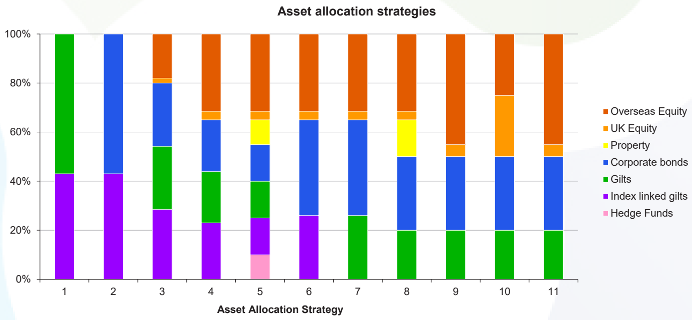
# ASSET LIABILITY STUDY

## THE STUDY AND REPORT

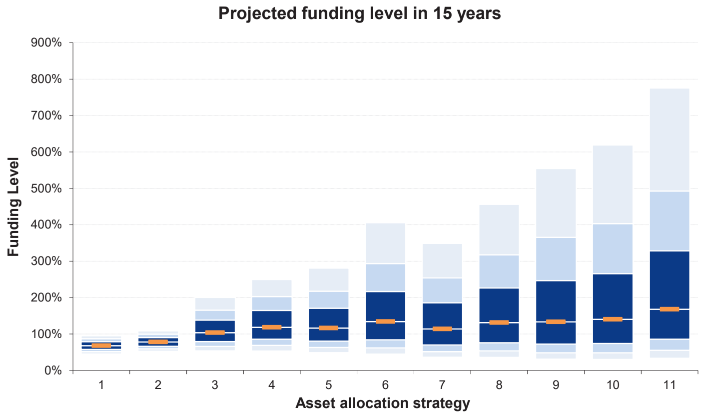
An asset liability study is used as a tool for understanding how different investment strategies may impact future funding levels and contributions for a defined benefit scheme.

The asset liability model provides detailed results by randomly simulating a large number of future economic scenarios. A set of assumptions about mortality, leavers, joiners, economic factors, asset returns and how these returns vary and are correlated is used. The asset liability model covers the following:

- Projections of up to fifteen years into the future of:
  - Funding level
  - Surplus/deficit
  - Deficit contribution correction
  - Probability of success and average shortfall where success is not achieved
  - Net cashflows over the period
- Projections on the scheme's current asset allocation and up to 10 alternate asset allocation strategies




- Projections based on asset allocations which change over time, and/or dependent on funding level
- The projected funding level and the projected surplus/deficit expressed in terms of ranges representing likelihoods of outcome




- The format of the reporting to the trustees is a set of Powerpoint slides, which include the assumptions, asset allocation strategies, results and relevant commentary.

## WHO WOULD FIND THIS SERVICE USEFUL?

Trustees and sponsoring employers of Defined Benefit ("Final Salary") pension schemes who have recently received an actuarial valuation and wish to review the impact of possible changes to the asset allocation of the scheme. This might include strategies to protect a surplus from adverse movements in interest rates.

## HOW LONG DOES THIS PROCESS TAKE?

The length of time taken will depend on the availability of the latest actuarial report. In order for us to use data and assumptions consistent with the actuarial valuation we would expect close contact with the scheme actuary. The estimated timescale following receipt of the necessary data and agreement of objectives is 10-13 weeks. This includes relevant discussions with the client/scheme actuary.

## CHARGES

The cost of the service is calculated on a time-spent basis. A guide fee based on our experience of similar work we have undertaken can be provided upon request.

BWCI

BWCI

### Focused
We are focused on our clients' needs and provide a service to suit their individual requirements.

### Practical
We deliver solutions in practical, commercial and cost-effective ways.

### Innovative
We seek innovative solutions to complex financial problems using advanced analytical tools and software.


**Guernsey office** PO Box 68, Albert House
South Esplanade, St Peter Port
Guernsey, GY1 3BY
**Tel** +44 (0)1481 728432
**Fax** +44 (0)1481 724082
**Web** www.bwcigroup.com

**Jersey office** Osprey House
5-7 Old Street, St Helier
Jersey, JE2 3RF
**Tel** +44 (0)1534 880112
**Web** www.bwcigroup.com