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**BlackRock urges pension schemes to strengthen governance on the journey to full funding**

**28 May 2013 – London** – BlackRock, Inc. (NYSE: BLK) has called for defined benefit pension schemes to embrace best practice journey management and strengthen governance processes in its latest research and analysis paper, *Investment Insights - Mapping the journey*, in order to achieve a more risk-controlled and, ultimately, more cost-effective path towards full funding.

Journey management combines a dynamic approach to liability-driven investing ('LDI') with strengthened scheme governance, and *Investment Insights* highlights how dynamic de-risking offers schemes significantly better outcomes. The analysis also suggests that where schemes have already adopted a journey plan, they could benefit from increasing their rate of de-risking as they progress towards their goal rather than de-risking at a constant rate.

Dynamic LDI requires pension trustees to consider various portfolio choices regularly and sometimes simultaneously, but the authors found that this cannot happen without adapting governance structures.

In BlackRock's experience, effective governance systems contain the following key elements:

- A clear statement of beliefs
- Holistic oversight of investment decisions
- An awareness of the broad market environment
- Reporting that is aligned to the overall objective of the plan
- An explicit agreement on appropriate levels of delegation

One of the authors, Stuart Jarvis, Managing Director, said: "Companies and pension schemes are rightly focused on reaching full funding, but they should also ensure that appropriate governance underpins their approach. Planning ahead enables schemes to respond speedily to market changes

and thereby produce much better outcomes for all parties. The good news is that practical solutions are at hand for those that do not have the necessary dedicated resource internally, whether it is bringing on board independent trustees or flexibly outsourcing the day-to-day investment management to an experienced partner.”

ENDS

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