

IN THE PRESS

Since setting up an advisory team in 2002, Liability Solutions has conducted 14 assignments covering in excess of \$5 billion of assets up to end July 2006.



Schroders to run Highway pension

Highway Insurance, a quoted UK motor insurer, has hired Schroders to run the closed \$140 million final-salary pension scheme, known as the Ockham Pension Scheme. The pension fund has a nearly \$20 million deficit, having started the year with only a \$5 million deficit. The aim was to structure an approach that offers Libor plus 250 basis points over 10 years, which, all things being equal, will absorb the current deficit.

In 2003, Highway radically altered its investment strategy by switching its insurance funds from short-dated bonds to a low risk, absolute return strategy using equities, cash, bonds and hedge funds, a process that is run by UBP and Bank Syz.

Highway, with consultants **Liability Solutions**, decided to hire Schroders to explore a similar approach combining it with a tailored liability driven solution. Currently the fund has some 75% in UK equities and the new allocation will be more dynamic and include hedge funds.

Schroders' integrated and tailored solution addresses the scheme's absolute return objective, which requires manager freedom to invest in a wide range of asset classes, with a flexible approach to hedging the scheme's liabilities that respects the wish to manage inflation and interest rate risks.

Highway, which has more than 600,000 customers accounting for total premium income of \$460 million, will be investing most of the scheme's assets in the Diversified Growth Fund, which targets Libor plus 4% per annum. A tailored swap hedges the scheme's interest rate and inflation exposure.

Ross Dunlop, chairman of Highway Insurance and a trustee of the Ockham Pension Scheme, says: "We therefore took the decision to implement a revised strategy to address the schemes future funding level volatility."

April 2006

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