

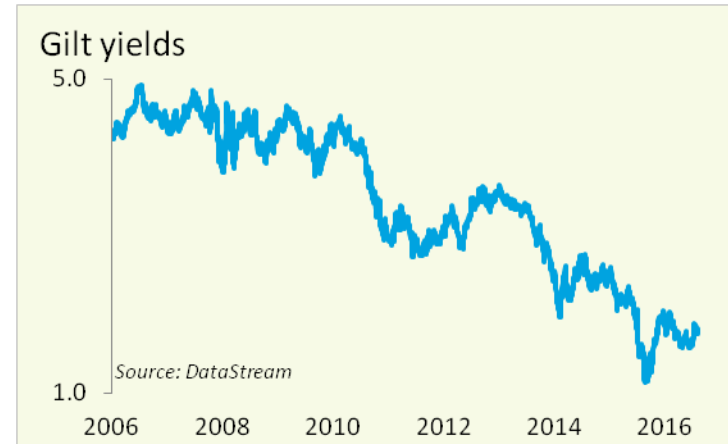


Cash flow matching...

...and approach to funding

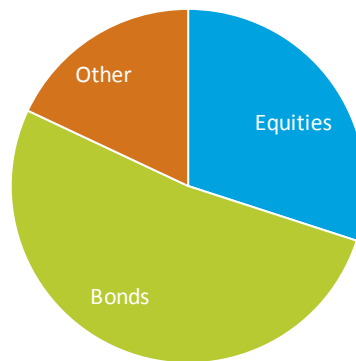
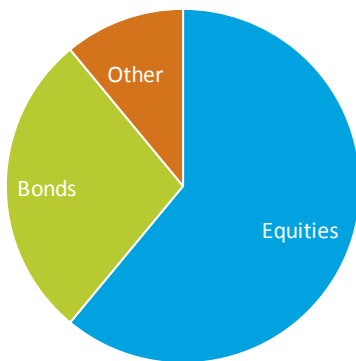
The backdrop

13%



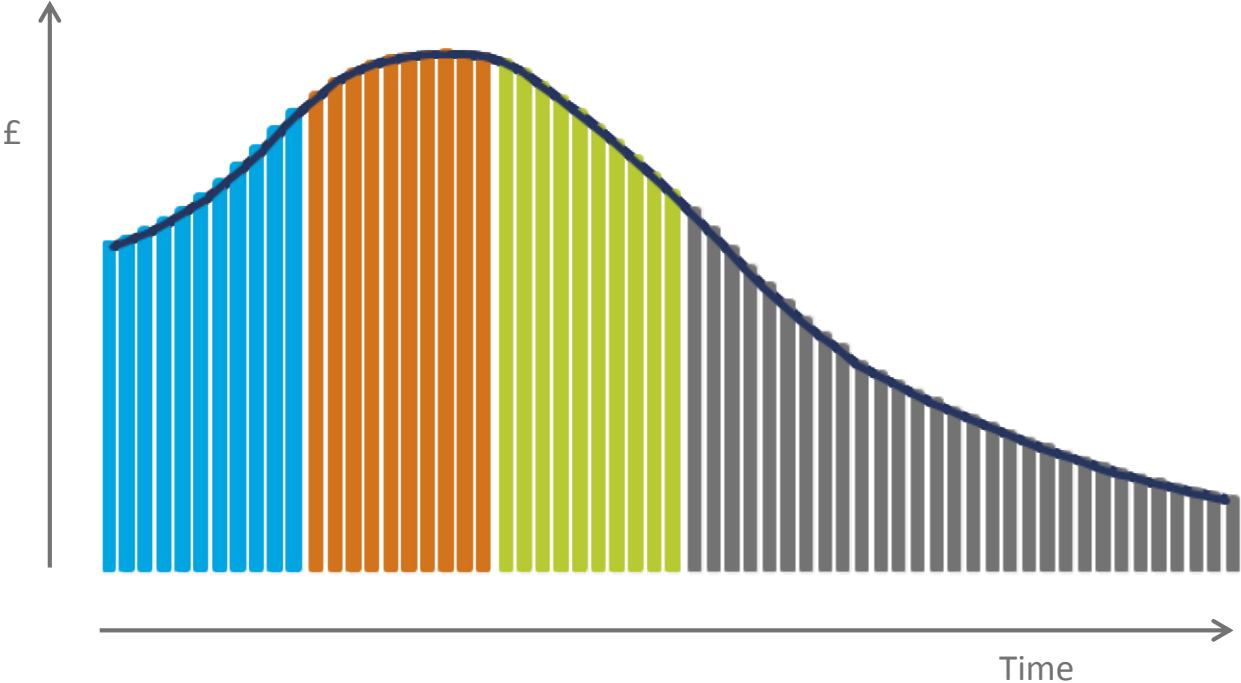
2006

2016



55%

What is cash flow matching?



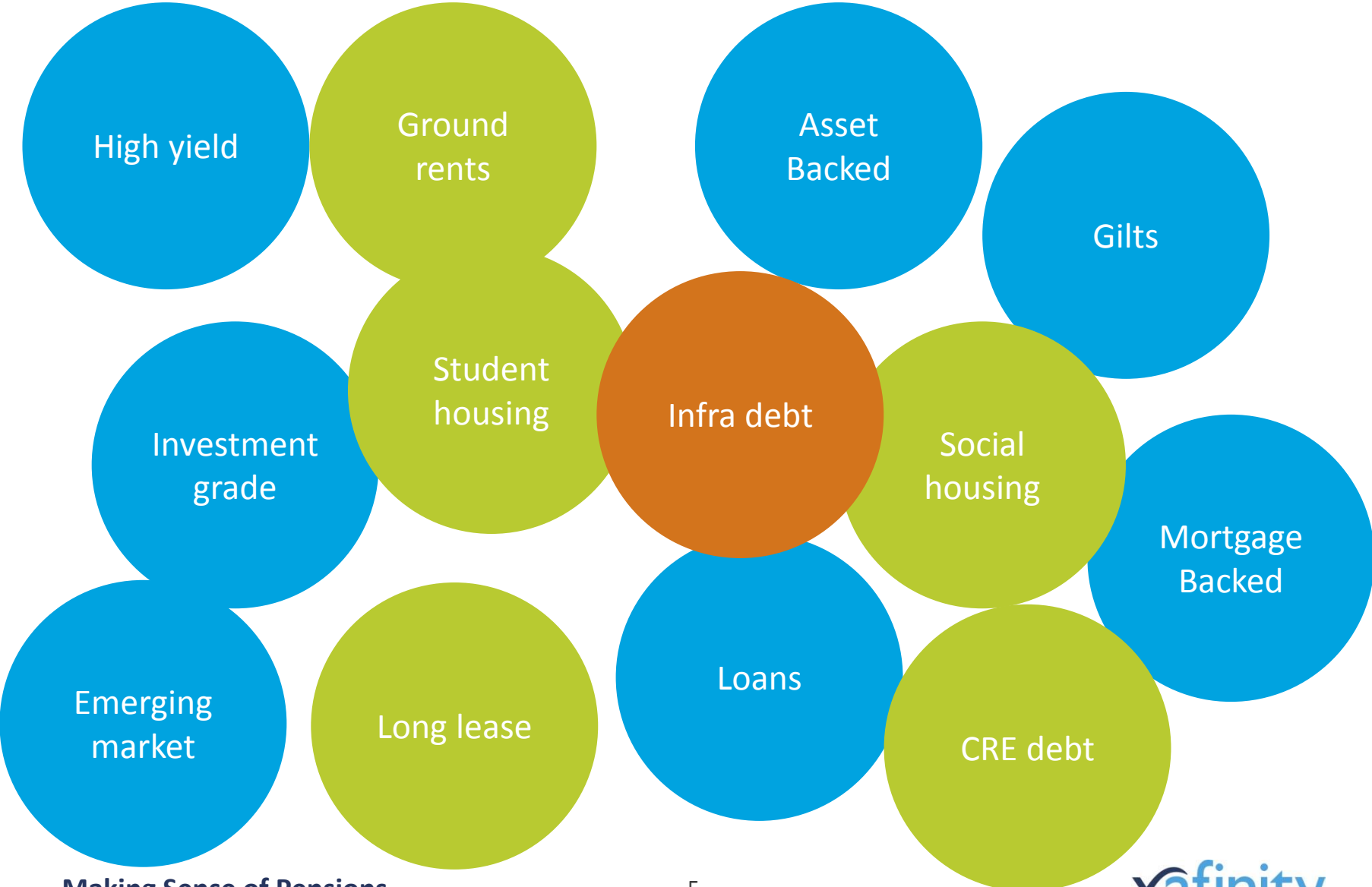
When does it work?

- ✓ Well funded
- ✓ Desire to reduce risk a lot
- ✓ Insurance not likely

What assets are used?



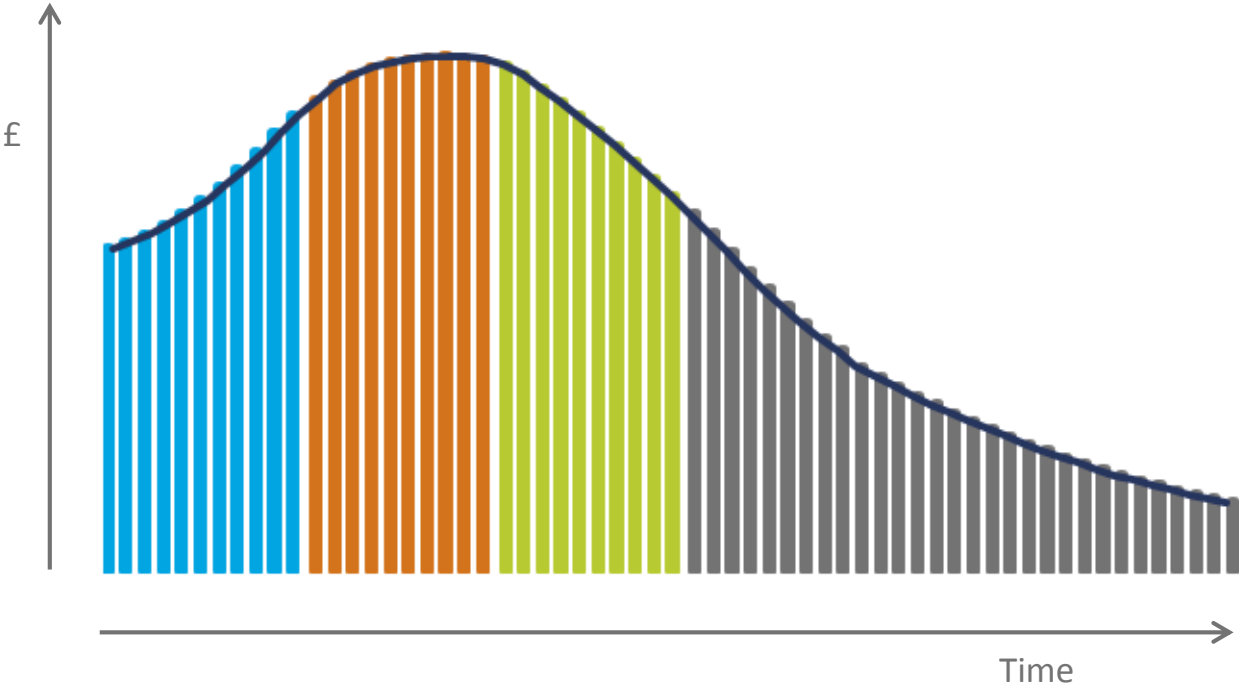
What assets are used?



What assets are used?



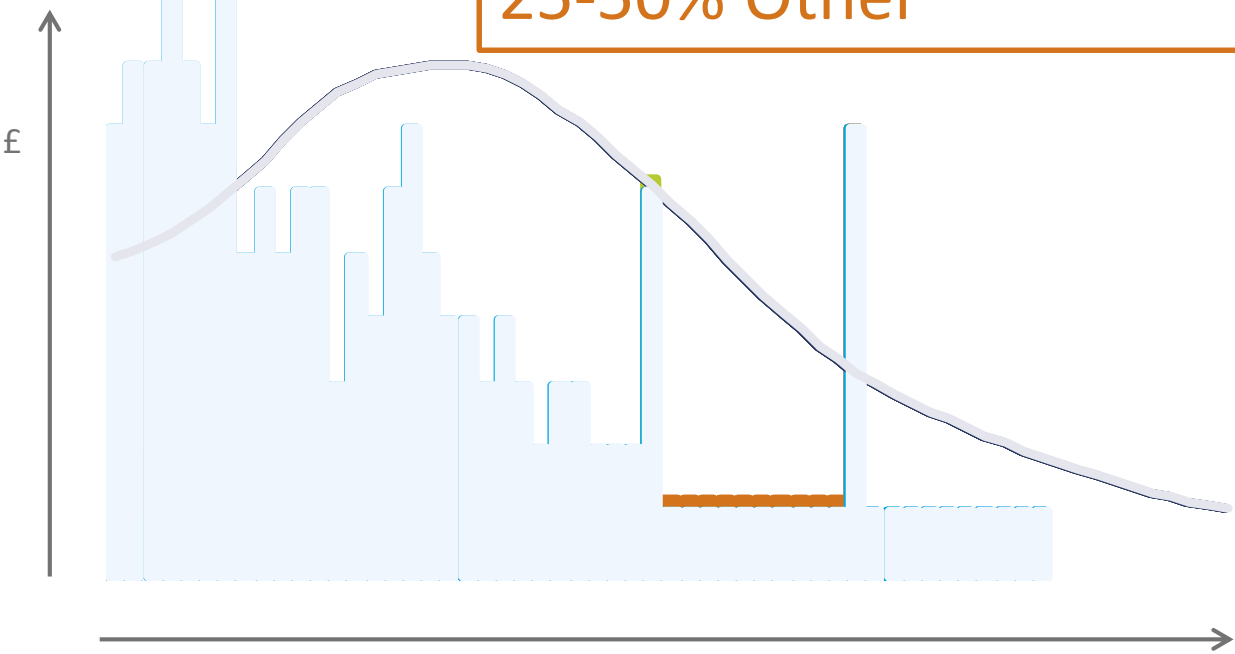
What can be achieved in practice?



What can be achieved in practice?

Risk reduced by 30-50%

50-75% Gilts / Corporates / LDI
25-50% Other

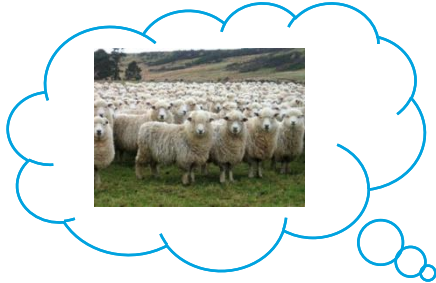


c60% cash flow matched

No disinvestments needed

Expected returns up to gilts + 1.75% pa

Cash flow matching and scheme funding



What investment returns?

Build up from risk free?

I know! I'll use a "gilts-plus" approach

Cash flow matching and scheme funding



Gilts + X% pa



Cash flow matching and scheme funding

Let's try again...



Cash flow matching and scheme funding



Cash flow matching and scheme funding



Cash flow matching and scheme funding



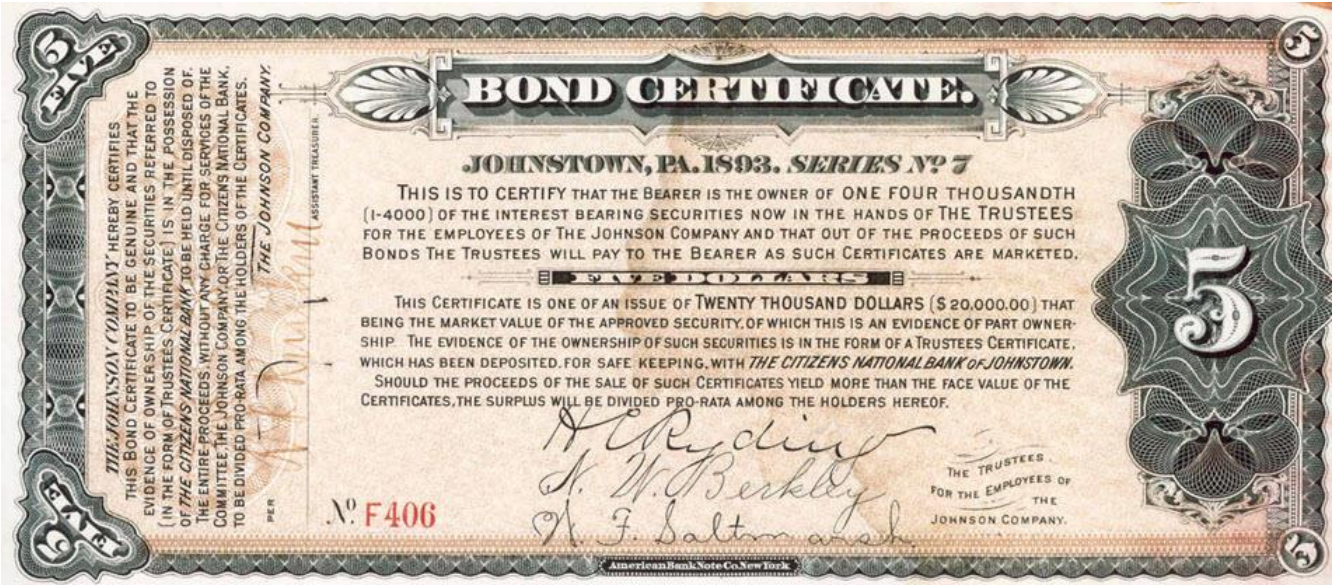
Cash flow matching and scheme funding



Cash flow matching and scheme funding



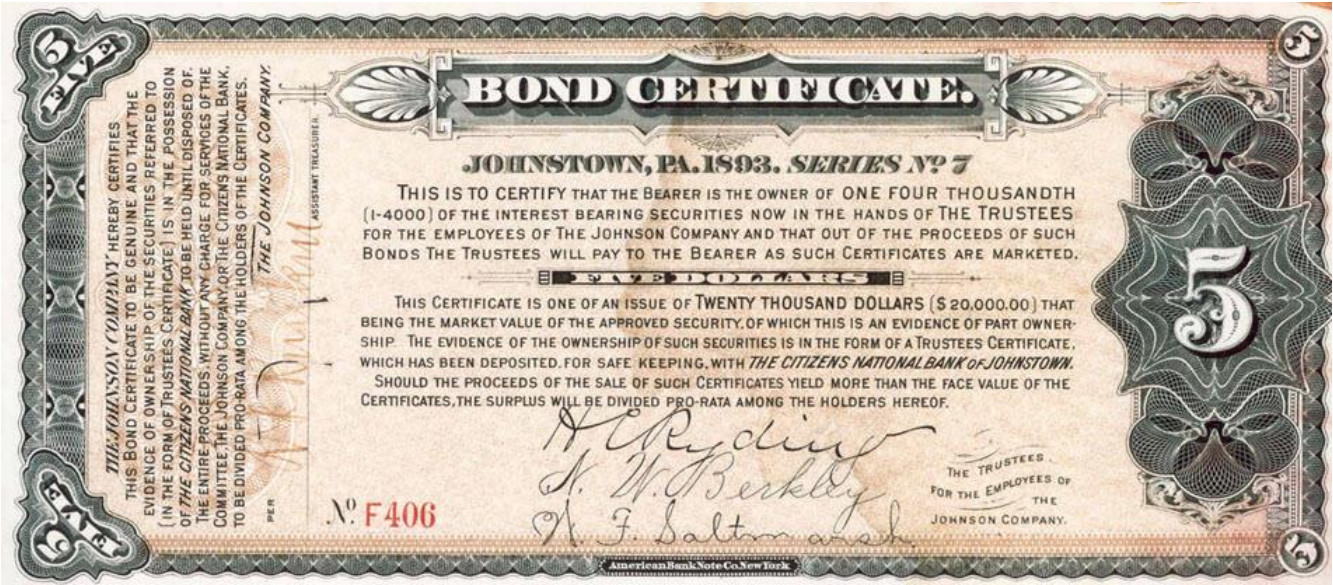
Cash flow matching and scheme funding



Cash flow matching and scheme funding



Cash flow matching and scheme funding



Cash flow matching and scheme funding



Cash flow matching and scheme funding



Cash flow matching and scheme funding



Returns directly
linked to actual
portfolio

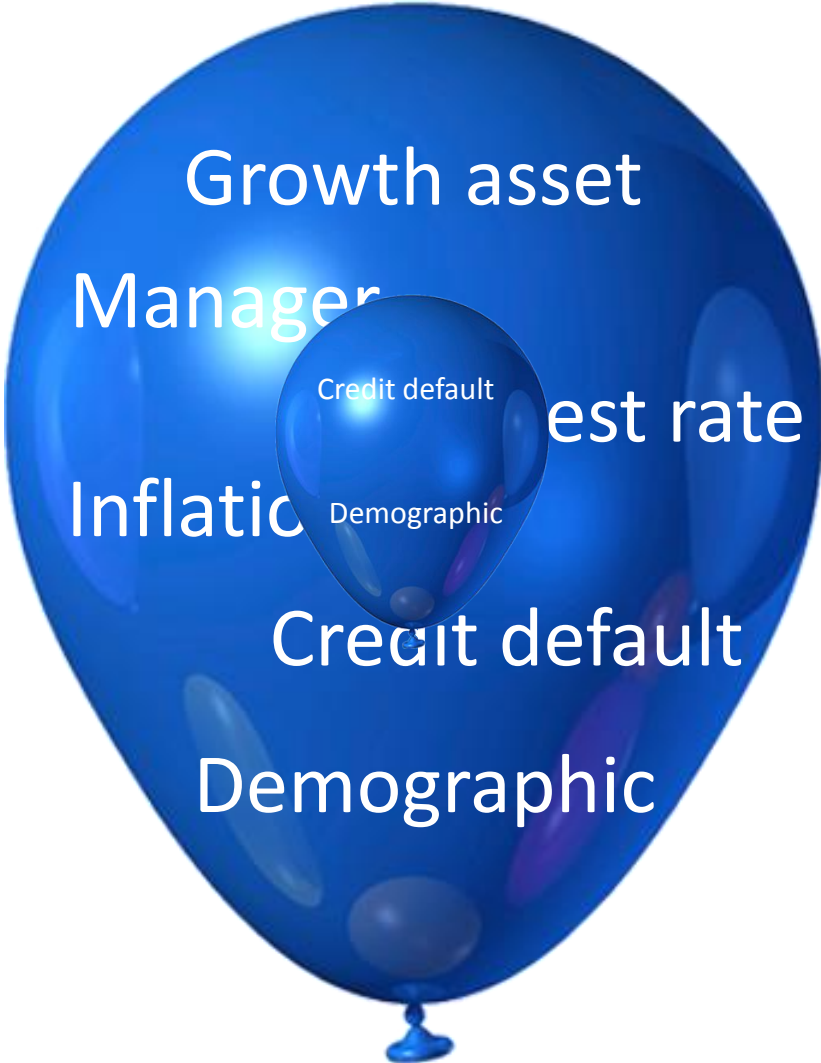


Portfolio - $X\%$ pa

Cash flow matching and scheme funding



Cash flow matching and scheme funding



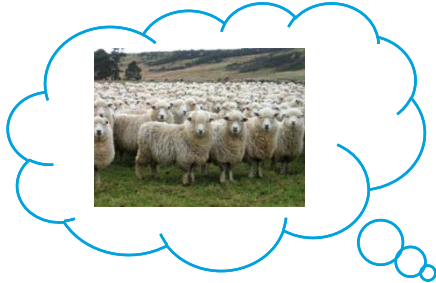
Scheme funding more generally

X% pa

Scheme funding more generally



Scheme funding more generally



What investment returns?

Build up from risk free?

I know! I'll use a "gilts-plus" approach

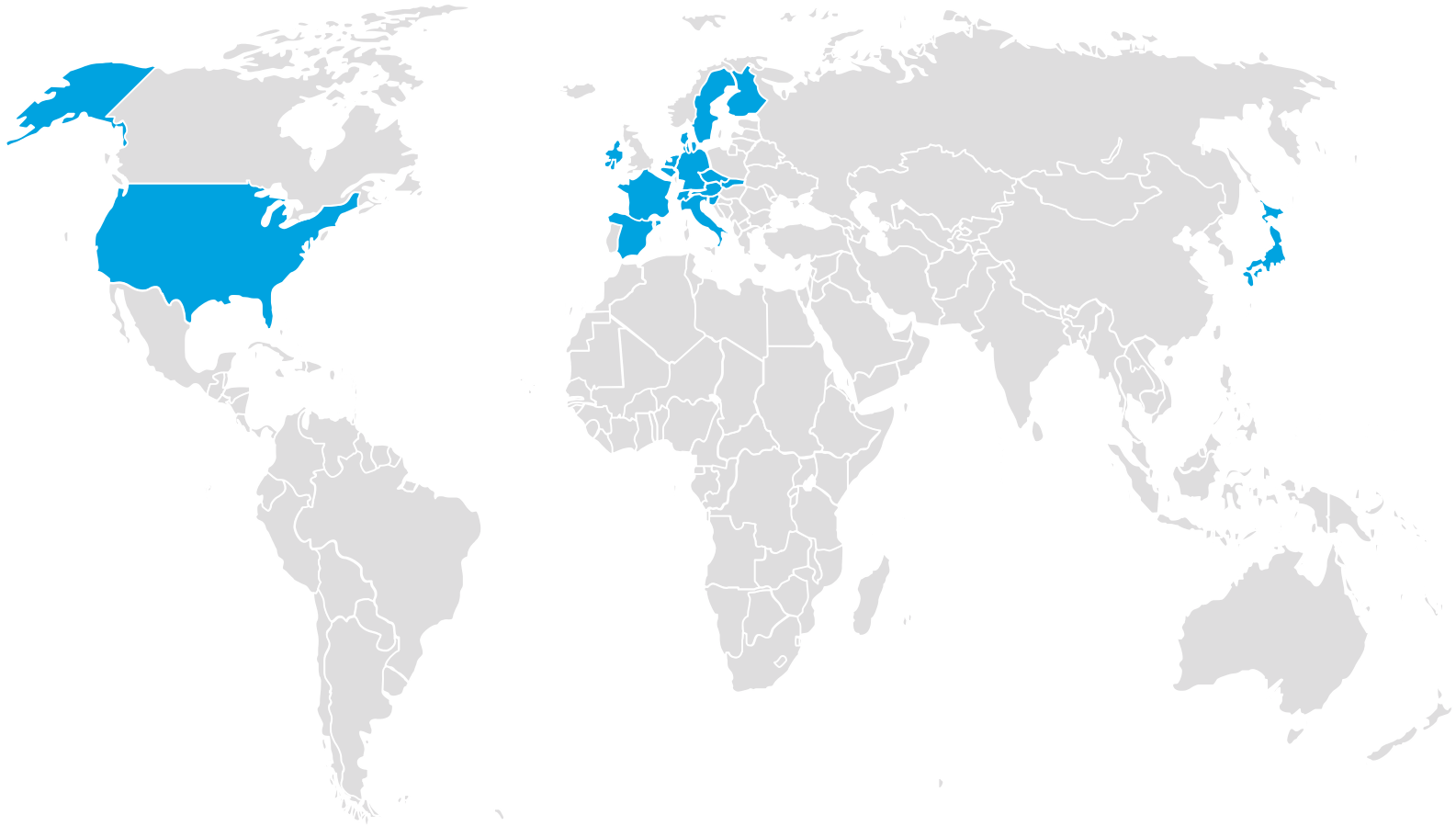
Scheme funding more generally

Gilts + X% pa

Scheme funding more generally



Scheme funding more generally



Scheme funding more generally

- Gilts
- Portfolio
- Cash / absolute
- Inflation
- **Probability**
- Other

Scheme funding more generally

2) Gilts + X% pa

Scheme funding more generally

Hmmm...
...let's have an
open discussion
with the scheme



Scheme funding more generally



Questions

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