Willis Towers Watson

DB member choice survey 2019

Exploring flexibilities in relation to pension savings


TIDAL

Foreword

This survey looks at the recent experience of members of UK DB pension schemes who have been given options relating to their DB benefits, and provided with access to financial advice to help them make the right decision for them. The survey captures the experience of 300,000 members across 560 different UK pension schemes since April 2015, and is based on data from leading firms of financial advisers appointed to help guide members through the process. This makes the survey the most comprehensive study of the appetite of DB pension scheme members to explore the flexibilities made available by their scheme.

We have split the results into two key areas, reflecting the main types of options UK DB schemes have offered their members in recent years: a Retirement Transfer Option (RTO) and a Pension Increase Exchange (PIE).

An RTO gives individuals over the age of 55 who have not yet started to receive their retirement income the ability to take advantage of the pension freedom introduced by the UK Government in 2015. Retired members already receiving their DB pension can't access this full flexibility, but schemes can offer these members a PIE to allow them to have higher income in their early years of retirement, in exchange for a lower expected pension in later years.

These options can help manage the costs and risk of running a DB scheme, but can also appeal to a significant proportion of DB scheme members. 29% of pensioners offered a PIE in the last year decided to accept. The headline figure for the proportion of retiring members over the age of 55 who chose to take the transfer route is notably lower this year compared to the recent past, at between 10% and 15% in most surveyed cases.

Brexit uncertainty and FCA scrutiny appear to have dampened the appetite to access RTO flexibility in 2018, but 2019 could see an upturn as many members may have just delayed a decision to potentially transfer to a later date.

The range of outcomes for RTO seen across schemes is again apparent, which continues to highlight the important role for DB scheme trustees and sponsors to communicate in an engaging way with their members, and understand how and where members can receive the financial advice they need if they wish to consider their options. The trend of an increasing use of technology to engage members in this process is clear, and we explore this in some detail.

Towards the end of this publication, we look at the growth of Enhanced Transfer Value (ETV) exercises, and the strategic use of all member option exercises as part of a scheme's de-risking journey, recognising that members accessing flexibility can also help a scheme manage its path to securing all benefits in a shorter timescale than they otherwise could, and at a lower cost than via the insurance market.

I would like to thank the following firms of financial advisers who were among those who kindly provided data to allow us to produce this survey: Chase De Vere, Creative Wealth Management, Corinthian, JLT, LEBC The Retirement Adviser, LV=, Origen Financial Services and Wren Sterling.

We hope you enjoy reading this publication. If you would like to know more about the options discussed here, or other member options, and how these could form a key part of your scheme's pension strategy, please speak to your usual Willis Towers Watson consultant or one of the specialists named on page 13.

Abigail Currie
Head of Member Options

Transfers and PIE: the statistics

Simon Pariser looks at the headline figures relating to DB transfers and Pension Increase Exchange (PIE), whilst also considering a few of the more subtle aspects at play.

This year was another busy year in the world of member options and particularly DB transfers. Willis Towers Watson's fourth annual survey of the leading firms of financial advisers looks to interpret data from UK DB pension schemes that are providing support to members who wish to explore flexibilities in relation to their pension savings.

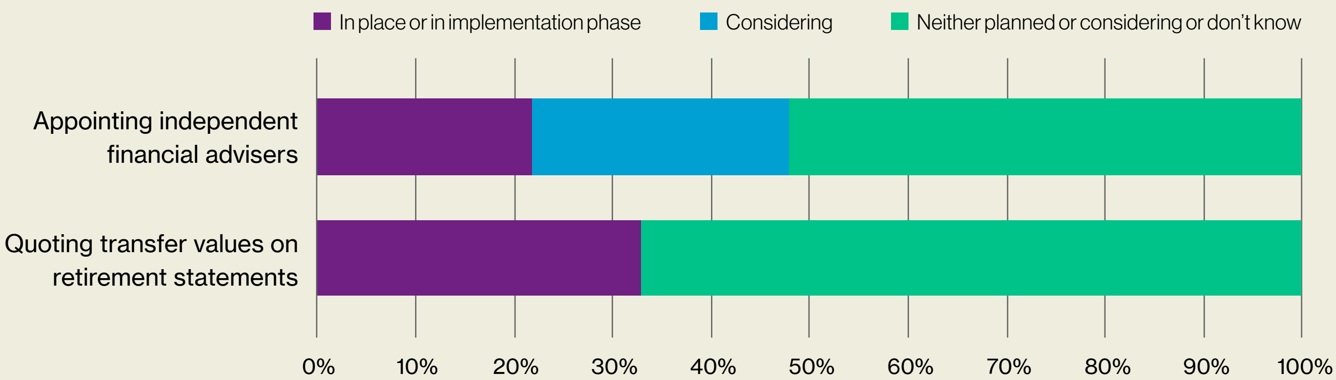
What are the key trends?

1. Member support

In this year's survey we collected data from over 100 separate DB transfer exercises covering 50,000 pension scheme members – more than any other year since pension freedoms. The fact that more members are now being provided access to impartial financial advice is evidence that trustees and sponsors have become more inclined to help members understand their options and put in place a process that allows members to make informed decisions.

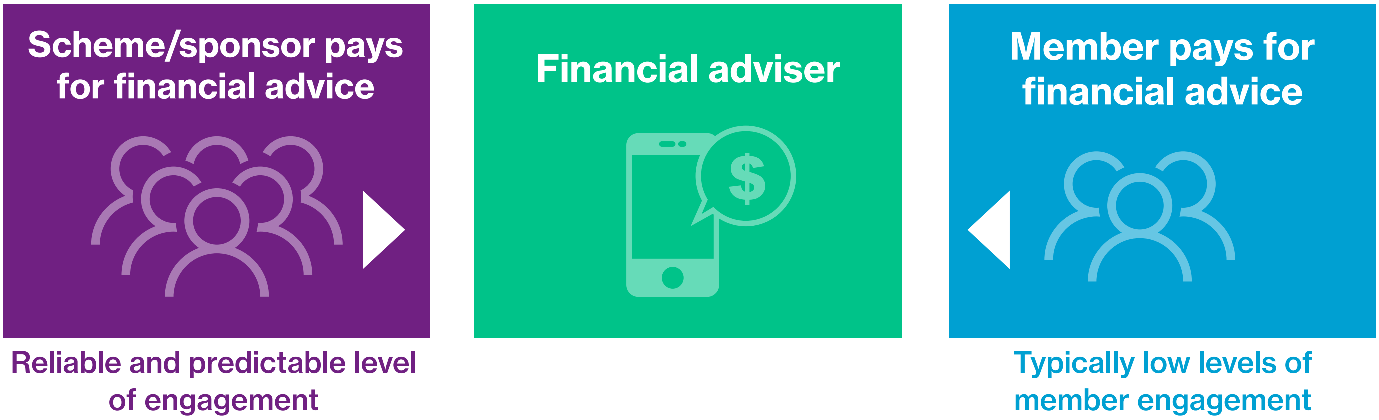
It is not only the data collected from the IFAs that highlights this point. We've obtained data from our client base that shows increasing levels of support being provided to scheme members. We found 1 in 3 schemes now quote individual transfer values on benefit statements at retirement, and 22% of schemes have appointed a firm of financial advisers to support members.

Figure 1. **Steps schemes are taking to help members considering their options at retirement**



Source: Willis Towers Watson, "What next for DB?" 2018 Defined Benefit Survey and 2018 annual survey of our client base

Figure 2. **Members who are required to pay for their own advice are far less likely to engage with an IFA**



2. Member engagement

In our 2018 survey we emphasised that experience showed a wide range of take-up rates when it came to transfer exercises. This remains the case, but one aspect that has proved to be a relative constant over the years is the proportion of members engaging in an offer, i.e. speaking to a financial adviser.

Where the exercise is well run and the offer is pitched at the right level, the historic data suggests you can reasonably expect between 40% and 60% of members to engage with an IFA and explore their options further. Over the last year the figure was towards the lower end of this range, but the over-arching message remains the same – a significant proportion of those yet to retire truly value the opportunity to explore their options.

There is an exception to the rule when it comes to 40%-60% engagement. Where the member is required to pay for the financial advice themselves, even at a discounted cost achievable through partnering with a pension scheme, members are reluctant to foot the bill for advice and typically engagement is much lower.

3. Member take-up

Whilst member engagement remains consistent with previous years, the proportion of members transferring out has generally been lower for exercises completed in the last 12 months, as shown in Figure 3.

Figure 3. **Retirement Transfer Option (RTO) engagement and take-up rates over the last two years**

	2017/18	2018/19
Member engagement	40% – 60%	40% – 60%
Member take-up (proportion of members transferring)	20% – 30%	10% – 15%

This shouldn't be confused with the popularity of transfer exercises as a whole. In absolute terms the number of individuals transferring has increased owing to the unprecedented number of transfer exercises undertaken over the past year. In fact, the number of members transferring out of their DB scheme is higher than in any previous year!

Due to the large number of factors influencing take-up rates for any given RTO exercise, it is not possible to quantify individual causes for this change compared to past experience. However, two factors that were repeatedly raised in our discussions with financial advisers were Brexit, and the FCA:

1. **Brexit**: One cannot help but speculate that Brexit will have been a key factor. Due to the uncertainty of the outcome of Brexit and investment market impacts impossible to call, it is easy to understand why a member in a DB scheme (where the level of benefit is not directly linked to asset performance) might not have the confidence to transfer their retirement savings to a DC arrangement where they will often take on all of the investment risk.
2. **The FCA**: In October 2018, the FCA issued a policy statement which followed a round of consultation running through much of 2018. Scrutiny from the regulator may have acted to add layers of cost and caution to firms of financial advisers, and the FCA has gone on record stating that IFAs should start from the presumption that a transfer is not in a member's interests. It seems that the regulatory scrutiny may have had the desired effect of dampening the proportion of transfers seen in previous years.

Whilst current take-up rates are lower than we have come to expect, the industry as a whole should be reassured that such economic uncertainty is met with caution from both financial advisers and members. Surely this is exactly what trustees and sponsors had hoped would happen when putting a robust transfer process in place? A number of the IFA firms we spoke to recognised this, but forecast that take-up of transfers could rise again in the future as investment markets calm, FCA changes bed in, and members who were contacted in a bulk exercise in 2017 or 2018 get closer to the age where they are ready to put their benefits into payment.

Is there a socio-demographic divide?

Take-up rate variability remains a key feature of transfer exercises and it is difficult to pinpoint with conviction any one of the numerous factors at play. One theme we heard from several IFAs is the possibility that the socio-demographics of a specific membership could affect both engagement and take-up.

A transfer might be equally suitable for both blue-collar and white-collar workers, but members from different industries will naturally respond in different ways to an offer.

Many of the IFAs we spoke to told us that, in general terms, blue-collar workers are more suspicious of employer engagement, particularly unionised workforces, and this implies a greater need for member education tools; often through face-to-face sessions or engaging online materials. On the other hand, members in the finance sector tend to apply greater scrutiny to the detail of the offer and the numbers involved; therefore providing access to a modeller could help these members understand the options available to them and motivate engagement with an IFA.

This highlights the value of drawing on experience from other schemes and the need for careful consideration of the best approach early in the planning stage.

Pension Increase Exchange

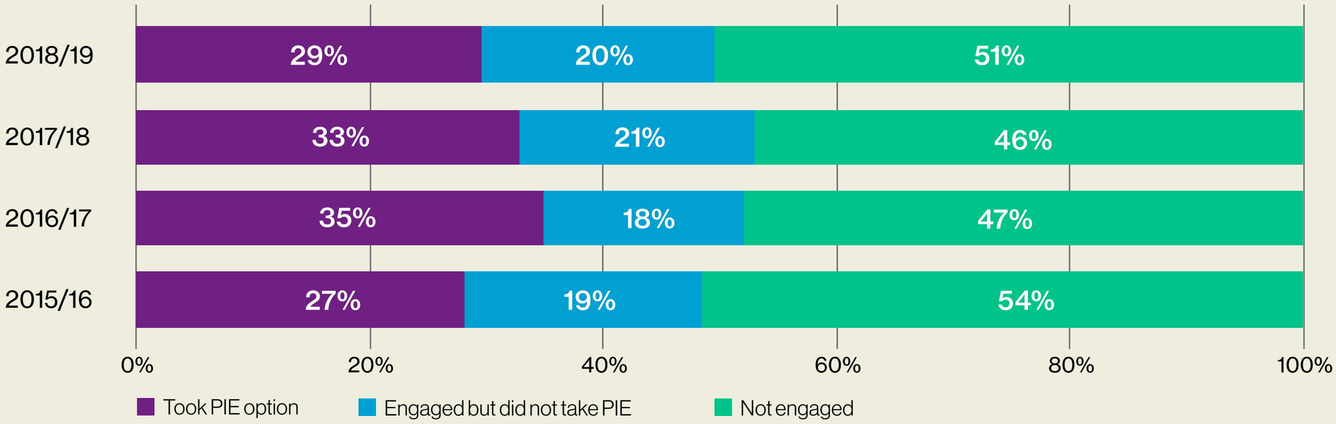
A constant trend

In stark contrast to the variability seen across transfer exercises, pension increase exchange has proven to be very consistent. Unlike RTO, it is a relatively straight forward task to estimate the expected take-up experience for a PIE exercise.

In recent years we have seen take-up in the region of 25%-35% and this year is no different; with the data showing an average take-up rate of 29% across the 45,000 members presented with a PIE offer combined with paid-for financial advice in the last year.

The story is the same for engagement rates, with the data showing 49% this year – teetering around the 50% marker we have come to expect – proving that PIE remains popular amongst members.

Figure 4. **PIE engagement and take-up rates over the last four years**



There will of course be anomaly schemes but as Figure 4 shows, the expectations of a PIE exercise are fairly easy to summarise:

- Around 1 in 2 members will engage with an IFA
- Around 1 in 3 members will take a PIE

This high predictability also means repeat exercises are very popular for schemes that have previously completed a PIE. In practice, this involves writing to the entire pensioner population with a PIE offer and then again writing to the pensioner population several years later, allowing the offer to capture new pensioners who may not have been in scope of the previous PIE (as well as those who were excluded or declined the first offer). Many IFAs have commented that this is now a tried and tested approach and a slick operation in schemes where there is an established process around advice, calculations, and communications.

The future of PIE

The potential liability savings resulting from PIE combined with the popularity of the option to scheme members, as evidenced by the data, means there is likely to be a healthy appetite for PIE for years to come (at least where pension scheme rules continue to award pension increases above a level required by law).

And yet there might be another role for PIE...

Where GMP conversion is the preferred approach to equalising GMPs, it will be necessary to carry out value calculations converting one type of pension (GMP) for another type of pension ("excess"). Whilst law will require GMP conversion to be on a basis of actuarial equivalence, the principles behind the calculations are very similar to a PIE, as is the need to communicate any change in benefit to the member.

Combining GMP conversion – or even just a normal GMP equalisation approach – with a PIE could provide a win/win outcome. The trustee and sponsor benefit from an improved funding position due to the savings achieved by the PIE offer, which will also offset in whole or in part the cost of GMP equalisation. Members are given extra flexibility over the shape of their pension that might not otherwise be available through GMP changes alone.

We expect combining GMP equalisation and/or conversion with PIE to become a popular option over the next few years as schemes work through their GMP journey.

Are DB pensions fit for the digital age?

Stewart Patterson explores whether there is a changing trend with member options, and what trustees and scheme sponsors should consider when deciding how to engage with their DB pension scheme members.

There's no doubt that the world we now live in is in the digital age. With smart phones, tablets and laptops ever present in most households, technology has become part of our everyday lives. When it comes to pensions, in particular defined benefit (DB) pensions, the use of member facing technology hasn't always been as prevalent.

"I have a choice to make – let me look online"

Choice is everywhere today. Whether your car insurance is due for renewal or you just want to decide what to watch on TV in an evening, the number of options at your disposal is huge. With so much information to sift through, we often turn to the internet for help. Comparison sites can help you shop around for the best deals and you can get personalised recommendations for TV shows which you can instantly stream. Using technology to help narrow down and explore options is just what many people expect to do as a first step.

In the pensions industry, it is now an accepted fact that choice exists for retiring members as a result of the pension freedoms introduced in April 2015. As highlighted throughout this survey, pension schemes also provide options for members by running specific exercises such as early retirement bulk RTO exercises, ETV and PIE which all give members choice about how to access their retirement savings.

In a world where many people see the online route as a first step in decision making, this raises the question of how technology could or should form part of the way schemes communicate about member options. There is not a reliable and robust comparison site or personalised recommendation portal when it comes to options relating to DB pensions. If schemes do not provide something, there is a danger that members could go online and be frustrated at the lack of support, or worse be at risk of being exposed to scammers or parties not acting with impartiality.

Is online the only answer?

This isn't to say that all pension scheme communications relating to options at retirement or other choices introduced in one-off exercises should be online. Some people respond well to written communication through the post, allowing them to read the content at their own pace and refer back to it. Others prefer the online communication channels where they can easily jump to and from different sections of the content and engage and interact with different features such as personalised illustrators and toolkits. For some, hearing the information in an audio or face-to-face format is a better way for them to absorb the messages and feel comfortable making decisions.

There isn't a single preferred route that suits everyone, and having more than one channel of communication will broaden the net of members you engage with.

However, increasingly web content being part of the package is a key part of successful communication strategies because of the flexibility of the content and ability to include interactive and audio features alongside more traditional written material.

Recommendations for DB schemes

The right combination of communication channels, tools and guidance for a given scheme depends on the nature of the choice in front of members, the population in question and of course the resource schemes have available to deliver the messages. For many of the member options covered in this survey, there is an important role for a financial adviser in helping members make an informed decision, which highlights the role of the pension scheme being to educate and raise awareness but not to advise.

Tips for communicating member options

Based on our discussion with IFA firms and our experience of working with schemes of all sizes across a range of exercises in the last several years, we've listed four useful tips for trustee and scheme sponsors to have in mind when considering how to communicate about member options.

1 **Be clear about the aim of the communication.** Is it to increase member awareness and engagement in a process, or simply for compliance? If there is a desire to drive some form of action (eg member engagement) then the communication and channels used need to grab attention and not overwhelm.

2 **Avoid "accidental" advice.** Strategies which attempt to discourage some members from engaging in a process or speaking to a financial adviser, or use modelling features which stray too far into the territory of the usual IFA discussion can be in danger of being seen by members, and potentially the FCA, as financial advice.

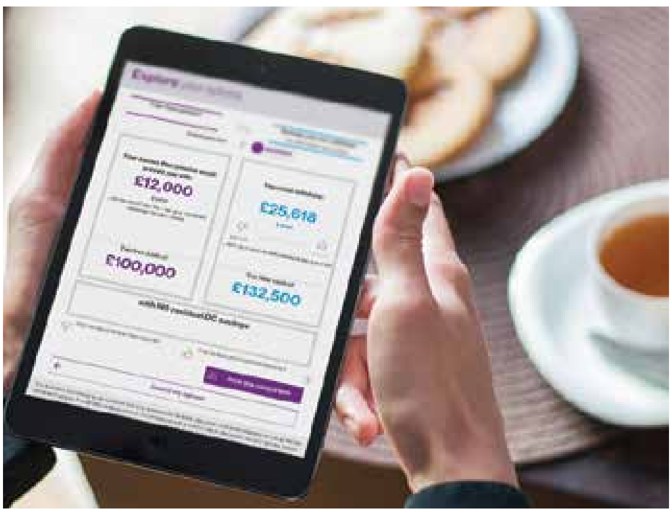
3 **Be flexible.** Don't lock into a communication approach which works for today but is inflexible to adapt to future changes. For example, using layers of communications which aim to drive initial engagement in a light touch way, but then features like seminars and online content to provide more detail can prove easier to adapt than lengthy written documents.

4 **Recognise the impact on administrators.** Whether your scheme uses an in-house or third party administration team, it is likely that the resource will be precious. Don't add extra burden to the ongoing administration process, but complement it. Using self-service approaches and building effective links to third parties such as financial advisers can ease the pressure on the administration process.

DB members are often unaware of the full range of options through the scheme and outside of the scheme. Retire Able tackles this by utilising a combination of engaging written and online communications, together with a simple, user friendly income illustrator.

Key benefits of the Retire Able DB illustrator:

- It educates and engages members
- It manages your ongoing risks:
  - It is not financial advice
  - It can be an "empty vessel" illustrator with no transfer of data mitigating any challenges with GDPR
- Simple for administrators



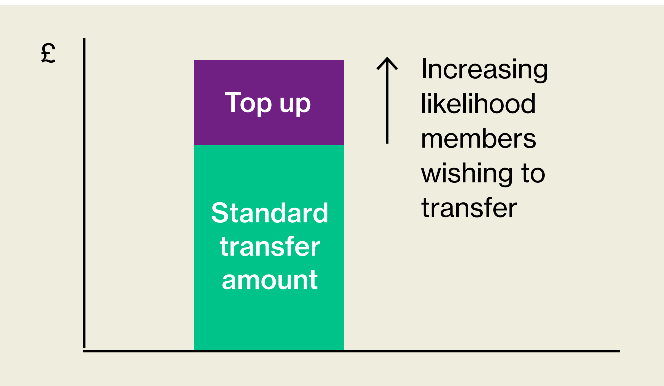
Enhanced transfer values

Tom Wilton looks at why ETV popularity is on an upward trend and making its way back onto the agenda in 2019/20 for many trustees and sponsors.

Whilst cash equivalent transfer value (CETV) exercises have become part of the furniture over the past four years, it is easy to see how enhanced transfer values (ETV) might have slipped off the radar when considering member flexibilities and risk management for DB pension schemes. However, ETVs were around long before the launch of pension freedoms in April 2015 and, despite their established existence, ETVs are still a catalyst for healthy debate among pension scheme stakeholders.

The principle of ETV

An Enhanced Transfer Value (ETV) involves giving those yet to retire an offer to transfer their benefit by proactively offering them the standard cash equivalent transfer value,



uplifted by an amount described as the "enhancement". ETVs provide members with a one-off offer to enhance their transfer value coupled with paid-for impartial financial advice in relation to the offer. The offer is time-limited, with members getting a set period (usually 3 months) to decide whether to accept the offer and transfer out or leave their benefits deferred and unchanged in the scheme. As the outcome of the offer is known within a few months, any risk reduction benefits are reflected quickly in the scheme's funding position.

Back in vogue

Transfer options have become the new norm amongst the over 55 population and the cost savings, risk reduction and member flexibility have all started to pay dividends. Many trustees and sponsors are looking to find similar opportunities to improve the financial position of schemes and reduce risk, including looking at younger members.

Strong asset performance seen over the last few years, combined with slowing longevity improvements and positive moves in insurer pricing, has resulted in many schemes finding themselves ahead of journey plans with the long-term aspiration of buyout becoming a reality. This tipping of the scales has happened gradually for some but, for those schemes where monitoring of the funding level is less frequent; it may have appeared suddenly, and there may yet remain schemes still to uncover this pleasant surprise.

Better funding positions aside, those yet to retire and specifically younger members (below age 55) remain expensive to insure relative to their older counterparts. Higher life expectancies combined with the unknowns surrounding at retirement optionality pose greater risks and uncertainty around the future benefit payments to those members. The combination of these factors has led many trustees and sponsors to focus time and effort reducing risk within the younger demographic.

And the data supports this. Our survey data shows that where financial advice was provided to members, a quarter of all transfer exercises carried out in 2018/19 were ETV exercises. As you might expect due to the nature of ETVs covering all members yet to retire, ETV exercises account for a proportionately higher number of members with around one-third of those written to receiving an enhanced offer.

Why consider enhancing transfer values?

Many of the IFA firms we surveyed highlighted the importance of members having a well-developed plan for income provision in retirement before a transfer recommendation can be considered a viable option, and logic would suggest such a plan is more likely to be present for those close to retirement.

For the younger population a lower proportion of members are engaged with pensions with even fewer having mapped out a plan for financial security in retirement. Combining this with the addition of greater investment risk can make it nigh on impossible to find a compelling reason to consider a standard transfer for those under age 55.

Providing an enhancement can be a powerful engagement tool amongst the younger population; improving the value of the offer, increasing the chances of clearing the IFA "green light" test, and increasing member engagement to a level where younger members begin planning for their retirement much earlier than they otherwise would. Just because someone doesn't have a plan to transfer, it doesn't mean it's not the right option for them. Increasingly, trustees in particular are keen to raise awareness of the option to transfer across all ages, not just those close to retirement.

Higher engagement can also benefit the scheme sponsor through increased risk reduction and cost savings. This might not be intuitive – enhancing transfer payments costs more money, surely? Not necessarily. Better engagement will likely lead to more members taking the option which – even with an enhancement – can remove liability at a far lower cost than buyout.

The future of ETVs

The anticipated buyout savings available suggest ETV should be a serious consideration for any scheme looking to close the buyout gap and can supplement cash contributions or investment returns that are targeting the same aim.

With many schemes ahead of their journey plan and insurers predicting a record year in the bulk annuity market, it is difficult to envisage any DB scheme with an objective to reach buyout over the next few years putting the brakes on. ETVs are set to become more popular.

Case Study: ETV on the road to buyout

We developed a de-risking framework to buyout and windup all their DB pension schemes across the globe. A key element of this was the strategy to deal with their £100m legacy UK DB Scheme.

In order to make buyout a more affordable short-term target for the UK Scheme, we worked with the client to design, implement and communicate a successful Enhanced Transfer Value project. The project covered all non-pensioner members, informing them of their standard transfer value, the enhancement currently available and (for members over age 55) the immediate retirement options.

Access to independent financial advice was also made available to members to support them throughout their decision making process. We ran an IFA selection process, utilising our experience and knowledge of the financial adviser market, to enable the client to select a firm that were the right fit for their membership, with the necessary experience and track record of delivering on these types of high-profile projects.

We led the design of the exercise to ensure an appropriate enhancement could be offered to members that delivered value to both members and the Scheme against its buyout target. Our experience of similar exercises enabled us to efficiently deliver tailored member communications that ensured members were fully supported through their decision making process. The success of the communications strategy meant that 75% of the members contacted the financial adviser.

At the conclusion of the project in February 2019, 30% of members that went through the advice process received green light reports from the IFA in relation to the ETV option. The transferring members, along with those who retired as a result of the exercise, delivered buyout savings of £5m (equivalent to a 10% saving against the buyout premium that might otherwise be paid for these members).

Buyout: Is it closer than you think?

Jenny Neale looks at the buyout market and considers the techniques that schemes who were, say, over 80% funded on a buyout basis at their last valuation could use to reach buyout quicker and with more certainty.

Securing benefits with an insurer is the ultimate target for many schemes, and Member Option exercises are increasingly seen as one of the tools to help close the funding gap to buyout.

Understand your scheme's current position

Over the last couple of years, insurer pricing has become more attractive due to greater innovation in insurers' investment strategies (to provide a better match to cashflows) and competition. At the same time, lower life expectancies, good investment performance and, in many cases, employer contributions mean many schemes may now be in the fortunate position of being better funded than they expected and that elusive buyout may now be a realistic prospect in the short to medium term.

A crucial step for many schemes is therefore understanding the true buyout cost at a more recent date. Our clients are often surprised by how much costs can vary depending on the age profile of the membership, the size of the scheme, how complex the benefits are and the insurance market's appetite to do a deal when you go to market.

Once the buyout cost now is known, it is also important to understand the expected development of it; including, for example, the natural expected improvement in buyout affordability (see below) in addition to the more obvious expected investment returns and any contributions.

Natural improvement in buyout funding over time

Over time, members will retire causing the buyout funding level to increase because:

- Cashflows in relation to pensioners are easier for the insurer to match and so priced more attractively than for those yet to retire
- On retirement typically members choose to take the commutation lump sum option generating a saving relative to buyout.

What actions can schemes take to reach buyout quicker and with more certainty?

There are a number of key related actions that could be taken to get to full funding quicker and/or with a lower risk and more certainty:

Member option exercises

Flexibility for members and savings against buyout costs.

A win for both the Trustees and Company

Giving members choice about the form of their benefits; for example, through an RTO and/or a PIE, will be attractive to some members and will typically generate savings in the scheme, removing risk and shortening the time to reach buyout. An RTO will target members regardless of their age who are at, or close to, retirement; however, as illustrated in the case study on page 9, a one-off transfer exercise with an enhancement can also be attractive to members regardless of age and can be valuable in the run up to buyout as part of the final push to get a scheme to 100% funded.

Investment strategy

Making your assets work harder and with potential buyout in mind.

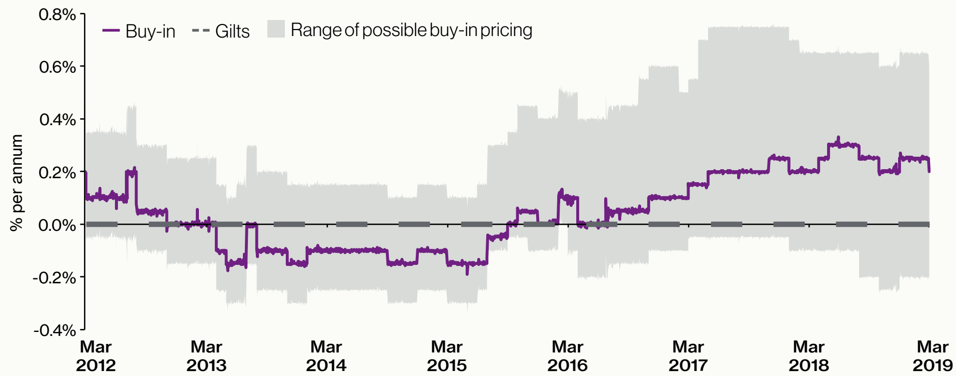
As highlighted in the case study on page 12, the investment strategy adopted will have a significant impact on the length of time it takes to reach buyout. The high level investment strategy should weigh up the expected investment return relative to risk in the context of the potential timeframe to buyout and the outlook for the sponsor's covenant. Alongside this strategic objective, trustees should take into account the assets that would be attractive to an insurer, and retain flexibility to enter into a buy-in if the price is sufficiently attractive.

Lock into favourable buy-in terms

Staged buy-ins when the price is right to increase certainty

The chart below is an extract from our monthly Settlement Watch report which shows the typical yield achievable on a pensioner buy-in or buy-out, relative to a portfolio of gilts. It illustrates how much variation there has been in pricing since 2012; for example, a price for a pensioner buy-in or buyout carried out in mid-2018 could have been 7% cheaper (relative to gilts) than one carried out in 2015. Of course other factors also need to be considered when deciding on the best time to carry out a buy-in or buyout, but this does illustrate the benefits of being able to move quickly when the timing is right and making the most of favourable market pricing.

Pensioner buy-in pricing over recent years



Source: Willis Towers Watson January 2019

Advanced planning, such as agreeing a target price, auditing and cleansing data, and obtaining sponsor support, will have two benefits; it will allow you to move quickly when the price is right and it will also mean more insurers are likely to engage and give you optimal pricing.

Funding strategy

What to pay and when

As buyout becomes a realistic target some schemes will wish to align their Technical Provision with this target. A deficit at the valuation date could be met through additional contributions and/or the passage of time as described here, taking into account the sponsor's covenant. Some sponsors will be willing to pay additional contributions or bring forward planned contributions to reach buyout sooner.

Other schemes will set the Technical Provisions equal to a low risk self-sufficiency measure, and continue to treat the buyout measure as a secondary funding target; albeit there should be increasing focus on the buyout measure when making strategic decisions.

Case Study

- Strong covenant
- Company is not paying contributions
- The Scheme is targeting an investment return of 1.1% pa in excess of that available from government bonds

2015	82% funded on a solvency (buyout) basis at the last valuation	< **Buyout was an aspirational target – expected to be reached in 20+ years**
2015 - 2018	Asset Liability Suite (ALS) tracking tool showed the funding improved due to investment performance and changes in life expectancy assumptions. Scheme believed to be 87% funded in December 2018.	
2018	Reassessment of buyout premium in December 2018 showed 90% funded based on updated insurer pricing. Projection of assets and liabilities shows the scheme is expected to be able to buyout all benefits and wind up the scheme in 10 years.	< **With buyout so close, are we taking the right level of risk?** < **What actions can be taken to reach buyout sooner?**
2019	Trustee agrees an action plan to shorten timescales further	

The Trustee has agreed the following action plan to reach full buyout:

2019 Retirement transfer option	2020 GMP conversion & PIE	2019 - 2023 Strategic buy-in when price is right	2022 Enhanced Transfer exercise	2024 Annuity purchase and commence wind-up
Offering transfers to members (with advice) enables them to take advantage of pensions flexibilities, whilst removing benefits at a cost well below the buyout premium.	Offering to reshape members' pensions can remove inflation-linked increases in return for a higher fixed pension (which is cheaper to insure).	Securing benefits with an insurer is the key step. Significant premium savings can be delivered by using market knowledge and competitive pressure.	An enhancement would make a transfer option more attractive to deferred members (including under 55s), and help close the gap to buyout.	Benefits are secured, removing all risks from the Scheme.

Investment strategy: Review asset strategy to allow for new target, and consider opportunities to make assets work harder (to increase return and/or reduce risk).

The above actions reduce the projected buyout deficit by a third; saving three years from the Journey Plan – providing security to members as well as saving administration fees and management. The scheme is now expected to buyout in seven years - substantially less than the 20+ years anticipated at the last valuation.

What do you recommend?

Being clear on your planned journey to buyout allows better informed decisions and avoids inadvertently taking more risk or paying more contributions than needed to reach your goal. Therefore, well-funded schemes targeting buyout should:

1. Get a realistic estimate of buyout position today and accurately project how this will develop over time allowing for changes in membership
2. Consider how the above actions could be used to shorten that plan and/or to reduce risk and increase certainty of outcome
3. Create a strategic plan to prioritise actions for use in the short term and to agree triggers for future action.

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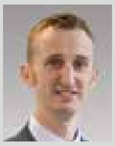

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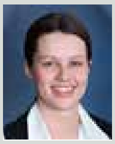

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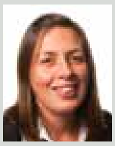

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WTW45646/03/2019

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