



Managing the COVID-19 crisis

Practical Advice for

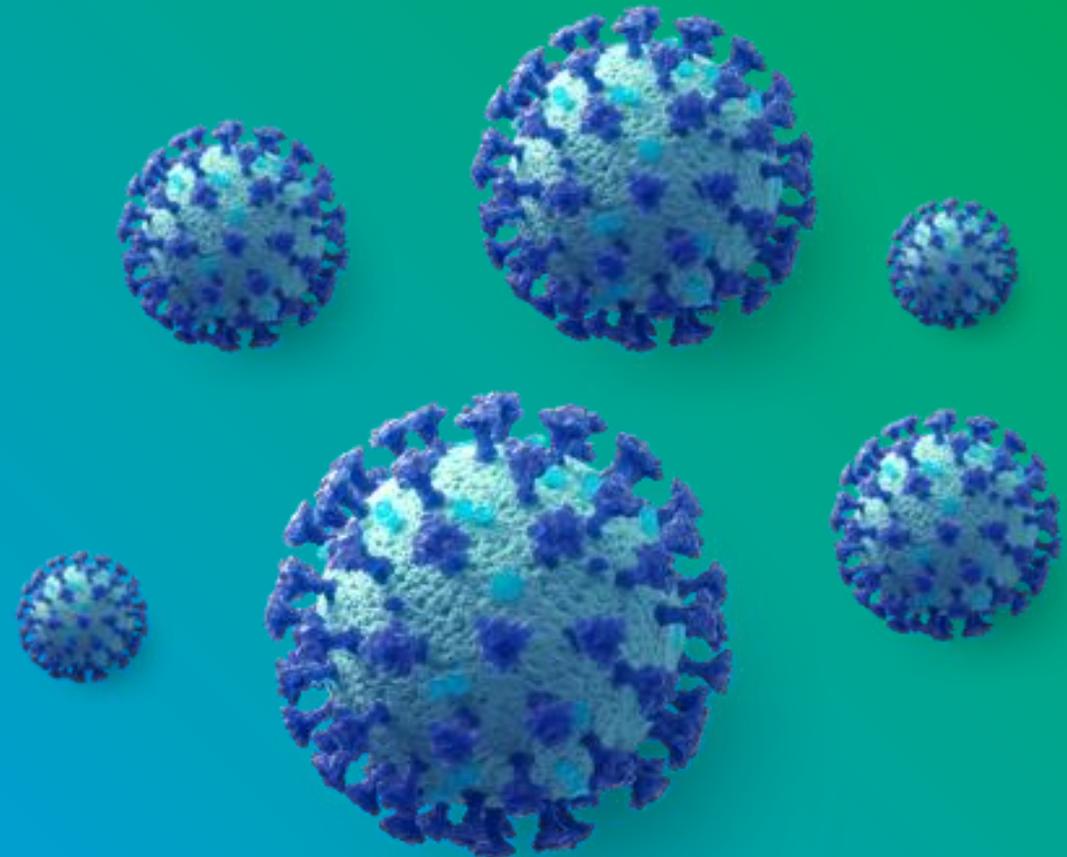
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James Campbell
Head of Legal Consulting

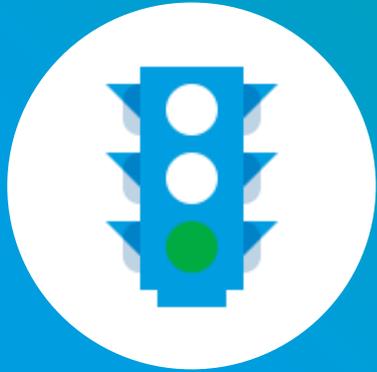
Olivier Santamaria
Head of Investments

Liam Quigley
Chief Actuary

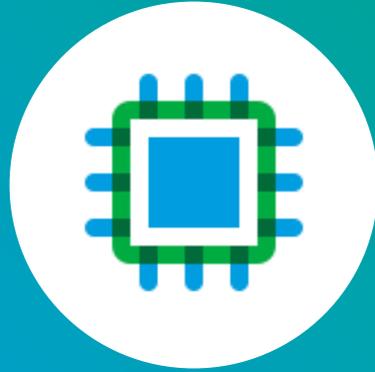
25 March 2020



Today's agenda



Maintaining effective operations and efficient governance



Managing investment strategy



Financing and cashflow



The broader perspective

Today's speakers



James Campbell
Head of Legal Consulting

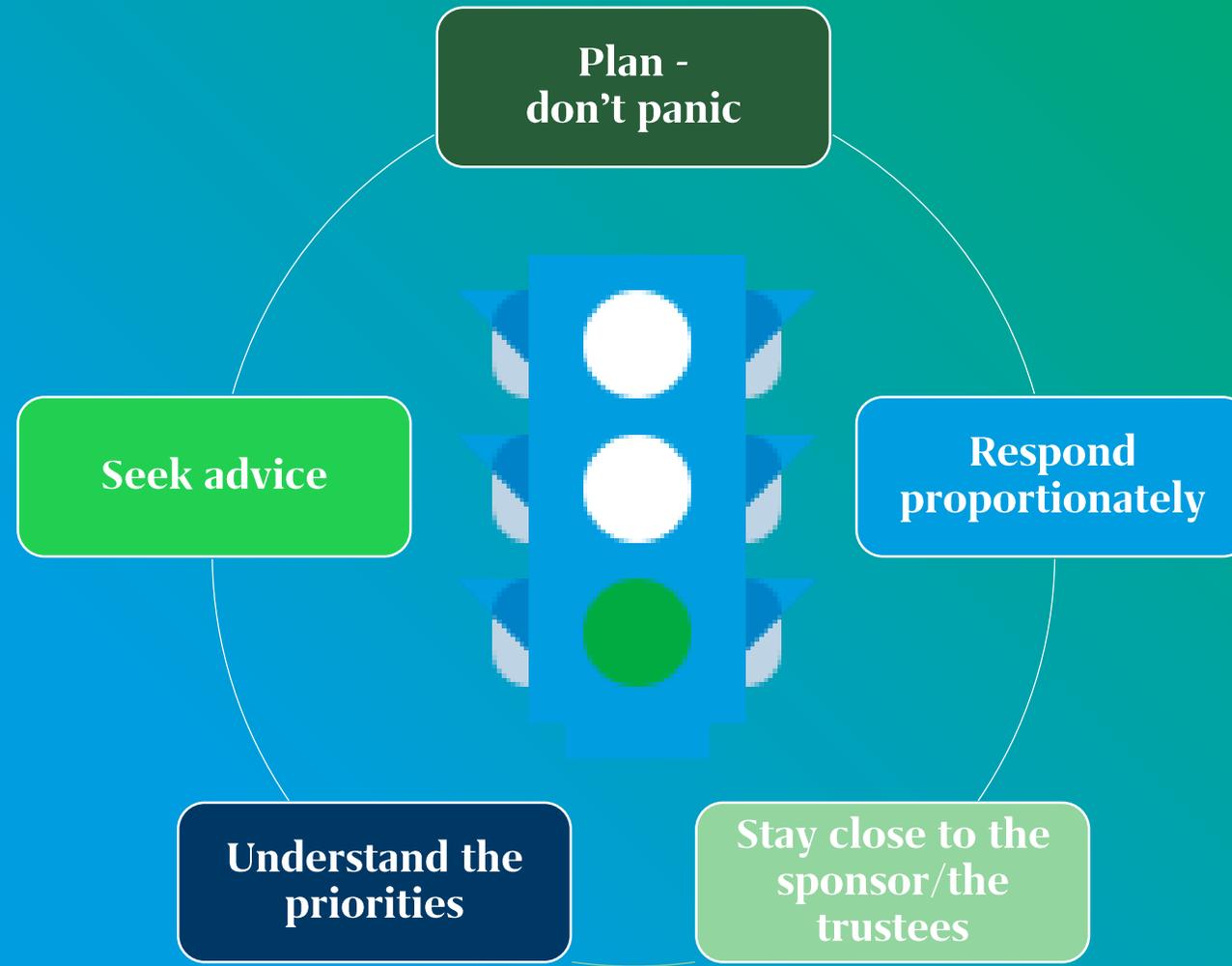


Olivier Santamaria
Head of Investments



Liam Quigley
Chief Actuary

Maintaining effective scheme operations and governance



Maintaining effective scheme operations and governance

Third party service providers

- ✓ Main focus: continuity of business
- ✓ Be proactive; engage with your service providers
- ✓ Obtain an update on operational status and contingency plans
- ✓ Consider commercial agreements; obtain legal advice where appropriate

General governance

- ✓ Convene an “EGM” to discuss the response; review upcoming meeting schedule and any ongoing projects
- ✓ Consider a temporary operational committee
- ✓ Ensure you can use technology to conduct meetings
- ✓ Review scheme rules for flexibility
- ✓ Consider upcoming projects
- ✓ Review document signing practicalities

Managing Investment Strategy



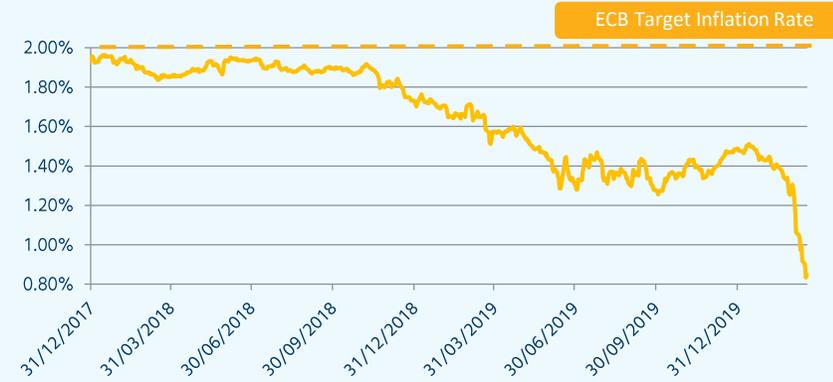
Olivier
Santamaria

The Story in Markets

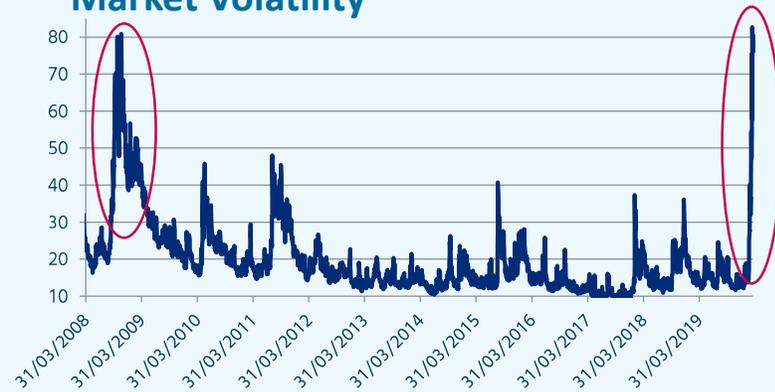
Developed Global Equity Index (Unhedged)



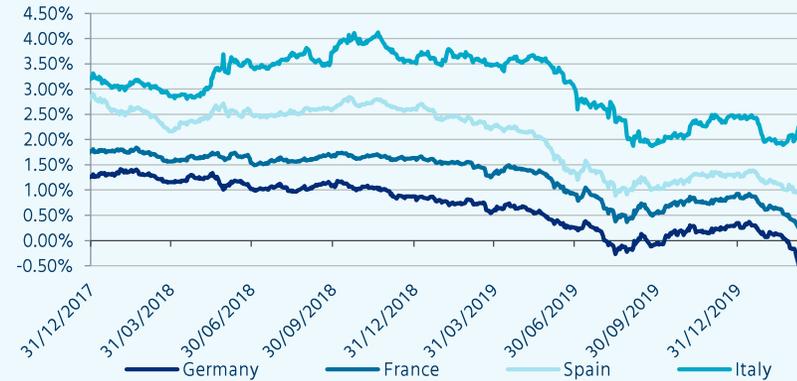
Eurozone 25 Year Inflation Expectations



Market Volatility



Bond Yields (30 Year)



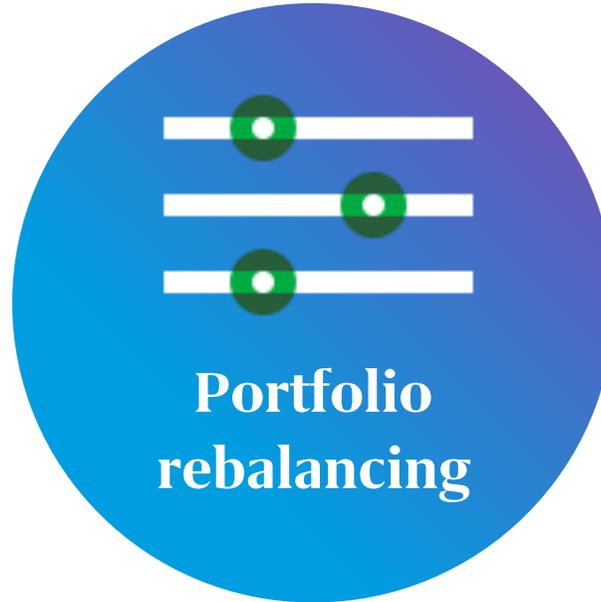
Source: Bloomberg

Investment strategy

Short-term actions



- 3/6 months liquidity buffer
- Where to source liquidity from
- Review cash flow policy



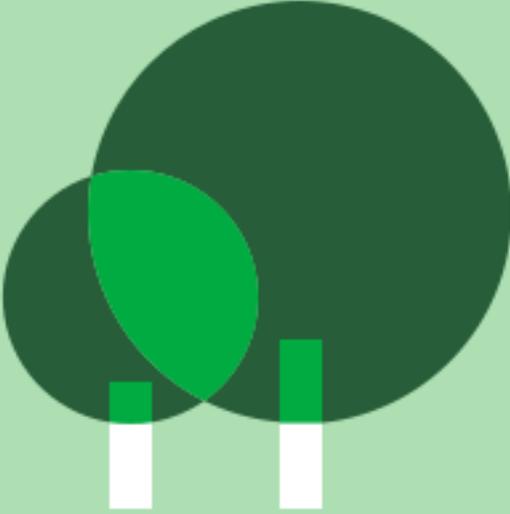
- Re-assess risk tolerances
- Rebalance halfway back to strategic benchmark



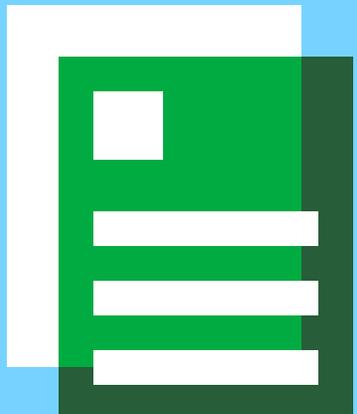
- Review/postpone changes
- High volatility exacerbates out of market exposure & trading costs

The importance of member communication

Long-term nature of pensions investing

An illustration of two stylized trees. The tree on the left is smaller and has a single green leaf. The tree on the right is larger and has a larger green leaf. Both trees have white trunks. The background is a light green gradient.

In-built protection from lifestyling

An icon representing a document or checklist. It features a white document with a green checkmark and three horizontal white lines, all set against a dark green rectangular background. The entire icon is centered on a light blue background.

Individual investment advice

An icon consisting of two overlapping circles. The left circle is white and the right circle is dark green. They overlap in the center. The background is a light grey gradient.

Financing and Cashflow



Liam Quigley

Financing and cashflow

A time for cool heads and measured decisions. Pension schemes are long term investors and now, more than ever, need to act as such.



Assets down

Liabilities may be down too

Inflation expectation down,
Widening of credit spreads
possible impact on longevity.

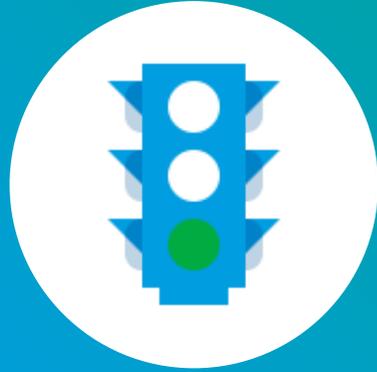


Funding levels

down 5% to 25%

Impact will depends
on scheme circumstances

Financing and cashflow



Matters requiring immediate decisions

Ensure liquidity is adequate

Avoid decisions that exacerbate the problem

Review transfer values, discretionary benefits, early retirement policies, etc



Thoughts will shift to reporting deadlines

Funding Standard:

Many will be ok, some will need new funding proposals

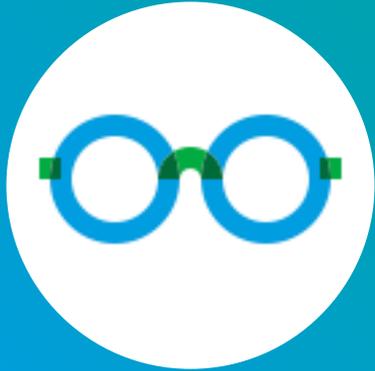
Company Accounting:

Relief on liability side will reduce impact

Funding Valuations:

Fixing deficits will require creative solutions

Financing and cashflow



**Ongoing sponsor covenant
cannot be ignored but
no easy answers**

**Approach requests for
flexibility with an open mind.**



Additional matters

Job Losses or Salary Reductions

Maintain death benefits and avoid unintended benefit reductions where losses are temporary.

Consider increased demand for early access where permanent

Temporary Relief from Commitments

Employers and/or employees contributions
Consider surplus units in DC schemes

Review insurance arrangements

The broader perspective



James Campbell

The broader perspective



Future Work Implications

- Different patterns of working may take hold for the longer run
- Altered workforce structures likely to be needed in some cases post-crisis
- Improvement in practices and efficiency conceivable as a direct result of crisis



Remote Working

- Best practice guidance available for employers and employees
- Social distance an issue – Mercer is working on an app employers can roll out to enable easy workforce social/work interaction



Wellness

- Physical: Assistance available on maintaining physical wellbeing during isolation
- Mental: EAPs, telephone resources, wellbeing /mindfulness techniques
- Financial: Danger of hasty decisions in times of stress/turbulence

The broader perspective



Government action?

- Pulling the appropriate **policy 'levers'**
- Measures to help **alleviate financial pressures** on employers and employees (e.g. reintroduction of early access to retirement benefit pots?)
- **Relaxation of regulatory requirements** to give breathing space
- Mercer is engaging with the Government and the Pensions Authority



The future of pension reforms?

- Auto-enrolment delayed?
- IORP II; Pensions Authority engagement on governance and risk management
- DB scheme reforms

Thank you

Please send any questions or queries to
marketing.ireland@mercer.com

For further information and materials, please visit the
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