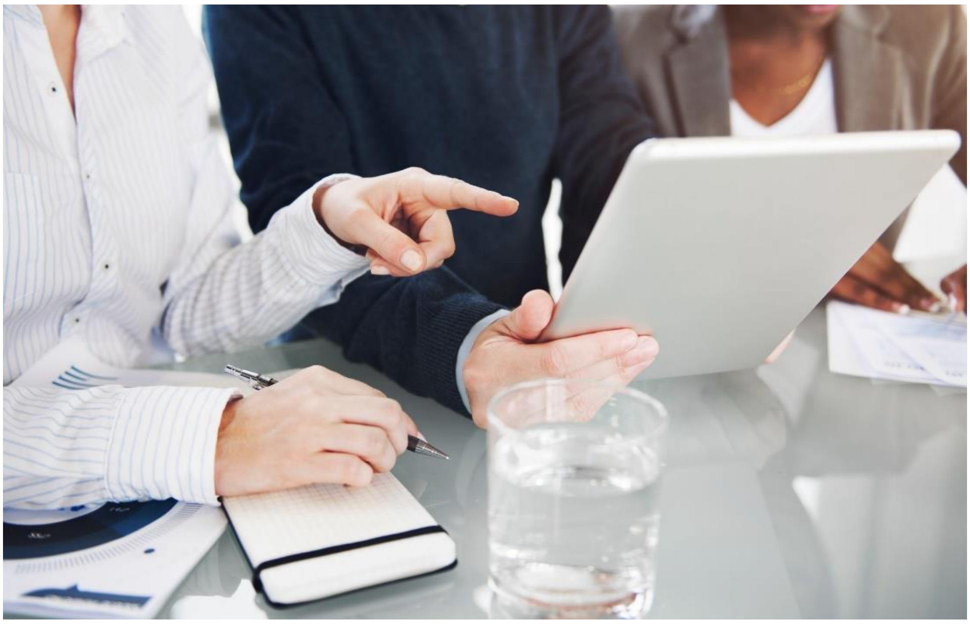
LCP on point

A Fast Track to problems? Why TPR's new DB funding code needs to be flexible

July 2020



Context and objectives of paper

In this paper we comment on key aspects of what the Pensions Regulator (TPR) has proposed in its first consultation document on the new defined benefit funding code of practice. The consultation runs to 2 September 2020.

We anticipate that this paper will be of particular interest to pension scheme sponsors, and to some extent it reflects a "corporate view" rather than a "trustee view". However, we expect that much of the content will also be of interest to pension scheme trustees and other stakeholders, and indeed anyone who is considering responding to the consultation.

We are supportive of much of what is proposed in the consultation document, with the overarching aim being to improve pension funding standards and practices within the universe of UK defined benefit pension schemes. However, this paper does not discuss these points of agreement, and instead we focus on some of our concerns.

For many schemes, based on what is in TPR's consultation, the new code of practice is likely to lead to more prudently assessed (ie higher) funding deficits, additional de-risking of investment strategies now and in the future, and shorter recovery plans. In some cases (but not all as we will go on to show) this is likely to lead to improved security of member benefits and less strain on the PPF, albeit any additional contribution requirements will be of concern to some sponsors.

However, this paper is not intended to be a push-back on behalf of sponsors.

Instead, our intention in this paper is to highlight some potential unintended consequences of what is being proposed, and to encourage industry discussion of these issues as TPR further develops its thinking and prepares its second consultation document.

Contents

Executive summary

In March of this year the Pensions Regulator (TPR) launched its first consultation on its new defined benefit (DB) funding code of practice. The new code is fully expected to be the biggest shake-up in the financial management of DB pensions since 2004/05, and will have significant implications for many, perhaps most, DB pension schemes in the UK. It is therefore critical that the code framework and detail is positioned in the right way – but our modelling shows that some of what is proposed in the consultation document, including the need to benchmark all schemes against a rigid set of funding parameters, could in some cases lead to worse outcomes for scheme members, scheme sponsors and the PPF.

TPR is running its consultation on the new DB funding code in two parts. The first consultation, which is open until 2 September, is on the principles underlying the new code, with a second consultation on the specific details and parameters to follow next year.

Understandably in the light of the various pensions (and wider) implications of the Covid-19 pandemic, and the 175-page length of the consultation document, many in the pensions industry have not yet fully engaged with this consultation. However, now that immediate actions required as a result of Covid-19 have been taken in many cases, considering the potential impacts of the new funding code and responding to the consultation should be high on the agenda for trustees and sponsors alike.

At headline level, much of what is in the consultation is hard to argue with, and indeed TPR makes it clear that it sees these principles as merely codifying what it already considers to be best practice. However, in our view there are some important areas where there could be unintended, potentially negative, consequences for some scheme members, scheme sponsors and the PPF, and in this paper we set out further analysis on this. We hope trustees and sponsors will consider these issues and raise them with TPR as they feel appropriate.

There are some areas where there are likely to be unintended, potentially negative, consequences for some scheme members, scheme sponsors and the PPF

Our key concern is the proposed wide-ranging use of "Fast Track" principles and parameters under the new code. While on the one hand these will be helpful as an efficient and effective way to sign off valuations for both smaller and more strongly-funded schemes, TPR also proposes that they will be used as the benchmark for any "Bespoke" valuations – meaning trustees and sponsors will be much more constrained in terms of their valuation outcomes than is currently the case. Further, where TPR is not comfortable with the justification for a "Bespoke" route, TPR has proposed that it will seek to use its powers to impose a valuation solution, and all indications are that what is imposed will be in line with Fast Track (indeed this is explicitly stated in paragraph 93 of the consultation document). Of course, TPR being able to do this is dependent on the associated regulations allowing it to use its powers in this way, starting with the Pension Schemes Bill becoming law – but we fully expect such legislation to be in place by the time the new code comes into force.

TPR's proposed approach does have some regulatory advantages – not least making it easier for TPR to use its statutory powers. We anticipate it will also lead to greater consistency of valuation approach across the industry – this has some advantages in terms of ease of processing valuations, but we would note that it is not necessarily the case that this helps TPR to achieve its statutory objectives. Indeed our analysis shows that in some cases this approach could potentially lead to strong pressure or indeed a requirement for trustees and sponsors to agree valuation solutions that are worse for stakeholders, including members, sponsors and the PPF. This can be shown using modelling that not only takes account of funding and investment (as per the supporting work completed by the Government Actuary's Department for TPR to date) but also factors in covenant, and the intertwined relationship between a scheme and its sponsor.

In section 1 we summarise and comment on key points from TPR's consultation. In section 2 we discuss potential issues with TPR's proposed approach to Bespoke valuations. In section 3 we go on to provide two case studies that factor in covenant strength.

By factoring in covenant in this way we can look, for example, at the proportion of benefits that members are expected to receive under different scenarios. These case studies demonstrate that sub-optimal outcomes for members (and others) can arise if Bespoke valuations are rigidly benchmarked against Fast Track.

In section 4 we briefly comment on some of the other areas where we have potential concerns with the proposals in the consultation document, including:

- **The features of an inflexible "gilts plus" approach -** market conditions can vary significantly and we think an approach that better reflects this would be preferable.
- **The potential acceleration to buyout -** although buyout may be the end game for many or even most schemes, it is not the best solution for all schemes (including the largest of schemes), and we are concerned that the new code may inappropriately push some schemes to buyout at an accelerated rate.
- **The treatment of open schemes -** we argue open schemes need further thought or there is the risk of poorer member outcomes and further scheme closures.
- **The potential for gaming of the system** – the proposals could lead to some strange incentives, for example for sponsors to argue that their covenant is weaker than it actually is in order to reduce contribution requirements.
- **The balance of risks between pension schemes and other stakeholders** – is a shift towards greater protection for DB pension schemes appropriate in the current climate, with potentially negative consequences for employment and spending on Defined Contribution (DC) members?
- **The risk of overpaying pensions** - the new funding approach will make it more likely that sponsors will pay more than they ultimately need to into schemes over the next decade or so. We ask whether investment in business growth and jobs would be a better use of capital, particularly at the current time.

01 A summary of the consultation

In this section we cover the key highlights of the consultation document.

A detailed consultation

The consultation document itself is 175 pages long and as one would expect covers a huge amount of material.

TPR asks for the pensions industry's views on 58 questions, to help gauge views on its suggested funding principles and how they will be used in practice. It is worth noting that TPR has been keen to stress that there is no need to respond to all or even most of the questions or to go into huge amounts of detail – all responses are welcome as it seeks to gauge the industry's thinking.

A "twin-track" approach

TPR is proposing that the new regime is built on a twin-track approach with greater clarity on "what good looks like". It is proposed that this will involve:

- A tightly constrained "Fast Track" approach to appeal to the majority of schemes. Under this approach TPR is expected to set parameters for when a scheme should reach its Long Term Objective, discount rates, recovery plan length, investment strategy and more, all likely to be based on a scheme's covenant strength and maturity.
- Alongside Fast Track there will be a Bespoke approach under which a scheme is permitted departures from Fast Track provided these are "managed" relative to the risk benchmark of the Fast Track regime. TPR expects this to be used by a minority of schemes.

TPR has said that neither approach will be better than the other, but crucially TPR is saying that Bespoke will be assessed relative to Fast Track, with schemes having to demonstrate either that "overall, the outcome is the same or better than Fast Track" or how any "additional risk is being managed and supported". "Better" and "risk management" are not defined in the consultation document, and this paper discusses the importance of how this is viewed.

This will all be backed up by a changed regulatory regime in the form of the Pension Schemes Bill plus associated regulations, under which it is expected that TPR will be able to more readily impose its own approach on schemes if it believes a proposed departure from Fast Track principles is not justified. This could include imposing technical provisions assumptions, imposing a recovery plan and requiring changes to the investment strategy – and all indications are that what TPR imposes will be in line with Fast Track:

"..we would seek a decision from our Determinations Panel to use our power … to set the scheme's TPs or LTO … or both as for Fast Track and for any RP to be set over a period that is comparable to the relevant Fast Track length or reasonably affordable for the employer(s)." [TPR consultation document, paragraph 93]

The Fast Track approach and parameters are therefore important for all schemes – even those expecting to go down the "Bespoke" route – as under the current proposals, a scheme will need to benchmark its approach against these parameters and justify why it is able to take any additional risk, and explain how it is mitigated. If TPR does stick to its proposals, perhaps of most importance will be how TPR assesses Bespoke valuations against Fast Track. This will need careful consideration to avoid pushing schemes into solutions that may lead to worse outcomes.

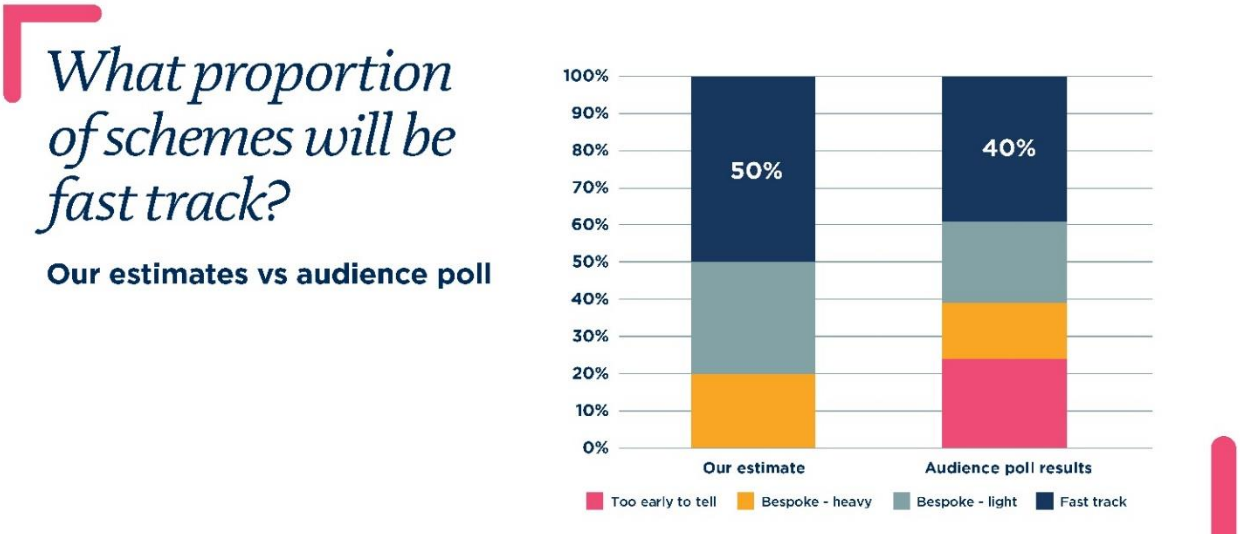
How popular might a Bespoke approach be?

Other than expecting Fast Track to be used by "the majority", our understanding is that TPR has not yet carried out its analysis to determine how popular a Bespoke approach might be. This is understandable given that where it lands on not just this first consultation but also the second consultation is likely to affect how many schemes opt to go down the Bespoke route.

To get an initial view, earlier this year we carried out some internal analysis on what proportion of our clients might opt for a Fast Track route, based on our best guess of where the Fast Track parameters might end up from the content of the first consultation. We also carried out a poll of those attending a webinar we hosted on the new funding code in April. In each case we separated a Bespoke approach into "Bespoke - light", meaning relatively little work would be needed to justify the approach, and "Bespoke - heavy" where more work would be needed to demonstrate compliance.

We think around half of our clients might use Fast Track, and therefore half might end up being Bespoke

The results of both are shown in the chart below. As can be seen, we think around half of our clients might use Fast Track, and this was fairly consistent with the webinar audience's thinking once it is factored in that a number answered that it was too early to tell.



Our estimate is based on LCP Sonar schemes at 31 December 2019 and approximate covenant strength based on balance sheet data. Audience Poll results from our webinar on 6 April 2020. Some respondents cover multiple schemes.

The key principles on which TPR is consulting

- "Do Integrated Risk Management properly" (and document it)
- Set a suitable long-term objective ("LTO")
- Technical provisions consistent with journey plan to LTO
- Maturity based investment strategy resilient to stresses
- Stronger covenants can justify more risk over period of covenant visibility
- Additional support – to justify a bespoke approach
- Short recovery plans, particularly for strong sponsors
- Open = closed for accrued benefits

Additional TPR powers

Underlying its Fast Track regime TPR is consulting on eight principles, which we can briefly summarise as follows:

Demonstrating compliance and objective risk-taking

TPR expects trustees and sponsors to understand their funding and investment risks and to objectively evidence that these risks are "remote or minimal" or can otherwise be properly managed.

LCP comment: This seems eminently sensible, but it depends on how "managed" is defined.

Setting a long-term objective

TPR wants to see all schemes set a long-term funding objective such that by the time they are "significantly mature" (for many schemes this will be at some point in the 2030s) they have a "low level of dependency on the employer" and are invested with "high resilience to risk".

LCP comment: This is an important new principle that means the proposed regime will result in faster de-risking than previously envisaged for some schemes.

Journey plan and appropriate technical provisions

A scheme should develop a journey plan to achieve its long-term objective and plan for investment risk to decrease as the scheme matures and reaches low dependency on the sponsor. Technical provisions should have a clear and explicit link to the long-term objective to which they should converge over time as evidenced by the journey plan.

LCP comment: Many schemes already have journey plans, but some are aspirational and flexible rather than being a firm target.

Scheme investments

The actual investment strategy and asset allocation should be broadly aligned with the scheme's funding strategy. Also, the investment strategy should have sufficient security and quality, and should satisfy liquidity requirements. Asset allocation for a scheme of significant maturity should have a high resilience to risk, a high level of liquidity and a high average credit quality.

LCP comment: This will be the first time that TPR has sought to constrain the investment strategies of schemes – it will be interesting to see how this is supported by the legal framework of the new regulatory regime.

Reliance on the covenant and covenant visibility

Schemes with stronger sponsor covenants can take more risk (and assume higher returns in their technical provisions). However, at each valuation trustees should assume a reducing level of reliance on the covenant over time, depending on its visibility (suggested to be three to five years for most schemes).

LCP comment: This constraint on covenant visibility can be expected to drive considerably more prudence in many cases. It will also introduce the concept of a covenant "gain" emerging at each valuation, assuming covenant has not deteriorated as much as expected.

Reliance on additional support (particularly relevant for Bespoke valuations)

Schemes can account for additional support (such as contingent assets and guarantee support) when carrying out their valuations, so long as such support is sufficient for the risks being run, is appropriately valued and is legally enforceable and realisable at its necessary value when required.

LCP comment: In our view, the new regime is likely to mean that many more sponsors consider providing contingent support for schemes, as this may be one way to reduce the pace of de-risking and cash contribution requirements.

Appropriate recovery plan

Technical provision deficits should be recovered as soon as affordability allows while minimising any adverse impact on the sustainable growth of the sponsor.

LCP comment: This is a restatement of the current position and not controversial in itself, but the proposed greater constraints on recovery plan length etc will be material for many schemes.

Open schemes

Members' accrued benefits in open schemes should have the same level of security as members' accrued benefits in closed schemes.

In our view, TPR's interpretation of "the same level of security" is likely to mean that open schemes are effectively treated like immature closed schemes – in some cases leading to unnecessary de-risking and premature closure of otherwise viable schemes.

Is there anything on detailed parameters?

Although the key parameters are yet to be proposed (pending the second consultation), TPR does include several example parameters in the first consultation document and asks for the industry's views.

These parameters include maximum recovery plan lengths, for example six years where the covenant is "strong" or "tending to strong" (perhaps even shorter for "strong" covenants), and a requirement to be fully funded on a gilts + 0.25% to gilts + 0.5% discount rate by the time "significant maturity" is reached.

We appreciate these parameters are not set in stone, but it seems clear to us that overall the new code is being positioned to mean stronger technical provisions, and shorter recovery plans for many schemes.

Given the current challenging economic environment, this has led to some calls for this consultation to be pulled. For example LCP's Sir Steve Webb commented that it was "from a different time", and should be scrapped given the world has changed so significantly since the consultation was first issued. In response, so far TPR has made it clear that it thinks the principles it has set out in its first consultation document still apply, and has shown no signs of backing down. This position was evident in this blog from David Fairs, executive director of regulatory policy, analysis and advice with TPR. Interestingly though, there have been indications from TPR (including in that blog and elsewhere) that the second consultation may propose more flexibility for some of the detailed Fast Track guidelines, including the parameters around the long-term discount rate and the time period over which schemes have to get there.

That said, the first consultation is focused on the principles rather than the parameters. We therefore focus our attention on principles in this paper, and in particular the key principle that Bespoke valuations will be assessed relative to Fast Track parameters.

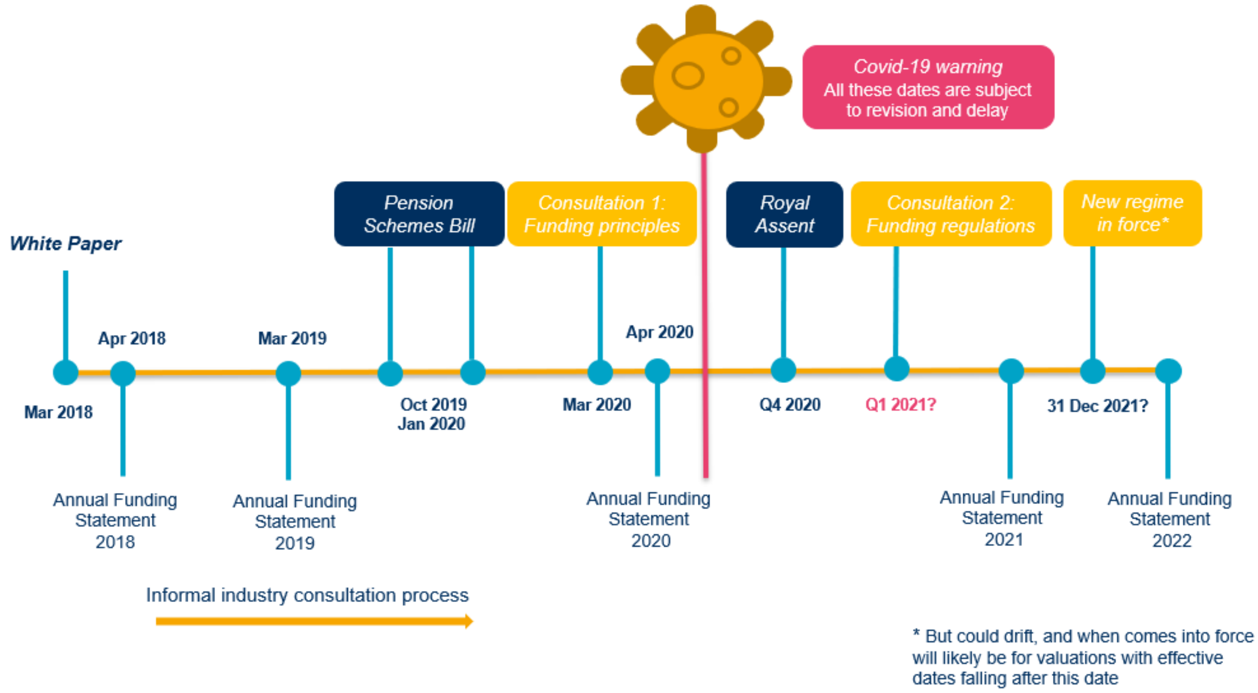
Timescales

Finally a note on when the new regime is expected to come into force.

It is fair to say things have not gone according to plan so far – the first consultation was almost a year late, mainly due to external factors including Brexit and a change in Government. And then Covid-19 hit.

The timeline below sets out our best guess of when developments will happen, but this is still uncertain.

> *Our current best estimate is that at the earliest the new regime will be effective for valuation dates from 1 January 2022 onwards.*



At the time of writing the Pension Schemes Bill has completed its passage through the House of Lords, is likely to complete its passage through the House of Commons in the Autumn, and is expected to be granted Royal Assent later this year. Different sections of the law are likely to have different implementation dates, and the funding regime cannot come into force until TPR has published its final funding code and the associated regulations are in place.

TPR's first consultation on the principles of the new code is underway – and closes on 2 September.

The second consultation on the details of the new code will then follow. Q1 2021 is a possibility – but it might be a challenge for TPR to meet that deadline as there is a lot of modelling and analysis that will need to be done to inform the details of the new regime.

Our current best estimate is that at the earliest the new regime will be effective for valuation dates from 1 January 2022 onwards.

02 Our main concern with the consultation

We think Bespoke should be flexible – not rigidly benchmarked against Fast Track.

We support the idea of a twin-track approach. After all, TPR has more than 5,000 DB schemes to regulate and we can understand why it does not want to be dealing with 5,000+ Bespoke valuations.

TPR has a laudable aim of bringing up the standards of those schemes that it sees as having been poorly managed. It is also seeking to come up with a regime that makes it easier to use its powers – the flexibility in the current regime means this can be difficult as it can involve TPR having to justify why a particular approach is not sufficiently "prudent", or why a Recovery Plan is not "appropriate".

As ever, though, the devil is in the detail, and we think there could be unintended consequences for members, schemes, sponsors and the PPF from what TPR is proposing. Our key concern is that TPR proposes to measure the acceptability of a Bespoke valuation using Fast Track as a rigid benchmark.

We can see that it is sensible to have a simple regulatory pathway with a relatively high hurdle for schemes (especially smaller schemes) that want a low-governance solution. But Fast Track is by its very design a "blunt tool" – good for raising standards in poorly run schemes and pointing them in the right direction, but not appropriate as the benchmark for all schemes. There is so much variation within the UK DB space that many schemes will not (and indeed in our view should not) adopt a Fast Track approach and, more importantly, in our view, would be *best advised not to benchmark themselves rigidly against Fast Track.*

> *There is so much variation within the UK DB space that many schemes will not (and indeed in our view should not) adopt a Fast Track benchmarked approach.*

More specifically, TPR is proposing that all schemes have to be at least as good as Fast Track (in the round, considering all risk mitigations). This means not only "at least as prudent" in most cases, but also that the overall quantum of prudence is at risk of being assessed in a narrow way, ie relative to the prudence approach adopted in the Fast Track benchmark. This could have significant implications for some schemes and their sponsors – all at a time when many sponsors are already struggling with the impact of Covid-19.

For some this will be seen as further gold-plating for legacy DB plans at the expense of investment in capital, investment in business, as well as jobs, and indeed pension spend on current employees who are mostly members of defined contribution pension schemes.

But it is not just a case of re-balancing the positions of DB members against other stakeholders. As we discuss in the next section, additional de-risking and higher demands for short-term contributions can lead in some cases to worse outcomes not just for sponsors, but also for members and for the PPF as well.

We are not advocating here for a general weakening of funding bases or indeed a change in the Fast Track parameters that TPR has proposed – just that those Fast Track parameters are unlikely to result in the best overall outcomes in some scenarios, and so they should not be used as a rigid benchmark for a Bespoke solution.

Risk of a new Minimum Funding Requirement

TPR has said its intention is not to introduce an MFR-type regime – something that does not invoke positive memories for many in the pensions industry.

And it is fair to say that Fast Track does have more flexibility than the old MFR regime – for example the key parameters are expected to flex depending on the key variables (as TPR sees them) of maturity and covenant. But is a covenant and maturity dependent MFR the best solution for all schemes? In our view the answer is no, and Bespoke valuations should not be required to benchmark against such a measure.

So what is the alternative?

This is of course the £1 million (or potentially £2 trillion) question, and is not an easy one to answer – but no-one ever said that regulating over 5,000 DB schemes would be easy. We set out two possibilities below.

A principles-based approach to regulation

TPR is consulting on eight key principles, so could the benchmark for Bespoke valuations be exactly those principles but with more flexibility? For example, principles like these taken from TPR's consultation document where it describes its aims for Fast Track:

- a position of 'tolerated' risk for different scheme-specific factors such as maturity and employer covenant
- a justifiable, prudent position that most stakeholders would recognise as within the range of reasonable outcomes

The trustees and company could then sign off that they have met the principles for their Bespoke valuation – rather than measuring the position versus a potentially inappropriate Fast Track benchmark in terms of prudence, contributions and risk.

Of course, this more flexible approach might make it harder for TPR to benchmark schemes and justify use of its powers. There is therefore a risk of ending up back in a similar situation to where we are now, albeit with more clarity from TPR on what "good" looks like, and hopefully many schemes adopting a Fast Track approach and therefore needing little regulatory oversight.

Integrated Risk Management approach to regulation

From TPR's perspective we would expect that an outcome should be assessed as "better" only when measured against its statutory objectives, for example it might be assessed as better for members if it means a higher proportion of their benefits are expected to be paid in full.

But our modelling shows the best outcome (for any and all stakeholders) is not always a higher funding target, de-risked investments and shorter recovery plans, especially for schemes with weaker covenants. It is important to consider the interaction between the scheme and the sponsor in an integrated way.

We recognise that most schemes, especially smaller ones, would not want to pay large amounts of fees to consultants for complicated modelling in order to justify their valuation approach. But we think more modelling of this kind up-front by TPR and others when designing the new funding code would result in an improved understanding of how the covenant interacts with scheme funding and investment strategy and thus lead to better outcomes overall.

There is also a separate regulatory point which is how a "better" outcome should be balanced for all sponsor stakeholders, including the long-term sustainable growth of the sponsor.

We would therefore also advocate a Bespoke approach that was based on integrated risk management (including covenant risk), supported by modelling as required, that considered the balance of risks being taken by all parties.

An observation from the consultation

As a closing observation in this section, we noted with interest the comments in the consultation on which schemes should be able to use a Bespoke approach. At the start of its consultation document TPR lists four possible reasons for a Bespoke approach including *"Schemes with unusual or complex circumstances or arrangements (eg atypical covenant, contingent support, investment strategy)".* This could clearly cover many schemes, and we believe this is helpful and more in line with what we are arguing for. However, there is then no further reference to this reason in the rest of the consultation document, including the subsequent detail and examples on Bespoke approaches, as everything is then assumed to be benchmarked against Fast Track.

03 Why an integrated risk management approach is essential

Despite recent annual funding statements and regulator guidance, the analysis undertaken by the Government Actuary's Department (GAD) in support of the consultation does not appear to account for covenant in an integrated way – but we think this is essential when designing a funding code built around integrated risk management.

TPR's first consultation document is supported by analysis[1] carried out by GAD, which looks at the likely outcomes for pension schemes with different approaches to setting a Long-Term Funding Objective. However, as GAD freely admits in its paper, this analysis does not incorporate covenant in an integrated way, in particular the complex relationship that can exist between a scheme, its funding and investment strategy, and its sponsor covenant.

For example, TPR's standard response to a weaker covenant seems to have been to require earlier de-risking of investments, the aim being to minimise the asset risk, thereby reducing funding risk and the severity of the impact of future market downside events. However, this will likely reduce the expected return on the scheme's assets, and result in a higher funding target and higher contribution calls on the sponsor. The overall effect can be to shift the onus on meeting pension promises from a diversified pool of investments to a single (weaker) sponsor, ie increasing the future reliance on the sponsor, and at the same time asking for higher contributions, potentially creating a weaker covenant.

Taking a step back, member benefits will be paid in full unless the sponsor becomes insolvent before the scheme's life ends (eg through a buyout, or liabilities passed to a superfund/consolidator). So, to maximise the chances all member benefits get paid, we need to look at how the scheme and covenant interact to find the best strategy. For some schemes this is easy but for others, typically where the scheme's size is large compared to the size of the sponsor, it is more complex.

These ideas and more were covered in a recent blog by LCP Partner Laun Middleton, where he argued this is the reason why TPR getting the new funding regime right, and specifically setting the Fast Track guidelines, is the hardest task in DB pensions.

We are concerned that the consultation document appears to be focused on investment de-risking and setting higher funding targets, independent of the interaction with covenant and the impact on expected member outcomes. One does not need to do sophisticated integrated risk analysis to

[1] See: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/modelling-long-term-funding-objective

see this will not always lead to the best outcome – indeed the GAD analysis itself shows a higher allocation to return-seeking assets can be beneficial in terms of outcomes.

In our view, we therefore believe that for Bespoke approaches, the particular circumstances should be analysed in greater detail to provide a more integrated optimal solution, involving an appropriate balance of risks for all stakeholders. Ideally this should be done independently of a Fast Track benchmark – but if such a benchmark is to be used, our view is that there needs to be detailed thinking about whether a different solution is better from an integrated risk perspective including covenant – and not just assume that more prudence and less investment risk is better.

We believe that for Bespoke approaches, the particular circumstances should be analysed in greater detail to provide a more integrated optimal solution.

For example, why not look at how reducing dividends or imposing constraints on certain corporate activities would compare to investment de-risking? Stronger covenant protections (as opposed to investment de-risking) could be better for all stakeholders in the long-term – expected costs for pensions are lower, members may be more likely to get all their benefits, there is more money to invest in jobs and DC pensions, and even shareholders could expect more money overall, just a bit later.

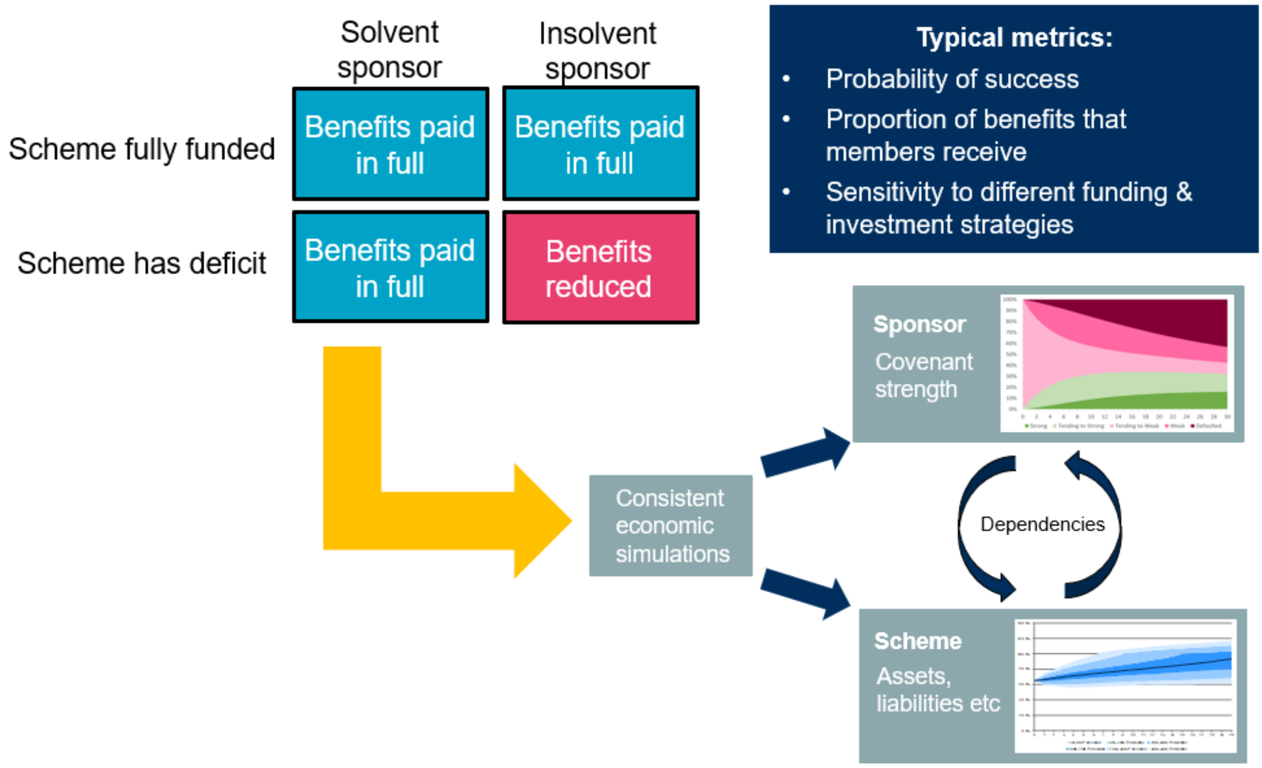
Arguably the most damaging aspect of planning a strategy of future investment de-risking is the pre-funding of that future de-risking, ie setting a higher funding target reflecting the de-risking, and requiring that new target to be funded over a relatively short period. The result is that the current investment risk is not reduced and the sponsor is still on the hook to cover any downside risk. However this approach also means additional cost for the sponsor as a result of the higher funding target, meaning there is additional strain on the covenant. For some schemes and sponsors a "flatter risk" approach could be beneficial (for many decades), even if it does not meet Fast Track parameters. LCP Partner Gavin Orpin covered the benefits of a flatter risk approach in his recent blog.

Integrated Risk Modelling

Our Integrated Risk Modelling analysis complements existing techniques by seeking to measure what members can expect to receive from their DB pension promise. Varying the investment and funding strategies allows a comparison on which approach is expected to give better outcomes for members (as well as their associated costs to the sponsor). Alternatively, strategies that give similar outcomes for members but are a better fit to sponsor needs may also be acceptable to everyone.

This analysis is done by applying the same sophisticated risk measurement techniques that are already commonly applied to projecting the scheme's assets and liabilities, and extending the analysis to include projections of the sponsor's financial position. We are then able to allow for the pension scheme and sponsor to interact and to consider if and when sponsor strength may weaken to the point where sponsor insolvency causes the scheme to not meet all its obligations (assuming the scheme is not already fully funded at that point). Good outcomes for schemes can also strengthen the sponsor as less cash may be required to be contributed to the scheme.

Strategies that reduce the likelihood of members receiving full benefits and increase costs to the sponsor are best avoided.

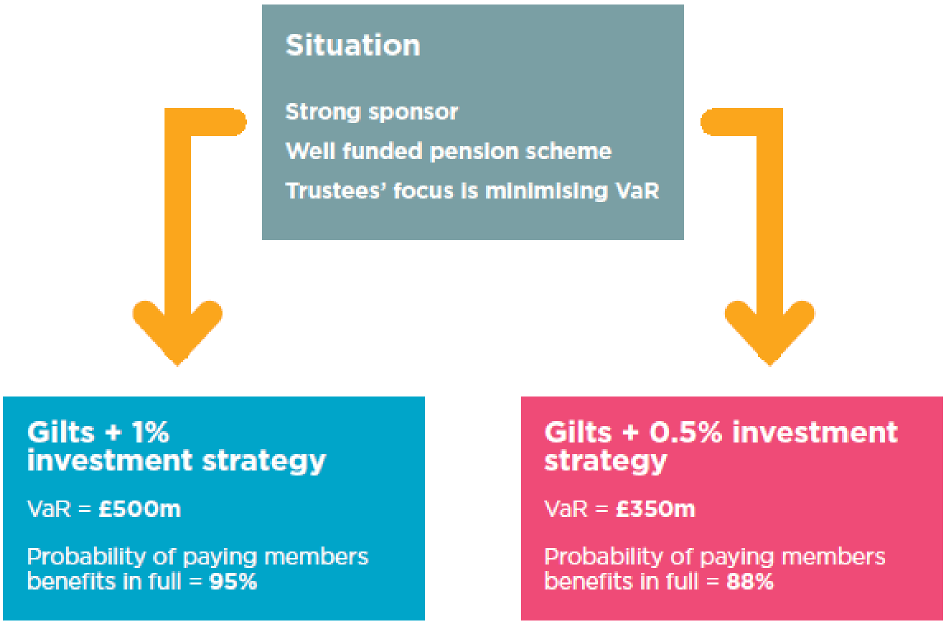


What does this look like in practice?

Case study 1: Is it better to take more investment risk to achieve the target sooner or a lower level of investment risk over a longer period?

Many trustees wrestle with this decision – the trade-off between the amount of investment risk taken and the time taken to achieve the ultimate objective. One trend that has developed over recent years is the desire to minimise the value-at-risk (VaR), with advisers and trustees doing all they can to reduce this metric.

TPR has proposed under Fast Track that it will be constraining investment strategies of schemes for the first time, and in many cases encouraging additional de-risking both now and in the future. But is that always a good thing for members? In this example, we analyse the impact on member outcomes for a well-funded pension scheme targeting an investment return of 1% pa in excess of gilts (this is simply by way of illustration; similar results can be obtained with higher levels of risk). Although the sponsor is strong and currently can easily underwrite the risks associated with this, the Fast Track regime may require more de-risking within a short timeframe as the scheme matures.



Although reducing the target investment return from gilts + 1% to gilts + 0.5% reduces the VaR significantly, it also **significantly reduces the likelihood of paying all pensions** (from 95% to 88% in this case).

This sponsor is assumed to start off with a single "A" credit rating in each case – stronger than many sponsors. However, the reduction in probability of meeting all pensions when the investment strategy is de-risked is similar to retaining the current investment strategy but reducing the initial covenant strength to about a BBB credit rating. This is not an approach that is likely to be in the best interests of members.

Why do we get this result? It is because the de-risked strategy now takes much longer to reach the target levels of funding (taken to be buyout in this example). This introduces more downside risk – the long-term covenant is much less certain than the short-term. Put another way, the de-risking approach – which would be supported by one leg of the proposed Fast Track regime – creates additional reliance on long-term covenant (which is contrary to another leg of the proposed Fast Track regime).

A riskier investment strategy would be likely to result in worse benefit cutbacks for members in the very worst scenarios, and this would also need to be considered in the round.

However, it can be seen that using Fast Track as a crude benchmark for assessing risk could create worse outcomes in some cases. And therefore any use of Fast Track as a benchmark will need to be considered carefully, on a case-by-case basis, to ensure that the best outcomes are achieved.

It is worth noting that the result of this analysis may be very different if the scheme was large relative to the sponsor or the sponsor was in a highly cyclical industry. In our view, there are risks with applying a single crude risk benchmark to all situations.

Case study 2: Conventional thinking – sometimes it works, sometimes it doesn't

In this case study we look at a scheme that has a relatively aggressive investment strategy and a relatively weak funding basis, and consider the potential implications of Fast Track benchmarking for a sponsor that starts off strong. We then repeat the analysis for a sponsor that starts off weak, and compare the results.

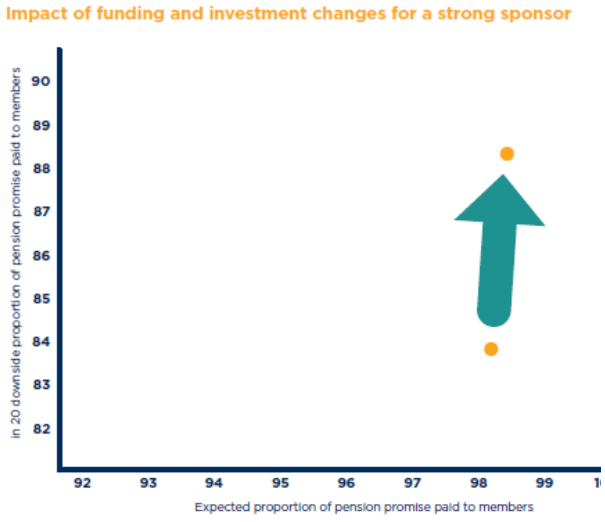
In the case of the strong sponsor, unsurprisingly, the vast majority of benefits are expected to be paid out (around 98% of the total promise). But in this case there is still a meaningful loss in expected benefits in a downside (1-in-20) scenario (around 84% of benefits being paid in this case).

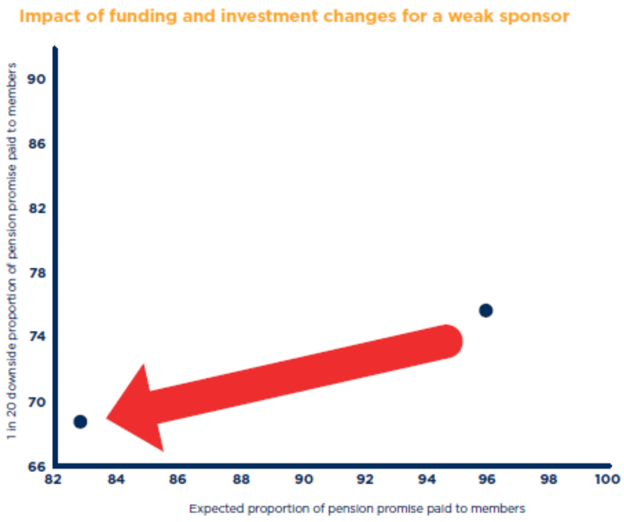
We then consider what happens if the scheme were forced to comply with much stronger technical provisions assumptions and a significantly de-risked investment strategy, as is expected to be required under Fast Track (or under Bespoke, which would be benchmarked against Fast Track).

By de-risking and getting more cash into the scheme sooner, unsurprisingly the downside of member outcomes is improved. In this case the expected proportion of benefits paid improved slightly, but the downside loss was smaller (88% vs 84%).

This is shown in the left-hand chart below which compares (for the strong sponsor) expected outcomes with potential downside outcomes. A strategy with a better distribution of outcomes for members will be further to the top-right of the chart.

In this case, it can be seen that the balance between funding, investment and covenant could be improved by reducing the funding and investment risks and taking a little more covenant risk (as covenant risk was low given the current strong position).





However, what happens if the covenant was weak rather than strong? In this scenario we get the opposite result as shown in the right-hand chart above.

In this scenario, de-risking the investments and asking for more contributions was to the detriment of member security, both in terms of central scenarios (expected benefits paid reduced from 96% to 83%) and downside scenarios (from 76% to 69% of member benefits).

Why? Because putting extra strain on a weaker sponsor tipped the balance. There was already too much covenant risk within the system. Seeking to reduce funding and investment risks (and replace them with more covenant risk) simply made the situation worse.

As such, the trustees' efforts may be better placed on seeking additional covenant protections (eg parent guarantees, dividend protections, negative pledges or third-party protection) rather than seeking additional contributions and investment de-risking. It will not be easy for TPR to benchmark the value of such protections fairly against a Fast Track measure. It may require detailed covenant modelling, but many smaller schemes are unlikely to be able to afford to commission such modelling. And in many cases those protections will not be available, or will not be agreed to by the sponsor.

The reader should take caution in drawing any rule-of-thumb conclusions from this analysis. It is not as simple as saying that strong sponsors should de-risk and weak sponsors should aim to improve covenant. The results are specific to each individual circumstance in terms of how the strength of covenant interacts with the size of the scheme and the deficit, and the starting position on funding and investment.

Other potential pitfalls of a Fast Track benchmark

In the case studies above we gave two examples of scenarios where using Fast Track as a rigid benchmark could lead to worse outcomes, compared to a more flexible regime taking into account the specific circumstances of schemes and covenants. However, there are a number of other examples where this could be the case, including for example:

- In some cases allowing a sponsor to pay lower contributions for a period can benefit the covenant and result in a significantly lower probability of default, improving expected member outcomes. Of course the scheme and members benefit only if the funding position is then subsequently improved in the longer term, including through later contributions (as then necessary), so such strategies would need to be carefully considered by trustees and TPR.

- A weaker funding basis but more significant covenant protections for the scheme can in some cases result in improved outcomes for all stakeholders.

- The use of an "asset-led" discount rate rather than one that is directly linked to gilts can prevent artificial volatility for a scheme that is looking to invest in a cashflow-driven way and run off, and thus mitigate the risk of additional contribution calls at the wrong time, improving the chance of better outcomes.

- Maintaining a more return-seeking investment strategy, provided it is supported by a strong covenant, can be used to bridge the gap to buyout even for mature schemes and result in a position that is materially no worse for members but better for other company stakeholders.

In our view TPR should consider such potential scenarios in detail, conducting further analysis as appropriate, and ensure that the new funding regime is flexible enough to accommodate the wide range of circumstances that schemes and sponsors are in, rather than forcing a Fast Track-style benchmark solution on all schemes.

04 Some other observations

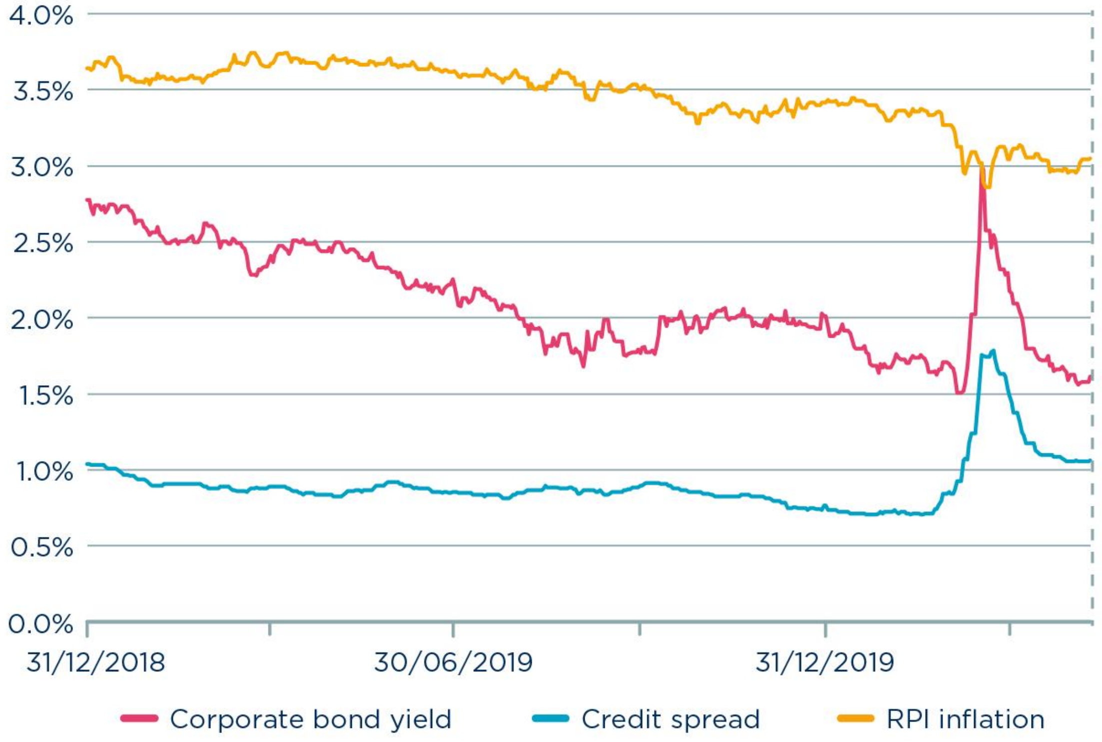
Whilst we see the proposal to use Fast Track as a benchmark for Bespoke valuations as the key issue, there are a number of other potential concerns we have with the consultation proposals. We set some of these out below – and we offer them so that trustees or sponsors responding to the consultation can consider them when considering any response.

1. A gilts-plus Regulator?

One of the points TPR makes in its consultation document is that it considers that expressing the Fast Track discount rate relative to gilts is appropriate for a low-dependency basis, and indeed the GAD analysis focuses only on a gilts-plus approach to funding.

We have a number of concerns on this point, and would suggest a more flexible regulatory approach would be preferable, particularly for Bespoke valuations.

First, in our view prevailing market conditions are relevant and cannot be dealt with by simple Fast Track parameters locked to a gilts-plus approach.



Source: ICE GBP AA Corporates 15+ yield and credit spread; Bank of England 20 year RPI breakeven inflation spot rate

This year has shown how volatile market conditions can be – for example, as shown by the chart above from our 2020 Accounting for Pensions report, credit spreads widened from 0.7% pa to more than 1.5% pa in a matter of weeks.

Admittedly this was an extreme period, but more generally this sort of market movement should typically affect a scheme's technical provisions, also noting that insurer pricing is often linked to credit spreads.

Secondly, it can be argued that imposing a gilts-plus benchmark can be inappropriate for reasons unrelated to market conditions. This is because many (particularly larger) schemes do not look to drive returns in a way that is directly linked to gilts. In such cases, using a gilts-plus benchmark will result in artificial volatility and can result in sub-optimal decision making.

Thirdly, there are strong arguments why gilts can be overpriced for sustained periods. Arguably we are in such a period now, arising from quantitative easing.

Lastly, we note that an enforced gilts-plus approach is not consistent with government policy to encourage pension schemes to invest in patient capital, infrastructure and other longer-term asset classes.

In our view, in many cases it would seem better to set asset-led discount rates based on the assumed long-term "steady-state" portfolio, and then make a deduction for prudence. This would reduce artificial volatility for schemes not expecting to hold large quantities of gilts. We note that many schemes adopt this approach currently, and it is explicitly permitted in the current funding regime.

Importantly, we are not arguing here for a weakening of the Fast Track benchmark position – just more flexibility to improve outcomes and cope with varying market conditions.

2. Acceleration to buyout

TPR is consulting on the requirement for schemes to fund using discount rates of gilts + 0.25% to gilts + 0.5% once they are "significantly mature", which is likely to be in the 2030s for many schemes. TPR is also suggesting more schemes should have a capitalised reserve for future expenses, including expected future PPF levies.

Based on our experience of insurance company bulk annuity pricing, the combination of these two requirements is likely to result in a funding target that is in line with (or possibly higher than) the buyout cost for mature schemes.

This is even more so in the current macroeconomic climate where widening credit spreads have been reflected in insurer pricing. As can be seen in the chart below, for much of the last 12 months, buyout pricing for pensioners of gilts + 0.3% or even better was available.

The new code could therefore potentially require schemes to fund at or close to (or even higher than) buyout levels over the medium term. This is clearly good news for insurers as it is likely to mean an acceleration of buy-in and buyout transactions as well as encouraging some schemes to buyout who previously had no plans to do so. In our view thought should be given to the appropriateness of having this as a blanket regulatory policy for all schemes and sponsors.

More generally, while not explicitly stated, our reading is that the consultation seems to implicitly assume that buyout will be the effective long-term end-game for all schemes. Based on our experience, the GAD analysis we have previously mentioned appears too cautious on buyout pricing and appears to consider buyout to be the only end-game for schemes – in our view this simplified assumption is at risk of leading to sub-optimal regulatory outcomes.

In particular, buyout may be the most appropriate target for smaller schemes where running costs may exceed the buyout deficit. However, this is less obvious for large schemes that in many cases can adopt a run-off strategy at lower cost, provided the incremental risk is supported.

We have previously done some analysis to support this conclusion, which showed:

- For schemes with an asset base of significantly less than £1bn, buyout is likely to be more attractive as a long-term solution compared with "run-off" (unless insurer pricing is particularly expensive or particularly large cost savings can be made). However, consolidators are also a possible end-game for these schemes, depending on the strength of the covenant and funding position.

- For schemes with an asset base in the few £billions, a run-off strategy is expected to be more cost-effective but the residual risks (in particular covenant) need further consideration.

- For schemes with an asset base in the tens of £billions, a run-off strategy can be more attractive than buyout.

3. Open schemes need a different approach

One of the key principles of the consultation is that open schemes should have the same security as closed schemes.

Whilst at first pass this may sound reasonable, we have some concerns. In our view "same security" should not mean "same technical provisions" – and where the covenant can support it, the assumptions should reflect the much greater expected time to reach "significant maturity".

For schemes still open to new members, they may never be expected to reach "significant maturity" – subject to the covenant being able to support the scheme, they might be expected to remain in a steady state for the future, and without the liquidity issues that closed, mature schemes have to deal with.

However, the proposed approach is to treat schemes open to new members in the same way as schemes that are open only to accrual and closed schemes – indeed schemes that are open to new members are modelled in the TPR consultation as "immature closed schemes". TPR notes that this will help trustees of open schemes plan for the possibility of closure.

TPR points out in the consultation document that unless it adopts this approach there will be a cliff-edge in funding approach when a scheme closes. However, arguably this is no different from a step-change in funding approach when a scheme's circumstances change for any other reason, for example a deterioration in the covenant.

On the subject of costs for future accrual, there are arguments that as long as further accrual of benefits does not dilute the security for current members, there should be no requirement for ongoing contributions to be determined on the prudent technical provisions assumptions. For example, if the current funding level is (say) 80% of technical provisions then, so long as future accruals are funded at least to 80% of technical provisions, there is no dilution of security.

Accordingly, it seems reasonable to us to consider having different assumptions for calculating the cost of future accruals and past service benefits, but to recognise that if existing benefits and future accrual of benefits are ultimately going to be funded at 100% of technical provisions, then that will be achieved via the recovery plan through a combination of contributions and additional returns. Depending on where TPR lands on this issue it could lead to more scheme closures. In our view, as currently drafted this would almost certainly be the case.

Interestingly, on 30 June 2020 the House of Lords debated this point and passed an amendment to the Pension Schemes Bill that would require open schemes to be treated differently. However, it is possible that this will be overturned when the Bill is next considered by the House of Commons.

4. Covenant visibility

TPR has suggested a possible requirement for trustees to allow for covenant strength only over periods of time that covenant can be sighted. TPR suggests a maximum of three to five years. In our view this is too short a period to be relying on covenant – it is not appropriate to assume that all companies will be weaker within five years and to fund schemes in advance on that basis. This is especially true for immature schemes and even more so for open schemes.

Allowing for such a short period of covenant visibility would in all likelihood lead to higher funding targets for all but the most prudently funded schemes and, as we have shown, could result in worse outcomes for some of these schemes and their members.

5. Too much focus on maturity, not enough focus on covenant once you get there?

TPR's proposals are built on the overriding principle that all schemes should be aiming for low dependency on their sponsor by the time they are mature (in the 2030s for most schemes but sooner for many schemes that are already relatively mature).

In our view this is potentially an over-focus on scheme maturity – for example the GAD analysis that supports the consultation shows maturity has little impact on the probability of paying full benefits.

In addition, in our view there would appear to be a big difference between mature schemes that have a strong covenant and those that have a weak covenant, particularly where there is good covenant visibility, and therefore we suggest this should be reflected in the funding regime.

6. Sponsors could view Fast Track as a maximum target

We have noted in this paper that what is proposed in the new code is likely to lead to more prudence and more de-risking in many cases. However, defining a set of parameters in this way can result in their being seen as a maximum target by sponsors as well as a minimum target by TPR.

For those schemes where a more prudent target than Fast Track is appropriate and achievable, there is a risk that sponsors will be unwilling to fund beyond the level required to meet Fast Track benchmarks and thus those benchmarks might constrain what the trustees are able to negotiate.

This highlights further the potential pitfalls of setting a rigid benchmark that applies to all schemes.

7. Risk of gaming the Fast Track structure

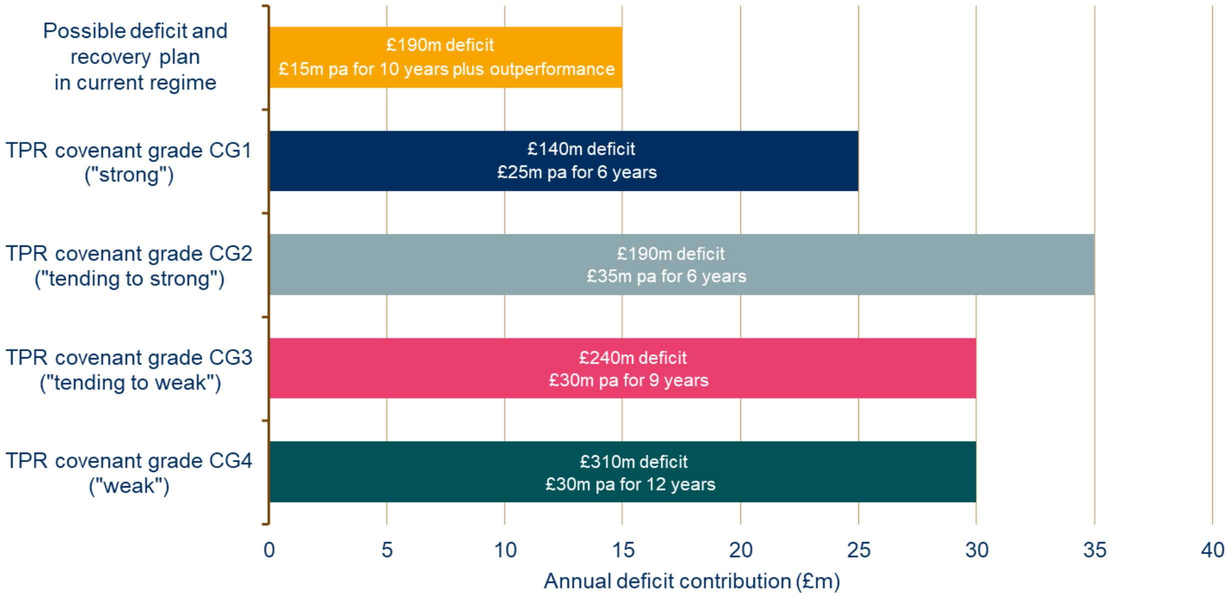
Whatever regulatory structure TPR and DWP end up putting in place, there will be a tendency for some to try to game that system. Whilst this realistically cannot be avoided, there are certain aspects of the proposals in particular that seem to lend themselves to the risk of attempts at manipulation.

One example is defining the Fast Track benchmark by assessing all companies as having one of four simple covenant gradings (ranging from "Strong" to "Weak"), and then having different Fast Track benchmarks for assumptions and maximum recovery plan lengths for each covenant grading.

The consultation proposes that schemes with stronger covenants would be able to take more risk and fund on a less prudent basis, but would have to fund any deficit over a shorter period. This has the potential to create some unusual incentives for sponsors in terms of covenant classification.

To bring this to life, in the chart below we have set out illustrative deficits and contribution requirements for an example scheme under both the existing funding arrangements and our best guess of where the Fast Track framework might end up for different covenant gradings based on the current consultation.

Illustrative deficits and contribution requirements under possible "Fast Track" framework



As can be seen, the annual contribution requirements for a "tending to strong" covenant grading are actually greater than for a "tending to weak" grading in this example. This is because although the deficit is higher, the maximum period over which that deficit can be paid off is three years longer for a "tending to weak" covenant compared with a "tending to strong" covenant.

It might therefore be in the sponsor's interests to argue for a weaker covenant rating in such a case – especially where they are focused on short-term cash requirements – which would seem somewhat perverse.

Depending on where TPR lands on the Fast Track parameters and how they are set, such incentives to game the system might also exist in other areas, for example in setting the investment strategy and setting funding assumptions beyond the headline discount rate.

8. Less innovation in de-risking

As currently proposed, we are concerned that the new regime could be at risk of discouraging innovation and sensible de-risking approaches for non-investment risks such as longevity (eg longevity swaps). This is because, whether or not such solutions are implemented, the benchmark discount rate will always be Fast Track ie not adjusted for such actions. Therefore, implementing these approaches can be expected to (unnecessarily) increase costs, whilst not implementing them will increase risks.

The following additional potential concerns may be more relevant for sponsors – although we would expect them to be of interest to trustees and other stakeholders as well, and we think it important that their potential implications are considered.

9. Balance of risks between different company stakeholders

Overall, in our view, the implication of TPR's proposed principles in this first consultation is that many schemes will need to fund more prudently, investment de-risking will need to occur sooner, and more money will need to be paid into many schemes. The proposals therefore represent a shift in the balance of risks to be taken by different company stakeholders, strengthening the position of pensions relative to shareholders and other creditors. Particularly at a time of economic crisis, and the need to ensure economic growth and attract overseas investment once we are through Brexit, some may question whether a shift towards greater protection for pensions (and less for other stakeholders) is appropriate. Ultimately this is a political decision, and the proposals will benefit some trustees, schemes and members.

We also note that some aspects of the proposals risk making schemes an effective super-creditor – for example, a combination of requiring full funding of the pension scheme within a defined period, plus encouraging additional protections relative to shareholders, including dividend-sharing arrangements, is a package not often enjoyed by any other creditor.

10. Risk of overpaying for pensions over the short and medium term

The law requires pension scheme technical provisions to be assessed on a prudent basis. By definition this means that once a scheme is fully funded it is more than likely that the sponsor has overpaid than underpaid for pensions and, in the long term, that the scheme's investment performance is expected to consistently beat the discount rate. Therefore, if this is required of all schemes by the 2030s without more flexibility, this can be expected to lead to the creation of systematic high surpluses in pension schemes. Looked at another way, this will likely demonstrate that money paid into schemes in the 2020s was not fully needed and could have been better spent on economic recovery.

This risk has historically been mitigated in a number of ways including: setting the technical provisions so they are not overly prudent; allowing for additional investment return in recovery plans; recovery plans of longer than six years; not having a firm date for when full funding and a low-risk position will be reached; and not pre-funding expenses.

The consultation proposes changes that point to more prudent and less flexible approaches in all these areas. One consequence of this is that it will be much more likely that sponsor contributions to schemes over the next decade or so will subsequently prove to be unnecessary over-funding for pensions in the long term, as schemes run off. The sums involved are potentially enormous, and there is no easy way to get surplus out of pension schemes before they are wound up, and even then without large tax penalties.

Therefore in our view this is at risk of resulting in an inefficient use of capital for UK plc, potentially running to tens of billions of pounds, particularly at a time when wider investment in the economy is critical. We wonder if there is a better balance to be struck? Ultimately this is a political decision.

11. Gilts + 0.5% is a very conservative target, especially for schemes targeting low dependency

Many would argue that, especially in current market conditions, a funding target in the range of gilts + 0.25% to gilts + 0.5% is too prudent a target for many schemes.

For example, in market conditions earlier in 2020, many schemes were in the position that all their investments could be allocated to a portfolio of AA-rated credit and achieve a yield of at least 1% pa above gilts. This yield is far in excess of the gilts + 0.25% to gilts + 0.5% pa range of Fast Track discount rate benchmarks proposed in the consultation. This is particularly noteworthy given the current credit rating on UK government bonds (ie gilts) is AA-.

Moreover, TPR has recently put in place its interim pension superfund regime, which is designed to be "very conservative" and included a set of minimum technical provisions calculated using gilts + 0.5% and most other assumptions in line with best estimates. Given that this level of technical provisions is appropriate for superfunds, some may question whether the benchmark discount rate for the whole universe of DB schemes should be no higher than that.

There is also a link to what returns a scheme can achieve on its assets, and we note that where schemes are targeting low dependency, they can invest their portfolios in a cashflow aware way over the longer term, much like an insurer does.

We understand that insurers might typically expect best-estimate returns of around gilts + 1% to gilts + 1.5% (net of defaults, downgrades and expenses) on their annuity-backing portfolios, albeit this is dependent on credit spreads. We expect this is also achievable for asset portfolios for larger pension schemes adopting a run-off strategy. Furthermore, some pension schemes may reasonably expect to generate higher returns or run lower risk given their reduced level of investment restrictions compared to Solvency II.

Even once allowance is made for a prudent deduction from those expected returns, one could argue a requirement to fund at gilts + 0.5% is not appropriate particularly for larger schemes targeting run-off that expect to be able to generate higher returns in a low-risk way.

05 Who should be responding to the consultation?

We believe the more responses to the consultation the better, and we are sure TPR would agree. The more voices TPR hears the more it can gauge what the industry thinks, and the more it can adapt its approach to avoid unintended consequences.

In this paper we have covered a number of concerns with some of the proposals in the consultation. We hope you consider which you might raise when responding to the consultation.

In our view there are some types of schemes (and sponsoring employers) who should particularly consider responding.

Large (multi-billion £) schemes and other schemes targeting run-off

We have spoken in the previous section about potential issues for schemes targeting long-term run-off and the risk of overpaying contributions.

Given run-off is more likely to be an appropriate strategy for larger schemes, and those larger schemes can arguably target higher returns (as they have greater access to a broader range of investments, bigger governance budgets and would expect to pay proportionately lower investment fees), we think such issues are certainly worth highlighting in any consultation response.

Large schemes might point out that they have the most members and also potentially pose the largest risks to the PPF – indeed the largest 100 occupational DB schemes[2] (with assets greater than c£3bn) make up around 50% of the occupational DB universe (in terms of total assets, and number of members). So, should TPR be focusing more on getting the regulatory approach right for these schemes? Is TPR too focused on what works for most schemes rather than for most members, or on what poses the most risk to the PPF?

Mature schemes

Mature schemes might find that they are amongst those most affected by TPR's proposals in the short term. We have noted that it might be argued that the proposals are overly focused on maturity. We have highlighted that where a covenant is stronger and particularly where there is strong covenant visibility too, it might be reasonable to continue to allow for this when setting technical provisions regardless of scheme maturity.

[2] Excluding funds within the Local Government Pension Scheme (LGPS). See https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/db-pension-scheme-leverage-and-liquidity-survey.ashx and https://www.ppf.co.uk/sites/default/files/2020-01/Purple%20Book%202019.pdf

Schemes that are large compared to the sponsor or the sponsor is weak

In this paper we have explained how the interactions between a scheme and its sponsor can be complicated, and that in such circumstances de-risking and additional prudence can result in worse outcomes for all stakeholders, including members. This typically happens when the sponsor is weak and the scheme is a large consideration in its finances – to put it bluntly, where the scheme's contribution requirements are more likely to trigger insolvency. For schemes in this position we think an integrated approach including analysis of the covenant risk should be taken to find the best solution, which may not be in line with the current Fast Track benchmark proposals.

Open schemes

We have raised the potential issues around open schemes and we would recommend trustees and sponsors of these schemes consider the potential implications of the proposed new funding regime and whether they wish to feed back their views.

Schemes with "unusual employers", including not-for-profits

TPR uses the phrase "unusual employers" as a catch-all for not-for-profit employers, multi-employer schemes, and others. Thus far TPR has said little about such schemes, saying that it needs to do more thinking and will seek views in the second consultation.

We would recommend trustees and sponsors of these schemes think carefully about whether the consultation proposals would work for their particular circumstances, and feedback any potential issues or complications now.

For example, charities face a particular set of covenant challenges which might be exacerbated by some of the proposals in the consultation. Here, "covenant leakage" effectively means carrying out the good work of the organisation rather than eg payments to shareholders, and so achieving fair treatment between stakeholders is a different kind of balancing act. This is especially true given that "pence in the pound" being spent on the good work is highly valued by those making charitable donations – so making additional pension contributions could potentially erode trust in the organisation and lead to a reduction in future donations and thus reduce the covenant strength. This issue was discussed further in our recent webinar, "Charities and pension funds – is the regulator getting it right?".

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