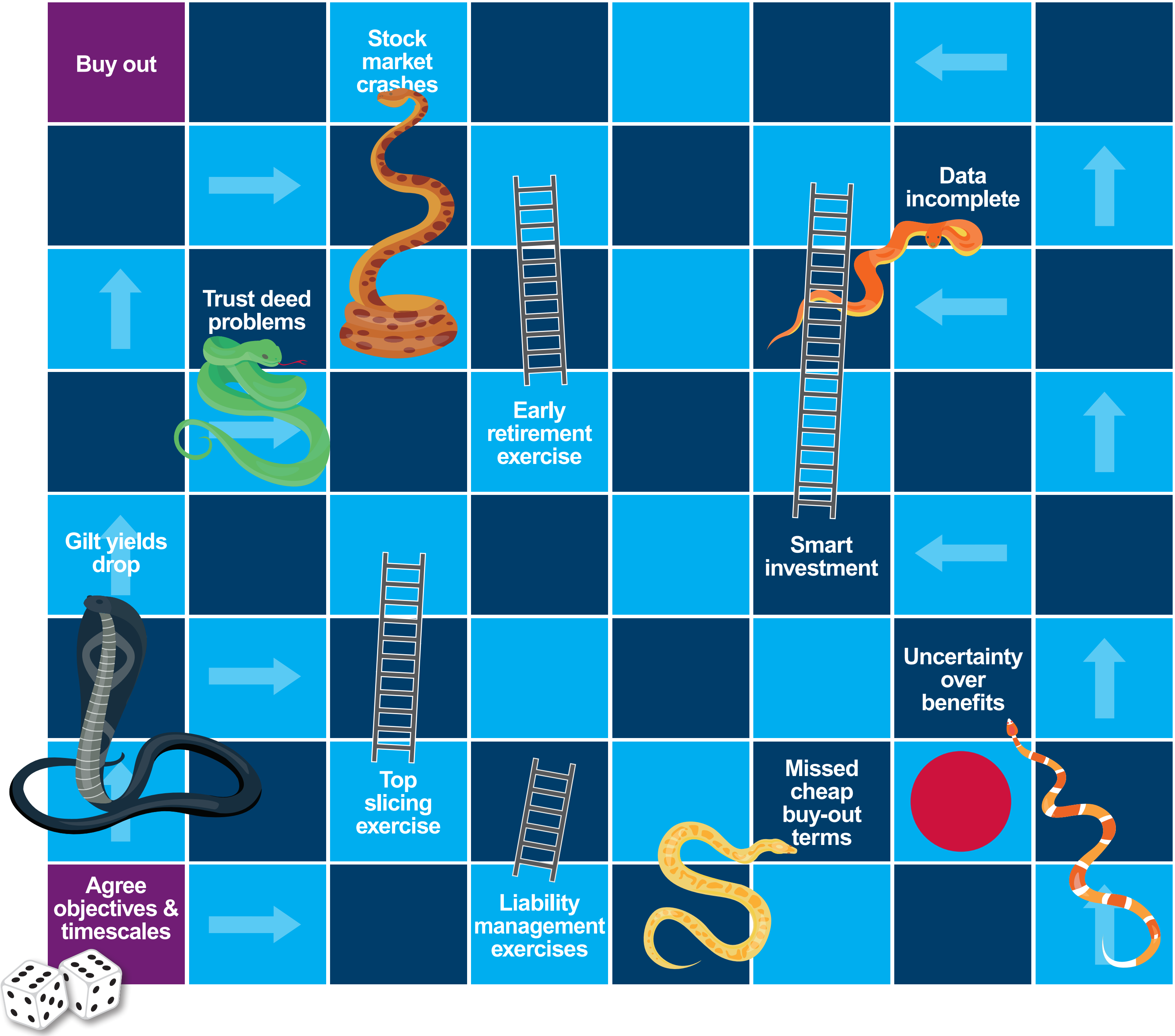
How to win at buy-out

first actuarial



How to win at buy-out - the rules

When to buy-out

The buy-out shortfall may seem high but with careful planning this can turn around quickly. Start now and plan to succeed.

How to prepare your scheme

Action plan	To help you understand the timescale to buy-out and the steps needed.
Data cleanse	Insurance companies need clean data to give a quotation. The cleaner the data, the more attractive the scheme is to them and the lower the price they charge.
Annual check on data	To make sure the data remains accurate and up to date.
Review of documentation	So that you can address any issues and be ready to move quickly when the best price is available.
Regular monitoring	To make sure steps are completed on time and in a cost-effective manner.
Smart Investment	Monitoring and being ready to lock in improvements in buy-out funding level using pre agreed triggers.

Example

Initial buy-out shortfall 40%

Removed by:

Liability Management	4%	Insurance company competitiveness	5%
Top slicing exercise	3%	Investment returns	10%
Early retirement exercise	3%	Employer contributions	8%
Deferring buy-out	7%		
		Total	**40%**

How to reduce the cost to you

Liability Management Exercises	Exercises such as enhancing transfer values or offering a flexible retirement option can mean settling members' benefits at a lower cost than buy-out.
Top slicing exercise	Buying a separate insurance policy to cover the large pensions in the Scheme and to reduce the risk they cause the buy-out provider. This involves looking closely at the health of the pensioners to get the best price. Remaining pensions are more uniform and more desirable to insurance companies. This means a lower buy-out price.
Early retirement exercise	This gives more people the chance to retire and take a cash lump sum. Insurance companies prefer to insure pensioners rather than deferred pensioners. Also, if members take a cash lump sum it is almost always less than the cost of buying out the pension given up. More retirements reduces the buy-out cost.
Delaying buy-out	As members retire, the proportion of pensioner members increases and this makes the scheme more attractive to insurance companies and cheaper to buy-out.
Insurance company competitiveness	Sometimes, insurance companies can buy assets cheaply. If you are ready to buy-out when cheap assets are available the cost will be lower.
Investment returns	Remaining invested in growth assets can mean scheme assets increase more quickly than the buy-out cost. This makes buy-out cheaper.

Get in touch

Contact us now to find out how we can help you.

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