

# Re-imagining the DB Funding Challenge

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# Key objectives

- Focus on the sponsors' perspective and share some insights
- Explain why now is a good time for a pensions funding conversation



# Give Jim his pension

- Age 58.5
- €80k pa pension from 60
- How much was the CFO asked to pay?..

**€1,300,000**



# Why is the answer correct?

➔ Consider where Jim fits with regard to the Minimum Funding Standard (MFS) Priority Order

➔ Ensure MFS funding and coverage levels are the same the day after as the day before

➔ Acting as though wind up will happen in the next 18 months

Liability	Value
Coverage for TV	€1.5m
Buyout cost at 58.5	€2.8m



# What do sponsors typically want?



To fund on sensible terms



To try and avoid situations where the pension scheme causes disruption



To avoid large cash calls in any one year or short term period



To have a plan around funding these commitments which is logical and makes sense for their business



# The question that emerges...

What is the funding target?



Is MFS at 2023 the right target?



# What do others think?



You could be forgiven for concluding that DB pension scheme deficits are about to rain Armageddon on UK Plc. Find out more in my latest blog post at [www.tpr.gov.uk/blog](http://www.tpr.gov.uk/blog).

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The Pensions Regulator

1. Don't beat yourself up
2. Comparing to buy-out is a problem
3. Don't evaluate actions against a potential wind up

**pwc**

# 2016 – a different DB landscape

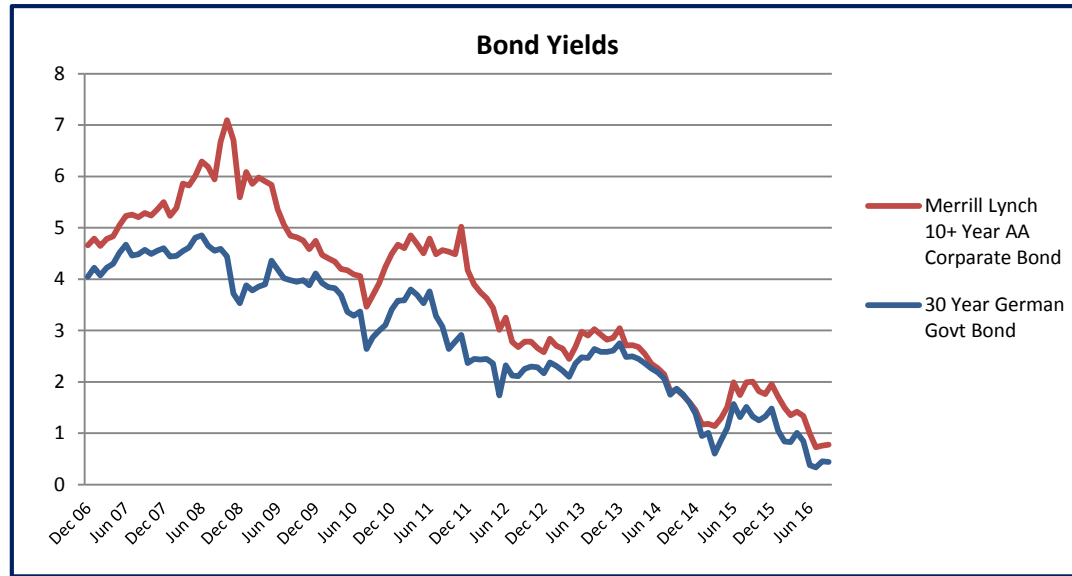


Year	DB Plans y/e
2007	1226
2015	671





# Why have a funding conversation now?



# Now is a good time for a conversation



# Improve conversations - engage the sponsor

- It should be key for all Trustee Boards to understand the Sponsor objectives/motivations to fund the arrangement
  - How does it fit with their business?
  - Are we working towards common goals?
  - Is there discord? Tension?
  - Does the management group generally have a negative feeling when it comes to pension discussions?
  - Can we work on this dynamic?



# Let's have better conversations



# Client B – There is another way

a different approach...



A portion of deficit funding is allocated towards facilitating early retirement



No extra cash



A better earlier conversation led to a better outcome



# Conclusion

- Understanding things from the sponsor perspective will lead to better conversations
- Now is a good time for a pensions funding conversation
- The “prize” is better member outcomes



# 31 December 2023

