

# How to build and execute a **business plan**

## What was the problem that needed to be solved?

The client was responsible for a mature pension fund which was, at the time, poorly funded. The time horizon was short and there was no scope to bring in extra contributions. In short, the fund needed to stabilise its volatile funding level, invest its way out of the deficit and eventually buy-out liabilities.



There was little room for error – just “one shot” to make things right.

## How did we help?

We worked closely with the client to develop clear **mission** and **strategy**.

The mission was to secure the liabilities with an insurer in a period of 8-12 years. We designed the strategy to deliver that mission. To do this we needed objective metrics to measure progress and clear milestones along the way. We then set out, in advance what action, to take if we found we were behind or ahead of the plan.

The Board took ownership of the **mission** and **strategy**

The Board held the in-house executive team to account for successful **execution** of its strategy. We helped the executive team prioritise and manage the hundreds of activities that collectively would deliver the strategy. Some of the most successful decisions included:

- ◆ removing unnecessary investment risk by selling equities ◆
  - ◆ investing in cashflow generative assets ◆
  - ◆ management of liquidity to fund collateral ◆
  - ◆ quickly phasing in interest rate and inflation hedging ◆
- ◆ establishing a process to locking in good investment performance ◆
- ◆ sourcing buy-in transaction specialists to negotiate competitive terms ◆
  - ◆ longevity hedging using a captive insurer ◆

## What road-blocks did we face?

Using a stable and consistent measure for the liabilities was essential. Without that we had no way to objectively measure our progress. We brought together specialists from many disciplines and applied a common “language”. For example, we needed to work with the Scheme Actuary to agree an objective funding level measure and to ensure that de-risking would not trigger strange requirements to increase contributions.



## What was the outcome?

---

**Fully funded scheme secured with insurance contracts**

---

The funding level gradually increased and we locked in the gains. Eventually the scheme reached a point where the vast majority of the liabilities were secured with regulated insurers. This was all achieved well within the 12 year time horizon. Crucially, the scheme avoided errors that would have derailed it; such as failing to hedge against interest rates falling.

The simple action of using a business plan to articulate a **clear mission**, setting a **strategy** and holding an executive team accountable for its successful **execution** has safeguarded the pensions of an elderly and modestly remunerated population of pensioners.

---

***Good investment governance leads to better outcomes.  
For pensioners, employers and taxpayers***

---

## Want to learn more?

If you'd like to know how Investment Governance Services can become part of your team, helping you to use your advisors effectively to build the governance structure and business plan that you need, please get in [contact](#).

Disclaimer

This document has been prepared for marketing purposes by Investment Governance Services Ltd. It does not constitute advice nor is it investment advice as defined by UK legislation. The case study relates to a work carried out by individuals prior to the establishment of Investment Governance Services