Latest Developments in Longevity Hedging
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Babcock’s perspective

What did we do?

• Trustees of 3 schemes transacted longevity swaps
• 50 year deals with Credit Suisse hedging longevity risk on
  – current pensioners
  – their spouses and dependents
• Also hedged age difference and proportion married
• Deals are fully collateralised
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Why did we do it?

• Pension liabilities large in relation to market cap of Group
• Part of much wider risk mitigation programme
• Did not wish to do a buy in
• Unable to hedge investment risk consistently at the time
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How did we do it?

- Carried out detailed exposed to risk on pensioners
- Provided this plus pensioner data to providers
- Reviewed quotes-series of cashflows over different periods against our expected cashflows
- Reviewed terms and flexibility
- Chose preferred provider
- Issued proposal to trustees
- Agreed complex contract
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Key issues

- Funding implications
- Accounting implications
- Security
- Contract terms including flexibility