



PRESS RELEASE

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Hundreds of small DB pension schemes may be unaware they are in ‘cheque writing distance’ to buyout, says K3

K3 Advisory, the pension market’s only specialist independent bulk annuity and consolidator advisory business, and market leading end-game advisory business to the fiduciary management market, today said there are potentially hundreds of small pension schemes unaware they are within ‘cheque writing distance’ of being able to afford to buyout their scheme liabilities and urged trustees to take action.

According to data from the Pension Protection Fund’s 2023 Purple Book, 26% of schemes with fewer than 99 members are estimated to be between 75% and 100% funded on a buyout basis (487 schemes).

Andrea Mendham, Partner and Head of Buy-in to Buyout services commented: “These figures are unlike anything we have seen before in terms of funding positions for small pension schemes – and it provides an opportunity that many could not have foreseen to secure member benefits and take the scheme off the sponsoring company’s balance sheet. However, many of the trustees of these schemes are completely oblivious to how close to being fully funded on buyout they are.”

Mendham continued: “Estimates from Scheme Actuaries on buyout funding levels are guess work, and these guesses – whilst undertaken with due diligence of course – are just that, and the reality is they can be way off the actual buyout price. We have seen live insurer pricing differ from Scheme Actuary estimates by up to 10% either way, which can mean that trustees may subsequently miss out on opportunities to provide full member security.

“What scheme trustees may not realise is there is absolutely nothing stopping them from obtaining an indicative premium from an insurer. There is no obligation to move forward with the quote received but, what they will have, is a far more accurate representation of the scheme position. Even if not quite fully funded on a buyout basis, we have seen this information help many trustees have helpful conversations with the sponsor as this gives them an accurate view of the amount of top up needed to secure that buyout position. Most sponsors of DB pension schemes, especially

small ones, will want the scheme off the balance sheet as soon as possible and may be willing to provide an immediate top up to enable this to happen.”

Mendham concluded: “Unfortunately, in any commercial environment, there are conflicts at play, and it won’t always be in a provider’s commercial interest to encourage schemes to explore buyout as an option. Trustees must assume responsibility for understanding the progress towards their long-term objective, which for many schemes will be buyout.”

- ENDS -

Notes to editors

About K3 Advisory

K3 Advisory is the pension market's only specialist independent bulk annuity and consolidator advisory business. Using first-hand experience from both the insurance and pensions sectors, K3 Advisory provides trustees and scheme sponsors with advice and brokering services to secure a smooth and effective transfer of liabilities to an insurer or consolidation vehicle.

The business was founded in 2018 with the aim of improving the efficiency of the bulk annuity and consolidation markets for the benefit of all involved. The business is backed by the Vestey Holdings Group, a fourth-generation family business whose origins date back to the 1890s.

See <https://k3advisory.com/> for more information.

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