

## THE TACTICA POLICY: AN ALTERNATIVE TO PENSION SCHEME BUY OUTS AND A SIMPLE APPROACH TO LDI

PCS is pleased to present a new insured investment option for pension schemes from Tactica Assurance Limited. The Tactica Insurance Policy will allow companies to reduce and remove balance sheet volatility at a price likely to be attractive to many. It will also offer pension scheme trustees a much simpler and more cost effective way to improve the matching of assets to liabilities. It is a straightforward liability driven investment (LDI) solution without all the hassle of implementing and managing a portfolio of complicated banking products.

### **The Tactica Insurance Policy:**

- Significantly reduces risk and volatility;
- Delivers all, or selected pension scheme cash flows for 10 years;
- Provides an asset which is equal to the liabilities calculated on an agreed reference basis, at all times for next 10 years;
- Means that other risks such as mortality are removed for 10 years;
- Allows the danger of irrecoverable surpluses to be avoided;
- Frees up management to focus once again on running the business;
- Reduces adviser fees.

Companies and trustees are under increasing pressure to reduce pension risk and match assets to liabilities. Most investment options are either a poor match for the liabilities or are too complicated for pension scheme trustees and even some advisers.

### **The solution**

The Tactica Insurance Policy combines the twin advantages of security with great simplicity:

- There is an option to match all or part of the liabilities - the scheme simply chooses which liabilities it wants to match and the reference basis it wishes to use to value the liabilities;
- The value of the chosen liabilities is switched into a policy with Tactica Assurance Limited;
- The assets are managed in a separate cell to which is added a buffer of additional funds and, as a further layer of protection, swap contracts are entered into by Tactica to ensure the assets cannot fall below the value of the liabilities;

- The Tactica Insurance Policy guarantees all the cash flows for the selected liabilities for the next 10 years. It also guarantees that the value of the policy will equal the value of the liabilities (on the chosen reference basis) at all times for the next 10 years;
- There is the flexibility of an annual opportunity to extend the lifetime of the policy or the coverage of the policy;
- At the end of the life of the policy, assets equal to the value of the remaining liabilities are returned to the pension scheme.

The Tactica Insurance Policy is therefore:

- An attractive alternative to investing in index-linked gilts – it provides a better investment return than index-linked gilts (net of all costs) for an asset which exactly matches the liabilities;
- A much simpler alternative to implementing matching strategies than using complicated banking solutions;
- A much cheaper alternative to an insurance company buy-out for removing balance sheet volatility (for schemes wanting to match 100% of liabilities).

For more information, please contact Charles Cowling on 0161 242 5388 or Rob Dales on 0113 203 5883.



Charles Cowling  
Pension Capital Strategies  
0161 242 5388  
charles\_cowling@pensionstrategies.co.uk



Rob Dales  
Pension Capital Strategies  
0113 203 5883  
rob\_dales@pensionstrategies.co.uk

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