



Prepare your DB scheme for Brexit

Trustees of defined benefit (DB) pension schemes should focus on areas such as investment, employer covenant and administration as the UK prepares to leave the EU.

We expect trustees to focus on the areas below as well as any other scheme-specific issues.

Investment

Pensions are long-term investments. Although market volatility may affect your scheme's funding position, try to avoid making any knee-jerk decisions and not focus too much on short-term market movements.

Where you have concerns over the short-term performance of your scheme investments, you should ask your investment adviser to explain any such changes in the context of your schemes' overall investment strategy.

Your investment adviser should help you understand the potential risks to your scheme investments from Brexit and whether specific actions or mitigations are appropriate.

You should already be reviewing your scheme's position and scenario planning as part of your ongoing integrated risk management (IRM). But if it's been a while, [read our IRM guidance](https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/integrated-risk-management) (<https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/integrated-risk-management>)

to make sure you're fully prepared.

Employer covenant

The impact of Brexit on your sponsoring employer may vary according to, for example:

- the industry sector they are in
- how exposed their particular business is in respect of the UK's decision to leave the EU
- the nature of the UK's future relationship with the EU and other countries.

Speak to your covenant adviser if you have concerns about the impact of Brexit on the employer.

You should be having open and collaborative discussions with your sponsoring employer about deficit repair contributions (DRCs) and how they may change. If the employer proposes to reduce DRCs we would expect you to test whether this is the right thing to do.

You should take into account the impact on both the scheme and the **employer covenant**

(<https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/employer-covenant-overview>)

. This should include assessing whether the reduction is necessary, ensuring that other stakeholders are being treated fairly, that dividends are not proposed and that security is offered as mitigation for reductions in DRCs where this is available.

For more information on making sure your scheme is treated fairly,

read our latest annual funding statement

(<https://www.thepensionsregulator.gov.uk/en/document-library/statements>)

Operations and administration

Read the Department for Work and Pensions guidance on pensions and benefits in the event of 'no deal' in respect of **EU citizens in the UK**

(<https://www.gov.uk/guidance/eu-citizens-in-the-uk-benefits-and-pensions-in-a-no-deal-scenario>)

and **UK nationals in the EU**

(<https://www.gov.uk/guidance/uk-nationals-in-the-eu-benefits-and-pensions-in-a-no-deal-scenario>)

Make sure you understand the impact of Brexit on any key services to your scheme that are provided from the EU or by firms that are themselves exposed to the EU, eg asset management.

Speak to your administrator to make sure that nothing will interrupt the payment of benefits across the EU border.

Member communications

Some members, especially those resident in the EU, may be nervous about the impact of leaving the EU on their pension savings. They may contact you or the administrator for further information. Talk to your administrator and make sure they are prepared to answer queries.

You should be prepared to explain clearly to your members the work you have done to understand how Brexit may impact your scheme and the steps you have taken to address these issues.

Encourage your members to contact **Pension Wise**

(<https://www.pensionwise.gov.uk/en>)

(if they're over 50) or **The Pensions Advisory Service**

(<https://www.pensionsadvisoryservice.org.uk/>)

for free and impartial guidance.

