

# ALLEN & OVERY

## Ten steps to buy-out for UK pension schemes

Thinking about buy-out? Here's our list of ten key issues to consider.

### 1. Data

Start working on your data as soon as possible – you're likely to get a better price from insurers if you have accurate information about marital status, spouse dates of birth and postcodes.

### 2. GMPs (and other awkward benefits)

You will probably need to ensure that any benefit issues – such as the reconciliation and equalisation of guaranteed minimum pensions – are finalised before buy-out. That takes time, planning and effort.

### 3. Benefit specification

You will need an accurate description of the scheme benefits – that may not be easy where there is a history of mergers, transfers and different governing documents.

### 4. Discretions and member options

There will be no trustee left after buy-out, so you will need to codify your trustee discretions and member options so that the insurer knows what to pay.

### 5. Insurer

Trustees need to assess the security of the insurers they are considering dealing with, along with their administrative arrangements and their capacity to take on new members.

### 6. Investments

You will want to ensure that your assets can be transferred in-specie to the insurer, and are aligned with the insurer's pricing so that there are no last-minute surprises.

### 7. Funding

You're likely to need a cash top-up from your scheme sponsor, so make sure that it is committed to the project and will provide any necessary funds.

### 8. Communications

Buy-out is a big moment for your members, so get your communications strategy ready with the insurer. Your scheme sponsor needs to think about its investor relations as well.

### 9. Execution

The legal and contractual process is vitally important to make sure that you are acting in the interests of your members and in line with your rules, and that you are getting a good deal. Structuring and documenting the deal can be complex.

### 10. Discharge

Make sure that you get a full discharge under pensions legislation and your scheme rules. Review your indemnity arrangements and consider insurance in case any issues come out of the woodwork later on.



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