

# Investment : DB Endgame innovation



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# Today's Talking Topics

01

Market forces

02

Build resilient portfolios

03

DB Endgame innovation

*Buy-in*

*Alternative Risk transfer*

*Run on*



SECTION 01

# Market forces



*And plenty of others!.. Sustainability runs through all of these*



SECTION 02

# Resilient portfolios



# Principles to build resilient portfolios

1



Risk control

2



Return generation

3



Appropriate  
Liquidity

4



Cost efficient

Within your own governance arrangements  
and comfort with complexity



SECTION 03

# DB Endgame



# DB Endgame

*A hot topic, why?*

UK DB s179 net funding position was c.+£200bn in Mar 2024 and >120% funding ratio. A significant improvement!

Figure 5.1 | Historical s179 aggregate funding ratio and net funding position of pension schemes in *The Purple Book* datasets

The aggregate s179 funding ratio and net funding position have both had a steep increase since their low points in 2016.

Although general trends are still visible, figures for 2023 and 2024 are not directly comparable with those from earlier years.



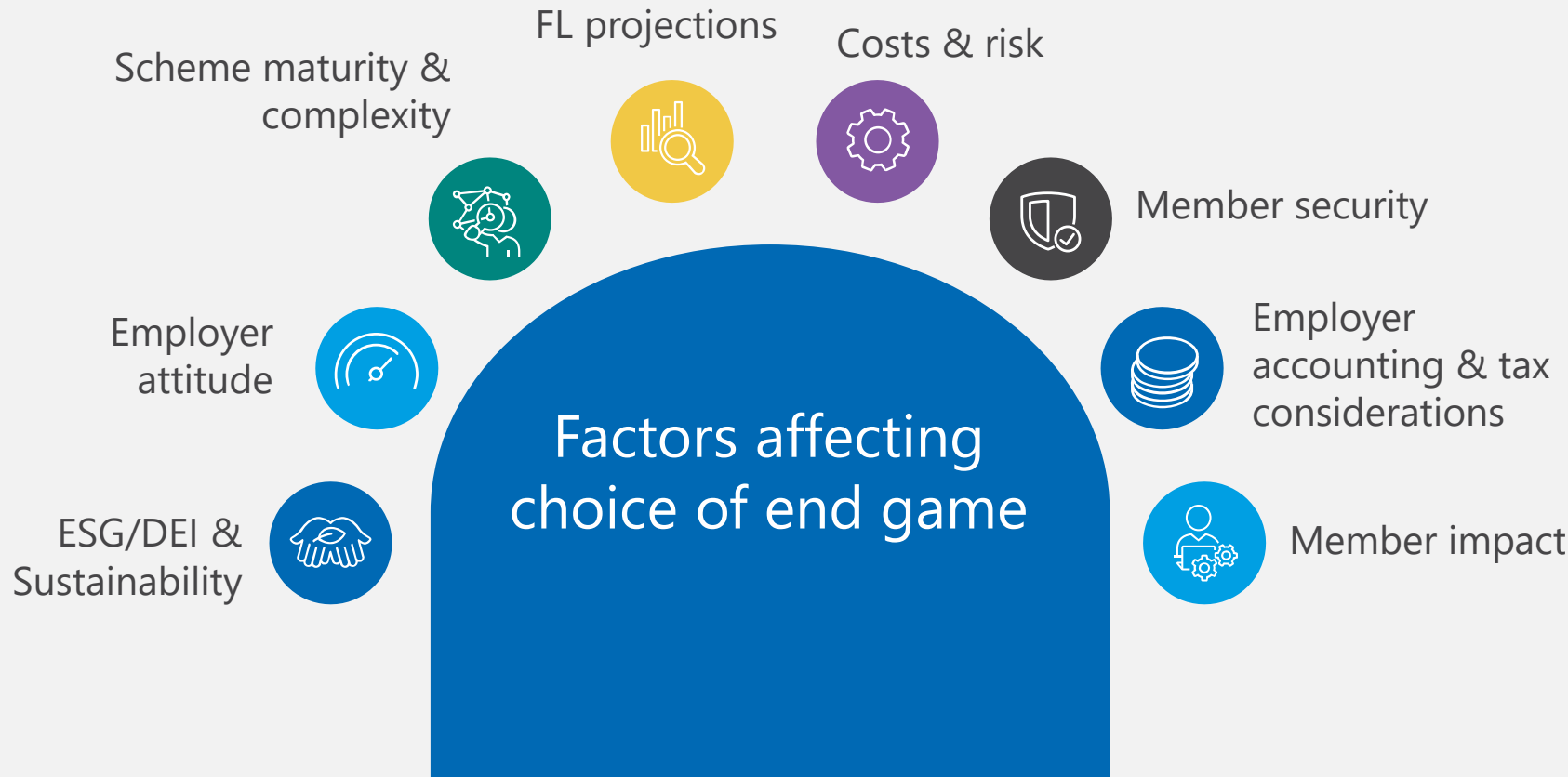
- Funding level improvements
- Higher yields
- Buy-out affordability (improved pricing)
- Competition in the bulk annuity market for all scheme sizes

*But insurers don't have a monopoly on endgame options...*



# Endgame options

*Multiple considerations*



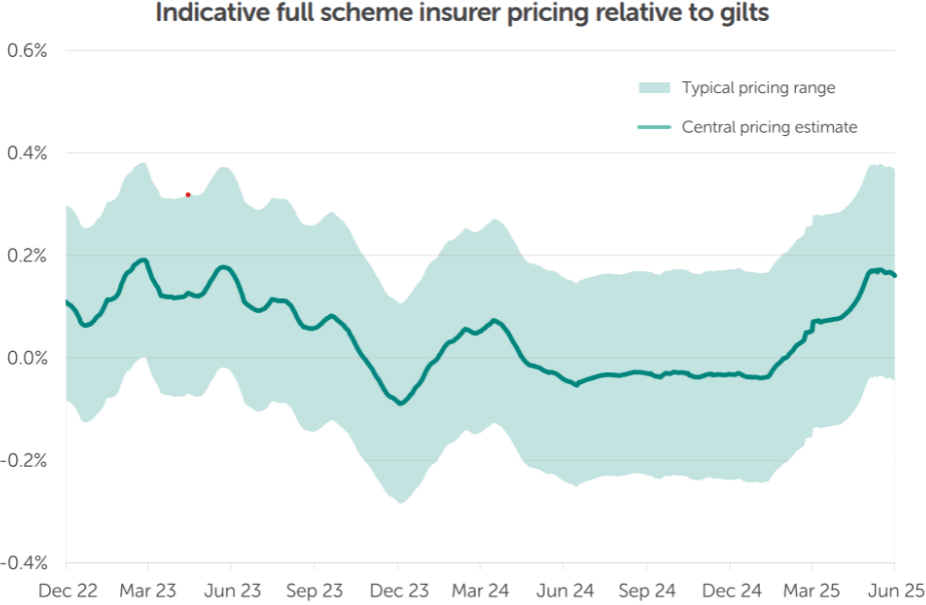
SECTION 03

# DB Endgame Innovation

*Buy-in/out*



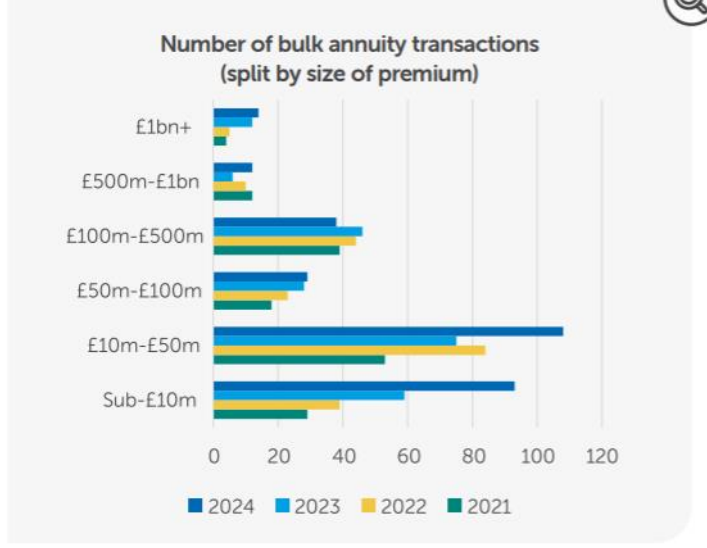
# Bulk annuity market activity



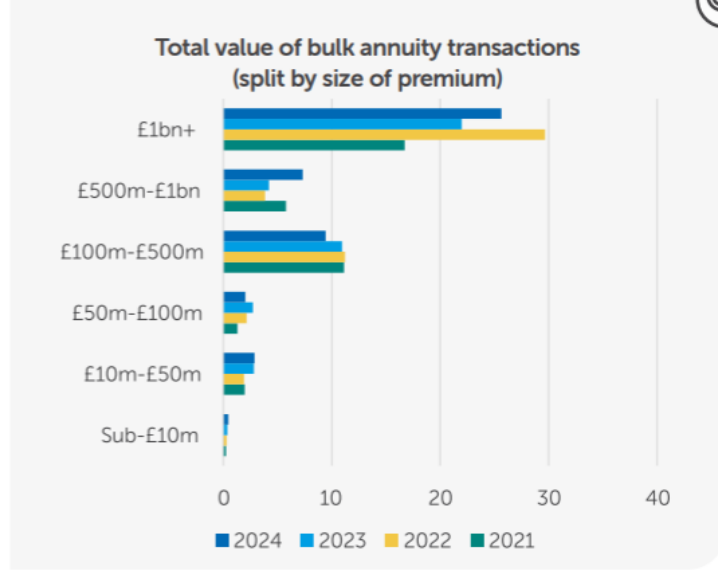
Source: Insurers and Barnett Waddingham research

## What you want

- 1 — Competitive pricing & terms
- 2 — Improved member outcomes
- 3 — Certainty & a well-governed process



Source: Data provided by the insurers



SECTION 03

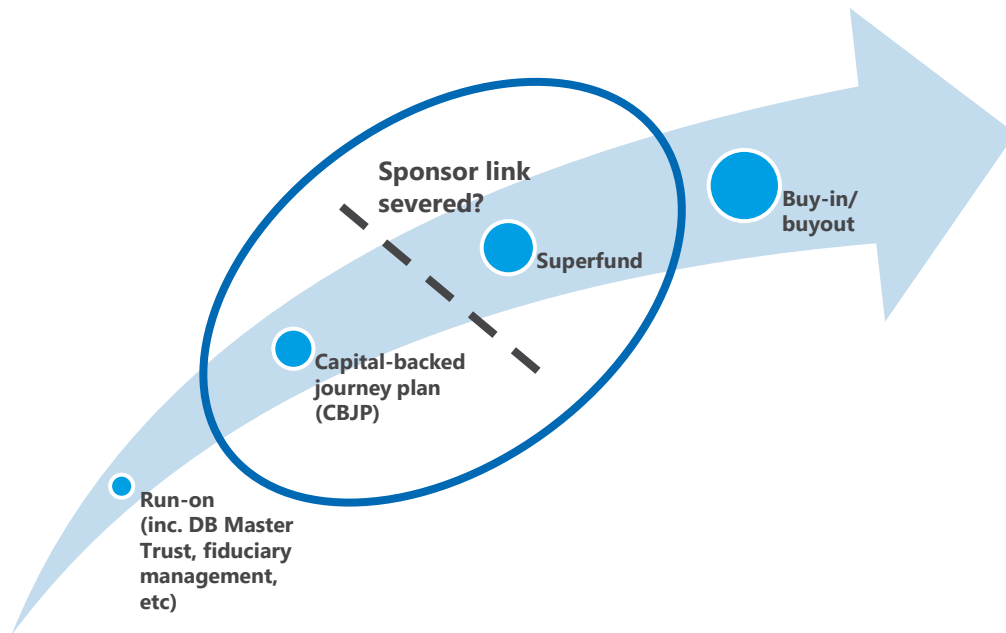
# DB Endgame Innovation

*Alternative Risk  
Transfer*



# What are the 'alternatives'

*Why do we need them?*



Risk settlement at a more affordable entry premium



Improved governance



Productive use of pension assets



Flexible transaction structures



Improved outcomes for distressed schemes

# Alternative risk transfer

## Highlights

Clara building momentum

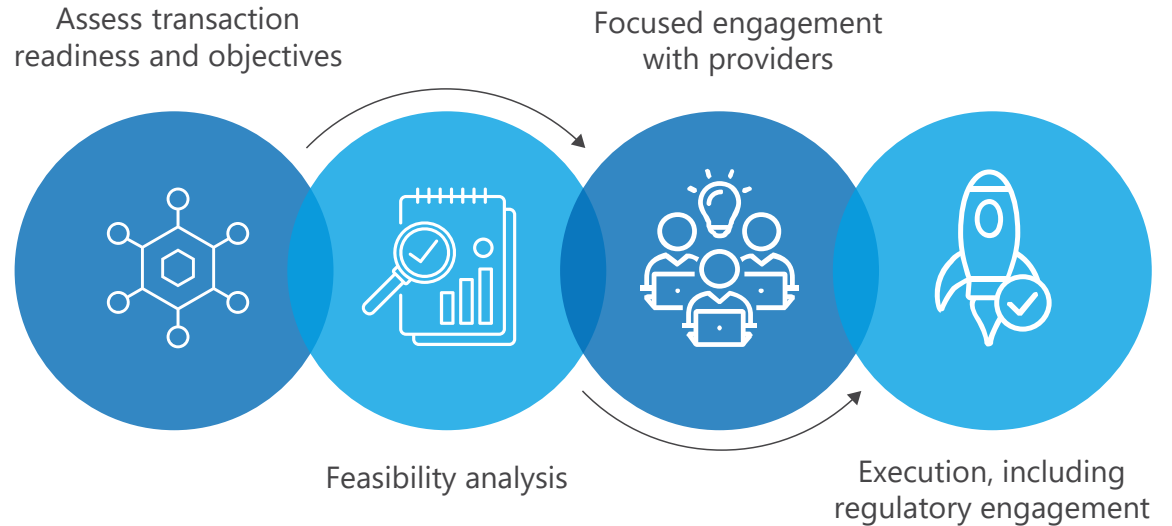
Broadening reach  
'connected covenant'

Supportive regulatory  
environment

A competitive  
superfund market?

Connected Covenant structure  
opens up Superfund transactions  
to more schemes and sponsors

## How to navigate



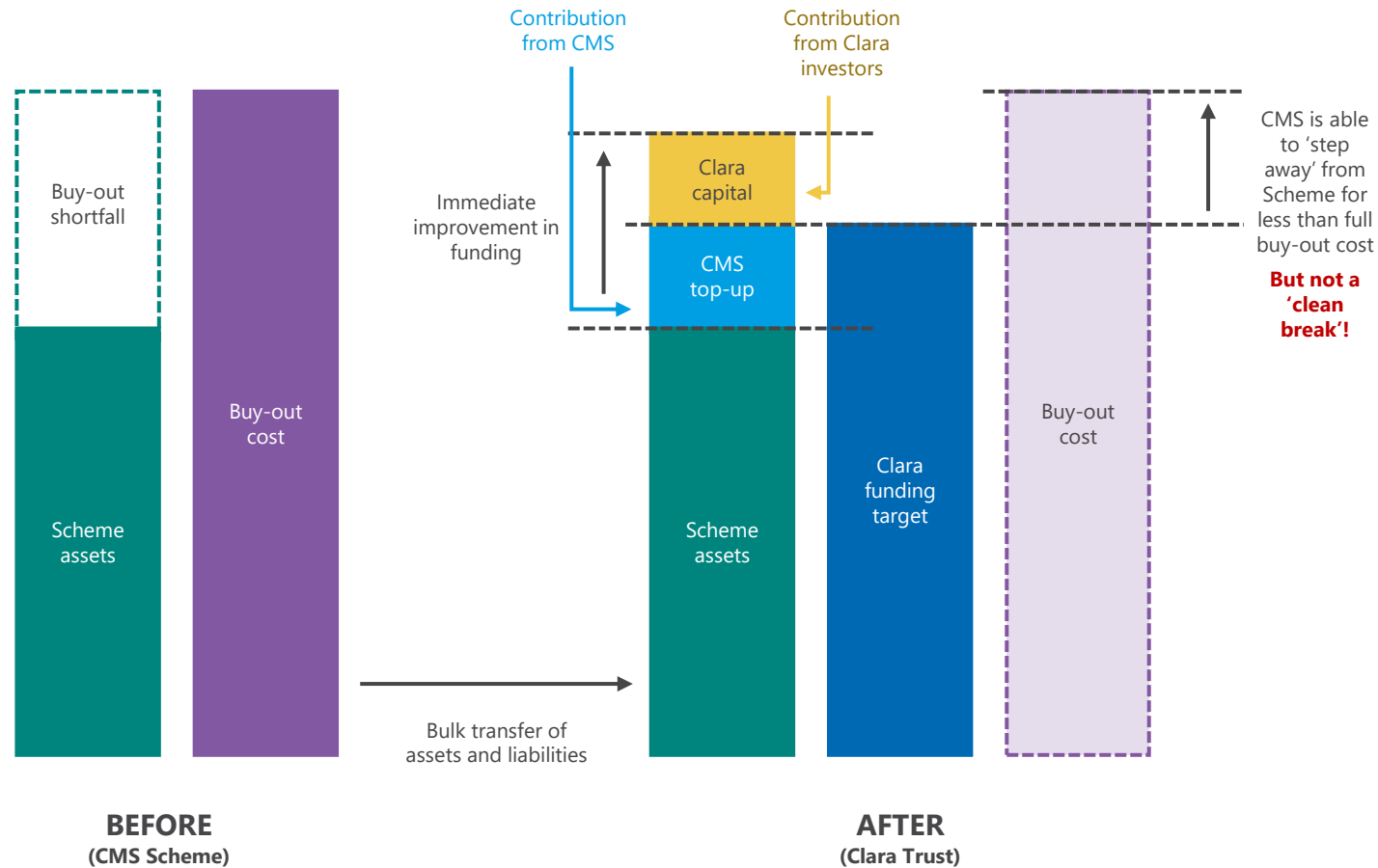
### TPR gateway analysis

- 1 — Buy-out is not affordable now
- 2 — Buyout is not affordable in the foreseeable future
- 3 — Members are more likely to receive their benefits in full

# Case Study : Building a new Clara solution

- 1 Buy-out is not affordable (1) now or (2) in the foreseeable future**
  - + Sponsor not cash-rich but with various property assets.
- 2 Concern about funding/expense**

Following 2022 valuation: Significant one-off contribution paid.  
 >100% on TPs basis, but <90% on solvency basis  
 No further contributions  
 Various contingent assets
- 3 Members are more likely to receive their benefits in full**
  - Connected covenant
  - Contingent asset
  - Clara and Sponsor capital injections



Clara is a 'bridge to buy-out' endgame solution. Giving members greater security for schemes that are at least £40-50m in size and 3-5 years away from buy-out. Employer covenant is now a less important consideration due to connected covenant structure, while significantly reducing cost/risk exposure for sponsor.

SECTION 03

# DB Endgame Innovation

*Run-on*



# Run on

*Changing rules on surplus present an additional option*

Change in how  
buyout is  
considered:  
'affordability  
vs value for  
money'

Opportunity  
to enhance  
benefits

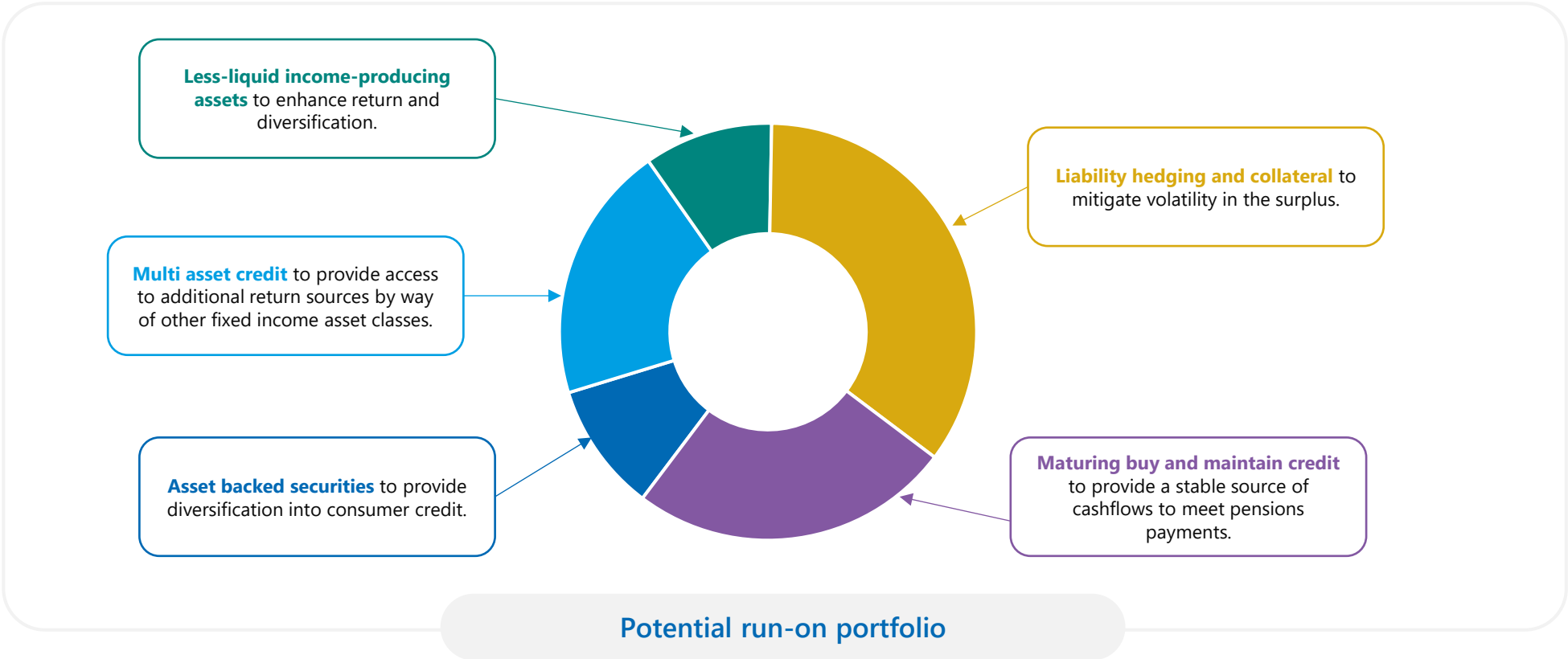
Positive impact  
on corporate

Focus on  
member  
benefit  
security



# Run on

*An example of how the portfolio could look*



SECTION 04 | Summary



# Alignment for different end games

*Common building blocks will help*

Asset class	Buy-in	Alternative risk transfer	Run-on
<b>Liability Driven Investment</b>	Interest rate and inflation risk is unrewarded and should be hedged, generally to a high level and on the appropriate basis to align with the end-game.		
<b>Buy &amp; Maintain credit</b>	Beneficial to match pricing and cashflow management before the point of transition.		Cashflow matching and liquidity
<b>Asset Backed Securities</b>	Beneficial for cashflow management and liquidity		
<b>Multi asset credit</b>			
<b>Less liquid credit</b>	Unlikely to be necessary/desirable. But some flexibility with providers depending on scheme size, assets held and liquidity.		Surplus can be invested to generate additional return.
<b>Alternatives</b>			
<b>Growth orientated assets</b>			

Risk control

Return generation

Appropriate  
Liquidity

Cost efficient



# Takeaways

What's an appropriate (DB Endgame) **T**arget ?

- **T**imeframe
- **T**houghts – Trustee and Sponsor
- **T**echnical aspects – scheme size, FL, trust deed, regulation
- **T**eaching – what are the options, analysis of each



# Thank you

Questions please



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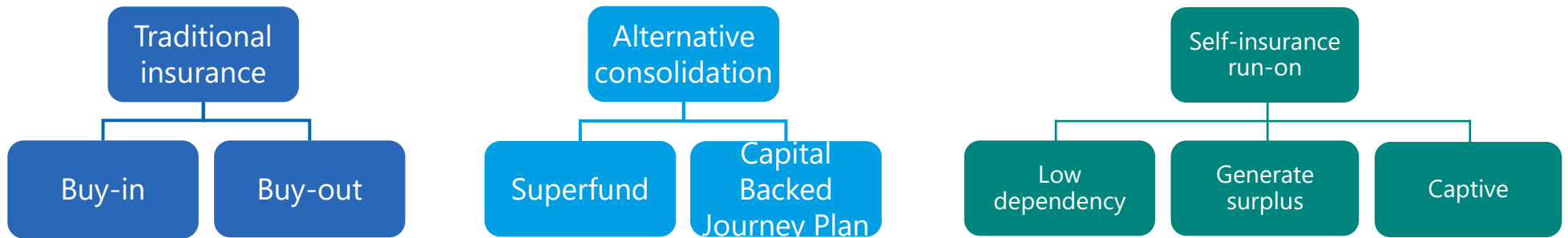
The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.



# Appendix



# Endgame options



## Supporting our clients

Advised P&O  
Trustee on a  
£440m buy-in

[CASE STUDY >>](#)



Investment  
adviser to the  
first ever  
superfund deal

[CASE STUDY >>](#)



Using a DB  
surplus to  
fund DC  
contributions

[CASE STUDY >>](#)



Strategic  
decision to run-  
on a fully-  
funded pension  
scheme

[CASE STUDY >>](#)



# Building a new Clara solution

PROFESSIONAL  
**PENSIONS**

Clara announces superfund deal with Church Mission Society Pension Scheme

Deal is both first in charitable sector and first to make use of connected covenant structure

 Jonathan Vaughan  
© 11 June 2025 - 9:58 AM GMT



**£55m**

assets transferred to Clara

**730**

members transferred

**4th**

Clara transaction completed

**2nd**

BW-advised transaction

**1st**

Transaction for a small scheme

**1st**

Transaction in not-for-profit sector

**1st**

'Connected covenant' transaction

## Objectives:

- › Secure full buyout within appropriate timeframe
- › Reduce ongoing reliance on employer covenant
- › Ensure positive member experience

## Connected covenant approach:

- › Fits within existing TPR regime for superfunds
- › Significantly reduces cost/risk exposure for sponsor
- › Increases security for members
- › Allows easier navigation of TPR 'gateway' for transaction clearance



# How to make it a success



Demonstrate economic value



Thorough consideration of risks



Ideas for investment strategy evolution



Developing a robust governance framework



BW SAVE

LEARN MORE

>>



# Setting the scheme's long-term strategy

Sponsor should be highly engaged

1



Wider  
considerations

2



Trigger for  
extraction

3



Share of  
surplus

4



Buy-out  
vs run-on