



Quantum Advisory partner, Joanne Eynon; and senior consultant and actuary, Adam Cottrell
Trustee Corporation independent trustee, Vivien Cockerill

Quantum Advisory recently completed a £9 million full scheme buy-in for Birmingham Chamber of Commerce. What was Quantum's role and who else was involved?

Joanne Eynon: Quantum is the fund's administrator, investment adviser and scheme actuary. We also acted as lead transaction adviser for the buy-in.

Quantum project managed the buy-in exercise from start to finish, working closely with the Chamber and the trustee as the project progressed. This included providing regular affordability

Smooth sailing

✓ **Following the completion of a full scheme buy-in for the Birmingham Chamber of Commerce, Quantum Advisory and Trustee Corporation share their tips on how to ensure a smooth running process**

assessments to the trustee so they could monitor the impact of market movements on the funding position and the likelihood of requiring additional funding from the Chamber/trustee escrow account. We also prepared the fund to approach the market by assessing its data and benefits, correcting elements of these where necessary, and represented the trustee in the discussions with the insurers.

The insurer selected by the trustee for the buy-in policy was Just, a significant player in this segment of the market. Just engaged with us closely in the months leading up to the quotation, they stuck by their promises and were easy to deal with throughout.

The legal adviser for the buyout project was Gateley and it played an important role in the success of the buy-in. It clearly has a wealth of experience in this area and was pragmatic in its approach throughout, suggesting sensible and realistic proposals to maximise the chance of the transaction being completed in good time.

What in a nutshell has been achieved?

Vivien Cockerill: A significant enhancement to the security of members' benefits, as well as helping the Chamber manage the risk that the pension scheme potentially represented to its business. Back in 2007, when the pension scheme was closed, the Chamber granted the trustee a legal charge over its headquarters building and it was the sale of that property in 2020, with an associated large deficit

reduction contribution into the pension scheme as well as establishment of an escrow account, which led to this positive outcome.

Could you explain more about the process from start to finish?

Adam Cottrell: Ever since the fund closed to accrual more than 15 years ago, the trustee has formally targeted buyout. Given the relative size of the fund and the not-for-profit nature of the sponsor's business model, it has been seen as the optimal way of securing the pensions of its members for some time.

To begin with, this buyout target was aspirational but, with a mixture of successful (and forward thinking) funding and investment decisions made by the trustee over the years, the sponsor's vital support at key moments in the fund's journey and a helping hand from the sharp rise in gilt yields in 2022, the fund found itself within touching distance of its theoretical buyout pricing hurdle.

At this stage, Quantum's specialist risk transfer team was asked to help take the fund from its fully funded ongoing state to the point where it could transact an all benefits full scheme buy-in. A crucial first step was reviewing the investment strategy to ensure the assets were aligned with buy-in pricing, stabilising the funding level to ensure the fund was able to afford to transact at the appropriate time. We were able to project manage the exercise and broker the transaction at speed at a time when the market was saturated.

We have strong relationships with

the insurers participating in the bulk purchase annuity market and meet with them regularly. We know their appetites, their peaks and troughs in activity levels, performance and price points, and use this to our advantage when choosing a suitable partner for our clients. For deals of this size, trustees may need to choose an insurer on an exclusive basis before obtaining pricing details and we spent a long time debating the relative merits of all the insurers interested in this deal with both the trustee and the Chamber before deciding to progress with Just. Three key players at the small end of the market were considered in depth. We focused on availability of resource, recent pricing experience, service levels both pre and post transaction and, ultimately, the trustee agreed that Just was best placed to transact with us on this occasion – a decision that paid off as we completed the deal smoothly, and at a favourable price.

We broke ground with the bulk of buy-in preparatory work at the start of 2023 and the trustee transacted with Just in October 2023, leaving the fund with a small surplus to meet expenses and no requirement for further contributions from the sponsor.

Were there any challenges along the way and, if so, how were they dealt with?

Cockerill: As can typically be the case for smaller schemes, simply making the most of the available resources, especially internal ones, was a challenge. Fortunately, the trustee corporation team is well used to dealing with such challenges and, in this case, was helped by the efficient project management provided by Quantum.

Cottrell: The main challenge I would say was to smoothly complete a small scheme transaction in a short space of time at a point of unprecedented activity in the market. We made a call that the most likely way to achieve a full scheme buy-in quickly was to choose an insurer early and to negotiate price and

terms with them directly. We kept the Just team updated on how the project was developing so they could bear this scheme in mind when deciding how to allocate their resource over the year. Just was happy to engage with us regularly, and this frequent communication, coupled with our combined successes on previous deals, meant we had built trust between us which made a big difference.

What’s your advice for schemes embarking on a similar journey?

Cockerill: Embarking on a buy-in/ buyout project is like decorating – it’s all in the preparation. So, well in advance, make sure the trustee and sponsor are on the same page in terms of their ultimate long-term objectives for the scheme. They should sit down at an early stage to make sure they understand and agree each other’s priorities and constraints. Here, for the trustee, the key issue was to provide security to members’ benefits and, for the Chamber, it was managing the risk that the pension scheme represented to its business.

Agree trigger points when options can be considered. In this case, the first trigger was the sale of the Chamber building which enabled the scheme funding to be improved significantly and the investment strategy to be de-risked. The next trigger was when funding reached the point where a long-term way forward could be looked at with certainty and a joint working group of the trustee and the Chamber was set up. This meant that future decisions could be made at the right time, quickly and efficiently.

Make sure experienced advisers and providers are involved. In this case, Quantum was already in place, and it was helpful that Just emerged as the front runner as the trustee knew that both

Quantum and Gateley had recently done transactions with them.

Eynon: What really helped with this transaction was both the trustee and the Chamber had known that buyout was their ultimate target for quite some time, so it was not a surprise to them, or the members, when an opportunity to complete the buy-in arose. A sub-group was formed consisting of key individuals from the Chamber, trustee and advisers, and they met regularly throughout the project. This group was given a level of autonomy to make routine decisions in real time, whilst the full Chamber and trustee boards retained control over the big decisions. This arrangement worked really well. The ability to make well-informed critical decisions in a timely manner was a key part of the success here.

Also, choose all your advisers carefully. Ensure administrators, actuaries, investment advisers and others have capacity to work on your scheme according to your specific timeline. Choose advisers with a strong track record of brokering similar sized deals quickly and successfully and crucially choose advisers that are likely to continue to give you senior resource even when the market gets busy. It takes years of experience, market knowledge and close relationships with the right insurers to broker these deals successfully.

Written by Francesca Fabrizi

