

End-to-end support for Scheme wind-up, with surplus distributed to Employer and members

Key outcomes



Extra member benefits from Scheme surplus



Removal of Scheme liabilities from Employer



Cost savings from efficient processes

Independent trustee ZEDRA approached First Actuarial to help take the Standard Group (UK) Pension Scheme through a £26m buy-in and wind-up. First Actuarial supported the Trustee throughout the process, with its end-to-end risk transfer service.

The challenge | Removing Scheme liabilities from Employer

An improved funding position meant that members' benefits under the Scheme could be secured in full, without additional financial cost to the Sponsor. Clare James from ZEDRA, the Scheme's independent Trustee, approached First Actuarial, the longstanding administrator and investment adviser of the Scheme.

"I valued First Actuarial's proactive approach," says Clare. "And their historical in-depth knowledge of the Scheme's benefit complexities meant they were best placed to help us."

The solution | An efficient Scheme wind-up

► Preparing the valuation

First Actuarial's risk transfer and administration teams worked through the benefit complexities and reviewed the data. With the Trustee and legal advisers, they checked the Scheme rules and documentation, to make sure the correct benefits were secured for members.

"First Actuarial were responsive and worked collaboratively with the Trustee and legal advisers to address the issues identified," says Clare.

► Identifying potential insurers

Once the benefit specification and data were agreed, First Actuarial's risk transfer team sought buy-in quotations from potential insurers. They detailed the two quotations received in a report of recommendations.

"As an independent trustee, I drew on my wider knowledge of the bulk annuity market to evaluate the options," says Clare. "With help from First Actuarial, we considered various factors alongside the price. With a paternalistic Sponsor, the member experience was a key consideration when deciding which insurer to appoint."

The Trustee appointed Just Group as insurer.

▶ Implementing the buy-in

The risk transfer team, led by Declan Keohane, worked with Just Group, ZEDRA and the legal advisers to get the contract signed, the premium paid and the transaction implemented. That secured the buy-in.

“It all ran smoothly, and we completed the buy-in contract and formalities in just a few weeks,” says Clare.

▶ Winding-up the Scheme

While Just Group carried out its due diligence, First Actuarial responded to the insurer’s queries about the benefit structure and membership data.

“It was important for me, as Trustee, to keep the Sponsor updated and manage their expectations of timescales,” says Clare. “First Actuarial responded to queries in a timely manner, doing all within their control to keep the process moving.”

The risk transfer team put together a wind-up project plan, which included

wider activities such as member communications and securing additional voluntary contributions. They scheduled work streams in parallel where possible, to make the process more efficient.

“We completed the wind-up in time for the Sponsor’s financial year-end,” says Clare, “which is testament to the hard work of First Actuarial and all the other parties involved.”

▶ Distributing the Scheme surplus

As First Actuarial tracked the funding position in the lead-up to the signing of contracts, a significant funding gain emerged, which resulted in a sizeable Scheme surplus.

“The question of who receives pension scheme surpluses can be a contentious one between sponsors and trustees” says Clare. “Fortunately, in this case both the Sponsor and the Trustee already had a detailed understanding of their trust deed and rules, and how the surplus would be distributed. The Sponsor received

a refund of certain expenses and the remainder of the surplus was used to enhance members’ benefits.”

An important challenge remained. Agreement was needed on the exact form of those benefit enhancements. First Actuarial, ZEDRA, the Trustee’s legal advisers and Just Group worked proactively to agree a solution without delaying the transaction.

The outcome | Secured and enhanced member benefits

▶ Extra member benefits from Scheme surplus

The surplus was distributed among the members, who received statutory notice of the surplus distribution proposals. Members have fully secured benefits, including some additional ones.

▶ Removal of Scheme liabilities from Employer

The Employer no longer carries the liabilities of the Scheme on its balance sheet, and has received compensation for some Scheme-related expenses. “The Employer was now in a position to reflect the impact of the buy-out in its year-end accounts,” says Clare.

▶ Cost savings from efficient processes

First Actuarial’s risk transfer team anchored the transaction with project management and end-to-end support. And every party involved – ZEDRA, Just Group and the legal advisers – played their part in meeting the Employer’s timeline.

“The longer the wind-up process, the more the costs of running a scheme mount up,” says Clare. “So trustees should always aim to get their scheme wound-up as efficiently as possible once a decision is made. The success of this project was down to strong relationships between the Sponsor and the Trustee and their respective advisers, including First Actuarial, and the responsiveness of all parties in moving things forward.”



“Relationships were key to the success of this buy-out project, which moved at pace thanks to the proactiveness and responsiveness of all parties involved. Across my dealings with First Actuarial, I felt that this project was afforded the resource and focus it required. First Actuarial responded promptly to all my queries, anticipated every challenge and made every effort to resolve issues collaboratively.”

Clare James,
Independent Trustee,
ZEDRA

