

Key Facts

Client :	Defined Benefit scheme's Trustees
What they needed help with	Review of investment mandate
Service(s) we provided:	<p>Review of current scheme and consultation on revised solution Communications plan devised and rolled out Customised quarterly report for Trustees which:</p> <ul style="list-style-type: none"> • summarises the investment holdings and performance • reviews the target strategy and de-risking triggers (including current funding level) • highlights any outstanding decisions and new opportunities • measures the key risks to achieving the long-term funding objective
Results achieved	<p>Revised solution implemented Customised quarterly report</p>

Details of our approach

Background

Invesco was appointed to provide investment consulting services to a defined benefit scheme. At the time, the majority of the scheme's assets were invested in a managed fund, though contributions were being directed to a Fixed Interest Fund.

The Solution

We introduced the Trustees to our "Optimal Consulting" solution, a three-stage process involving:

1. Establishing the investment objectives & assumptions
2. Assessing and selecting investment solutions
3. Monitoring performance versus the scheme objectives.

The initial discussion around setting the long-term investment strategy involved conversations with both Trustees and the Sponsoring Employer to determine their risk tolerance and to understand the assumptions that would drive both the contribution rate and the strategic allocation. Once this was completed, Trustees explored their investment options and the range of possible asset classes and investment styles.

This process was completed over 3 separate Trustee meetings. The final solution was a “core plus” investment strategy which saw investment management fees decline by more than 30% and a de-risking strategy based on predetermined funding level and interest rate triggers.

Key elements involved in the decision process included:

- Scenario testing of best and worst case outcomes.
- An illustration of the projected cash flows demonstrating the mismatch between assets and the liabilities.
- A customised training module that was developed specifically for the scheme.
- A review of non-traditional (alternative) asset classes to help diversify the allocation to return-seeking assets
- A comparison of the potential return and risk considerations of investing in various “liability matching” assets (AAA-rated versus peripheral bonds, short versus long duration, swap versus bonds, inflation-linked versus nominal).
- A scorecard to identify potential risks and measure the impact to the funding position.
- Designing a de-risking strategy based on improvements in the funding level.

The Outcome

The Trustees now receive a customised quarterly report which;

- summarises the investment holdings and performance
- reviews the target strategy and de-risking triggers (including current funding level)
- highlights any outstanding decisions and new opportunities
- measures the key risks to achieving the long-term funding objective

Communication

A good communication strategy is essential to ensure the successful implementation of a change strategy. Invesco consultants have significant experience in this field and have been involved in some very high profile “Strategy for Change” programmes with our clients.

The perfect solution for your company

Through our Client First approach we provide tailored solutions based on our understanding of your business needs and requirements.

Our multi-disciplined team are recognised as thought leaders in their respective fields. They have gained considerable experience, both national and international, helping our clients with their employee benefits programmes.