

Developing Your Pensions Liability Strategy

Ireland Edition



In [the first article in this series](#), we explored why liability strategy is the missing piece in many pension schemes' planning frameworks. The argument was simple: liabilities are often measured carefully but managed far less deliberately. This article turns to the practical question: what does developing a liability strategy actually involve?

Liabilities are shaped by more decisions than most defined benefit schemes formally acknowledge.

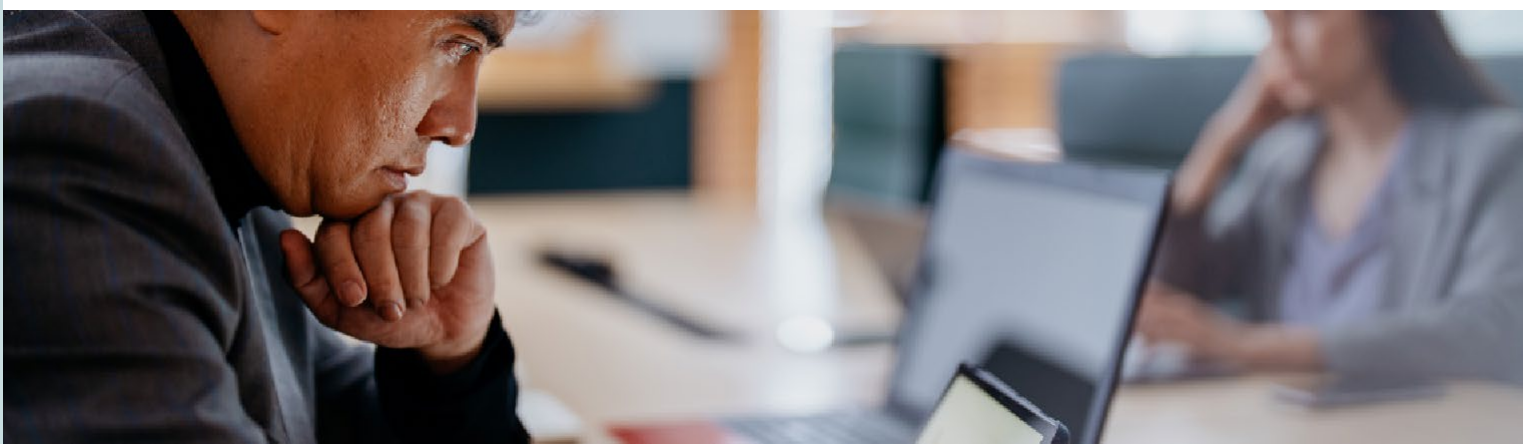
Discretionary increases change the size of future obligations. Transfer value policies influence which members leave the scheme and on what terms. Commutation factors affect the form in which benefits are taken. Member communications shape how people engage with their options. Each of these decisions is a lever.

A liability strategy means being deliberate about how those levers are used — and understanding how they interact and work together. With funding levels transformed and new risk-transfer options emerging in Ireland, those decisions now have greater impact than ever.

Take the example of a scheme targeting full buyout in eight to ten years. The insurer pricing that transaction will be influenced by the composition of the membership at the time — the mix of deferred and pensioner liabilities, the benefit structure, the profile of the obligations.

Decisions made today about transfer value terms or enhancement exercises will change that composition. They are, in effect, decisions about the shape of the eventual transaction, made years in advance, often without being framed that way.

A liability strategy brings that connection into view. It does not prescribe a single answer. But it helps trustees and sponsors make clearer, more consistent decisions by establishing a shared destination and a coherent pathway towards it.



What's the Destination? A liability strategy begins with a simple but often unasked question: what are we ultimately trying to achieve with these liabilities?

For most schemes today, the answer involves some form of endgame — buyout, buy-in, or managed run-off. But having a destination in mind is not the same as having a plan to get there.

The difference shows up in how decisions are made. Decisions about discretionary increases, transfer values, commutation terms, insurer transactions are assessed in isolation. **With a liability strategy, each decision is assessed against a common reference point: does this move us towards our endgame, and on the terms we want? That question anchors everything else.**

The Four Pillars of a Liability Strategy

- 1** What is our policy on discretionary increases, and under what conditions would we grant them?
- 2** When members exercise their options, are the terms moving us towards our endgame or away from it?
- 3** Which liabilities do we intend to settle with an insurer, in what order, and on what timeline?
- 4** Are member communications aligned with our objectives, or are they working against them?

Taken together, these define the shape of the liabilities the assets are working to meet.

At Aon, we work closely with sponsors and trustees to understand these options and ultimately make better decisions about their scheme's future.

Our team of specialists typically work through these questions in a focused strategy workshop. We begin by identifying the scheme's implied liability strategy – the position already embedded in existing policies and decisions, whether formally articulated or not. Trustees can then assess what should remain, what should change, and where greater alignment is needed.

The process concludes with an agreed strategic position and a concise liability strategy document designed to support clearer decision-making going forward.

An evolving framework, not a one-off exercise

One thing worth being clear about: a liability strategy is not simply a one-off document, produced and then filed away. It should be a living and evolving framework capable of responding to shifting conditions.

For example, funding positions change. Market conditions shift. New options emerge — as we are already seeing with product innovation in the Irish market. A liability strategy provides the structure to respond to those developments coherently, rather than reactively while keeping your scheme track to its ultimate destination.

Why This Matters Now

For many Irish schemes, funding positions have shifted dramatically — and the risk-transfer market is shifting with them. New insurers, new products, and new transaction routes mean trustees are no longer asking whether to act, but how, when, and on what terms.

This is exactly when a liability strategy proves its value. It provides a clear framework so opportunities are assessed consistently, trade-offs are understood, and decisions move the scheme closer to its chosen endgame rather than being driven by timing or market noise.

In a market where opportunities are emerging quickly, clarity is an advantage. A well-designed liability strategy ensures every decision strengthens your position — and brings your endgame into reach.

Our next article in this series will examine how employers should consider and respond to Trustee's liability strategy.





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