



Q: How can I reduce my pension scheme risk?

A: Conduct a Liability Management Exercise (LME)

Flyer 1 of 4





Q: What restrictions are there?

The Trustees need to be consulted before the sponsor can approach the members. There are no legal restrictions but there may be barriers for some of the LME options, depending on your circumstances.

Q: How would a LME help me reduce risk?

A liability management exercise is an offer by you to the members of your defined benefit pension scheme to take their benefits in an alternative form. You may decide to put some money towards it to enhance the benefits if the offer is taken.

By conducting a LME you can reduce or remove liabilities from the scheme and reduce the buyout cost.



Q: What are my options?

1. Enhanced Transfer Value exercise

Most non-retired members have the statutory right to transfer their benefit to another registered pension arrangement. You can approach these members and promise that, if they transfer their benefits within a certain time period, additional funds will be paid into the pension scheme so that an enhanced transfer payment can be made. Members are normally given access to independent financial advisors to help them decide whether or not to transfer.

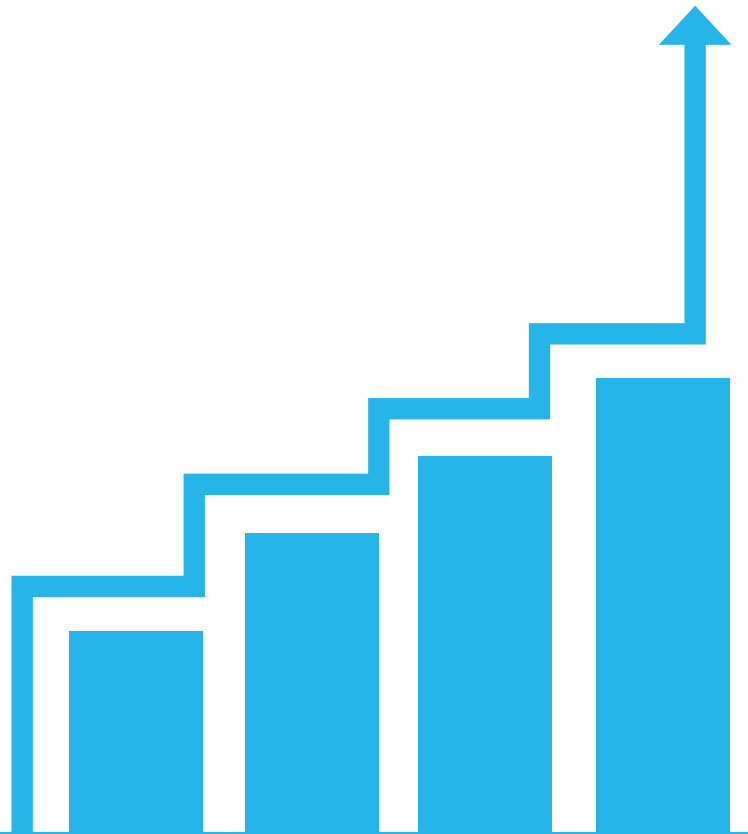
2. Flexible Retirement Option exercise

Members over the age of 55 years are approached and given the opportunity to draw their benefits early or to transfer their benefits to another registered pension arrangement. The early retirement benefits and/or the transfer value can be enhanced in some way and members are normally given access to an independent financial advisor for assistance in weighing up the various options.



3. Pension Increase Exchange exercise

Members already in receipt of pensions are approached and are offered the opportunity to exchange future increases in their pension for a higher pension that will not increase in future. The decision is not reversible and members are normally given access to independent financial advice in deciding whether to accept the offer.



What are the benefits to me?

They are a good way of reducing your liabilities and reducing risk. They are also a stepping stone towards the eventual buying out of your pension scheme's benefits with an insurance company.

To reduce risk in your pension scheme, contact James Smith on 01732 375 672 or james.smith@firstactuarial.co.uk

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