



**How do you steer your client through endgame options for DB Schemes - including insurers, consolidators and other alternative solutions such as running on?**

**White Paper conference: 10 October 2024**

## What are you trying to achieve, when, how?

- **What:** starting point must be the stated purpose of the scheme i.e., (usually) the provision of member benefits in full
- **When:** payment of pensions now and payment of benefits as required until the last of the scheme members dies
- **From:** the scheme or elsewhere?
- **How:** choice of (potentially many, quite different) options

## What constitutes success?

- The members get their benefit entitlements in full
- Achievement of other goals? eg currently an open scheme? retain monies in the scheme rather than to meet insurer margins? pay discretionary increases? distribution of surplus?
- Where relevant, if the members are looked after, how best can the sponsor(s) and the trustee be discharged?

**To make an informed decision(s) – i) what powers do you have ii) what are the risks/issues and iii) can they be mitigated?**

# Where decisions are being made, it is helpful to remember:

**Early planning /  
proper  
engagement of all  
relevant parties,  
makes a big  
difference to the  
end result**

**You can never  
eradicate all risks**

**Provided that fully  
informed decisions  
are taken, and  
proper process  
followed and  
documented, the  
likelihood of a  
successful  
member challenge  
against decisions  
made will be low**

# What are the specifics?

**Size of scheme**

**Covenant: nature/size of sponsor(s)/group relative to scheme**

**Type of trustee: Individuals? Corporate Trustee? Professional?**

**Nature of scheme: Industry wide? DB only? hybrid? closed? open? member profile? single or multi-employer?**

**Have you equalised GMPs?**

**Is there broad agreement between the sponsor and the trustee as to likely endgame approach?**

**What is the current investment strategy?**

**Who are the stakeholders?**

**Structure: segregated? complicated benefits?**

**What is the current scheme funding position (ongoing, accounting, PPF, wind-up)?**

**How good is your data?**

**Readiness for market / market pricing**

**Have you produced a benefit specification/audit?**

# Wide range of endgame structures: (mix and match over time?)

**Continuing the  
scheme**

**Indefinitely?**

**Half-way house:  
some de-risking**

**Run on and have self-  
sufficiency target/other  
target**

**Capital-backed journey  
plan?**

**Some de-risking e.g.,  
change in investment  
strategy/partial buy-in's  
over time?**

**Terminating the  
scheme**

**Buy-in followed by a buy-  
out?**

**Transfer to another  
scheme in the group  
(merger/consolidation)?**

**PPF + solutions?**

**Transfer to an existing DB  
consolidator?**

**Transfer to a super-fund?**

**New consolidator (PPF?)**

# Scheme continuation risks/issues:

- Ability to fund liabilities over time given retention of trust assets
- Occupational regulatory regime (TPR, PPF, employer covenant) versus insurance regime (FSCS)
- Scheme funding/triennial valuations
- Inflation, salary increases, longevity, gilts pricing
- Covenant (also section 75 debt triggers)
- Black swans: robustness in the face of 1 in X events
- Climate change/geo-political uncertainty; Governmental stability
- Balance of powers
- Ongoing costs and expenses
- In house/outsourced administration – differences between rules and practice
- DC/AVCs
- Application of surplus?
- (Protection of privilege)
- Cyber-attack / data protection
- Future buy-in/out pricing
- Changing HMRC/Treasury practice
- Changing pensions/trust law/regulations/ Codes of Conduct/Guidance

# Scheme termination risks/issues:

- No further trust assets/trust
- Break with the sponsor?
- What regime will govern member benefits?  
Occupational versus insurance
- Ability of the provider to ensure delivery of member benefits over the long term
- Black swans: provider robustness in the face of 1 in X events
- Value for money spent with the new provider
- Provider infrastructure, including administration
- Data protection / cyber attack
- (Bespoke) provider contractual terms
- Degree of party collaboration/negotiation – behavioural controls; back to back agreements



- Protection of privilege
- Codification of discretions
- "Home" for DC/AVCs
- Member complaints/Regulator fines/penalties
- Incorrect benefits
- Missed beneficiaries
- Run-off insurance/residual risk/deed of indemnity
- Winding up costs and expenses
- Section 75 debts
- How to provide in the future for changing pensions/trust law/HMRC etc

# Current state of play for some endgames...

**Capital-backed – bridging structure;  
employer link kept; bespoke risk  
contract**

**DB consolidators – retain employer  
link (non-associated); existing and  
new models**

**Private superfunds – break employer  
link; full regime still needed to kick  
start (though almost there)?**

**Public consolidator (PPF?) – primary  
legislation needed – some way off  
unless real Governmental focus**

**TPR: regime review; clearance;  
supervisory approach, new  
guidance**

# Buy-in/buy-out... some risk/issues

## Illiquid investments

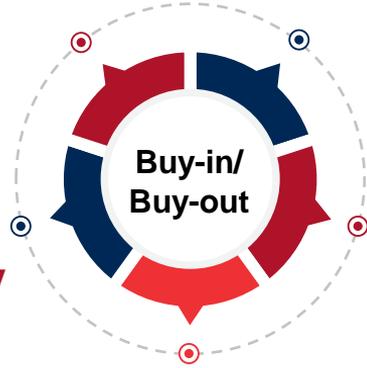
- Deferred premium - separate contracts
  - membership allocation
- What if funding gap? employer buys asset/ employer temporary loan?
- Other financing

## Surplus

- Augmentation/ other usage
- Side letter/ non-binding MOU
- Pricing
- Timing

## DC/AVCs

- "In-house"(provider-dependent)
- External DC/ Master Trust
- Transfer back to DB buyout policies?



## Benefit issues

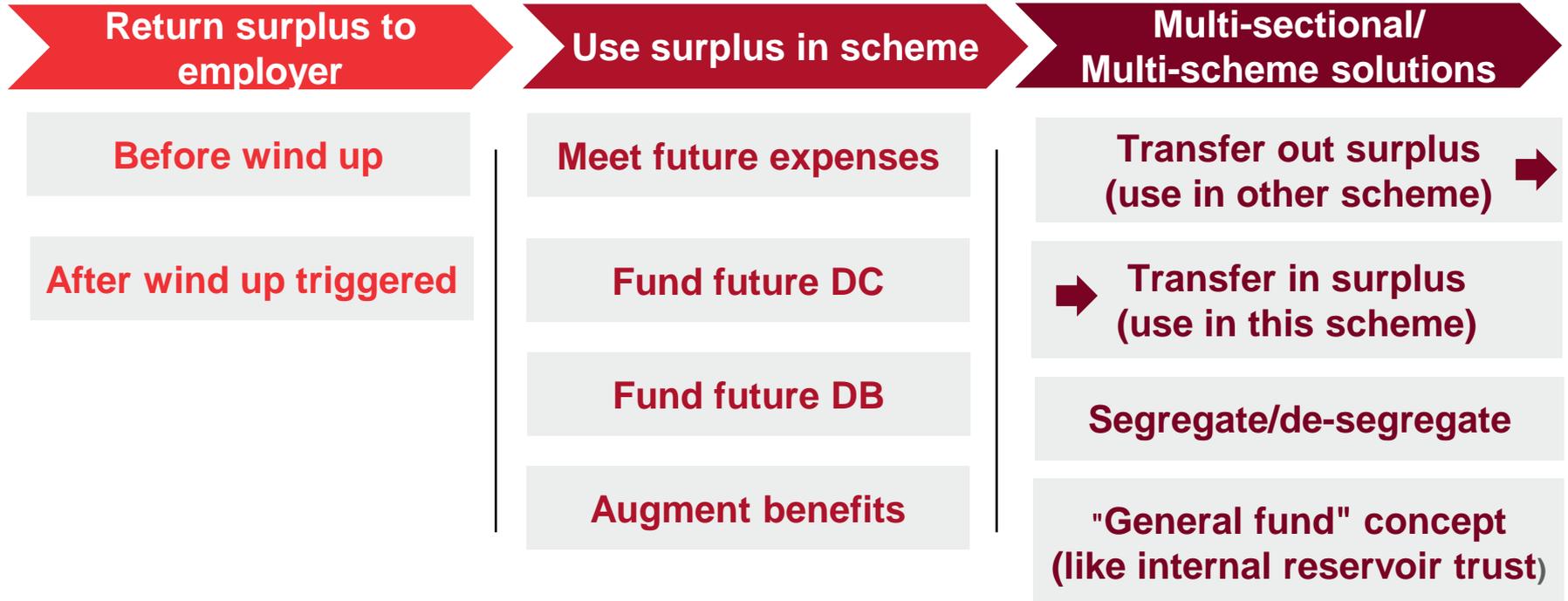
- Benefit spec: admin. or legal-led?
- Discharges/ amendment/ removal
- Complex/ non-insurable benefits/ codifications/ underpins – bespoke issues
- Actuary's role

## Residual risk cover

- Versus "traditional" run-off insurance
- Bespoke
- Due diligence + disclosure + time/cost
- Exclusions
- Enforceability by members
- Inception / later – "no digging"
- Single premium
- Value to trustees and employers?

# Use of surplus – a possible factor

## Strategic options



# Exoneration, insurance and indemnity

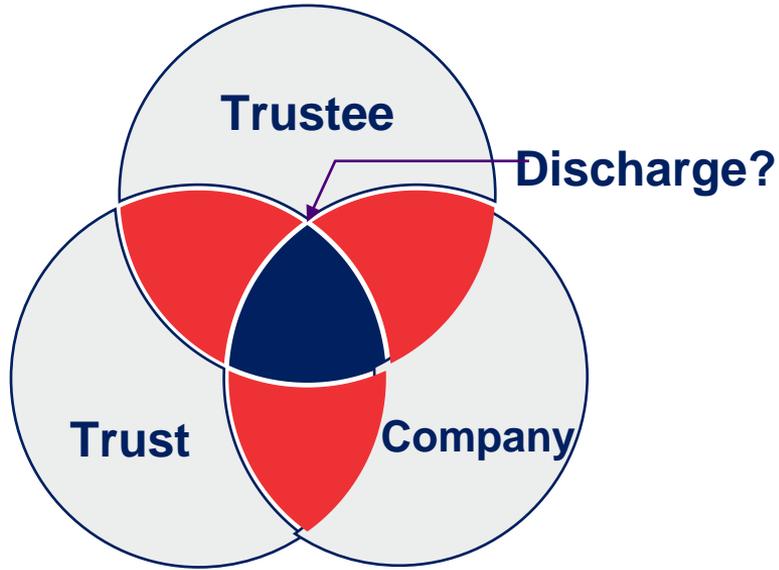
## Scheme running on

- Trust Deed and Rules
  - exoneration clauses
  - employer indemnity
  - scheme asset indemnities
  - restrictions
- Trustee Act 1925
- D&O cover
- Employer indemnities
- Practical points
  - nature of the specific issue
  - limitation periods
  - limitations (time & amount)
  - sponsor covenant

## Scheme terminating

- Trust Deed and Rules
- Trustee Act 1925
- D&O cover
- Endgame provider cover
- Run-off insurance
- Residual Risk insurance
- Employer indemnities (who is your client?)
  - do they survive automatically?
  - Follow the TD&R? or bespoke

# Exoneraton, insurance and indemnity



Third party provider?

Corporate  
Trustee /  
Individual  
trustees

Personal  
liability

Provision of  
member  
benefits

Is there  
a gap?

Who is responsible?

# Questions

The image features a large white speech bubble on the left side, containing the word "Questions" in a bold, dark blue font. The background is a gradient of dark blue and purple, with a complex, wavy, fractal-like pattern that resembles a stylized, glowing blue and purple wave or a series of overlapping, curved lines. The overall aesthetic is modern and digital.