

Buyout/De-risking

A Case Study (2)



JLT PENSION CAPITAL STRATEGIES

The client

- Closed Defined Benefit Scheme with active, deferred and pensioner members
- Around £250m liabilities calculated on the Scheme's funding basis; substantial deficit on the same basis
- Large multinational sponsor with very strong covenant

The issues

- Sponsor wishing to reduce exposure to DB risk
- But unwilling to pay a large injection of cash upfront

The PCS solution

- De-merge scheme allocating buyout cost to pensioners
- Buy out pensioners and wind up relevant scheme
- Agree appropriate funding plan for much smaller remaining schemes
- Agree de-risking plan for deferred scheme, with a view to buying out once funding level allows

The results

- Smaller overall exposure
- Timing of pensioners bought out meant that an excellent price was put on the liabilities
- Endgame strategy in place for deferred scheme

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