



Institute  
and Faculty  
of Actuaries

# PENSIONS AND THE END GAME

## WHERE NEXT FOR PENSIONS DE-RISKING?

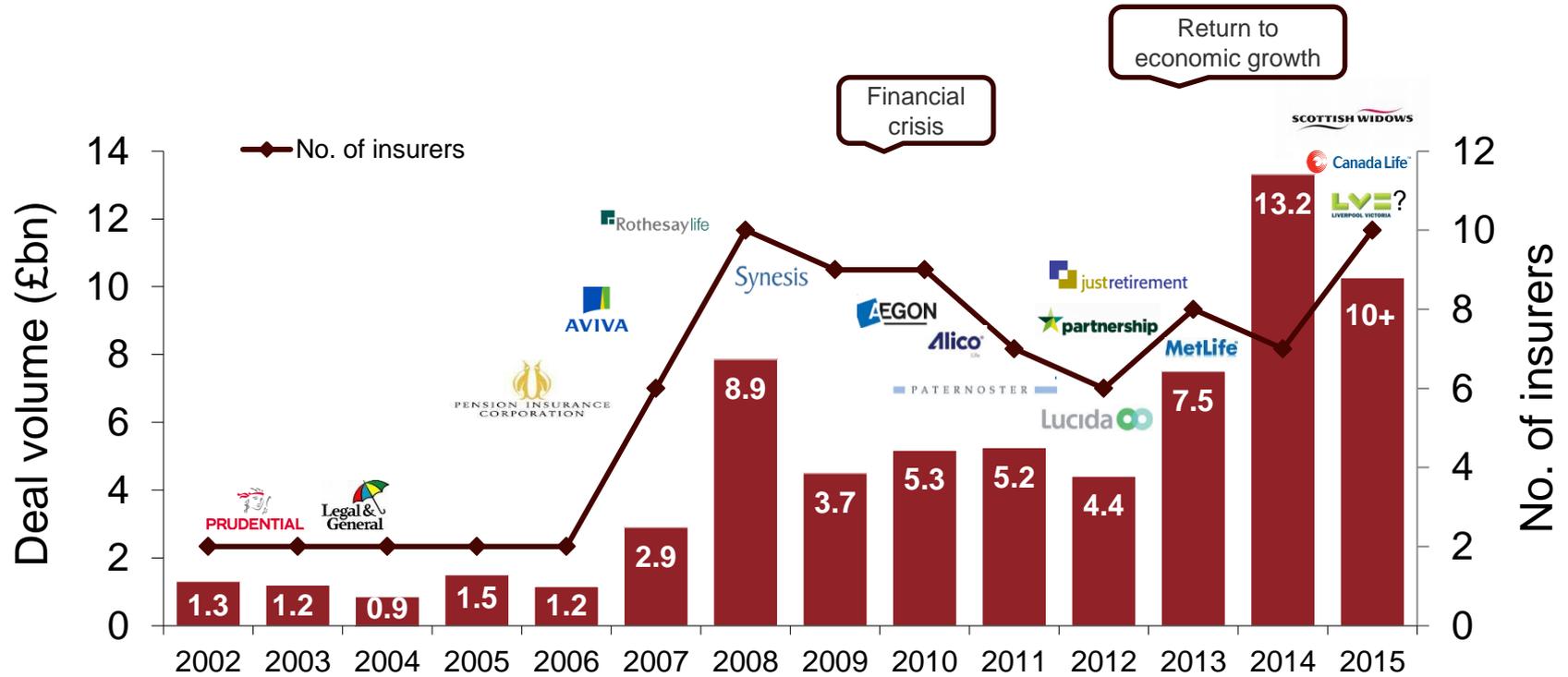
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# MARKET OVERVIEW

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# OVERVIEW OF THE BULK ANNUITY MARKET



# PENSION DEMAND VS MARKET CAPACITY



**£2.1trn**

liabilities on a  
buy-out basis

**£105bn**

buy-in, buy-out  
and longevity  
swaps completed

**13%**

schemes  
open to new  
members

**50%**

reduction in scheme  
equity holdings  
since 2006

**£0.7trn**

liabilities  
hedged  
through LDI

**9**

insurers actively  
participating

**2**

new entrants  
since 2015

**£20bn**

predicted annual  
bulk annuity  
capacity

**c50%**

reduction in  
retail annuity  
sales

**£?**

new capital to be  
invested in bulk  
annuity providers in  
2016+

# CREDIBLE NEW PLAYER?

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WHAT NEXT FOR 2016?

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# PREDICTION 1: PENSIONER BUY-INS

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Exchange of  
“unencumbered” gilts for  
buy-in will remain popular

**BUT**

Value comparison  
dependent on realistic  
technical provision  
assumptions

## PREDICTION 2: MEDICAL UNDERWRITING

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Medically underwritten  
bulk annuities will  
continue to be written

**BUT**

Trustees will need to  
have genuine belief of  
benefit for their  
population

## PREDICTION 3: LARGE VS SMALL

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In a busy market, small schemes could struggle to gain sufficient attention

**BUT**

Aggregation, preparation and market timing will be key to driving a competitive process

# PREDICTION 4: INNOVATION

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Solvency II affects  
provision / cost of  
additional features

**BUT**

Efficient structuring  
should facilitate solutions  
to trustees' key concerns

# IN SUMMARY

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- Market continues to be competitive

*Demand likely to be met by increased supply through new entrants and new capital*

- Pensioner buy-ins likely to be predominant transactions in 2016

*Buy-outs will be driven by corporate events or significant improvement in financial conditions*

- Medical underwriting will remain a useful tool

*Trustees may increasingly require evidence of potential benefit for their population*

- In a busy market smaller schemes may need to club together

*Governance and quick decision making will be key in this scenario*

- Innovation will be necessary to address key concerns in post Solvency II world

*Appropriate structuring of process and contracts will be necessary to ensure competitiveness*



**SCOTTISH WIDOWS**