



Andy Cheetham

**C**ongratulations on your recent £105 million full scheme buy-in with Rothesay. Could you start by telling us about the Skipton Building Society Group and its pension scheme?

Skipton Building Society is part of the Skipton Group, an organisation built on two core foundations: Homes and money. With over a million members and 1,300 branches, we make financial advice, mortgages, and savings products accessible to people across the UK. We are home to the UK's largest estate agency and property group, Connells, Skipton Business Finance, and Jade Software Corporation, and we provide offshore finance capability via Skipton International.

Skipton Building Society has spent 172 years helping people build a better society. Today, we are proud to be the UK's fourth-largest building society, providing mortgages, savings, and financial advice through our network of 82 branches.

As a mutual, we have always believed in doing the right thing for our members and colleagues. Our current colleagues enjoy a highly competitive DC pension scheme that is aligned with our

# Building a buy-in

✓ **Skipton group pensions manager, Andy Cheetham, pulls back the curtain on the pension scheme's recent journey to a full buy-in**



commitment to doing the right thing. We also have a closed DB scheme for past colleagues, which was the focus of the Rothesay buy-in.

**Why was now the right time to de-risk through a buy-in?**

This buy-in is the culmination of a number of years of planning. Risk doesn't complement our core business well, and we have a forward-thinking trustee board. We have made conscious and deliberate efforts to progressively de-risk through asset selection, choosing a fiduciary manager model and regular company cash injections to be in a position to conclude a deal when we were ready. From the outset of our planning, it was important that we were able to remain in control and ready but not forced to transact until the terms matched our strategy.

**Please tell us about the intricacies of the deal, the number of pension members/deferred members involved, and what this transaction means for them?**

The buy-in is a full scheme buy-in covering all 705 scheme members, made up of 396 pensioners and dependents and 309 deferred members. These members will see no change; they will still benefit from excellent trustee oversight led by Steve Southern of Vidett and administrative support and pension payments by Aptia. Whilst not visible to members, they also benefit from a marked reduction in risk from this transaction, which is why the buy-in

was an investment decision. Ongoing, it is very much business as usual for the members, the company and trustee alike.

**Why did Skipton choose Rothesay for this transaction?**

With Mercer and LCP's expert assistance, we undertook a comprehensive process and contacted the full insurer market for invitations of interest. After a few rounds of discussions, Rothesay was the best fit across all measures and has a hugely impressive post-buy-in support team. The trustee and company are very focused on member outcomes and ongoing support, which was their primary focus. However, it is fair to acknowledge that Rothesay was able to meet the company and trustee's price point.

**Which other parties were involved in the transaction?**

The project team consisted of representatives from all parties, and at least monthly calls were held with all. Mercer's Chris Hawes led the de-risking brokerage, but the project team also thought it beneficial to have alternative views of the market.

As such, LCP's Alex Whiteley was appointed as the company adviser, and this supportive but independent view was incredibly helpful to the project team.

Mercer also provided actuarial support through Rachel Hunt and Antony Powell, with Aptia's Lucy Baker providing core member data and administrative insight and support.

Ele Lovering of Eversheds Sutherland and Robert Tellwright of Pinsent Mason provided expert legal guidance.



### **What were the challenges faced, and how were those challenges met?**

We set off on this journey knowing that there would be challenges, and from the outset, the project team instilled a mindset that each challenge should be met with a “but how do we progress this?”.

The team was very keen that if a wrinkle was encountered, then this should also be accompanied by a solution or choice of option.

We were keen to maintain progress, and ensuring that the scheme providers raised notice of a problem along with an accompanying solution lent itself to speedier decision-making.

One of the challenges we faced, which is not uncommon, was the scheme’s illiquid holdings. This issue perhaps took up more bandwidth than we were expecting, and a keen lesson learnt would be to understand and discuss the handling of illiquid investments early in the process.

### **How does this buy-in align with the scheme’s long-term de-risking or**

### **endgame strategy?**

Concluding this transaction was perfectly aligned with our longer-term de-risking strategy. As I mentioned, completing this deal was an investment decision aimed at removing almost all risks from the scheme. The trustee and the company remain aligned and actively involved with all aspects of the scheme’s operation.

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

Start early and get (and challenge!) budgets to get them agreed early. Set off with a clear objective as to what you want to achieve and regularly sense check that the project’s guiding principles are still being met – “Are we still on track?”.

Having a good project team is imperative. In our example, we had the Skipton Group’s chief financial officer and trustee chair present at every meeting and were plugged into every document or decision. This greatly sped up the process by having

the key decision-makers present. It is also advisable to ensure that the project team has attendees of similar calibre from the scheme’s providers and individuals who can get things done in their supporting teams to ensure that the meetings are for decision-making rather than carrying over past actions. Get the right people, identify those with authority and commit their time to the project early.

It is also crucial that the project has an assertive and diligent project manager to orchestrate the many moving parts.

### **Any final thoughts?**

On a personal level, I found the process hugely rewarding. Yes, it is a significant undertaking, and the time commitments can’t be understated, but when you are working with good people to deliver a great project for a brilliant reason – I suppose there’s not much more you can ask for.

**Written by Callum Conway**