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With 500+ BPA transactions under our belt, we've seen it all. Big, small or complex - we're ready for you.

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► **Rethinking the path to buyout:** Amid a rapidly changing market, Just explains why insurers have the experience and skills to take the lead **p36**

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De-risking focus:

Safe under cover



Just Defined Benefits director of commercial, Rob Mechem, and head of proposition development, Andy Fryer

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Rethinking the path to buyout with an insurer-led solution

➤ **A faster, cleaner path to buyout isn't just possible, it's essential. At Pensions UK last month, Just shared its perspective on why the industry must evolve and why insurers have the experience and skills to take the lead**

Defined benefit pension schemes are in the best funding position they've seen in decades. Buy-in volumes by number are breaking records, and insurers are prepared. Yet when it comes to transitioning schemes to buyout, the data cleanse process remains painfully slow, with almost identical timelines

whether it's a scheme of 100 members or one of 10,000 members. Taking 18-24 months is not unusual to finalise data, which, for a 100-member scheme, is more than five days per member. That's hard to justify. We believe that this can, and should be reduced to closer to a year... and we have a plan to make this happen.

It matters – delays hurt everyone

Delays in progressing a scheme, first through buy-in and then to buyout, create real friction. For trustees and sponsors, a slow path to wind-up delays access to surplus and drags out running costs. For members, it means slower access to insurer-driven benefits and innovation and, in many cases, a lack of transparency for members.

Current processes fall short

As insurers, we know how to onboard members, calculate benefits, and pay pensions. But we can't move forward without finalised, accurate data and benefit specifications. And right now, the data cleanse and guaranteed minimum pension (GMP) equalisation process is taking far too long. A two-year (or more) transition shouldn't be inevitable and we must stop treating it as 'just one of those things'.

There are plenty of reasons for the lack of speed. Third-party administrators (TPAs) are doing their best, but they're stretched. Processes are often misaligned,

with a lack of clarity and ownership between trustees, advisers, administrators and insurers. GMP equalisation is still hugely onerous, often requiring multiple rounds of advice and data processing. And the act of cleaning the data can often require multiple rounds of validation and checks, delaying things further. Ultimately, the issue isn't just the quality of the data, but the process required to solve the data challenges that arise.

The path to change

The answer isn't just about better admin data, it's about a better model for the entire data cleanse journey.

Trustees need to understand what's required to get to buyout, and the role they play in moving things forward. Advisers need to align with insurers earlier and insurers need to be clear on their needs. And the industry needs to start treating post transaction data cleanse needs as projects in their own right, planned for in advance with realistic timelines, workflows and budgets.

There's a lot more to this, however, and one of the real opportunities is to let insurers do more, leveraging our experience from working on hundreds of transactions. If we overlay this with the adoption of the right technology, we can leverage and amplify this expertise to allow us to do things differently.

What does this look like in the real world? As in many industries, AI is driving huge change. One way it has notable promise is to streamline producing benefit specifications based on scheme data. Cloud-based pricing tools and software solutions will allow pricing to be completed in seconds, not days. Data transformation is another piece of the puzzle, supporting the movement of data between systems and providers, standardising and validating it in an efficient and robust manner. These processes can be integrated with GMP equalisation approaches and benefit calculation tools, at scale.

Technology will further transform the member experience, enabling access to self-service portals, holistic planning tools and integrated advice journeys.

Insurers can take the lead

If the journey from buy-in to buyout is to accelerate, insurers must play a bigger role in the data cleanse process itself. With more than 150 buyouts completed at Just, we've seen first-hand where the pain points lie and how predictable many of them are.

"It requires closer collaboration with trustees and administrators, but if the goal is to deliver certainty and better outcomes faster, it's time for insurers to step up and lead"

Insurers know what 'good' looks like when it comes to data quality, and we have the tools, experience and regulatory oversight to take on more of this work with confidence. By bringing elements such as GMP equalisation or benefit verification within our control – and following transparent methods drawn from typical market practice – we can reduce uncertainty and cut months from timelines.

It requires closer collaboration with trustees and administrators, but if the goal is to deliver certainty and better outcomes faster, it's time for insurers to step up and lead.

Achieving this will require access to full data extracts and historic backfiles, transparent reporting, and trust and alignment around final specification and data sign-off, but it can be done.

Piloting this concept

We're already putting this approach

into practice and working on a transaction where Just intends to take on key elements of the data cleanse process, including preparing data for GMP equalisation. We'll also contractually commit to complete the GMP equalisation work after buyout, using Just's standard methodology, and underwriting its impact to provide full confidence for the trustees. For this scheme, which hasn't yet begun GMP equalisation, the approach means we can give a contractual commitment to reach buyout within just 10 months. By taking more of the process into our control, we can accelerate timelines, reduce uncertainty and deliver a smoother journey for trustees and members alike.

It's early days so we're treading carefully for now, but we expect this approach could become the market norm within a few years for schemes looking to achieve a quick buyout.

The nirvana is a smarter, faster path to buyout, and we're nearly there

The DB market is maturing. With that maturity comes the need to shift our assumptions about what 'normal' looks like. If we can quote and transact faster than ever, why are we still cleansing data the same way we did five years ago?

At Just, we believe there's a better way. The next phase of growth in the bulk purchase annuity (BPA) market will depend not just on insurer capacity, but on our collective ability to get schemes through transition quickly, cleanly and with confidence. At its heart, the real goal isn't just a successful transaction. It's



a secure, seamless outcome for every member.

Written by Just Defined Benefit director of commercial, Rob Mechem, and head of proposition development, Andy Fryer

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Understanding the real risks in defined benefit pension schemes

➤ BPA insurance is intrinsically different to other types of insurance, delivering a consistent, risk-mitigated solution for trustees and, ultimately, members



Insurance is a fairly well understood concept – you pay an insurer a premium, and in exchange, when things go wrong – your car is in an accident, your partner is ill, your house is damaged in a storm – the insurer steps up and pays your costs or some additional amount to smooth things going forward.

The insurance solution that a bulk annuity purchase (BPA) provider offers to defined benefit (DB) pension schemes is, however, intrinsically different. Our role is not to support the scheme only when things go wrong, but rather, to

remove the risk completely to create a seamless, guaranteed process for paying all the members all the benefits they're entitled to. If we were a car insurer, we'd take over ensuring you can get wherever you need to be, whenever you need to be there, 100 per cent guaranteed – you wouldn't even need your own car.

This is more than risk transfer. It's risk elimination.

Looking under the bonnet of a DB scheme's risks

There's absolutely no doubt that any trustee or sponsor of a DB pension

scheme is focusing on understanding and mitigating the risks the scheme faces. Nonetheless, the full breadth and severity of these risks can be difficult to fully prepare for or manage. Advisors play a crucial role in supporting trustees here, but nonetheless it's a meaningful challenge with many moving parts, and risks that are constantly evolving. The common thread, however, is that these risks might be on radars, but they're unpredictable, interconnected, and increasingly expensive to manage in house, particularly if these risks need to be considered day by day or in very stressed scenarios (e.g. the impact of the LDI crisis a few years ago).

Market volatility and investment risk

Even the best-funded schemes remain exposed to sudden shifts in market conditions. Over the past few years we've seen how quickly stability can unravel. Covid needs no discussion, while the gilt shock of 2022 saw that what many trustees thought were low-risk, well-hedged portfolios became a source of acute stress overnight. The lesson is clear: Market events can erode (or indeed improve) funding positions faster than schemes can react.

Insurers, by contrast, are built to withstand extreme scenarios, holding capital well above regulatory requirements and managing liquidity, collateral, and reinvestment risk as part of everyday practice. That means when volatility hits, members' benefits remain fully protected and payments continue

without interruption. The BPA model isn't just about transferring assets; it's about transferring uncertainty in the investment portfolio.

Longevity and demographic shifts

We're all benefiting from longer lives and improved healthcare. But the reality is that longevity management impacts DB schemes and must be prepared for. For larger schemes there are more options for longevity hedging, but these simply aren't available to many smaller schemes. Removing this risk, confident that a scheme can continue to pay out members' benefits even as they live longer, is the sort of insurance other sectors can only dream of.

Data integrity and cyber resilience

Protecting data and managing cyber risk is a growing concern for anyone holding data on their business or their stakeholders. And while it can't be removed completely, the more focus there is on this, and the greater the ability to understand, assess and mitigate the risk or, at worst, remediate any breaches, the better. Managing and preparing for these risks are now embedded in an insurers' risk management protocols, with dedicated teams and robust governance, offering additional peace of mind for trustees.

Operational drag and rising costs

In any business, the risk of increased costs is always a concern. But the operational and administration costs for a pension scheme are impacted by more than just standard cost pressures such as inflation or labour. Changing standards for service delivery, increased data needs and evolving regulation are examples of factors that can shift the fundamental administrative needs of a scheme, with a

corresponding impact on costs.

They also bring increased operational burdens and more

complexity, which, in turn, drive a higher level of operational risk.

Sponsor risk and a weakened employer covenant

DB pension schemes are closely tied to the fate of their sponsor, even years after the members in the scheme have left the business or retired. Sponsors also have their own challenges and priorities – managing their businesses, overcoming manufacturing or service delivery hurdles, sourcing equipment,

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hiring teams or preparing for their own regulatory changes or new global tariffs. Managing and funding the pension scheme is important, but it's not core to their everyday business. And with one in four listed companies identifying that the DB pension scheme is a risk on their balance sheet, there's clear value in the responsibility being moved elsewhere.

Navigating constant regulatory change

Thinking about regulatory change is certainly not new, particularly in the context of the government's commitment to pension reform. While it doesn't happen quickly, it can nonetheless be difficult to predict and prepare for, not to mention expensive. The impact of regulatory change can also be wide ranging, touching anything and

everything from member service provision, to investment decision-making, to data management processes. BPA insurers do this at scale, for all of the schemes and members we support.

Very strong security and good value

This is where BPA insurance makes its case. If we were insuring your car, these risks wouldn't need to be managed, they'd simply disappear. We are prepared for complexity, volatility and uncertainty whether that's interest rate changes, sponsor covenant strength, evolving longevity trends or new cyber threats.

Let's go back to that car analogy one last time.

Imagine an insurer offering car cover that completely eliminated your risk. Not just crash damage – all of it. No breakdowns. No fines. No maintenance. No admin. And you don't even have to do the driving. That would be revolutionary. In pensions, it's just what we do.

The BPA model offers unmatched security, a robust regulatory framework, and an impressive track record in which member security sits at the centre of our model, underpinned by capital buffers and regulatory oversight. We believe we offer excellent value, with a dynamic and well served marketplace driving competitive pricing. We're also supporting the UK economy, investing in UK productive assets such as social housing, wind farms and more.

As we enter a new phase of market maturity, with many schemes well-funded and sponsors and trustees evaluating endgame options, taking a step back to consider the value of eliminating uncertainty seems a good move.



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