



Dynamic de-risking

The problem

The Trustees and Sponsoring Employers of most defined benefit pension schemes are looking for ways to reduce their investment risk without pushing up pension costs to unsustainable levels.

Xafinity Consulting has developed the concept of dynamic de-risking as one way of achieving this goal.

What is dynamic de-risking?

Volatility in investment markets, long term interest rates and inflation expectations mean that funding levels in defined benefit pension schemes can change quickly and dramatically. If you only receive quarterly or six monthly performance and funding updates, opportunities can arise and then disappear again long before you have the chance to act. Dynamic de-risking monitors both the assets and the liabilities of a pension scheme on a daily basis which enables these opportunities to be captured as and when they arise.

We will work with you to formulate a 'Journey Plan' (i.e. the anticipated progress towards your long term objectives) and establish pre determined criteria against which the Dynamic de-risking outputs are monitored. Meeting these criteria will

enable you to make changes to the investment strategy at the appropriate time without being exposed to time consuming and potentially costly delays.

What are the benefits of dynamic de-risking?

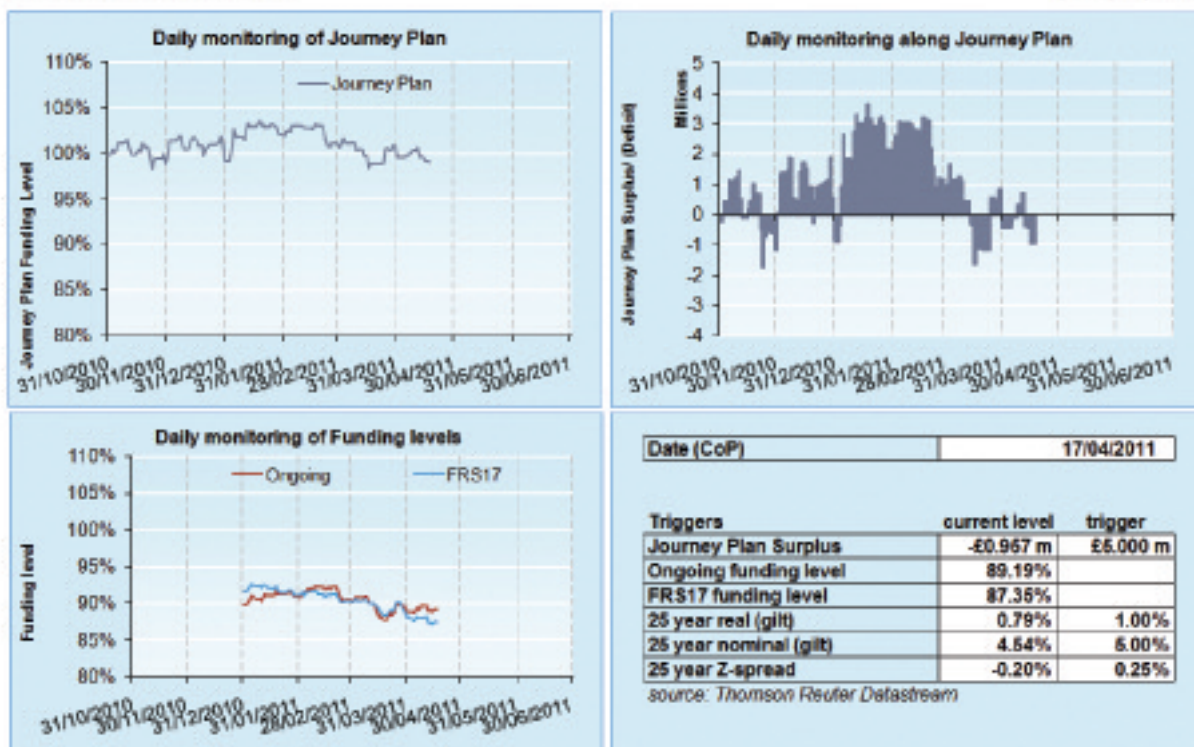
- Improves clarity of objectives and strategy
- Greater likelihood of meeting long term objectives
- More likely to be able to take advantage of short term opportunities
- Considers liability side as well as asset side of funding balance sheet
- Ensures that risk reduction takes place at a time when it is affordable

Xafinity's experience

Xafinity is working with a number of clients to provide dynamic de-risking solutions. We have developed a number of tools to monitor and report on progress, as shown below.

XYZ Pension Scheme

modelsolutions
powered by Xafinity Consulting



These charts enable investment switches (typically from return seeking to matching assets) to be effected when agreed pre-determined scenarios or triggers are encountered. This means that any gains from investment out-performance or reduction in liability value can be "banked". Investment risk is thereby reduced without impinging on the established funding plan.

Who to contact for more information

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About Xafinity

Xafinity is one of the UK's leading specialist providers of pension, employee benefits and payments expertise, with 170 years' experience.

The group provides consulting, software, resourcing, training and business process outsourcing services that enable public and private sector organisations to deliver employee benefits more efficiently.

In 2011 Xafinity was recognised as Third Party Administrator of the Year at the UK Pension Awards and in 2010 won the award for Pension Software Provider of the Year for the fifth time in six years. At the Pension and Investment Provider awards in 2010 Xafinity won Best Pension Administration Software and in 2009 were voted the best Third Party Administration Provider. Xafinity is the accredited software supplier to the UK Principal Civil Service Pension Scheme.

With 1,300 people nationwide, Xafinity has operational and relationship management centres across the UK, in Bath, Belfast, Cardiff, Crawley, Farnborough, Fleetwood, Leeds, London, Manchester, Preston, Reading, Stafford, Stirling, Waterlooville and Worcester.

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