

BULK ANNUITY AND SCHEME WIND-UP SUPPORT

for defined benefit pension schemes based in the Channel Islands

As the defined benefit pensions industry continues to mature, bulk annuities (and other approaches to wind up schemes) are increasing in relevance. In many cases, pension schemes have been closed for some time and represent a financial legacy for sponsors. Passing these benefit obligations to an insurer may allow the sponsor to focus its attention on its business and current pension provisions, whilst (critically) maximising the security of benefits for the scheme's members. Whilst often seen as an ambitious target for schemes, this route has become more feasible for schemes following the widespread funding improvements seen in 2022 (as a result of rising government bond yields) and a growth in insurers conducting business in the Channel Islands.

We can support a scheme along every stage of this journey, through buy-in (where the bulk annuity is an asset of the scheme) to buy-out (where the buy-in is converted to individual policies with each member, allowing the scheme to wind-up).

BWCI'S ROLE

Our level of involvement can be tailored to the specific situation and can range from a feasibility study (demystifying the local landscape and identifying the optimal strategy for sponsors), to supporting trustees through the entire process, or even providing an introduction to BWCI's professional trustees to fully implement the project.

APPROACH

We would generally start with an assessment of feasibility and determining an appropriate project plan. This can include a complete review of options for the scheme, comparing wind-up and the running-on of the scheme.

Projects typically comprise four key phases, but each scheme will have its own unique circumstances and requirements:

1. **Preparation** - A review of the scheme's data, drafting the required benefit specifications, and agreeing a member communication strategy. Where it is required to facilitate a buy-out or desired and agreed by trustees and employers, rule changes, benefit restructuring, and member option exercises can be included. This stage may include reviewing the approach for any AVCs, tracing missing members, and minimising investment risk in the run up to a transaction.
2. **Buy-in** - Working with insurers to receive quotations, reviewing contracts and pricing (as well as the financial strength of the insurer themselves). Following this, it would comprise implementing the contract and payment of the premium.

3. **Buy-out** - Data cleanse and sign-off of final member data. It would then move to providing individual policies to members, payroll transfer, and reviewing the balancing premium.
4. **Wind-up** - Refund of any surplus (where relevant), review of residual risks, termination of the scheme, final accounts, and regulatory notifications.

We can assist with all aspects of project management throughout the project. Our deep understanding of the local environment, pension regulation, trust law, and best practice ensures smooth navigation through any scheme specific complexity. We are also able to draw on our experiences of the UK bulk annuity market.

IS BUY-OUT ALWAYS AN OPTION?

There can be barriers to buy-out, particularly for some international pension schemes or schemes with unique complicated setups. Using our expertise and local knowledge, we are generally able to remove barriers or identify other strategies for achieving wind-up. We therefore encourage sponsors or trustees of any schemes with suspected barriers to get in touch with us.

IS WIND-UP THE ONLY WAY?

Whilst wind-up is often a very reasonable goal for many schemes, the local regulatory environment can present opportunities (particularly for larger schemes) to run-on in a way which allows assets to continue generating value for scheme sponsors and members. Where this may be the best option it can be identified as part of a feasibility study.

BWCI GROUP

The BWCI Group is the largest group of actuaries and consultants in the Channel Islands, with offices in both Guernsey and Jersey. It is a member of Abelica Global, the international network of leading independent actuarial consulting firms.

FURTHER INFORMATION

If you are the trustee or sponsor of a DB scheme based in the Channel Islands (either a local or an international scheme), we would be very happy to talk through the high-level options and to explore how we can help you reach your ultimate objective. For further information, please contact Anthony.Brewer@bwcigroup.com or your usual BWCI contact.



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