Latest Developments in longevity hedging for pension schemes

Banks Perspective

Chris Watts

12 October 2010
Pension Scheme Risk Management Strategies

- Important to think of longevity hedging in the overall context of the pension scheme
  - An extension to LDI
  - A component to a DIY Buy-in
  - To help with the glide-path to Buy-in or Buy-out

Decreasing Risk

- Bond/Equity
- Diversified Assets
- LDI
- DIY Buy-in
- Buy-in
- Buy-out

Longevity hedging typically applied here
Banks Roles in the Longevity Market

• Where does the risk end up at the moment?
  – Credit intermediation
• Fronting to market
  – Both pension and investors
• Structuring of transactions
  – Economics
  – Legal terms
• Asset solutions
Challenges and Future Market Developments

• Increasing standardisation
  – Life & Longevity Markets Association
  – Documentation and valuation
  – Indices for hedges
  – Development of a liquid market
• Capital markets investors?
• Hedges for smaller sized schemes?
• Hedges for deferred pensioners?