



CAF chair of trustees, David Locke



K3 senior actuarial consultant, Thomas Crawshaw

# Navigating the buy-in journey

CAF chair of trustees, David Locke, and K3 senior actuarial consultant, Thomas Crawshaw, explain how careful handling and collaboration were key to the success of their recent £12 million full scheme buy-in transaction

**C**ongratulations on the recent £12 million full scheme buy-in of the Charities Aid Foundation (CAF) Pension Scheme. Please tell us about K3 and, separately, about the pension scheme. **Thomas Crawshaw:** K3 is the pension

market's only specialist independent bulk annuity advisory business. Helping defined benefit schemes to de-risk and develop solutions to improve outcomes, through insurance or other risk transfer options, is all we do.

Since our inception in 2018, we have

quickly built up a strong reputation for running simple and certain insurance broking processes that attract more insurers to quote, leading to better pricing and lower advisory costs for schemes.

We're proud to have completed 87 transactions securing the benefits of over 10,000 scheme members and cover nearly £2 billion of premium. We also recently launched our buy-in to buyout service, supporting trustees and insurers to get schemes through the buy-in to buyout phase and, ultimately, to wind up.

**David Locke:** The CAF Pension Scheme is a scheme sponsored by the Charities Aid Foundation, a not-for-profit organisation that provides services for charities and works with individual and corporate donors to enable them to give effectively and impactfully. The trustees of our scheme ran a tender process in early 2023 to help us secure a full scheme buy-in, and we were delighted to select K3 to lead this milestone transaction for the scheme, and the charity.

Please tell us about the intricacies of the deal, as well as which other parties were involved.

**Locke:** The transaction was around £12 million in size and secured the benefits of 64 of our pensioners and 155 of our deferred pensioners. K3 led the transaction, which completed with Just Group. They advised our trustees on the transaction, which secured the buy-in policy at a very competitive price and with contractual terms that met the requirements of our trustees. We chose K3 as they really understood our specific needs and challenges. They are true specialists in the small scheme buyout transaction market and have a proven track record. Their independence was also important to us, as was the clear strength of their relationships in the insurer space.





### What were the challenges faced along the way?

**Locke:** We had some unique elements that needed careful handling. The main challenge being around a group of members whose benefits were defined in a variety of formats rather than just purely as a defined pension, and therefore required the option to convert into pension benefits in very specific ways at retirement.

**Crawshaw:** We needed to work with Just Group to understand if they could both price and administer these benefits and, if so, whether they could do so on terms that the trustees were comfortable with, and they felt offered value for members.

### How long did the process take from start to finish?

**Crawshaw:** We were initially engaged in June 2023 and commenced the work of getting the scheme prepared to formally approach the insurance market for a quotation. Several months were spent doing important groundwork such as initial planning, getting data and liaising with the investment advisers, LCP, to understand the profile of the scheme assets.

At the same time as the preparation work we also sourced indicative pricing, which clearly demonstrated that the scheme, with the support of the sponsor, could afford a transaction. LCP undertook work to align the scheme's assets to insurer pricing and to be easy to transition. Work was then undertaken to deal with the more unusual benefits and at the same time we ensured the scheme benefit specification was

reviewed by both the administration team, Broadstone, and the scheme's legal adviser, Osborne Clarke. Given the unusual benefits, this process took several months before the trustees were in a position to request a binding quotation. The trustees chose Just as their insurer based on the quotation from Just, which was received in May 2024 and the transaction completed shortly afterwards, in June 2024. The buy-in policy is now going through the data cleansing period with the insurer.

**Locke:** While time was not necessarily a focus for us, rather it was navigating our unusual requirements, we were pleasantly surprised at how short, in relative terms, the process was. What was really important, and impressive, was how smooth and efficient the whole process was. Having a group of advisers who can work collaboratively was critical to how the whole process felt for us.

### What advice would you offer similar schemes who are thinking of embarking on a similar journey?

**Locke:** Start your preparation as soon as possible – the benefits of this can't be overstated. Also, ensure you have a good calibre of trustees who work well together and also ensure you have in place a team of professional advisers who are all top of their game.

**Crawshaw:** It has become a cliché in the bulk annuity world that data and benefits are key for a successful transaction, but it's a cliché for a reason – data and benefits are incredibly important and underpin all aspects of a transaction.

The same is also true of the scheme's assets. It's very important to understand

the nature of the assets, how often they are traded and in particular whether there are any illiquid assets. If there are illiquid assets, then it's important to understand the nature and term of those.

**Locke:** It is also really beneficial to appoint a bulk annuity adviser early and discuss the status of the data and benefits with them so that they can advise on the critical items for resolution prior to requesting quotations from insurers.

### Any final thoughts?

**Crawshaw:** There is still a lot of 'can't be done' negativity in the market when it comes to small scheme transactions, often from organisations who have vested interests. It's clear and it's simple, it is perfectly possible for small schemes, regardless of size, to transact and secure member security, as long as they are prepared. Further to that, as is the case here, they needn't be put off if they have unusual features – it is still possible to attract keen pricing and get to the safety net of a buy-in.

It is a vibrant, well-functioning market for schemes of all sizes and we are particularly encouraged that small schemes are reaping the benefits of access in order to crucially secure their members hard-earned benefits.

**Locke:** Our primary focus throughout this process was always to safeguard the members benefits. Working with K3, and harnessing their expertise, we were able to successfully navigate the scheme's unique benefit structure and ensure not only immediate protection but also long-term stability for our members.

**Written by Francesca Fabrizi**