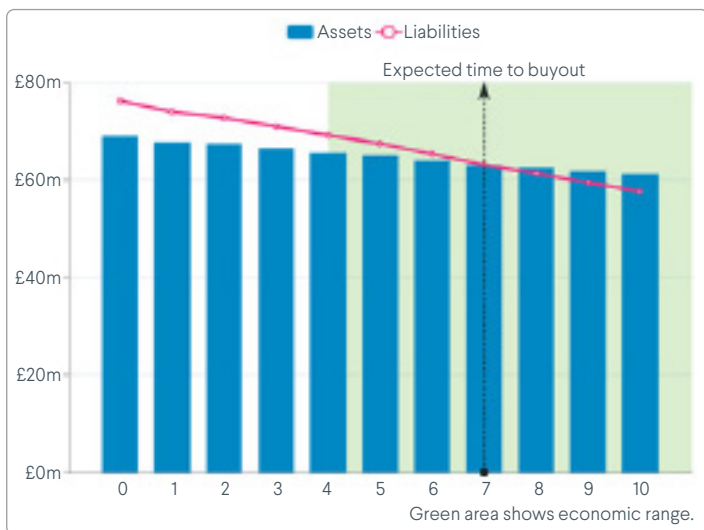


See the road ahead with the PACE app

Our PACE consulting framework for DB schemes targeting buy-out integrates affordability, investment and due diligence considerations to create a clearer pathway. Alongside leadership from a trusted adviser, your scheme will benefit from specialised technology that can help you make the right decisions.

The PACE app shows you how near or far your scheme is from buy-out, based on realistic insurer pricing. Your target date is given in context, to take account of uncertainty in economic factors and insurer pricing.



The app also lets you see what happens if things change – how many more years you’d need to wait, and how large your average deficit would be.

You can see in detail how different approaches would affect these measures. We use a stochastic model to show the effect of changes to investment strategy, hedging, potential future buy-ins, and cash inflows and outflows.

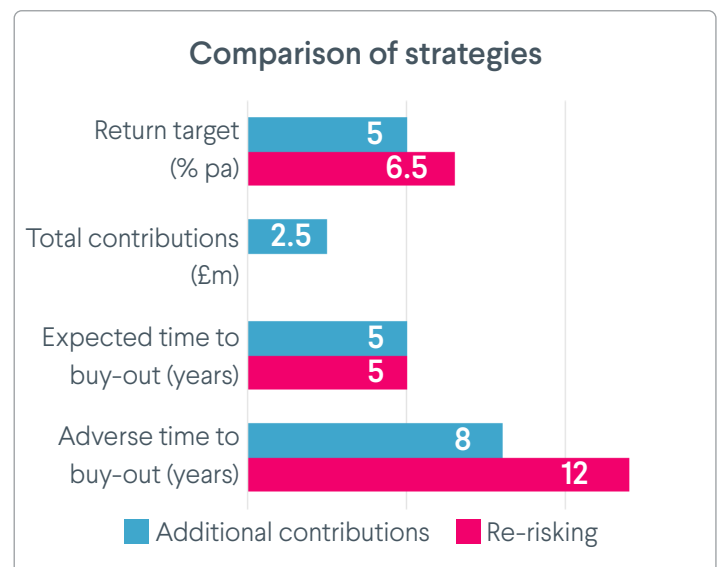
You can easily see, in numbers and charts, how scenarios compare, and how your decisions might affect time to buy-out and risk. The app lets you measure and monitor the expected time to buy-out affordability, understand sensitivities and risks and test strategic decisions against whether they make buy-out more likely or cheaper.

The PACE app in practice

Using our app, we helped a scheme’s trustees to test their strategy and confidently take the next steps.

The PACE app showed the trustees that their current expected time to buy-out was five years. They were confident the sponsor covenant was more durable than this, and they wanted to understand the risks they were running with this strategy.

We used the app to see the effect of re-risking their investment strategy on their buy-out target. We saw that if the scheme hadn’t reached the target in five years, for example, the adverse time to buy-out would likely be another seven years (ie 12 years in total). The average deficit in those years would be larger than the current deficit.



Having quantified the risks, the trustees decided not to re-risk, and tested various asset allocations in the app. By seeing a clear picture of how scenarios might play out, the trustees quickly found a way to remove much of the downside risk without delaying buy-out.

Clearer sponsor discussions

We also used the app to test various increases in sponsor contributions, to see how they'd affect the funding level and expected time to buy-out. The trustees could then discuss increased contributions with the sponsor more confidently.

The trustees talked the sponsor through worked examples of how increased contributions now would compare with several years of scheme running costs. The sponsor could easily see that spending more in the short term would get the scheme to buy-out quicker and save on scheme running costs later on. The numbers showed this scenario would result in a smaller overall spend for the sponsor and less risk.



The effects of uncertainty

In a trustee meeting to review strategy, we used the PACE app to give a realistic idea of how economic and insurer uncertainty could affect the expected time to buy-out. The trustees were surprised to see that buy-out could suddenly become affordable as much as three years earlier than the expected date.

With this realisation, the trustees saw the need to start preparing for buy-out much earlier than they'd thought. Their revised medium-term strategy included data cleansing and GMP equalisation, so that the scheme could be ready for buy-out should that become affordable earlier than expected.

Continue the conversation

To find out how the PACE app can help your scheme, and to discuss your buy-out strategy in detail, please get in touch with your usual adviser or one of our specialists.



Laura McLaren

Partner

0141 566 7914

laura.mclaren@hymans.co.uk



Elaine Torry

Partner

0141 566 7952

elaine.torry@hymans.co.uk



Jonathan Seed

Partner

020 7082 6427

jonathan.seed@hymans.co.uk

Visit our website or follow us on social media to keep up to date with our latest insights.

 www.hymans.co.uk

 Hymans Robertson