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Dear Sirs

This is a summary of our key thoughts and response to The Pension Regulator's ('TPR') consultation on the Defined Benefit Funding Code of Practice ('the Code'). A fuller response, including answers to TPR's specific questions, can be found in the Appendix.

Overall, we support the principles underlying the new code. However, we anticipate its success or failure will hinge on the parameterisation of the framework and TPR's enforcement. It's impossible to fully critique the framework until we understand exactly what powers TPR will gain and how they will be used (noting that enforcement has been deferred to the second consultation).

Aspects that we support

- The proposed twin-track Fast Track/Bespoke approach, long-term focus and the transparency that Fast Track will be the access point for TPR's powers under Section 231.
- The inclusion of investment risk and covenant in a maturity-based framework.
- That the new Code should not be put on hold because of COVID-19, noting however, this will need to be considered in how TPR sets the parameters within the framework and the governance to keep them under review as the economy evolves.

General aspects we are concerned about

- The risk of "levelling down". That is that the new Code could result in less valuable funding than plans already in place. 25% of attendees at our recent webinar[1] believed this could seriously undermine scheme funding and a further 57% thought it may be an unintended consequence. A simple transitional deterrent would be for trustees to be required to justify why they have "levelled down" in their Statement of Strategy. Where trustees have stronger powers (for example through agreements with sponsors or provisions in scheme rules) this should not be superseded by the new regime.
- The lack of clarity on how and when TPR will intervene if they disagree with a trustee's covenant assessment. We encourage TPR to implement a process for covenant grading to be agreed up-front.
- The risk that trustees lose unilateral control over setting investment strategy. The sponsor's agreement to a Funding and Investment Strategy (under the Pensions Bill) should not make this a shared power, either actually or practically.
- Herding into certain asset classes, pushing up the cost of those assets and creating systemic risks. This is exacerbated by using a "Gilts+" discount rate model, encouraging £1.6 trillion (Purple Book 2019) of DB scheme assets herding towards UK government bonds. We would advocate the Government Actuary's

[1] Responses on Hymans Robertson's 'What does TPR's new DB funding code mean for you?' webinar on 18 March 2020

Department (GAD) broadening the analysis they have already undertaken to investigate the possible systemic risks associated with the framework.

- Open schemes should not inevitably be forced to close to new entrants or future accrual. To alleviate this risk, we have a preference for Fast Track to focus on parity for past service liabilities (using a broadly similar approach for both open and closed schemes) but with more flexibility around how open schemes might, for example, fund future salary growth and/or cross-subsidise future benefit accrual from returns on existing assets.
- The new Code could also place more weight on operational aspects by encouraging both small and large schemes to improve their overall governance alongside implementing any funding changes. Credit should be given where good governance is demonstrated.

Aspects of 'Fast Track' we have specific comments on

- Whilst the GAD analysis tested the Fast Track LTO aligning with buy-out c15 years after reaching that LTO, it should be set at a level to also be compatible with alternative end-games such as commercial consolidation (which the interim regime has set at Gilts + 0.5% plus capital) and cashflow driven run-off.
- However, the framework should not be a barrier to schemes transferring risk to a third party. If annuitising is more "expensive" than the corresponding LTO it could disincentivise de-risking and buy-ins would cause anomalous movements in funding levels.
- Assumptions other than discount rates should be required to be no less than best estimate overall, specifically longevity, as advised and certified by the scheme actuary. Wholesale prescription would be unhelpful as mortality and other demographic assumptions can vary substantially between schemes, but these should be set with consideration to the scheme's specific circumstances. TPR should ensure however that these assumptions haven't been manipulated in such a way that solves for a desired outcome.
- The balance of opinion amongst consultants at Hymans Robertson is that an explicit expense allowance should be made within the LTO. Calculation of this should take account of scheme size.
- TPR's governance for evolving the parameters as financial conditions change is important. Setting ranges for certain parameters associated with the LTO could help manage/smooth volatility. For example, as duration is dependent on financial assumptions, it would be helpful to define 'significant maturity' using the proposed range of 12 to 14 years, so that the projected target date will remain more stable if yields rise/fall.
- The concern trustees 'fall asleep at the wheel'. To prevent trustees disengaging from their funding risks we advocate a requirement for scenario testing (or possibly, stochastic modelling) being mandated.

Aspects of 'Bespoke' we have specific comments on

- The flexibility offered by Bespoke is essential, especially for schemes with atypical covenants and contingent support in place.
- We accept that Fast Track Equivalence may be attractive for schemes as it offers lighter regulatory intervention, but TPR's enforcement must not evolve in such a way that this undermines the scheme specific nature of the Bespoke route.
- Scheme specific circumstances should be considered independently of comparison to Fast Track and this point should be made absolutely clear in the new Code. If it is not, Fast Track risks becoming a scheme specific minimum funding requirement (which in our view has multiple drawbacks). We accept TPR's access to its powers under Section 231 being by reference to Fast Track however, TPR's enforcement of Bespoke should not require all schemes to fund to Fast Track Equivalence. It should be for trustees and sponsors to demonstrate their IRM governance supports their funding in a wholly scheme specific way.

- We recognise that the balance of schemes taking the Fast Track and Bespoke routes will affect TPR's workloads. However, this should not drive where the Fast Track bar is set. TPR should be resourced to properly discharge a funding regime which is appropriate for scheme members and sponsors.

Our specific comments on the questions raised in the consultation can be found in the appendix. We hope you find the contents of this letter (and the appendix) helpful. We'd be happy to discuss our comments with you in more detail.

Yours faithfully

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For and on behalf of Hymans Robertson LLP

Appendix – Consultation response

Q. Number	Section	Question	Response
Proposed Regulatory Approach			
1	Twin-track compliance	Do you think twin-track compliance is a good way of introducing objectivity into a scheme-specific regime? What are your views on the proposals set out above? If you disagree, what do you propose instead?	We are supportive of the proposed twin-track Fast Track/Bespoke approach. However, we anticipate its success will hinge on the parameterisation of the framework and TPR's enforcement. We are interested to see the full detail (parameterisation included) in the second consultation, expected later this year or in early 20021.
Employer Covenant			
2	Insolvency risk and reliance on covenant	Do you think the risk of member benefit reductions on insolvency is an acceptable part of the existing regime and that trustees should be able to place some reliance (whether implicit or explicit) on the employer covenant? To what extent do you think this should be the case? Do you think this risk is well understood by scheme members?	We believe that it is acceptable for trustees to place a degree of reliance on the employer covenant, and hence for there to be a risk of member benefit reductions on insolvency. The extent to which reliance is placed on the covenant should be explicit and reduce over time as visibility reduces. This reduction does not necessarily mean low/nil covenant reliance beyond the visible covenant horizon but should be based on the balance of probable outcomes. Over the medium to long term any reliance on the covenant should be accompanied by sound contingency plans, perhaps underpinned with alternative security mechanisms such as contingent assets, etc. The assessment of covenant should be refreshed at each valuation (or even inter valuation) to ensure that any assumptions remain appropriate. The extent to which this risk is well understood by members is perhaps a question best answered by in-house pensions teams, member nominated

			trustees, etc but from our experience, understanding is varied between schemes and the underlying membership.
3	Integrating covenant into funding	a) Do you think it is better to keep the Fast Track route simpler by only factoring covenant into Bespoke (TPs and/or RP)? b) If you think covenant should only feature in Bespoke, how do you think it should be done? c) If we were to integrate covenant into Fast Track guidelines, do you prefer option 1, 2 or 3 or some other approach for reflecting the employer in scheme valuations, and why? If another approach is appropriate, what do you think this should be?	a) We believe it is acceptable for covenant to be reflected in Fast Track as part of a maturity and covenant-based framework. b) N/A c) Our preference would be for covenant to be factored into technical provisions via option 1 (i.e. within the discount rate). This is most consistent with current practice in how covenant feeds into valuations with the discount rate set with reference to the best estimate asset returns adjusted to include a level of prudence determined by the covenant strength (with all other assumptions set in line with the Scheme Actuary's best estimate).
4	Covenant assessment	a) Should a holistic approach to assessing employer covenant be retained (but with further guidance to assist trustees), or should we seek to define a more prescribed, formulaic approach? b) If the former (holistic approach), what amendments/clarifications to our existing guidance on covenant do you consider may be necessary? Do you agree with the ones suggested above? Is the structure and content of our existing employer covenant guidance	a) We favour the current holistic approach being retained as this offers the flexibility to let trustees take account of all covenant factors. There are limitations of any formulaic approach such that it is likely overlook nuances within specific covenants (i.e. utility companies, etc) and ultimately could force more schemes down the bespoke route. b) We are concerned with the lack of clarity on how and when TPR will intervene if they disagree with a trustee's covenant assessment as this could mean they reach a different conclusion on whether the scheme passes Fast Track. We encourage TPR to implement a process for covenant grading to be agreed up-front, before trustees begin all the hard work of negotiating funding plans only for TPR to

		helpful and accessible to trustees? If not, what would make it better? c) If the latter (formulaic approach), what do you think of the proposed RACF approach? How would you propose that covenant could be explicitly defined in a clear, consistent and measurable manner? What other metric(s) may be appropriate? d) Alternatively, would it be appropriate to require employer covenant to be assessed in a prescribed (formulaic) way for Fast Track purposes, and only allow for a more holistic approach under the Bespoke framework?	say they disagree with their assessment and plans are now not compliant with Fast Track. c) N/A d) Whilst measuring covenant in a prescribed (formulaic) way for Fast Track purposes could help to mitigate the risk/complexity that TPR might reach a different conclusion to the trustees, for the reasons above, we believe that a consistent (holistic) approach under both Fast Track and Bespoke is appropriate.
5	Reliance on indirect covenant	Do you think that the strength of the wider commercial group should be factored into the sponsoring employer's assessment? If so, how, and to what degree?	We support the approach outlined in paragraphs 128-133 of the consultation, which allows some limited, indirect short-term reliance (or direct reliance if legally binding access is agreed) on the wider commercial group with any longer term reliance requiring enforceable legal recourse such as a guarantee or security over assets.
6	Covenant grades	a) Should we use a greater range of covenant grades to set guidelines in the code and assess schemes and, if so, what would be an appropriate number of grades? b) Would there be sufficiently different characteristics between a greater number of grades, such that a set of trustees could reasonably and reliably assess covenant strength without requiring professional advice?	a) No – our view is that the current number of groupings (4) is enough. b) Our worry with a greater number of grades is that there would not be enough differences and the boundaries between gradings would be blurred. This may lead to trustees either: a. settling on a different covenant assessment (vs. TPR's view); or b. requiring additional professional advice which is not economical for some schemes.

General Principles

7	Low dependency LTO	Should all DB schemes have a low level of dependency on the employer by the time they are significantly mature? If not, what do you think would be an appropriate expectation to ensure trustees manage the run-off phase for their scheme effectively and efficiently?	This is an appropriate requirement for any scheme following Fast Track to comply with. We estimate that a scheme fully funded on a gilts +0.5% basis has a c.10% higher probability of needing to go back to the sponsor for additional support compared to a scheme that is fully funded on a gilts +0.25% basis when they both have around 20% in growth assets The flexibility offered to schemes by Bespoke is essential however, especially for schemes with atypical covenants and contingent support in place. It may be appropriate for these mature schemes to maintain lower technical provisions and as such not all schemes should be benchmarked to the Fast Track yardstick.
8	Timing of the LTO	What factors should influence the timing of reaching the LTO? Do you think that the timing should be linked to maturity?	We are supportive of maturity driving the timescales for reaching the LTO under Fast Track. It is reasonable for less (more) mature schemes to have more (less) time to reach low dependency funding. As per our response to question 27, there are some aspects to consider when setting the definition of 'significant maturity'. Again, there should be a degree of flexibility under Bespoke where scheme specific circumstances can be considered in the setting of journey plans.
9	High resilience to risk at the LTO	Do you think that the investment portfolio should be highly resilient to risk when schemes reach their LTO? If not, what do you suggest?	Yes, in principle we agree that by the time a scheme reaches the LTO it would typically be appropriate for the investment portfolio to be highly resilient to risk (without seeking full risk removal or targeting buy-out funding levels), consistent with the risk required to generate the required returns on a prudent basis.
10	Risk-taking for immature schemes	Is it reasonable for less mature schemes, which would have more time to reach low dependency funding, to assume and take relatively more investment risk than a mature scheme?	In general, allowing a higher level of investment risk for less mature schemes is appropriate to the extent that the covenant can support this. Maturity is key because the more mature schemes are, the greater the impact of benefit outgo and the less time they have to recover from a fall

			in funding. Hence, the less resilient they are to downside shocks, so exposure to investment risk should reduce over time. However, whilst de-risking as a scheme matures is a reasonable principle under Fast Track again other strategies should be allowed under Bespoke. For example, mature schemes with long covenant visibility/contingent security should not be compelled to adopt a low risk strategy in line with the LTO if they can otherwise support more risk.
11	Journey planning	What are your views of the rationale above for the journey plan? Do you think there is a better way for trustees to evidence that their TPs have been set consistently with the LTO?	Advocating that schemes have a plan to get to their long-term target is something we support and have encouraged our clients to do for some time now. Noting the comments above, linking technical provisions to the LTO is generally reasonable under Fast Track so long as flexibility is available under Bespoke. We await the further detail to be provided in the next consultation on the level of acceptable Fast Track technical provisions depending on maturity and covenant.
12	Relevance of investments for funding	Do you agree that the actual investments and investment strategy are a relevant factor for scheme funding?	Yes, investment strategy is very material to outcomes. Constraining actual investment risk mitigates against schemes driving inappropriately high-risk investment strategies despite prudent technical provisions, which in turn would reduce members' benefit security.
13	Broad consistency between investment and funding strategy	a) Should the investment strategy be broadly consistent with the level of current and future investment risk assumed in the funding strategy? If not, why not? b) If it is not broadly consistent, for instance where trustees want to take additional investment risk (than that assumed in the TPs), should trustees have to demonstrate that the investment risk taken can be	a) The investment strategy and funding strategy are not mutually exclusive. The discount rate used within the funding strategy should be set with reference to the expected return now and in future of the investment strategy. This should be the case whether it is a Gilts +, asset led or alternative discount rate. b) If this is the case, then trustees should demonstrate this risk is covered and appropriate contingency plans in place should deficits emerge.

		managed appropriately? If not, why not and what would you suggest?	
14	Liquidity and quality at maturity	Do you think that security, quality, and liquidity become more important as a scheme becomes significantly mature? In particular, do you think that the scheme's asset allocation at significant maturity should have a high level of liquidity and a high average credit quality?	For schemes following Fast Track, these are sensible criteria. However, encouraging all schemes to have the same investment strategy and herding into certain asset classes, can push up the cost of those assets and create systemic risks. This is exacerbated by using a "Gilts+" discount rate model, encouraging £1.6 trillion (Purple Book 2019) of DB scheme assets herding towards UK government bonds. We would advocate the Government Actuary's Department (GAD) broadening the analysis they have already undertaken to investigate the possible systemic risks associated with the framework. Under Bespoke, a CDI type strategy for run-off may be an equally acceptable investment route should the covenant support this and assets that are illiquid but provide a stable and predictable income stream should not be ruled out. However, the security of these assets is important as defaults can impact a schemes ability to meet cashflow. Supporting other regulatory initiatives guidelines around responsible investment could also be incorporated
15	Covenant visibility	a) Do you think it is prudent for reliance on employer covenant to be reduced beyond the period over which there is reasonable visibility? If not, why not? b) How much visibility do you think most trustees can have over the employer covenant? In the absence of evidence to the contrary, do you think it is reasonable for most schemes to assume there is reduced visibility beyond 3-5 years?	a) We believe it is prudent for reliance on the covenant to reduce as visibility reduces. This does not necessarily mean nil reliance. b) The suggested 3-5 years in the consultation feels sensible for most schemes – noting that there are 'special' covenants (insurers, utilities, not for profits, etc) where there may be greater visibility over the longer term. The framework should be flexible enough to accommodate longer covenant visibility for these schemes.

16	Use of additional support	Should additional support, such as contingent assets and guarantees, be allowed in scheme's funding arrangements provided they are sufficient for the risk being supported, appropriately valued, legally enforceable and realisable at their necessary valued when required?	We are supportive of contingent assets and guarantees being allowed for within funding arrangements. However, we would welcome more detail on how TPR will assess whether these are 'sufficient for the risk being supported, appropriately valued, legally enforceable and realisable at their necessary value when required' as these conditions may determine whether trustees or sponsors feel certain contingent measures are worth pursuing.
17	Appropriateness of RPs and affordability as key factor	a) Should employer affordability be the key factor to determine the appropriateness of a RP? If not, what should it be? b) Is it reasonable to require schemes with a stronger employer covenant (and a resulting reduction in prudence in the assumed TPs and size of deficits) to have a commensurately shorter RP?	a) Employer affordability is a key factor to consider. However, the assessment of affordability should balance other reasonable needs for cash – i.e. business growth which will ensure the long-term survival of the employer. b) This would typically be a reasonable stance to take for strong employers with good affordability. When affordability is genuinely constrained, RPs may need to be longer, but it would be reasonable for constraints to need to be clearly justified and, where possible, supported. COVID-19 is an example of where flexibility may be required to take account of specific employer circumstances.
18	Open schemes, past service	Should past service have the same level of security, irrespective of whether the scheme is open or closed?	It's hard to disagree with the principle that accrued benefits should have the same level of security, irrespective of whether a scheme is open or closed. We have a preference for Fast Track to focus on parity for past service liabilities (using a broadly similar approach for both open and closed schemes) but with more flexibility around how open schemes might, for example, fund future salary growth and/or cross-subsidise future benefit accrual from returns on existing assets.
19	Open schemes, future accruals	Do you think it would be good practice for trustees to ensure that the provision of future accruals does not compromise the security of accrued benefits?	Again, it's hard to disagree with the principle that the provision of future accruals should not compromise the security of accrued benefits, though employers should also be mandated to consider other business and funding risks before any cessation to future accrual is undertaken. However, we're mindful of the unintended consequences of making DB accrual unaffordable in the private sector.

			Open schemes should not inevitably be forced to close to new entrants or future accrual. To alleviate this risk, we have a preference for Fast Track to provide flexibility around how open schemes might, for example, fund future salary growth and/or cross-subsidise future benefit accrual from returns on existing assets.
Other issues			
20	Other issues	Do you agree with our assessment of the issues above and do you have any further comments?	The assessments set out seem fair and measured – we look forward to hearing more on some of these issues in due course. Some comments/views we have just now are: • There is a risk of trustees "levelling down" their funding and investment strategies and the new Code could result in less valuable funding than plans already in place. 25% of attendees at a recent webinar of ours believed this could seriously undermine scheme funding and a further 57% thought it may be an unintended consequence. A simple transitional deterrent would be for trustees to be required to justify why they have "levelled down" in their Statement of Strategy. • Where trustees have stronger powers (for example through agreements with sponsors or provisions in scheme rules) this should not be superseded by the new regime. • There should not be risk that trustees lose unilateral control over setting investment strategy. The sponsor's agreement to a Funding and Investment Strategy (under the Pensions Bill) should not make this a shared power, either actually or practically. • We welcome the transparency that Fast Track will be the access point for TPR's powers under Section 231. • We recognise that the balance of schemes taking the Fast Track and Bespoke routes will affect TPR's workloads. However, this should not drive where the Fast Track bar is set. TPR should be

			resourced to properly discharge a funding regime which is appropriate for scheme members and sponsors. • The new Code could also place more weight on operational aspects by encouraging both small and large schemes to improve their overall governance alongside implementing any funding changes. Credit should be given where good governance is demonstrated.
Setting the Long-Term Objective (LTO)			
21	Fast Track low dependency discount rate	What are your views on our proposal that the appropriate low dependency funding basis for Fast Track should be with a discount rate somewhere in the range of Gilts +0.5% to Gilts +0.25%? Where in the range do you think it should be and why? If you disagree, what do you think would be a more appropriate basis and why (please provide evidence)?	We are supportive of the discount rate for the LTO, within the Fast Track regime, being set somewhere in the range of Gilts + 0.25% and Gilts + 0.5%. Given the impact of covid-19 on scheme funding in recent months, it may be necessary for the level to be set at the upper end of this range to allow an easier 'transition' for schemes. The parameterisation should be kept under periodic review – perhaps annually as part of the annual funding statement. There is a risk however of schemes "levelling down" their funding plans. That is that the new Code could result in less valuable funding than plans already in place if Fast Track is set at the upper end. 25% of attendees at our recent webinar believed this could seriously undermine scheme funding and a further 57% thought it may be an unintended consequence. A simple transitional deterrent would be for trustees to be required to justify why they have "levelled down" in their Statement of Strategy. Where trustees have stronger powers (for example through agreements with sponsors or provisions in scheme rules) this should not be superseded by the new regime. Whilst the GAD analysis tested the Fast Track LTO aligning with buy-out c15 years after reaching that LTO, it should be set at a level to be compatible with alternative endgames such as commercial consolidation (which the interim regime has set at Gilts + 0.5% plus capital) and cashflow driven run-off.

			However, the framework should also not be a barrier to schemes transferring risk to a third party. If annuitising is more “expensive” than the corresponding LTO it could disincentivise de-risking and buy-ins could cause anomalous movements in funding levels. However, setting the discount rate at the upper end of the range may encourage trustees to seek competitive pricing before transacting, as a means of avoiding this balance sheet issue.
22	Options for defining other assumptions for Fast Track low dependency funding basis	Which of these options should be used to set assumptions for low dependency funding under Fast Track? Are there any other options we should consider? Are there any other pros and cons we should consider?	Assumptions other than discount rates should be required to be no less than best estimate overall. Wholesale prescription would be unhelpful, but certification by the scheme actuary or additional disclosure of the evidence used to set assumptions should be required to ensure they haven’t been manipulated by schemes in such a way that solves for a desired outcome.
23	Defining assumptions for Fast Track low dependency funding basis	a) What are the most significant assumptions (other than discount rates) for the calculation of the Fast Track low dependency liabilities? b) If we were to specify some or all of the assumptions to calculate the level of FastTrack low dependency liabilities, which assumptions should we specify and how should we do this? Do you have views on the suggested benchmarking factors in the table above? c) If we determined mortality assumptions, how could we balance the scheme specific nature of mortality with the desire to ensure a level of consistency in the assumptions used by different schemes?	a) Generally, core financial assumptions, such as inflation/pension increases, and mortality. b) We would suggest any prescription is limited to setting core financial assumptions, such as inflation, the RPI/CPI wedge and pension increases, on a market consistent basis and subject to periodic review. Mortality and other demographic assumptions can vary substantially between schemes and so it would not make sense to prescribe them, but these should be set with consideration to the scheme’s specific circumstances. c) We think mortality assumptions should be required to be no less than best estimate overall, as advised and certified by the Scheme Actuary, rather than prescribed because different scheme populations have very different characteristics. We do not believe there is a ‘one size fits all’ assumption for longevity and have found that within our client base, there can be a 20% difference in liabilities as a result of longevity assumptions alone.

24	Low dependency basis – verification that other assumptions meet the best estimate principle	a) Which of these options do you prefer to verify that other assumptions used for low dependency liabilities under Fast Track meet the 'best estimate' principle and why? Are there any other pros and cons we should consider? Are there any other options we should consider? b) If we decided to require schemes to provide additional information about their assumptions, what information should we require schemes to provide compared to the current requirements?	a) Balancing the pros and cons of all options considered, we support the option that the Scheme Actuary should provide a certificate stating that the assumptions used (other than the discount rate) are, when taken together, no weaker than best estimate. b) For TPR to be able to properly assess whether the scheme-specific assumptions are appropriate the additional disclosure requirements could be substantial (i.e. including full experience analysis). Requiring Scheme Actuary certification would mitigate the need for such significant additional disclosure.
25	Other assumptions for Fast track low dependency basis – prudence	a) If we specified certain assumptions, should we aim for those to be best estimate or to be chosen prudently? b) Given the uncertainty around assumptions such as future improvements in mortality should we: i) define these assumptions in Fast Track and ii) set the assumptions prudently?	a) As set out above, we are supportive of assumptions, other than discount rates, being no weaker than best estimate overall and based on scheme experience. b) Please refer to our answer to question 23.
26	Low dependency liabilities – reserve for future ongoing expenses	a) Should the low dependency liabilities carry an expenses reserve? If so, should this only be a requirement for schemes that self-fund their expenses? b) To what extent should we define the reserve for future expenses under Fast Track? Should we just provide guidance on how to calculate an appropriate reserve? As part of that, what level of ongoing expenses is it reasonable to allow the employer to pay directly without any reserve?	a) To achieve low dependency, a reserve for future ongoing expenses would ideally be included. However, the aim is low dependency, not nil dependency. Therefore, we think it is most relevant that an expense reserve is included within low dependency funding for schemes that self-fund their expenses. We believe that further consideration is needed by TPR on what 'an expense reserve' means in practice – does this mean covering all expenses for the future lifetime of the scheme or for a specific period? b) As this may be a material consideration, especially for smaller schemes, we believe that TPR should issue guidance on how this

		c) If we defined guidelines on expenses for Fast Track, how should we reflect the proportionally different level of expenses incurred by schemes of different sizes? Could we adopt a sliding scale of percentages of liabilities based on the size of the scheme or a fixed element and proportionate element of expenses?	should be calculated, including circumstances where some expenses, but not all, are paid for by the employer. c) Calculation of this reserve should take account of scheme size and the approaches suggested seem reasonable. Intuitively, the starting point for this calculation should be the current expenses paid.
27	Definitions of maturity	a) Should maturity be defined as duration for the purpose of prescribing significant maturity under Fast Track? If not, which measure would you favour and why? Note that whatever measure we use, it needs to be applicable not only to the time at which we would expect a scheme to reach significant maturity but also at all earlier times in the scheme's life. b) Whichever method is used to determine maturity, we need to use actuarial assumptions to make the calculation. Should we require that the Fast Track low dependency assumptions are used for this purpose? What other assumptions could be used?	a) We support the use of duration as a measure of when a scheme reaches significant maturity. b) Given that the scheme is expected to reach low dependency by the time it reaches significant maturity, it makes sense for significant maturity to be calculated with reference to the low dependency assumptions.
28	Defining the timing point for significant maturity	What are your views on our proposal to set significant maturity (used to define the timeframe for reaching the LTO) for Fast Track to be in the range of a scheme duration of 14 to 12 years (or equivalent on a different maturity measure)? If you disagree, what would be a more appropriate timeframe and why? Please provide evidence.	This range appears sensible.

29	Points or ranges for low dependency funding basis and timing point	Do you think our proposal to set a particular level for the low dependency funding basis and/or a range for the significant maturity timing associated with the LTO would be helpful to schemes to manage volatility and allow some smoothing? If not, what would you suggest?	We agree setting significant maturity as a range rather than one single point, would help manage/smooth volatility given duration is dependent on financial assumptions. Whilst it should be kept under review as market conditions evolve, setting a permitted range would accommodate some variation and a degree of stability between valuations.
Technical Provisions (TPs)			
30	Journey plan shape for Fast Track TPs	a) Which shape of journey plan is most appropriate to define for calculating the Fast Track TPs and why? Does this vary depending on the circumstances of the scheme? b) Are there any other journey plan shapes we should consider? c) What unintended consequences might arise from adopting the linear de-risking or horizon method journey plans for Fast Track?	a) We do not have a strong preference. We have clients that adopt each of the options set out in the consultation and their reasons for adopting each structure are appropriate for their circumstances. We would advocate flexibility in the discount rates even under Fast Track. b) N/A c) If one approach is mandated for all schemes this is likely to exacerbate systemic risks. There is an increased risk of herding schemes into similar assets at the same time.
31	Key factors for Fast Track TPs	Should other scheme-specific factors other than covenant and maturity be considered to define the journey plan and TPs in Fast Track?	We are supportive of a maturity and covenant-based framework. Should there be any other (unusual) scheme specific factors that need to be considered, these should be accommodated via Bespoke and Fast Track should not be broadened to accommodate these.
32	Extent of reliance on covenant in Fast Track TPs	a) Should we define a maximum period of acceptable full covenant reliance for FastTrack TPs? For example, a general guideline of five years? Or should covenant reliance be assumed to decline in the much shorter term (or immediately)?	a) We are supportive of full reliance being placed on the covenant over a short period of time over which there is sufficient visibility – we note that this period is likely to differ however, dependent on the sector/industry in which the employer operates. Recognising that these special covenants are likely to follow a bespoke route, five years appears to be a sensible length for full reliance to be placed but note that this question is better posed to a covenant advisor.

		b) What level of covenant support should subsequently be assumed? Should there be an assumption of a single covenant grade reduction (e.g. CG1 to CG2), a reduction to assumed returns in line with a weak covenant, or something else? c) Over what period should any reduction in reliance take place? Should this be immediate (e.g. a reduction to a lower covenant reliance in the sixth year) or more gradual (e.g. over the subsequent five years)? d) Does the need for a covenant visibility overlay depend on the approach taken for the journey plan to low dependency? For example, is this a more relevant consideration where the horizon journey plan shape is used?	b) Beyond the initial period we do not believe that covenant reliance should reduce to zero. c) Any reduction in covenant reliance should occur over a period of time. d) We believe that covenant visibility can be considered independently of the journey plan shape. Nevertheless, what matters is how covenant visibility ultimately flows through alongside journey plan shape/assumed investment de-risking into the technical provisions target and other Fast Track parameters.
33	How Fast Track TPs should be expressed	Which option do you think is preferable for defining TPs/journey plans under Fast Track and why? What are the practical issues associated with each option? If you disagree with these options, what would you suggest and why?	We have a preference for Fast Track TPs to be set as a percentage of the LTO. This provides an explicit link between TPs and the LTO and should remain stable over time, rather than maximum discount rates which may require additions to gilt yields to be updated as market conditions change. This approach should also ensure assumptions like longevity are allowed for consistently under both TP and LTO bases. Under any option it is also important to ensure that a scheme is not adopting a discount rate, explicitly or implicitly, that is higher than the scheme's own expected investment return – i.e. where derisking has occurred ahead of significant maturity and a lower risk than 'allowed' is being run. We strongly advise that, to avoid trustees 'falling asleep at the wheel' and disengaging from their funding risks, there is a requirement for scenario testing (or possibly, stochastic modelling) being mandated at each

			valuation to ensure that the level of technical provisions is acceptable from a risk perspective, and not simply a regulatory one.
34	Method to derive Fast Track TPs	a) Do you prefer a particular approach? If so, why? Is there another approach that would be suitable? b) Do you have ideas as how to best approach each option? c) How do trustees incorporate considerations about covenant strength into their TP assumptions/discount rates? d) If a stochastic approach is adopted, what would you consider to be an appropriate confidence level against which to mark the results? e) Do you have any data or modelling results which you think would provide useful evidence for the baseline TPs or covenant overlay? Please provide full details of methodology/data limitations.	a) Our preference would be to use a stochastic approach as this avoids the bias of current practice. Projecting the uncertainty in the underlying financial assumptions provides a range of outcomes from which a more objective assessment can be made of TPs and consistency with the wider IRM frameworks. However, TPRs selected approach should not be too resource intensive that it cannot keep pace with changing financial conditions (as the Code's parameters should adapt to remain appropriate as market conditions change). b) Focus should be on the low dependency target in the long term. The ability to meet interim TPs on route can be backed out of the long-term strategy that meet the scheme's objectives. Assessment as a whole is preferable, rather than at individual assumption level. This might help to avoid unintended prescription. c) Covenant allowed for by assessing the range of pension scheme outcomes over the short and long term against covenant strength, then as per b) above, backing out TPs thereafter. d) Any confidence level should be covenant based and higher for those with weaker covenants and shorter visibility. Due consideration should be given to downside risk too. e) Hymans operates an extensive IRM modelling suite that could be used to assess the core parameters underlying the derivation of Fast Track TPs. We have also collated data across many of our clients to understand how our advised schemes stand against a draft parametrisation of the Fast Track framework, to help bring deeper insights into our client advice. We would be happy to provide further details to help inform or sense check the specifics of the Fast Track parameterisation in due course,

			subject to a more focussed discussion on the questions that the TPR is seeking to answer.
Investments			
35	Which reference point from which to measure investment risk in Fast Track	a) Would a measure of the liabilities be an appropriate position to measure investment risk from? If not, why not? b) Do you prefer a liability measure on the low dependency basis (Gilts +0.5% to+0.25%) or a Gilts flat basis? Why? Are there any other liability measures that would be suitable? c) Would a liability reference portfolio approach (as a proxy for liabilities) for smaller schemes be more proportionate and practical? If so, how should a small scheme be defined for this purpose (number of members, assets or liabilities)? What would be an appropriate threshold? d) Would a reference portfolio consisting of gilts and inflation-linked gilts with a duration similar to the liabilities be appropriate as a proxy for the liabilities for smaller schemes? If not, how would you go about constructing a reference portfolio as a reference point from which to measure risk for smaller schemes?	a) We believe that this is an appropriate reference point. b) We believe that it would be sufficient to measure the investment risk vs. the low dependency funding basis as this keeps all requirements linked to the LTO, along with the technical provisions. This low dependency basis is expected to have a high resilience to investment risk, such that the risks within the investment strategy should not be significantly understated. This also reduces the potential burden on schemes to calculate a liability value on a gilts flat basis. By mandating a reference basis that is stronger than the LTO, there is a risk that the investment strategy is de-risked to a point where the expected return is less than the LTO discount rate (noting that tolerance bands may reduce this effect). We do not believe that linking the reference to liabilities on a 'buyout' measure is appropriate as this implicitly suggests that buyout is the ultimate, intended solution for the scheme. The consultation suggests that buyout and gilts are closely linked and, while we do not believe that this is actually the case, in the context of the question we believe this is another reason not to set the reference liabilities in line with gilts. c) This approach sounds sensible and proportionate for those schemes without the ability to reference the liabilities. We suggest that a small scheme be defined with reference to the size of assets as there are situations (e.g. executive schemes) whereby there are only a handful of members but a significant number of assets. d) Setting the reference portfolio with a duration similar to the liabilities is appropriate. We do believe however that there is an argument to include a broader selection of assets within the portfolio that are

			available to smaller schemes, e.g. corporate bonds, liquid multi-asset credit, property, etc.
36	Methodology to measure investment risk in Fast Track	a) Would a simple stress test to measure investment risk in Fast Track be the most preferable option? If not, why not? Are there other measures of investment risk that are more suitable, taking account of the desire for a relatively simple and objective measure? b) Do you agree with the proposed principles for an appropriate pensions stress test, namely a fall in growth assets and a fall in interest rates? If not, what do you suggest? c) What are your views on which stress test we should use? Do you think the PPF stress test (Bespoke and simple approach) would be a good starting point? d) Which of the ways to measure the impact of the stress would you prefer and why? Is there an alternative method not listed that would work better? If so, please describe it.	a) We are supportive of a simple stress test, so long as it accurately captures the characteristics of higher yielding matching ("Income") assets and does not simply label these under 'growth' as a generic umbrella term for those assets that yield more or reflecting of the credit quality, i.e. private debt, high yield, property, etc. The approach should also reward schemes for their diversification between asset classes. b) These principles are reasonable but would need to be expanded to incorporate the wider range of non-growth assets held by pension schemes that are not linked to movements in interest rates, e.g. loans. c) We believe that the PPF stress test works well and is widely understood by many in the DB pensions industry. We would however be supportive of changes being made to this to reflect specific intentions of the Code and to reward schemes for holding low risk, Income assets (i.e. infrastructure, liquid multi-asset credit, etc). d) As above, we believe the PPF test is an appropriate starting point, with appropriate amendments.
37	Approach to defining maximum levels of investment risk for schemes of different maturities in Fast Track	a) What are your views on the proposed methodology for setting maximum thresholds for investment risk for significantly mature schemes in Fast Track? If you disagree, what would you suggest? b) In relation to acceptable portfolios and consistency with discount rates, is it reasonable to use a best estimate return	a) We are supportive of the inclusion of investment risk in a maturity-based framework and that the actual asset allocation should be broadly consistent with the discount rate used for the low dependency basis. While an investment return of Gilts + 1.0% would be coincident with a low dependency basis of Gilts + 0.5%, the stress test should allow for the differences in strategies underpinned by growth assets and those with Income assets (noting default risk). While we do not advocate decisions being driven by the likelihoods of achieving buy-out (as per paragraph 389) as alternative end-game solutions such as commercial consolidation and cashflow driven run-off are equally

		premium for growth assets over long-term gilts in the range of 3-5% pa? c) Should the allowance for prudence be higher for an investment portfolio with a higher level of risk? d) What are your views on the considerations we have set out to determine investment limits for immature schemes (journey plan shape, downside risk and covenant)? In particular, should the maximum level of investment risk for immature schemes vary by covenant under Fast Track?	viable, we agree with the conclusion of a maximum allocation to growth assets of 20%. b) This assumption appears reasonable. c) This suggestion appears reasonable and is consistent with current practice. Other suggestions may also be appropriate, such as contingent securities, but as these may not be available for all schemes, prudence within the discount rate may be a more attractive solution. d) While there are merits in each of the journey plan shapes set out, there are also risks and we would be interested in seeing the results of the GAD analysis (set out in paragraph 398) before strongly advocating for either option. Regardless of the option chosen, the reduction in investment risk over time should not become overly burdensome such that significant time and cost are spent on achieving strict targets – there should be a degree of flexibility around the path. As investment risk is ultimately underpinned by the sponsor, we would support the variation of maximum investment risk by covenant.
38	Defining guidelines for liquidity and quality of the investment portfolio in Fast Track	a) Do you think we should define some guidelines around liquidity and quality in Fast Track? b) If so, what are your views on the options outlined above? Are there other approaches you favour? c) What limits would you set on the above criteria and why? d) How would the above change for a more immature plan?	a) These are sensible criteria to have guidelines around. However, a CDI type strategy for run-off may be an equally acceptable investment route should the covenant support this and assets that are illiquid, but provide a stable and predictable income stream, should not be ruled out. We do not believe minimum allocations are therefore acceptable as this may prohibit these illiquid assets which are expected to provide matching cashflows. However, the security of these assets is important as defaults can impact a schemes ability to meet cashflow. b) A combination of options 4 (liquidity) and 6 (quality) would be sensible as they capture scheme specific circumstances and should allow flexibilities.

			c) Option 4 would be scheme specific and option 6 should allow for holdings assets that provide matching cashflows but are not rated. d) Please see response to question 11.
Recovery Plan (RP)			
39	Fast Track guidelines on RP length	a) What are your views on the principles set out above in relation to RP length under Fast Track? In particular, do you have views on what may be appropriate RP length thresholds for different covenant strengths? Is it helpful to frame these in terms of the typical multiple of valuation cycles (i.e. three years)? b) Do you consider it would be more appropriate to have a single maximum guidance RP length and to expect trustees (under the Bespoke framework) to justify any plans that are longer than this? c) Do you think Fast Track RP lengths should be shorter for schemes nearing and/or at significant maturity? If so, to what extent?	a) We are supportive of recovery plan lengths being linked to covenant strength i.e. allowing longer recovery plans for covenant groups 3 and 4 where affordability is more likely to be constrained. The illustrative terms set out for each covenant group appear sensible based on 3-year valuation cycles and with reference to the current average of 7 years. There is a risk of encouraging gaming the system if the allowance for covenant has more impact on recovery plan length than technical provision strength. b) See above. c) Our sense is that it would be more straightforward to implement the same maximum recovery plan lengths for all schemes, independent of scheme maturity. This would also retain consistency with the principle of recovery plans being assessed in line with covenant strength.
40	Fast Track guidelines on RP structure	Should the extent of back-end loading be limited to increases which are in line with inflation (in the absence of appropriate additional support such as a contingent asset being provided)? Or should there be more flexibility subject to a significant proportion of DRCs being committed in the early years of the plan? If inflation-linked increases are acceptable, what measure of inflation do you consider would be an appropriate benchmark?	Limiting back-end loading to increases in line with inflation seems a pragmatic approach for Fast Track. This should be flexible enough to accept linking to different inflation measures i.e. not be limited to just one.

41	Fast Track guidelines on investment outperformance	Should investment outperformance not be allowed in Fast Track RPs? What do you think the impacts may be?	Prohibiting the allowance for investment performance above the technical provisions discount rate is a pragmatic principle for Fast Track recovery plans provided this rate is reasonable and flexibility is available under Bespoke. The impact on schemes will very much depend on how technical provisions and recovery plans are calculated in the round. Without fuller details of the parameterisation it is difficult to comment further at this stage.
42	Fast Track guidelines on future RPs	In what circumstances should/could outstanding RP payments be re-spread at subsequent valuations? In particular: a) If a scheme's funding deficit has reduced (at least) in line with the expectations at the previous valuation, would it be appropriate to maintain the same end date? Or would it be pragmatic to re-spread the remaining deficit over a renewed period? b) If a scheme's funding deficit is higher than expected, what guidelines should apply for the appropriate length of the new RP? c) Would the idea of 're-spreading' be more acceptable where a scheme has a long period before it becomes significantly mature?	Additional rules on re-spreading introduce added complexity. In practice we believe it is sufficient for each valuation to look at the updated position and put in place a suitable funding plan without rules on re-spreading being necessary. However, in practice where the covenant remains strong, the recovery plan end date should not be pushed back. Nevertheless, as part of the transition to the new framework, schemes should not be allowed to "level-down" their existing recovery plan by extending the timeframe to fit the Fast Track parameters. We are aware of some non-associated multi-employer schemes which deal with "tranches" of deficit at each valuation. These are sufficiently large and complex that the Bespoke route should be a natural choice, rather than widening Fast Track (which would increase complexity for all schemes).
43	Equitability	What are your views on the concept of 'equitability' in respect of how a scheme is treated compared with other stakeholders? Should any requirements be qualitative (in line with the commentary above) or should trustees also be expected to consider a specific metric? If so, what might be an appropriate measure of equitability (for example,	We agree that 'equitability' between the scheme and other stakeholders is important and that this is a bigger issue for CG3 and CG4 employers who are restricting contributions on the grounds of affordability leading to longer RPs. Nevertheless, we do believe CG1 and CG2 schemes should also challenge covenant leakage and seek to maximise contributions from the employer, exactly for the reasons set out in 462 (funding deteriorating

		comparing the ratio of DRCs to dividends, or the size of scheme deficit to the 'stake' of other stakeholders) and how could this reflect a scheme's superior creditor status over shareholders?	between now and the next valuation, material changes in covenant in the short term). While qualitative requirements should continue, a simple metric such as the ratio of dividends to DRCs ratio may be a pragmatic approach for Fast Track although this will have limitations.
Open Schemes			
44	Treating past service and future service liabilities separately in Fast Track	What are your views on our proposed approach to outlining code guidelines for open schemes. Should any other approach to calculating future service liabilities be considered?	It is difficult to disagree with the principle of treating members' accrued benefits consistently, regardless of whether the scheme is open or closed to future accrual. Employers should also be mandated to consider other business and funding risks before any cessation to future accrual.
45	Fast Track LTO for open schemes	Should the LTO (low dependency at significant maturity) for an open scheme be the same for a closed scheme? If not, how should they differ?	As per our previous response, we agree with the principle that open and closed schemes should be treated consistently. If open schemes continue to admit new entrants and do not mature, then in practice the scheme will not reach significant maturity and will retain more long-term flexibility in its funding and investment strategies.
46	Fast Track TPs for open schemes	What option do you favour and why? Are there other options we should consider?	See response to question 44.
47	Fast Track guidelines for calculating future service costs	Which options do you favour and why? Are there any other options for calculating future service costs which should be considered, for example pre-and postretirement discount rates? If Option C (best estimate) were adopted, how should the best estimate return assumption be determined? Are there any options other than those described above that we should consider?	These options only impact the pace at which benefits are funded. Given that open schemes will be required to set technical provisions, an LTO and a recovery plan (as per closed schemes), any shortfall as a result of assumptions not being borne out in practice will be corrected at the next valuation. On balance our preference is therefore for Option D (no explicit requirements). More generally, we have a preference for Fast Track to focus on parity for past service liabilities (using a broadly similar approach for both open and

		Would our preferred approach (Option B) make it difficult for scheme actuaries to certify schedules of contributions?	closed schemes) but with more flexibility around how open schemes might, for example, fund future salary growth and/or cross-subsidise future benefit accrual from returns on existing assets.
48	Funding future service using past service surplus	Do you think that this approach to funding future service using past service surplus is reasonable? If not, why not? What else would you suggest?	Yes, we believe it is reasonable for schemes to be given the flexibility to utilise past service surplus to fund future service. Where rules permit, DB surplus should also be allowed to service DC contributions.
Bespoke framework key features			
49	Criteria for assessing Bespoke arrangements	What are your views on the criteria we propose to use to assess Bespoke arrangements? If you disagree, what would you change and why? What else should we consider?	The flexibility offered by Bespoke is essential, especially for schemes with atypical/strong covenants and contingent support in place. Considering how the Bespoke arrangement complies with legislation and any relevant DB code principles is, of course, an appropriate first step for TPR to take when assessing submissions under Bespoke. We accept that Fast Track Equivalence may be attractive for schemes as it offers lighter regulatory intervention, but TPR's enforcement must not evolve in such a way that this undermines the scheme specific nature of the Bespoke route. Scheme specific circumstances should be considered independently of comparison to Fast Track and this point should be made absolutely clear in the new Code. If it is not, Fast Track risks becoming a scheme specific minimum funding requirement (which in our view has multiple drawbacks). We accept TPR's access to its powers under Section 231 being by reference to Fast Track however, TPR's enforcement of Bespoke should not require all schemes to fund to Fast Track Equivalence as this is simply too restrictive, removes all flexibility associated with this approach and goes beyond the Government's policy intention. It should be for trustees and sponsors to demonstrate that their IRM governance supports their funding in a wholly scheme specific way.

			We would welcome further detail on what TPR considers 'robust evidence' for Scheme's submitting a Bespoke valuation and the confirmation that there are other situations, other than those set out in the examples, that are compliant with the principles of Bespoke.
50	Bespoke examples	a) Do you have any comments on the assessments we have made in the examples above? b) Could you provide other examples (relevant to your own scheme experience or that of schemes you advise) of arrangements which you think will follow the Bespoke route? Why do you think these arrangements would be compliant? c) In example 2 (LTO–CDI strategy), could it be appropriate, in your view, to be able to use a higher discount rate/lower value of TPs (low dependency basis) than in Fast Track? If so, in what circumstances and by how much?	a) The comments provided on the examples above are well made and clearly laid out. Some of these examples, however, do support our view that all assumptions within the Fast Track framework, other than discount rates, should be set in line with best estimate assumptions. It would be helpful to set out further examples of how schemes with existing insurance contracts in place will be treated under both Fast Track and Bespoke (i.e. should only the uninsured liabilities be tested vs. Fast Track/Bespoke?). We would also welcome TPR's thoughts on how schemes with atypical covenants (utility companies and charities) should approach the framework. b) We would be happy to liaise with TPR directly on discussing potential Bespoke arrangements for some of our clients and where necessary flexibilities should apply (i.e. lower TPs/higher investment risk for stronger covenants, investment outperformance within recovery plans and different discount rate structures). c) This would depend on the specific assets underlying any CDI strategy. While there are a great number of assets that may be suitable for such a strategy, it may only be appropriate to allow lower TPs in circumstances where the assets are of high average credit quality as this will lower the risk of defaults occurring on a lower asset base.
51	Stressed schemes	a) Assuming that affordability is genuinely constrained, are very long RPs 'appropriate' and therefore compliant with the Act? b) Alternatively, should we make an exception to the principles and allow the trustees of stressed schemes to take unsupported	a) Questions regarding compliance with regulations are best posed to TPR legal professionals. We believe that there will be situations however, where employer affordability will drive outcomes. b) This is a question for TPR to consider how these exceptions would fit into their overall aims for introducing a new Code.

		investment risk, or more risk investment risk than other CG4 schemes (schemes with weak employers)? What checks and balances should we put in place in addition to those mentioned above (equitable treatment, risk management)? c) For schemes with unviable RPs, should an exception be made for them in terms of the level of acceptable investment risk? d) Are you aware of situations other than stressed schemes where the trustees and employer would have difficulties meeting the Bespoke compliance principles?	c) This may be one option available for schemes in this situation, however we understand from paragraph 524 that other possible solutions will be considered and developed with the DWP and other stakeholders following introduction of the new Code. d) Stressed schemes are the obvious contenders for struggling to meet Bespoke however there will be others should the requirements of Bespoke be set too restrictive.
Additional Support			
52	Trustees' assessment of additional support in Bespoke arrangements	Do you have any views on the framework we set out for trustees to assess the appropriateness of additional support in Bespoke arrangements? If you disagree, what do you suggest?	The framework suggested appears sensible.
53	Accessing additional support	When do you think trustees should be able to access the additional support? Does it depend on the Bespoke arrangement and the type of risk that it supports?	The terms (including timing and triggers) under which the trustees can access the additional support should be agreed as part of the Bespoke funding arrangement. It will therefore very much depend on the parameters agreed by all parties of the arrangement.
54	Assessing the value of additional support	Should trustees be required to assess the stressed value of any contingent asset? What other guidance do you think we should set out on the recoverable value of contingent asset support?	This will depend on the nature of the arrangement. As set out in paragraph 546 there are certain arrangements which are less tangible or clear-cut than others and therefore require greater scrutiny by trustees.

55	Independent valuation	Should trustees always be expected to seek an independent valuation of continent assets, or should it depend on asset value and/or type? If this should be based on value thresholds, how should these be defined? How frequently should we expect trustees to seek an independent valuation? Should trustees be expected to regularly monitor contingent asset value in the intervening period?	Again, an independent valuation may be required in certain circumstances, depending on the nature of the arrangement.
56	Guarantees	a) Should we treat guarantee support differently to asset backed support? b) Should trustees rely on guarantee support to change the covenant grade assessment or do you think in these circumstances the supporting entity should become a statutory employer instead?	a) It would seem sensible to treat these the same, with trustees following the same framework to assess when they are access this support, and the value it provides. b) We do not believe that guarantee support should be factored into the covenant assessment unless there is a legal and enforceable ability to secure cash from a guarantor. As per current practice, we do not believe there is a need for the supporting entity to become a statutory employer.
57	Other mitigations	Can you think of any other types of arrangements which can help trustees mitigate risks?	While there may be other types of arrangements which can help trustees mitigate risks, we have no further comment at the present time.
58	Reporting information on additional support	Is there any reason why it would be unreasonable to expect trustees to undertake the analysis and provide the information outlined above? Is there additional information that should also be provided to us?	We believe the framework outlined for analysing and reporting additional support is reasonable.