

Managing the uncertainty

Alternatives to traditional buyout

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Why is so much money chasing pensions?

- Buying up pension liabilities
- Taking profits out of pension schemes
- £1 trillion bonanza?



Buy-out flavours?

- Winding-up buy-outs
- Partial buy-outs for member groups
- Purchase of annuity assets
- Sale of company with pension scheme



Managing mortality risk

- Longevity risk part of wider risk management challenge
- Other risks include:
 - Asset, interest, inflation and sponsor covenant risk



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Risk management

- Is it all about getting rid of risks?
- At what price?
- Attractive packaging?
 - Risk hedging
 - Management by experts
 - Secondary market in pension risks
- Why is market interested?
 - Diversified source of returns
 - Opportunities for a fast buck?

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Alternatives to traditional buy-outs

- Go back to basics
- Impact on portfolio



- What could still go wrong?
- Cost – benefit analysis



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Future scenarios

- Successful risk transfer
- "Protections crisis" under control
- Broad and healthy buy-out market
- Secondary market thriving



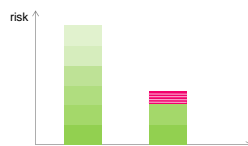
DIY



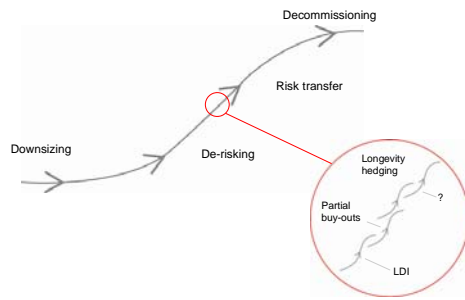
- Risk mitigation...
- Or just putting off the inevitable?
- Pros and cons
- One size does not fit all
- Avoid "flavour of the month"
- Will your handiwork last?

DIY: all about preparation

- Spectrum of solutions
- 4 golden rules:
 - Know your limitations
 - Use a common language
 - Keep it real
 - Don't be blinkered



Possible route map



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Thank You

Any questions?

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