (DB) pension schemes required to have a valuation of assets and liabilities on a three-year cycle
- Future stream of liabilities ‘discounted’ to present day using an interest rate or ‘discount rate’ (falling interest rates have generated larger deficits) and compared to market value of the assets
- If valuation indicates a deficit, trustees and sponsor need to agree a ‘recovery plan’, specific to individual scheme. This can include:
  - Schedule of ‘deficit repair contributions’
  - Contingent funding – eg actions sponsor will take if funding falls below certain levels, giving scheme first call on certain charity assets etc.
- Under current regime, average recovery plan is longer for not-for-profits (9 years) than for-profits (6 years)



# Why are things changing?



# Overview of the Pension Schemes Act 2021

## Four key areas

New powers effective from 1 October 2021

The focus of today's session

Regulator powers

Scheme funding

Climate change

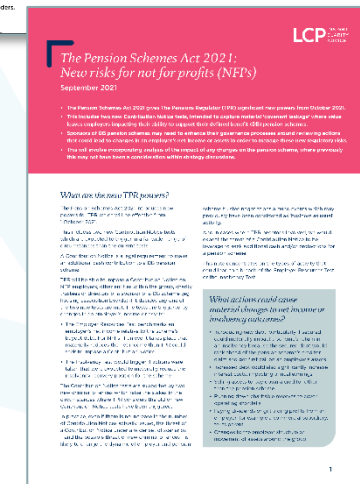
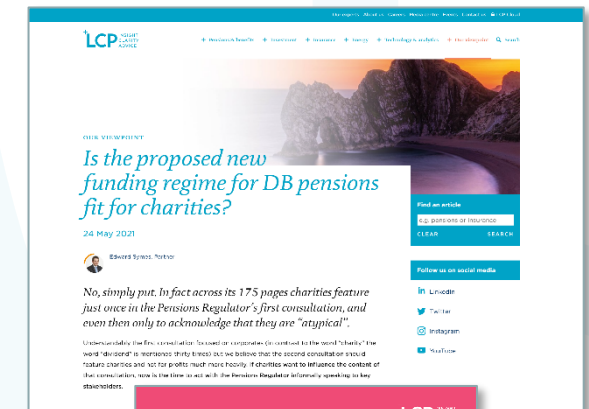
Pensions dashboards

Additional disclosure requirements for Trustees

Cross-industry data collation project aiming for 2023 launch – will impact trustees

Further detail can be found on our Pension Schemes Act insight hub on our website:

[Pension Schemes Act insight hub | Lane Clark & Peacock LLP](#)  
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# The TPR funding regime

## Three key changes

1. Twin track regime:  
Fast track – standard assumptions. TPR's view of what good looks like  
Bespoke – tailored approach deviating from fast track parameters



2. All schemes must implement a long term journey plan



*Charities mentioned only once 170+ page consultation document  
Second round of consultation expected later in 2021, implementation for 2023 valuations?*

# Potential concerns for charity sponsors

1. Many may not fit 'fast track' template -> potential costs and time of submitting and justifying 'bespoke' approach
2. Risk that existing flexibility towards not-for-profits could be lost in new regime meaning higher cash contributions
3. V little explicit recognition to date of specific issues for charities

These issues (and others) covered in CFG submission to TPR earlier this year ahead of second round consultation



## *How charities can set a robust pensions strategy*



*Stuart Fox*  
*Director of Finance Performance and*  
*Technology, RNIB*



*Edward Symes FIA*  
*Partner, LCP*

+44 (0)20 7432 0696  
Edward.symes@lcp.uk.com



## *Push Factors*

1. New funding regime
2. Stance of Charity Commission
3. The Trustees of your pension scheme will ask you

## *Pull Factors*

1. Take control of your strategy
2. Better to plan and lobby for existing flexibilities now rather than wait for changes to be imposed
3. Funding positions have generally improved – could you reduce risk and lock in good news?

# A three step process to set a robust strategy

## Step 1: Understand

- What is the overall funding position and level of risks in your pensions schemes and how does this compare to the charity's own financial position?

## Step 2: Decide

- What is the desired funding position and risk level in the context of the charity's wider objectives and ability to pay contributions?

## Step 3: Implement

- How should you work with the pension scheme trustees to implement your desired investment strategy and funding package?

## Step 1: Understand

- What is the overall funding position and level of risks in your pensions schemes and how does this compare to the charity's own financial position?

- Some limitations on what I can say today!
- RNIB financial turnaround since 2017
- Triennial at 31 March 2017 - £14.1m deficit
- Triennial at 31 March 2020 – TBC

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See differently

## Step 2: Decide

- What is the desired funding position and risk level in the context of the charity's wider objectives and ability to pay contributions?

- Technical provisions....then what? Long term funding target?
- March 2017 - £2.5m annual deficit repair contributions
- March 2020 – TBC
- Possible conflict of strong funding level with charity objectives

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## Step 3: Implement

- How should you work with the pension scheme trustees to implement your desired investment strategy and funding package?

- Strong relationship is really important
- Openness is key in building trust
- Be robust and clear
- Be clear on negotiating position

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