

29 March 2021

Cartwright and K3 Advisory announce a sophisticated £6 million follow-on buyout transaction

Cartwright and K3 Advisory announce the completion in February 2021 of a £6 million follow-on buyout transaction for the UK pension scheme of an employer in the aviation sector. This transaction secures the benefits for 8 retired members and 31 deferred pensioners. It also released fair value from the existing buy-in contract which insured RPI-linked pension increases compared to the actual pension increases which had changed to being CPI-linked since that previous buy-in transaction some years earlier.

The transaction was led by Cartwright, who are increasingly seen as the go-to adviser for small/medium DB/hybrid schemes, and who partner with K3 to enable their clients to get better access to the bulk annuity market. K3 led on the interaction with insurers and is the pension market's only specialist independent bulk annuity and consolidator advisory business.

The Chair of the Trustees commented: "We were very keen to secure the benefits of the remaining members and were expecting the sponsor to be required to make a contribution to fund the buyout. Working collaboratively, Cartwright, K3 and Rothesay were able to structure a transaction which locked in market conditions within the scheme's assets, providing much welcomed certainty."

Keir O'Donnell, Scheme Actuary and Head of Bulk Annuities at Cartwright, commented: "We have worked hard with the Trustees on their funding and investment strategies, as well as making sure the scheme's data and benefits were 'transaction ready', so it is gratifying that such an attractive transaction came together so quickly, especially as it allowed the Scheme to smoothly deal with the previous buy-in at the same time and achieve fair value for the RPI mismatch within the existing buy-in contract. We are pleased to have successfully completed another transaction working closely with K3 and look forward to our partnership helping our clients to achieve such positive results again in the future."

Adam Gregory, Senior Investment Consultant at Cartwright, commented: "We're really pleased to have achieved this great result for the scheme and members. The gilt lock mechanism agreed with Rothesay and implemented precisely via Mobius Life's investment platform shows how our collaborative and forward-thinking approach enables smaller schemes to benefit from the risk management and investment ideas that larger schemes have used for many years."

Thomas Crawshaw of K3 Advisory commented: "This is a particularly satisfying deal as it clearly demonstrates that Cartwright and K3 can secure terms, transact deals and transfer assets for small schemes in a way that has often only been accessible to larger UK schemes and employers. Being able to provide the same level of security in retirement for employees of small UK businesses at a competitive price is absolutely key, and what makes us tick. The scheme had already insured the benefits for more than 20 members in 2009 through a buy-in with Rothesay (Aegon at the time). Cartwright and K3's pragmatic approach to smaller



schemes meant we were able to work with Rothesay to provide a quote under exclusivity, to insure the remainder of the scheme's liabilities and adjust the existing buy-in policy to exactly match the scheme benefits. This means the whole scheme is now insured with the same provider and well on its way to a full buyout and eventual wind-up. This transaction covered c£6m of previously uninsured liabilities, with total liabilities now covered of over £10m."

Cleo Taylor Smith, of Rothesay, commented: "Over the years, we have accumulated over one hundred buy-in contracts for smaller schemes, predominantly through transactions with Aegon, Zurich and MetLife. As the UK's largest pensions insurance specialist, we are committed to providing solutions to all of our clients to help them de-risk and buyout. Despite the relatively small size of the deal, after discussion with Cartwright, K3 and the Trustees we were happy to provide a price lock on the premium, spanning the Christmas and New Year period. This gave the Trustees and sponsor absolute certainty and removed all market risk before the transaction completed."

If you would like to discuss further, please get in touch with your usual contact at Cartwright.

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No action should be taken based on this research note without the trustees of the relevant occupational pension scheme receiving written investment advice from Cartwright Benefit Solutions Limited confirming the suitability of the investment decision for that particular occupational pension scheme.

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