

Allied Domecq case study

# How we helped to secure one of the largest buy-ins to date

In September 2019, the Allied Domecq Pension Fund completed a £3.8bn buy-in covering over 27,000 members, including 10,000 deferred pensioners. Michael Abramson, Partner at Hymans Robertson and lead adviser to the Fund, tells us how they went about securing this outcome.

## Preparation

Once the Fund decided that a buy-in met its long term objectives and appeared to be affordable, it quickly established a joint working party (“JWP”) with the sponsoring company to ensure that both company and Trustee were aligned.

The JWP set about preparing in three key areas: **assets, benefits and data**. In all these areas, the JWP was able to build on extensive ground work done by the Trustee over many years.

In terms of **assets**, the Fund was already heavily de-risked. That being said, some strategic actions were taken such as limiting its exposure to assets that insurers would be less likely to accept as part of a buy-in premium. A detailed **benefit** specification was drawn up for insurers, with input from all of the Fund’s advisers. This needed to be consistent with the Fund’s deed and rules, though decisions also had to be made as to how any areas that are usually subject to Trustee discretion should be insured.

The JWP was quickly able to prioritise **data** cleansing that should be undertaken prior to approaching insurers. As with many pension schemes, the Fund did not hold marital status information for the members of the Fund – a key data item in order for insurers to provide the most competitive price. While the JWP considered writing to all members to gather this information, it quickly realised that processing nearly 30,000 forms was going to take a lot of time. If it took two minutes to process every form, that would mean 900 hours of work! So, after consulting with insurers and reinsurers, the JWP decided to take a two-pronged approach, writing out to the 10% of members who represented 50% of the liabilities and, simultaneously, using sophisticated tracing techniques to determine the marital status of the other members of the Fund. This was able to be completed in a much more reasonable amount of time while providing excellent data coverage across the entire Fund.

*“The Fund came to market with clear, well thought through objectives which allowed us to focus on providing tailored solutions for their key requirements”*



**Sammy Cooper-Smith**

Co-Head of Business Development at  
Rothesay Life

## Market engagement

It was clear to the JWP that 2019 was not going to be an ordinary year in the bulk annuity market. In addition to the continued growth in demand that has been seen over the last few years, a small number of similarly large pension schemes were also vying for insurer capacity and attention. There was also the known unknown of the various Brexit deadlines and the unknown unknown of the US-China trade dispute. The JWP dealt with this by being well prepared, clearly setting out its objectives to insurers and maintaining flexibility in terms of its process and timeline. This was clearly communicated through face to face meetings with senior executives at all insurers.

## Sealing the deal

Once it became apparent that insurer pricing was going to meet the Fund's objectives and given the various market uncertainties, the JWP chose to accelerate the insurer selection process. At the point of selecting Rothesay Life, the premium was no longer determined in pounds and pence; rather, it became a list of assets and cash already held by the Fund. This meant that the Fund was immunised against changes to the buy-in premium during the final stages of negotiations, and helped to ensure that there were no surprises.

*“In my capacity as an Independent Trustee I have worked on a number of buy-ins and buy-outs over the years. Securing a £3.8bn buy-in in the context of an increasingly fast-moving and crowded market brought new challenges and required maximum flexibility. Hymans Robertson’s insights and expertise helped the Fund to smoothly navigate this landscape and secure excellent terms with Rothesay Life.”*



**Lisa Arnold**

The Fund's Chairman of Trustees

## The key to success

The key factors that led to the success of the project were having clear objectives, good governance and excellent project management, all underpinned by strong multi-disciplinary teamwork.

## Get in touch

If you want more information about anything covered or how we can help your scheme, don't hesitate to get in touch with one of our experts:



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