

News Update

In order to ensure that BSPS benefits can be paid in full, not just now but into the future, the overall objective of the Scheme is to reach full funding on a solvency or "buyout" basis. There are two reasons for this. Firstly, it gives the opportunity to secure all liabilities with one or more insurers. Insuring liabilities means risks such as investment, inflation and increased life expectancy are passed to the insurer. Many pension schemes like the BSPS share this objective and you will regularly hear of the record number of schemes insuring liabilities every year. Secondly, and this is specific to the BSPS, reaching 103% allows us to make additional payments (referred to as "restoration") to members under the agreement reached when the Scheme was set up. The earlier we can do this, the greater number of members who will benefit.

As part of this strategy, the Trustee has transacted a second buy-in policy with Legal & General, under which around 25% of liabilities were insured (bringing the total insured to just under 30%). These transactions do not impact the entitlements or security of benefits of any member or group of members. The buy-in policies are simply held as long-term investments of the Scheme, ones which have the advantage of perfectly matching a proportion of the liabilities.