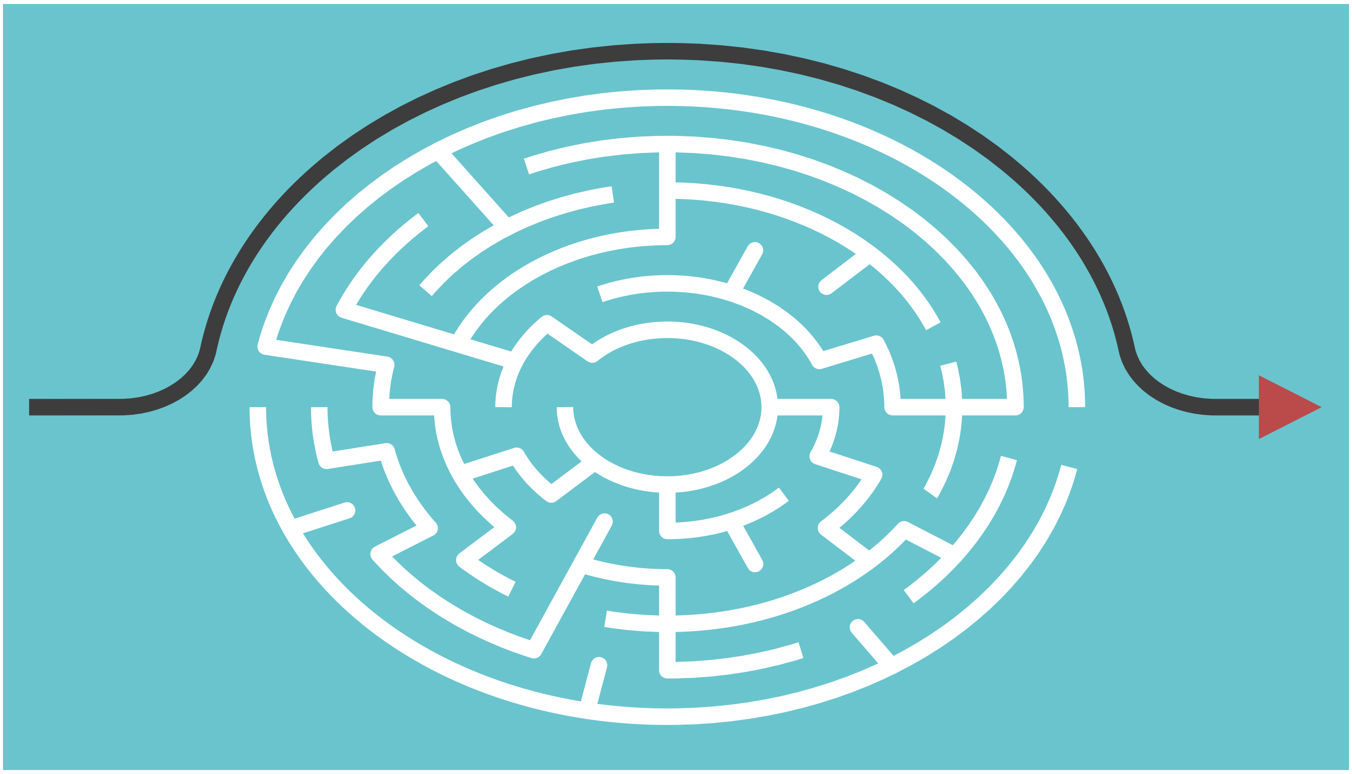

Rethinking the path to buyout with an insurer-led solution

A faster, cleaner path to buyout isn't just possible, it's essential. At Pensions UK last month, Just shared its perspective on why the industry must evolve and why insurers have the experience and skills to take the lead

Defined benefit pension schemes are in the best funding position they've seen in decades. Buy-in volumes by number are breaking records, and insurers are prepared. Yet when it comes to transitioning schemes to buyout, the data cleanse process remains painfully slow, with almost identical timelines whether it's a scheme of 100 members or one of 10,000 members. Taking 18-24 months is not unusual to finalise data, which, for a 100-member scheme, is more than five days per member. That's hard to justify. We believe that this can, and should be reduced to closer to a year... and we have a plan to make this happen.

It matters – delays hurt everyone

Delays in progressing a scheme, first through buy-in and then to buyout, create real friction. For trustees and sponsors, a slow path to wind-up delays access to surplus and drags out running costs. For members, it means slower access to insurer-driven benefits and innovation and, in many cases, a lack of transparency for members.

Current processes fall short

As insurers, we know how to onboard members, calculate benefits, and pay pensions. But we can't move forward without finalised, accurate data and benefit specifications. And right now, the data cleanse and guaranteed minimum pension (GMP) equalisation process is taking far too long. A two-year (or more) transition shouldn't be inevitable and we must stop treating it as 'just one of those things'.

There are plenty of reasons for the lack of speed. Third-party administrators (TPAs) are doing their best, but they're stretched. Processes are often misaligned, with a lack of clarity and ownership between trustees, advisers, administrators and insurers. GMP equalisation is still hugely onerous, often requiring multiple rounds of advice and data processing. And the act of cleaning the data can often require multiple rounds of validation and checks, delaying things further. Ultimately, the issue isn't just the quality of the data, but the process required to solve the data challenges that arise.

The path to change

The answer isn't just about better admin data, it's about a better model for the entire data cleanse journey.

Trustees need to understand what's required to get to buyout, and the role they play in moving things forward. Advisers need to align with insurers earlier and insurers need to be clear on their needs. And the industry needs to start treating post transaction data cleanse needs as projects in their own right, planned for in advance with realistic timelines, workflows and budgets.

There's a lot more to this, however, and one of the real opportunities is to let insurers do more, leveraging our experience from working on hundreds of transactions. If we overlay this with the adoption of the right technology, we can leverage and amplify this expertise to allow us to do things differently.

What does this look like in the real world? As in many industries, AI is driving huge change. One way it has notable promise is to streamline producing benefit specifications based on scheme data. Cloud-based pricing tools and software solutions will allow pricing to be completed in seconds, not days. Data transformation is another piece of the puzzle, supporting the movement of data between systems and providers, standardising and validating it in an efficient and robust manner. These processes can be integrated with GMP equalisation approaches and benefit calculation tools, at scale.

Technology will further transform the member experience, enabling access to self-service portals, holistic planning tools and integrated advice journeys.

Insurers can take the lead

If the journey from buy-in to buyout is to accelerate, insurers must play a bigger role in the data cleanse process itself. With more than 150 buyouts completed at Just, we've seen first-hand where the pain points lie and how predictable many of them are.

"It requires closer collaboration with trustees and administrators, but if the goal is to deliver certainty and better outcomes faster, it's time for insurers to step up and lead"

Insurers know what 'good' looks like when it comes to data quality, and we have the tools, experience and regulatory oversight to take on more of this work with confidence. By bringing elements such as GMP equalisation or benefit verification within our control – and following transparent methods drawn from typical market practice – we can reduce uncertainty and cut months from timelines.

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Achieving this will require access to full data extracts and historic backfiles, transparent reporting, and trust and alignment around final specification and data sign-off, but it can be done.

Piloting this concept

We're already putting this approach into practice and working on a transaction where Just intends to take on key elements of the data cleanse process, including preparing data for GMP equalisation. We'll also contractually commit to complete the GMP equalisation work after buyout, using Just's standard methodology, and underwriting its impact to provide full confidence for the trustees. For this scheme, which hasn't yet begun GMP equalisation, the approach means we can give a contractual commitment to reach buyout within just 10 months. By taking more of the process into our control, we can accelerate timelines, reduce uncertainty and deliver a smoother journey for trustees and members alike.

It's early days so we're treading carefully for now, but we expect this approach could become the market norm within a few years for schemes looking to achieve a quick buyout.

The nirvana is a smarter, faster path to buyout, and we're nearly there

The DB market is maturing. With that maturity comes the need to shift our assumptions about what 'normal' looks like. If we can quote and transact faster than ever, why are we still cleansing data the same way we did five years ago?

At Just, we believe there's a better way. The next phase of growth in the bulk purchase annuity (BPA) market will depend not just on insurer capacity, but on our collective ability to get schemes through transition quickly, cleanly and with confidence. At its heart, the real goal isn't just a successful transaction. It's a secure, seamless outcome for every member.

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