

What's on the horizon for DB trustees in 2024?

The Mansion House Calls for Evidence and the Autumn Statement signal winds of change as we enter into 2024. Along with improvements in funding levels and record-breaking de-risking activity, these policy announcements are leading many schemes to rethink their strategic direction.

As we enter into 2024, trustees should consider if now is the time to **'kick the tyres' on their long-term strategy** to ensure it remains fit for purpose in this new landscape and consistent with the longevity and strength of the sponsor's covenant.

Over the forthcoming year trustees will also need to get to grips with the **new DB funding code and the General Code**.

We anticipate 2024 to be **another busy year for data and benefit rectification projects**, driven in part by the uptick in de-risking activity and GMP Equalisation projects. We therefore expect the capacity constraints in the industry to continue, so trustees will need to have **constructive discussions with their administrators** about what is achievable over 2024 and may wish to consider specialist third party support on certain projects.

2023 was the year when the debate shifted to how DB schemes can increase the impact of their investment on the **sustainability of the UK and global economy**. Over 2024 trustees will want to consider how they can **support in the energy transition** and use their influence with investment managers to bring about social and environmental change.

And it would be remiss not to mention **the rise of AI over 2023** – trustees will want to ensure that over 2024 they **understand the basics and the potential opportunities**, as well as being aware of the risks – which should form part of the trustees' **cyber and data security risk assessments**.

With so much on the horizon for DB trustees, and to support with setting agendas for 2024, we have honed in on the **five key priority areas** for DB trustees to focus attention and resources.

Five trustee priorities for 2024

- 1 Kick the tyres on your scheme(s) funding and investment strategy and end game.
- 2 Get to grips with the implications of the new funding code and of the General Code for your scheme(s).
- 3 Discuss with your administrators the timescales and plans for data work on GMP Equalisation and Pensions Dashboard projects.
- 4 Work with your investment advisers on how you can increase the social and environmental impact of your scheme(s) investments.
- 5 Take steps to understand the opportunities AI could bring to your members as well as understanding the risks.







Five trustee priorities for 2024


1. Kick the tyres on your scheme(s) funding and investment strategy and end game


Review your scheme's strategy in light of the evolving regulatory landscape and your sponsor's covenant – don't discount other alternative end game options which you may have previously considered to be 'off the table'. Make sure you spend time considering your mortality risk exposure and mortality assumptions within your strategic discussions – to reflect the impact of the continued high excess mortality rates. Given the big changes we've seen in life expectancy, it is also worth taking proactive actions to make sure liability hedges remain fit for purpose – as well as asking your investment advisers about the potential impact of falling inflation/deflation on your hedging strategy.


Over 2024 trustees of the smallest and largest schemes should be rethinking the potential role of insurance in their end game and making sure they have a realistic estimate from their Actuary of the cost to insure. But insurance will not be the right end game for all and the Autumn statement paved the ways for more discussions on run on or consolidation. And the time is ripe for such thinking - 2023 brought us the first superfund deal— which, for some, paves the way for further new endgame options.


 You can read more about the policy announcements in the Autumn Statement in our news alert [here](#) – and for support with reviewing your strategic journey plan, including reassessing endgame options, see our dedicated journey planning [resources hub](#).

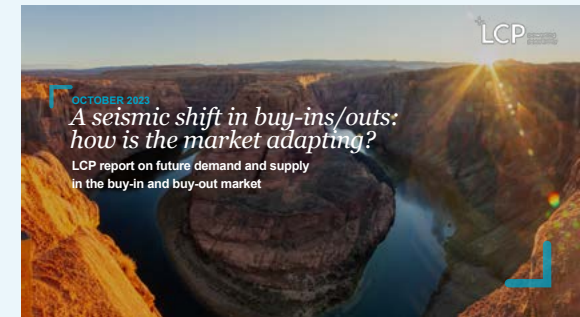
 In challenging economic times, the sponsor covenant comes into the fore. Read our recent blogs which look at whether [many DB sponsors are at tipping points](#) and [what higher interest rates mean for employer covenants](#).

 For more detail on the insurance market, including our view on how the future demand and supply dynamics might play out check out our [LCP de-risking report](#). The report also provides practical tips on how trustees might approach the market in light of these dynamics to achieve the best outcomes for members.

 [LCP Assure](#), our framework for smaller schemes to insure benefits and reach wind-up efficiently is launching in January. Our 3 step approach provides a journey plan that all schemes can work to.


 [Here](#) you can see our predictions for the pension risk transfer market in 2024


 For insight on recent longevity trends and their implications for pension schemes and insurers, see our 2023 [longevity report](#). And for details of the continued high excess death rates in 2023 – see LCP Partner Stuart McDonald's blog on the implications for DB schemes of the outcome of a new LCP-led study into recent excess mortality, published in the Lancet and conducted in association with ONS, DHSC and the CMI.




2. Get to grips with the implications of the new funding code and of the General Code for your scheme(s)

This may involve dusting off (!) the preparatory work undertaken in 2022, discussing with your advisers what's changed and the implications for your scheme(s). The new covenant guidance which will accompany the new funding code will also require a more in-depth view of your sponsor(s)' future prospects – so make sure you start to have those conversations with your covenant adviser and the sponsor early on.

 To remind yourself of the key points relating to the second consultation on the funding code, you can watch our on-demand webinar – '[The good, the bad and the potentially ugly](#)'. And for a summary of the key actions trustees should consider taking immediately and as part of their next valuations to prepare for the new funding code see [here](#).

 The new funding code will require a much greater focus on covenant strength for trustees and sponsors. Watch our on-demand webinar – [a whole new world for covenant advice](#) – to learn more. For meaningful actions trustees can take, see our [action list](#).

 We are proud to be leading the industry's thinking on the General Code. We have a number of materials to help you get to grips with what's expected in the final General Code. Here you can find our [ESOG guide](#), our [ORA guide](#) and you can listen on demand to our webinar; [ESOG's Fables](#).

3. Discuss with your administrators the timescales and plans for data work on GMP Equalisation and Pensions Dashboard projects

Progress projects already in train and, for projects which are yet to kick off, engage early with your administrator on costs and timing. Be prepared to sense check you are on the right path on GMP Equalisation and don't forget your preparatory work for the Pensions Dashboard.

This [video](#) sets out tips for success for your GMP Equalisation projects and our [GMP insights hub](#) has further resources.

You can find out more about LCP's own data services team [here](#).



4. Work with your investment advisers on how you can increase the social and environmental impact of your scheme(s) investments

Which might involve looking at how you could invest in the energy transition (where consistent with your scheme(s) journey plan) and use influence with investment managers and insurers to ensure high standards of ESG integration and stewardship.

You can find out more about LCP's work to support clients to invest responsibly and consider the real world impact of their investment decisions [here](#).



5. Take steps to understand the opportunities AI could bring to your members as well as understanding the risks

Seek training on AI as part of your wider due diligence on cyber security so that you can then develop your Board's cyber and AI policies from an informed position.



Check out our [AI hub](#) for information on LCP's own AI journey to date and for tips on how to get started with AI, as well as details of AI training which LCP can provide.



Our [cyber security checklist](#) has been prepared in line with the Pensions Regulator's cyber security principles and should help you to identify the first steps to strengthen and manage your pension scheme's cyber security measures.

Now is the time to understand the basics of AI and the potential opportunities it presents to enhance outcomes for members and to drive efficiencies. But this needs to be assessed with an awareness of the risks presented by the new technology, and how these can be mitigated.

Keeping up to date



The flurry of policy consultations and the level of market developments feel to be at an all-time high – it will be more important than ever in 2024 to ensure you're well placed to consider developments and emerging issues (and opportunities) as they arise.

This might mean leaving a standing slot on meeting agendas for current hot topics, or just making sure you have a good source of updates on topical and emerging issues as the year goes on.

Sign up [here](#) for our weekly Pensions Bulletin, topical News Alerts and our events.

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