

How do your risks stack up?

Checklist: can you answer these key questions?

Actions to consider		✓
Have you chosen your ultimate destination?	<ul style="list-style-type: none"> • Receive training on options including insurance solutions and consolidators • Understand the views and priorities of the sponsor and trustees • Compare the costs and benefits of each option, taking into account future scheme expenses 	
What are the key features of the covenant?	<ul style="list-style-type: none"> • Obtain independent professional covenant advice • Consider what is an affordable level of contributions, both now and in the future • Consider the extent to which the covenant can support investment risk now and in future • Understand the extent to which members benefits would be exposed in a sponsor insolvency • Consider ways in which the covenant might be strengthened, and engage with the sponsor 	
What is an appropriate timeframe for reaching your objective?	<ul style="list-style-type: none"> • Consider the longevity of the sponsor covenant • Quantify what is achievable based on affordable contributions and supportable levels of risk • Consider the risk that members' benefits are not paid in full based on different scenarios • Consider your cashflow profile and how fast the scheme matures 	
What should your investment strategy be now and how do you expect it to change over time?	<ul style="list-style-type: none"> • Understand the total returns that you need to generate over the period until you reach your goal • Consider when the covenant is best able to support the risk required to target those returns – use this to decide on how investment risk and target return should vary over time • Consider liquidity requirements and how they are expected to develop • Consider all available asset classes and how best to deliver the required returns in a risk-controlled manner • Based on all the above, consider supportable levels of hedging and how best to achieve them • Make sure the ultimate strategy is consistent with your goal eg make sure assets can be sold or transferred to an insurer, if that is your objective 	
Does your funding strategy reflect the above?	<ul style="list-style-type: none"> • At your next valuation make sure the technical provisions reflect the expected future changes in the investment strategy 	
What are the key risks that you face en route to your ultimate objective?	<ul style="list-style-type: none"> • Use LCP Sonar to help identify key areas of risk • Consider any risks specific to your sponsor and/or scheme • Consider the external risk environment (eg climate change) and the potential impact upon covenant, investment and funding risks • Capture the key risks in a working risk document 	
How are those key risks being managed?	<ul style="list-style-type: none"> • Add current controls to the working risk document • Consider holding a risk workshop to identify any additional ways to manage risk • Track resulting actions and update the risk document on a continuous basis • Agree and document a clear contingency planning policy in the event of downside risks materialising 	
How are those key risks being monitored?	<ul style="list-style-type: none"> • Capture key metrics in an easy to read risk dashboard • Agree an information sharing protocol between the trustee and sponsor • Implement an integrated covenant, investment and funding monitoring framework 	
Are you confident in your data and benefits?	<ul style="list-style-type: none"> • Identify areas where data is incomplete • Prepare a benefit specification and agree it with your administrators, actuaries and lawyers • Commission a benefit calculation audit • Complete GMP reconciliation, rectification and equalisation processes 	
Do you have robust and nimble governance structures in place?	<ul style="list-style-type: none"> • Consider how frequently the Trustee board should meet • Review lines of communication with the sponsor, and the level of participation of sponsor representatives in Trustee business • Review the scope and composition of any Trustee sub-committees • Consider diversity of board and implications of group think 	