

# Crisis resilience planning for DC Schemes

COVID-19

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During these untested times, trustees, sponsors and advisers are operating in challenging times and are keen to take swift action in order not to be caught off-guard by unfolding events. It is now looking as if boards will need to continue to operate within this restricted environment for a prolonged period. This has moved beyond finding a way to take forward the business from your next trustee meeting but more about how we continue to operate in this environment for successive meetings. Where boards have emergency sub-committees established, these will now kick in and start to work through the schemes' business continuity plans. But for those schemes that have no such plans in place, here is our view on the immediate actions to take now, some actions to set up for the ongoing months and also steps to take to support your business continuity plans in the future; with all these efforts taken in the short term, it is important to document what goes well and where improvements can be made to support you through future events.

## Step 1:

Review your current governance and decision-making structure and ensure it will remain fit for purpose over the next few months

Under all these actions will be the requirement to monitor and make further decisions, potentially with limited time. Where possible, we recommend that an emergency sub-committee is established as quickly as possible with the following considerations:

### Be flexible

Due to the nature of this virus, the emergency sub-committee members may need to be fluid, and / or decisions be made by different groups within the sub-committee. We suggest approval powers are granted to enable 2-3 trustees to make time-critical decisions.

### Assign roles

Trustees should be given specific responsibilities and must speak out immediately if there are any concerns. Availability, health and experience will all be key factors when making important and urgent decisions. Trustees who have the time to respond to and process information quickly will be critical to success.

### Stay informed

Where governance, investment and / or member engagement actions are being undertaken by a different sub-committee, consider including members from those sub-committees in the emergency sub-committee to maintain understanding and ensure informed decision making.

## Step 2:

Review your scheme priorities

Having the right structure ensures that you have appropriate robustness around the decisions that follow. Our chart suggests that the key priorities for many DC schemes are likely to be those shown in purple; however, our 10 questions provide you with further information across a range of different areas.



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Question	Immediate actions	Crisis monitoring
<p>1. <b>Administration: Are you familiar with the business continuity plans of your administrator?</b></p>	<ul style="list-style-type: none"> <li>• Get confirmation of your administrator’s business continuity plans</li> <li>• In particular check that there are adequate internal controls to ensure that core financial transactions are processed promptly and accurately</li> <li>• Agree and document protocols for managing extreme administration demand with reduced capacity and / or scheme knowledge:               <ul style="list-style-type: none"> <li>- Identify key member priorities, eg, investment of contributions, retirements and death cases</li> <li>- Identify which cases can be put on hold, or where SLAs can be extended to ease the strain on the administrator</li> <li>- Agree other easements, including second stage process if pressure squeezed even further</li> <li>- Consider reporting simple MI but more frequently</li> </ul> </li> <li>• Agree member communications plan (see 2. communication)</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular dialogue with your administrator</li> <li>• Review simple weekly MI and monthly forecasting</li> <li>• Consider revisions to these plans if there are further anticipated challenges based on available information</li> </ul>
<p>2. <b>Communication: Do you have a policy on communicating with members when there are significant market shocks, and can you contact members easily?</b></p>	<ul style="list-style-type: none"> <li>• Establish a member communication policy:               <ul style="list-style-type: none"> <li>- Agree messages to members</li> <li>- How to deliver these messages</li> <li>- How to monitor member feedback</li> <li>- Approval protocols</li> </ul> </li> <li>• Member communication protocols may involve the following:               <ul style="list-style-type: none"> <li>- Investment market volatility</li> <li>- Administration changes</li> <li>- Pension scam awareness</li> <li>- Sponsor-related news</li> <li>- Trustee actions</li> </ul> </li> <li>• Identify who else you need to communicate with and keep them updated of your position:               <ul style="list-style-type: none"> <li>- Company (eg, finance, communications, HR)</li> <li>- Advisers and fund managers</li> <li>- TPR, other regulators</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Before issuing any communication:               <ul style="list-style-type: none"> <li>- Continue to monitor the situation regularly; at least weekly, linking in with the appropriate contacts (sponsor, advisers, administrators)</li> <li>- Monitor the press and social media to gauge views in the public domain</li> </ul> </li> <li>• Once any communication is issued:               <ul style="list-style-type: none"> <li>- Monitor member feedback</li> <li>- Monitor the need for additional member information, eg, FAQs (and who should have a copy), further announcements</li> </ul> </li> </ul>

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<p>3. Investment strategy: Do you know how the current market environment has impacted your members' savings and projected outcomes? Can you get information on your exposure to certain industries, companies, countries?</p>	<ul style="list-style-type: none"> <li>• Request more frequent monitoring of investment strategy and member experience from your investment adviser</li> <li>• Put in place performance triggers that will lead to 'deeper dive' analysis of fund managers and / or investment strategy</li> <li>• Understand where the current investment strategy has significant exposures, identify the potential risks of these as well as means to mitigate them if the trustees aren't comfortable carrying these risks</li> <li>• Agree member communications plan (see 2. communication)</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular dialogue with your:               <ul style="list-style-type: none"> <li>- investment adviser</li> <li>- fund managers</li> <li>- administrator and / or pensions team</li> </ul> </li> <li>• Consider revisions to investment strategy where fundamental shortcomings have been identified</li> </ul>
<p>4. Investment platform: Do you know the contingency plans of your investment platform? For instance, are they in regular contact with investment managers to understand their positioning, impact on trading costs, any strain to accepting future investments or completing transitions?</p>	<ul style="list-style-type: none"> <li>• Seek assurance from your investment platform that their service to the trustee and scheme members will not be significantly impacted and on the processes they have put in place to maintain service</li> <li>• Get confirmation of your investment platform's contingency plans</li> <li>• Seek to understand whether any fund managers are currently under stress and if so, whether there may be an impact on investing future member contributions and redeeming assets</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular dialogue with the company and your advisers</li> <li>• Increase frequency of monitoring</li> <li>• Be ready to reconsider investment strategy in the light of weakening employer covenant</li> </ul>

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<p>5. Trading costs and liquidity: Do you have a disinvestment strategy if you have higher than usual demand?</p>	<ul style="list-style-type: none"> <li>• Agree with your investment adviser the process for fast advice and execution, taking into account the transaction costs, relative valuations, benchmarks and speed of access to funds</li> <li>• Seek to understand whether trading costs and liquidity have changed significantly and what impact that may have on investing future contributions, redeeming investments and undertaking future transitions</li> <li>• For multi-fund blends, put in place clear instructions to direct your investment platform to liquidate some assets while holding others, when liquidity is required</li> <li>• Agree actions and direction of contributions for funds that may suspend investments</li> </ul>	<ul style="list-style-type: none"> <li>• Work with your administrator, investment adviser and investment platform to identify how to most efficiently notify and implement new instructions</li> </ul>
<p>6. Approvals: Have you reviewed your signature limits in the last 12 months and ensured there is no 'key man' risk where only one person can sign?</p>	<ul style="list-style-type: none"> <li>• Review and where appropriate put in place emergency measures for the following:               <ul style="list-style-type: none"> <li>- All processes which require trustee approvals and document these in an approvals list</li> <li>- All delegated powers</li> <li>- All signature lists</li> <li>- Discretions policies</li> <li>- Tools to facilitate online decision making</li> </ul> </li> <li>• Agree and establish an availability protocol, setting out:               <ul style="list-style-type: none"> <li>- A weekly availability schedule</li> <li>- Who to contact if unwell or unavailable for a prolonged period</li> </ul> </li> <li>• If not already available ensure all trustees have each other's email and phone contact information</li> <li>• Consider setting up weekly 15-minute catch-ups with the emergency sub-committee to review robustness of plan</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor availability on a weekly basis</li> <li>• Consider any revisions to policies in light of availability or other issues which may arise</li> </ul>

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<p>7. Decisions: Do you have a plan to prioritise scheme tasks and the ability, and operational flexibility, to conduct trustee meetings online / by conference or video call</p>	<ul style="list-style-type: none"> <li>• Check your Trust Deed &amp; Rules to ensure you can make decisions flexibly and securely, including by email, the minimum number of trustees to make a decision and that you can have virtual meetings</li> <li>• Amend your Trust Deed &amp; Rules to increase flexibility if required</li> <li>• Establish appropriate Terms of Reference for your emergency sub-committee</li> <li>• Review Terms of Reference for any governance / investment / member engagement sub-committee and amend if further decision-making powers are required</li> <li>• Review tools to facilitate online meetings and for sharing meeting papers</li> </ul>	<ul style="list-style-type: none"> <li>• Review your strategic business plan and ‘business as usual’ activity and agree new priorities such as, Chair’s statement, SIP updates, benefit statements, taking account of any new cost, market or environmental constraints</li> <li>• Monitor project timescales and critical paths and agree revisions</li> </ul>
<p>8. Substitutes: Do you know who to contact if your lead adviser in each area or corporate contact is not available?</p>	<ul style="list-style-type: none"> <li>• Ask all advisers for a team structure and contact details</li> <li>• Identify what work requires core individual input</li> <li>• Invite wider team members onto conference calls to build up knowledge and for continuity of advice</li> <li>• Identify all key corporate contacts, if not already documented in your incident response plan. Core contacts include finance, HR and communications</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to monitor workflow and ensure documented against core advisers, bringing work forward where appropriate</li> <li>• Invoke any substitutes if required</li> </ul>
<p>9. Insurance: Do you understand your insurance provisions and exclusions?</p>	<ul style="list-style-type: none"> <li>• Check: <ul style="list-style-type: none"> <li>- who is responsible for managing claims and ensure they refresh their understanding of the claims process</li> <li>- you understand any potential mismatch between the insurance provision and benefit payable to members</li> <li>- the revised timescales of expected settlements so these are factored into cash demands</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Monitor expected payments against benefits paid out</li> <li>• Monitor claims against cover limits</li> <li>• Review the provisions and exclusions and cover limits of your policies and how they interact</li> </ul>
<p>10. Plan: Do you have an incident response plan that pulls together these strands and more into a single place?</p>	<ul style="list-style-type: none"> <li>• Hold your initial response meeting, using your response plan and the information obtained in 1-9 above</li> <li>• Brief the trustees, authorise the emergency sub-committee and assume responsibilities</li> <li>• Establish regular points to check in and review progress</li> <li>• Ensure all decisions and rationale have been documented for your audit trail</li> </ul>	<ul style="list-style-type: none"> <li>• Initially high frequency monitoring</li> <li>• Coordinate key parties and collate monitoring output in order to facilitate decisions</li> <li>• Consider pre-mortems when assessing all the actions and outcomes</li> </ul>

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This document focuses on the immediate actions and ongoing monitoring to support your response to the COVID-19 outbreak.

However, many of the considerations outlined are valuable for supporting the development of wider business continuity plans, which enable trustee boards to establish a clear framework to articulate contingency plans across key stakeholders ensuring a cohesive and coordinated response to shocks.

We would recommend that after an event occurs you take stock, reflect and learn from the experience to inform and enhance your plans for the future.

We are ready to work with you to support the development of your response plans; both now and to withstand future events. At Aon we have a wealth of experience in supporting our clients with understanding operational risks, quantifying these and developing robust plans to get you back up and running following a range of incidents impacting systems, people, location, sponsors or suppliers.

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Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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