

# £3.5bn DB Pension Scheme OCIO: Bespoke Strategy

## case study

### Client profile and challenge:

A £3.5bn Defined Benefit Pension Scheme appointed us as Outsourced CIO ('OCIO') in 2016 (named individual CIO in 2017). The challenge was clear: achieve full funding on a Technical Provisions ('TP') basis whilst progressing toward buy-out, using a risk-managed approach focused on fundamental risk and narrowing the range of potential outcomes of the Scheme.

### Our approach

We evolved the investment strategy to focus on assets with:



To deliver this, we redesigned the portfolio to include:

**Bespoke cashflow matching** using contractual cashflow assets, including illiquidity and secondary market purchases of private assets.

**Private assets** (including secondaries) to capture illiquidity premiums and replace expected return lost as the equity allocation was reduced.

**Shift away from equity**, as it no longer fit the risk-managed, cashflow-oriented strategy.

**Credit Default Swap ('CDS') overlay** to maintain return while increasing collateral headroom.

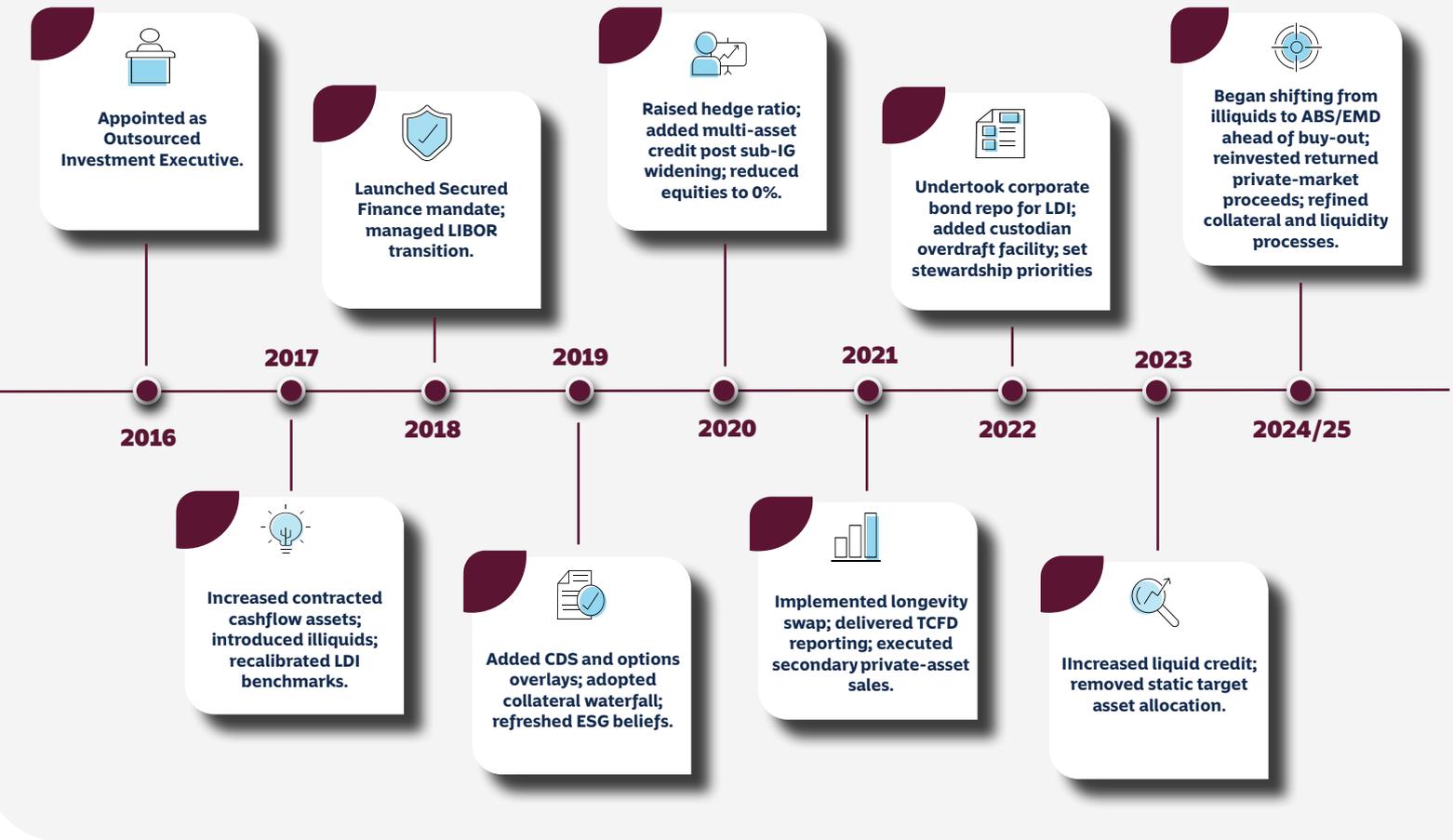
**Collateral waterfall** incorporating corporate bond repo, Asset-Backed Securities ('ABS'), and custodian overdraft facilities, and one-way Credit Support Annex ('CSAs') to strengthen liquidity resilience.

**Multi-Asset Credit ('MAC')** opportunistically added following Covid-related spread widening.

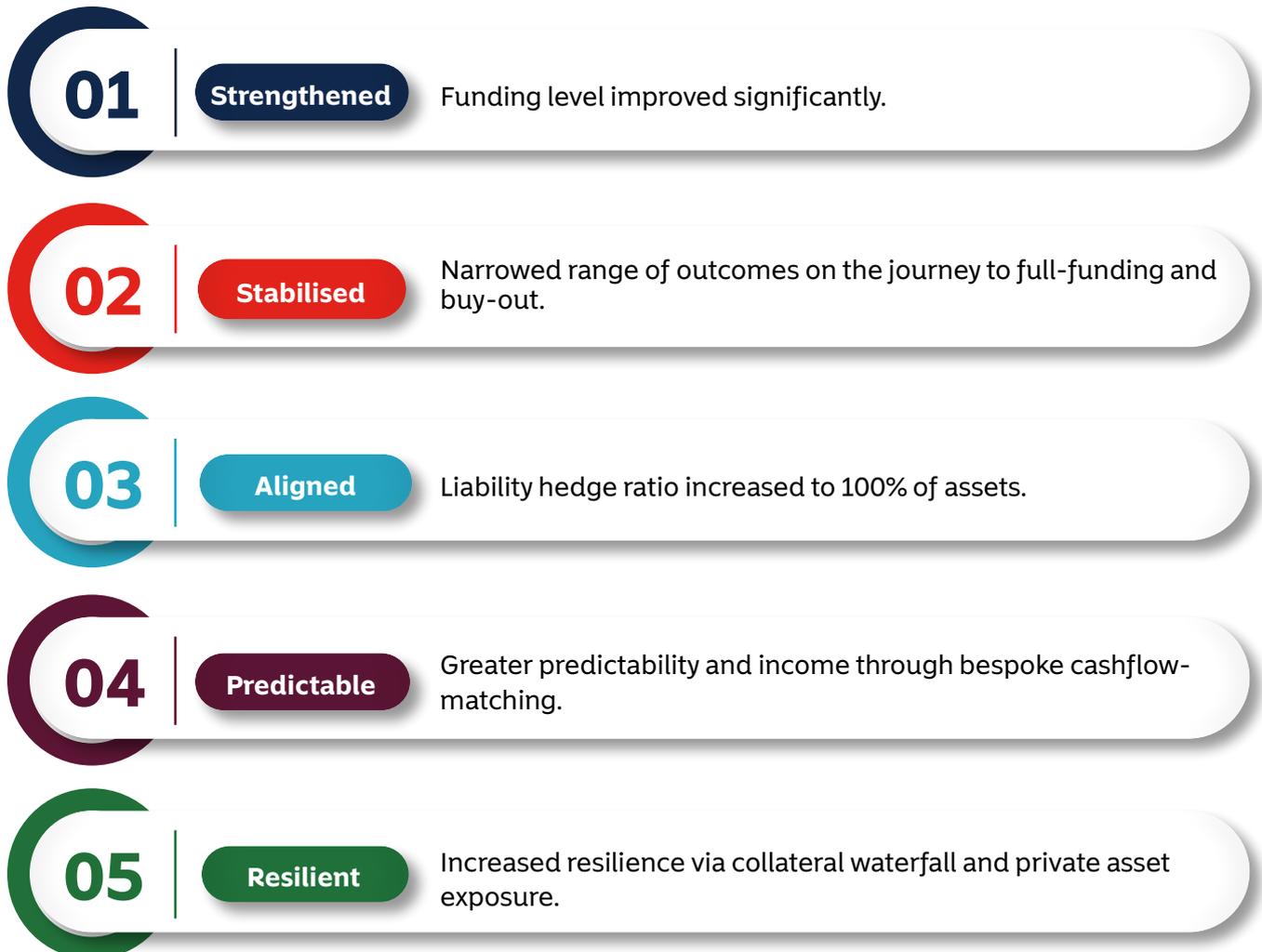
**Innovative financing structures**, including a facility where capital from private debt funds was accessed through a dedicated financing note housed within the Scheme's investment structure.

Additionally, we implemented a **longevity swap** and increased the **liability hedge ratio to 100%** as the funding level improved.

## Proactive key milestones



## Outcomes



## Why it matters

**Q** What does this case demonstrate?

**A** *This case demonstrates how a dynamic, bespoke OCIO strategy can deliver improved funding levels, robust risk management, and sustainable returns for large defined benefit schemes.*

**Q** How were these outcomes achieved?

**A** *By combining innovative investment solutions with disciplined execution, the strategy was tailored to the scheme's specific objectives and risk profile.*

**Q** What was the overall impact for the client?

**A** *The approach strengthened the scheme's long-term financial security and increased confidence in its ability to meet future obligations.*



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