



Institute
and Faculty
of Actuaries

Bulk Annuity Market

19 June 2019

Bristol





Institute
and Faculty
of Actuaries

Bulk Annuity Market

Rob Mechem and Martin Parker - Just Group

01737 233 307

Rob.Mechem@wearejust.co.uk

01737 308 739

Martin.Parker@wearejust.co.uk

19 June 2019

Agenda

- How the market has changed
- Why has demand grown?
- What are insurers doing to increase supply?
- How can pension scheme advisers engage with insurers
- Working together to improve efficiencies

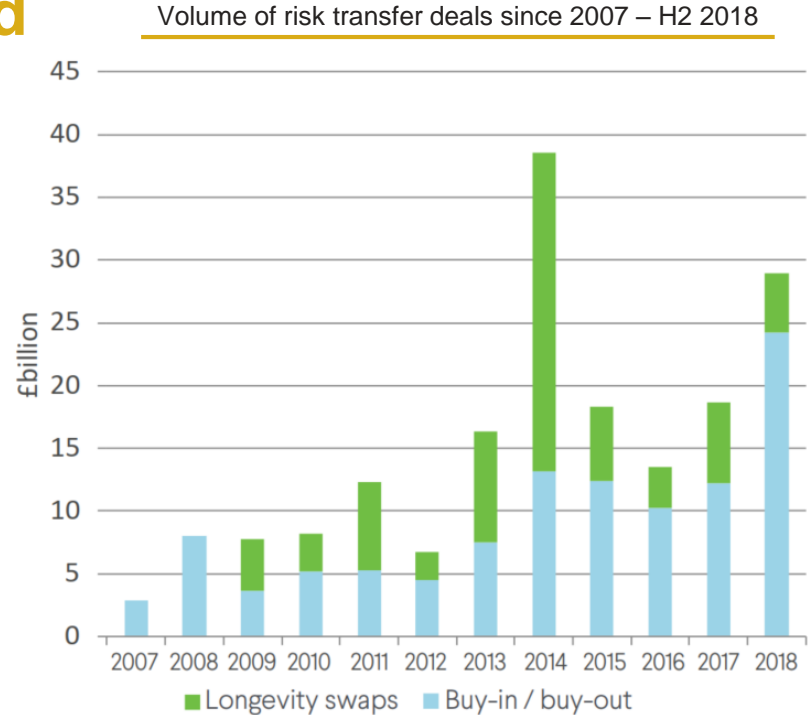


How the market has changed

2018 was a step change year

Records broken across the board

Seasonality ended



Source: Hymans 'Buy-outs Buy-ins and Longevity Hedging H2 2018' report



Institute
and Faculty
of Actuaries

How schemes have changed

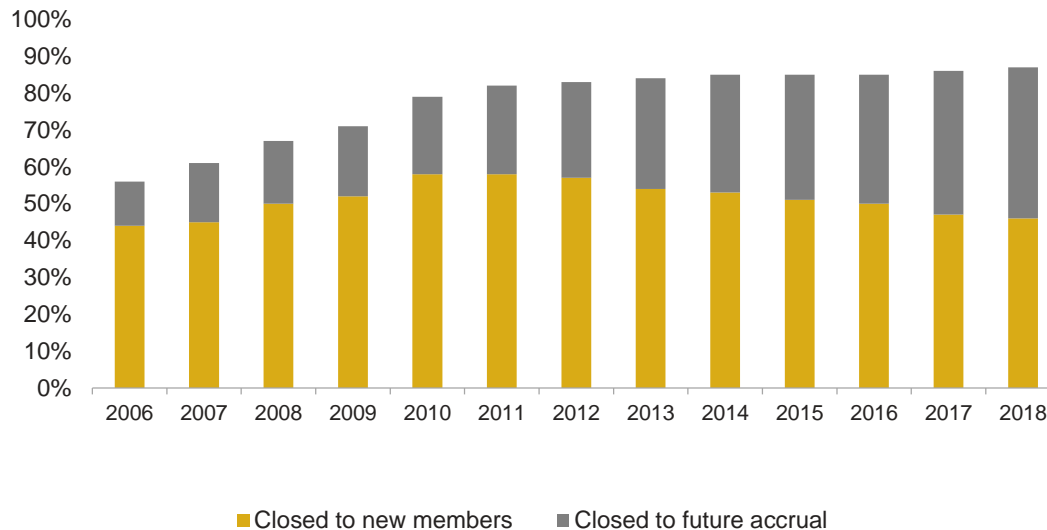
Schemes are better prepared

Sponsors wanting to remove risk

More schemes approaching maturity

Scheme funding has improved

87% of schemes (by number) are closed to future accrual or new members



Source – PPF Purple Book 2018



Institute
and Faculty
of Actuaries

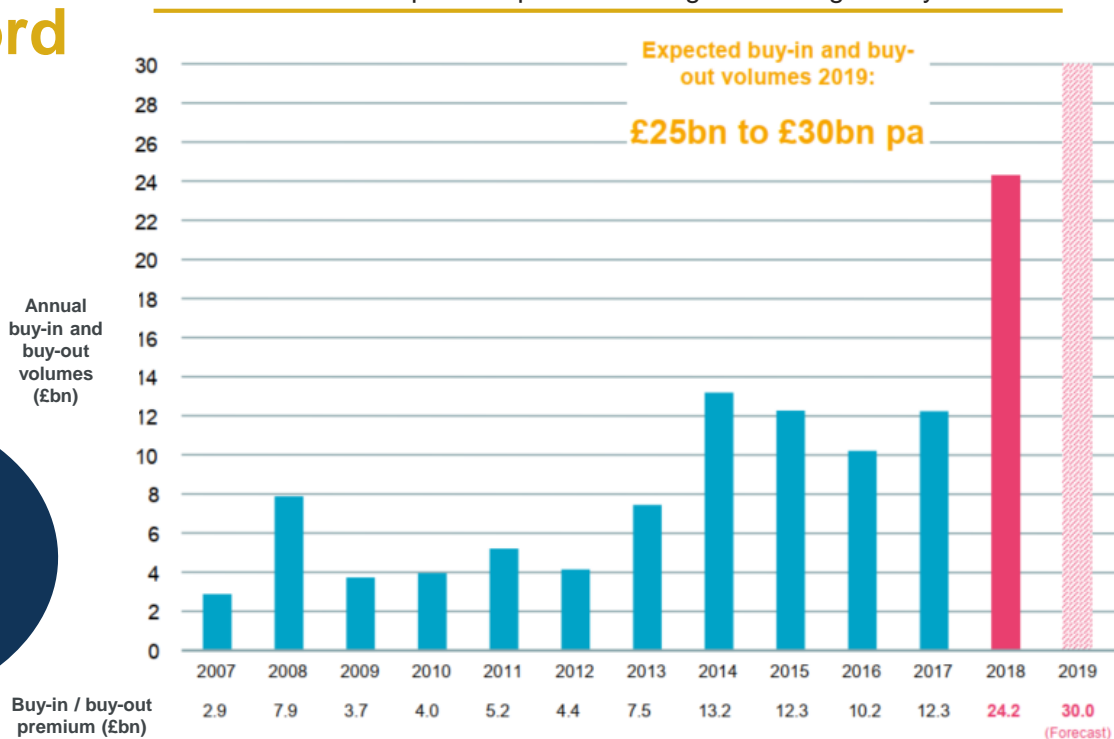
2019 – Another record year

Experts are predicting a record year in 2019

“Over £50bn of demand for buy ins and buy-out currently in the market”¹

“Aon is predicting another year where risk settlement activity tops the £30bn barrier”²

FTSE 100 UK pension plans reaching full funding on buy-out



Source: RBC Bulk Annuities Seminar – 3 April 2019

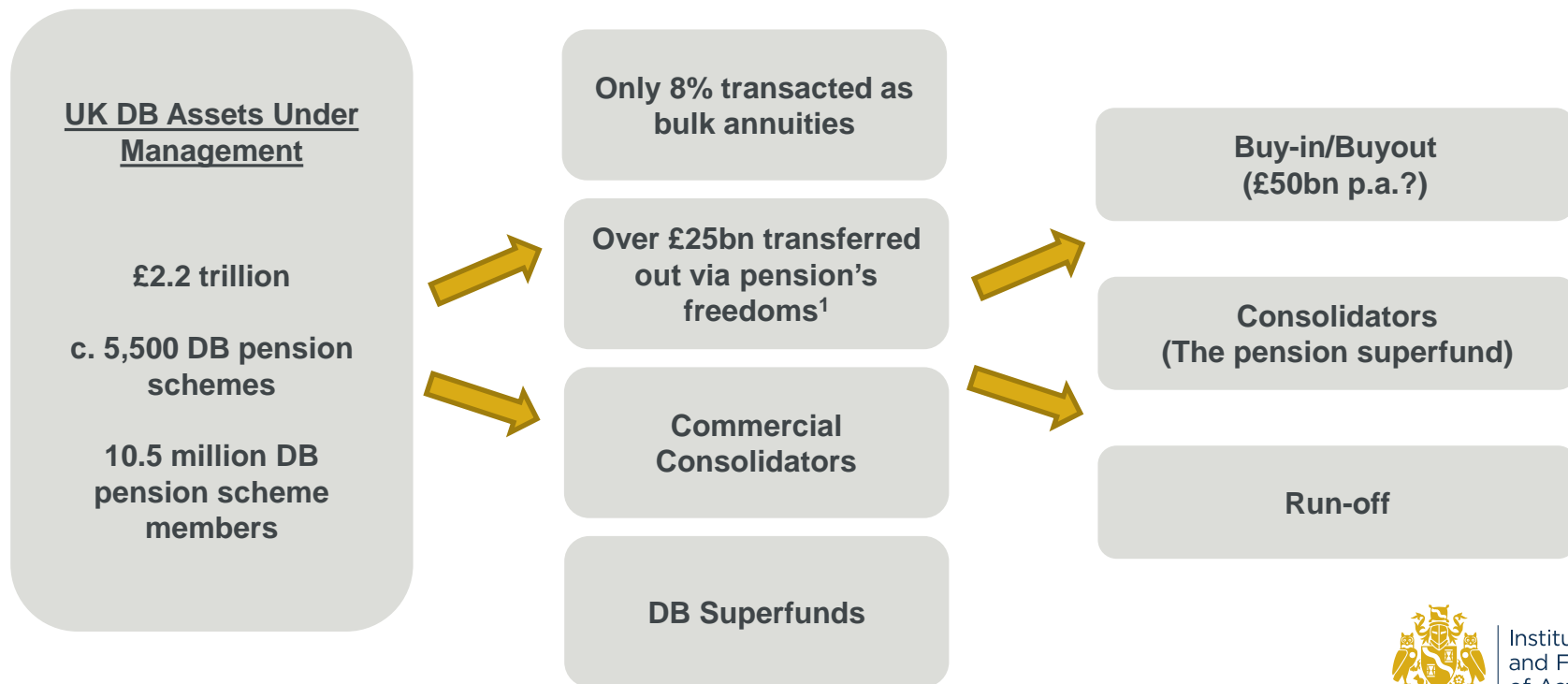
1: Source: Myles Pink – LCP - RBC Bulk Annuities Seminar – 3 April 2019

2: Source: 'Aon Risk Settlement: UK market update' – March 2019



Institute and Faculty of Actuaries

Strong market potential



1 - Aviva "Pension freedoms boom" – 30 April 2019



Why demand for Bulk Annuities has grown

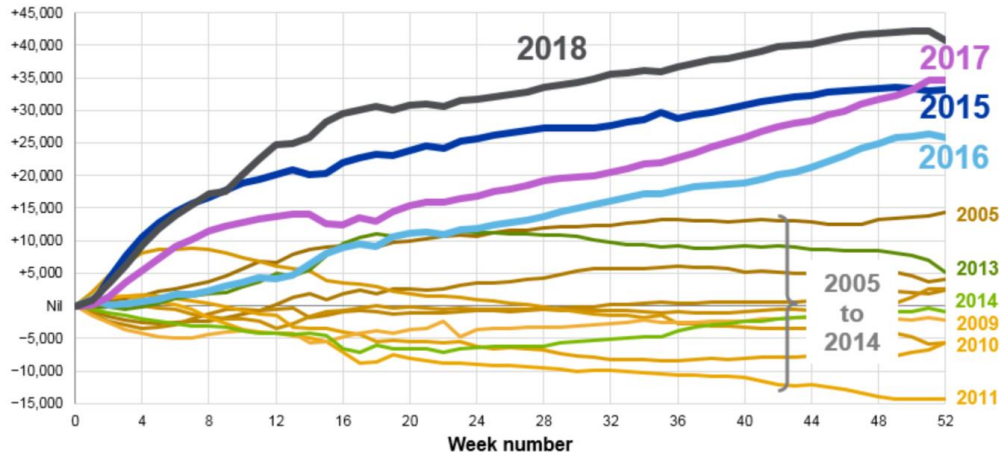
Schemes approaching maturity

Mortality improvements slowing down

Positive asset returns

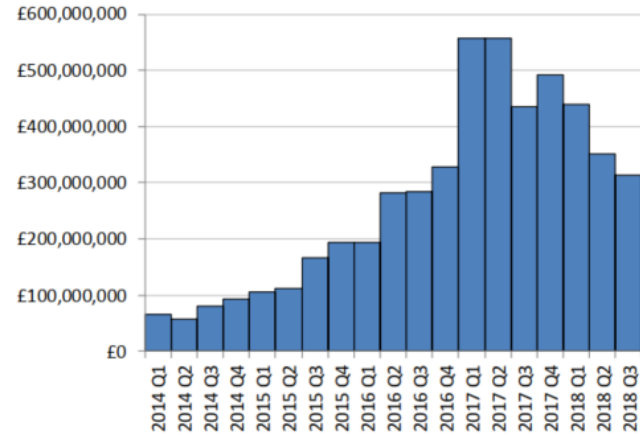
Pension freedoms and other de-risking activity

Cumulative deaths by week compared with average over 2005 to 2014



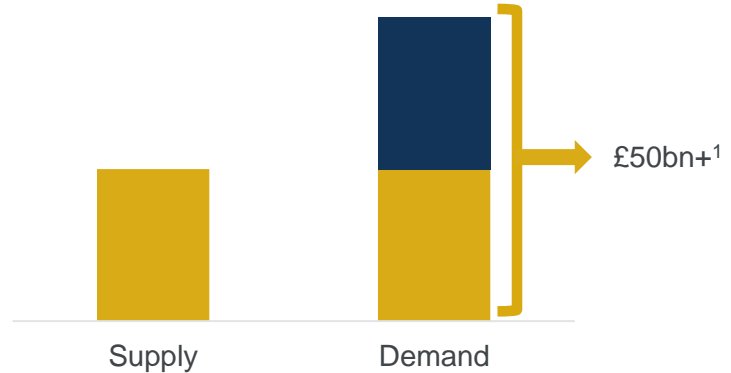
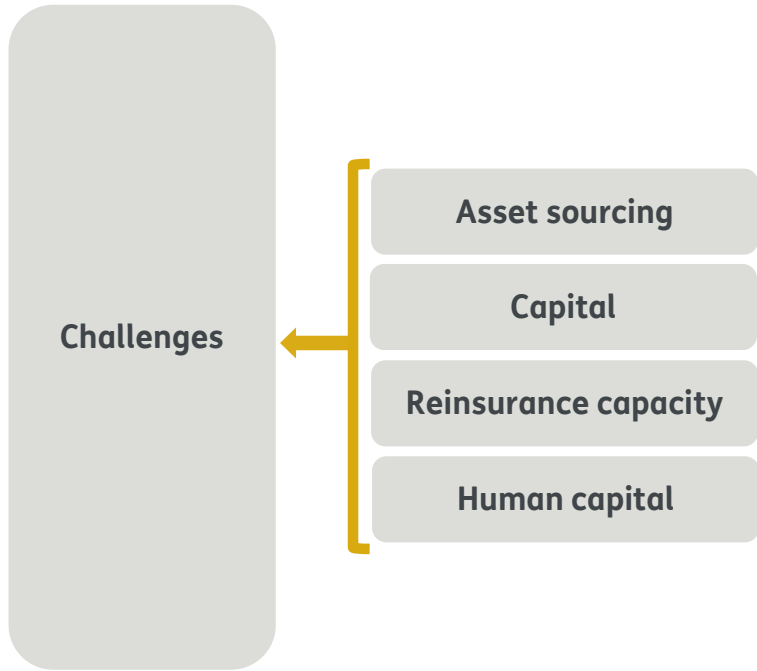
Source: Aon Hewitt's 'The Return of the buy-out' 14 March 2019

Increase in DB to DC transfers



Institute and Faculty of Actuaries

Can the supply of Bulk Annuities meet demand?

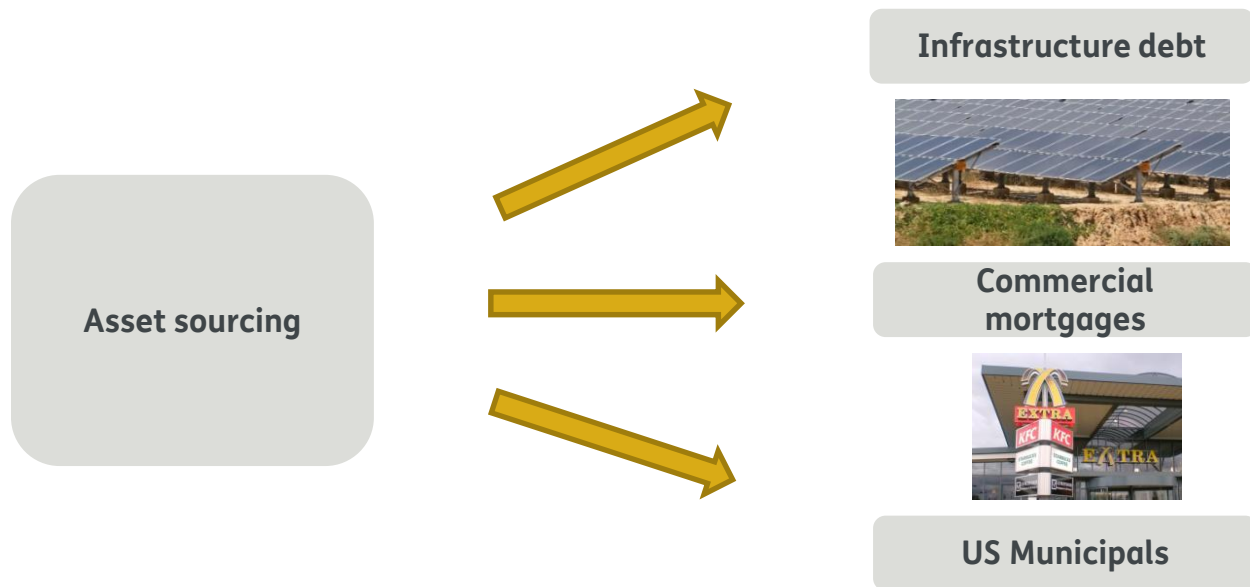


1: Source: Myles Pink, LCP – RBC bulk annuities seminar – 3 April 2019



Institute
and Faculty
of Actuaries

What are insurers doing to increase supply?



What are insurers doing to increase supply?

Asset sourcing



Human capital



Institute
and Faculty
of Actuaries

What are insurers doing to increase supply?

Asset sourcing



Human capital



Improving processes



Institute
and Faculty
of Actuaries

Engaging with insurers

Clear objectives

Good preparation

**Clear
process/project
plan**

Talk



Engaging with insurers

Clear objectives

Good preparation

**Clear process/project
plan**

Talk

**Trustees and advisers
agree objectives**

**Engage all stakeholders
including Sponsor**

**High level project plan
Start talking to insurers**



Engaging with insurers

Clear objectives

Good preparation

Clear process/project
plan

Talk

Data/benefit specification

**Delegate authority as
appropriate**



Engaging with insurers

Clear objectives

Good preparation

**Clear process/project
plan**

Talk

**Everyone knows what is
expected and when**

**Insurers have confidence
of transaction happening**



Engaging with insurers

Clear objectives

Good preparation

Clear process/project
plan

Talk

Insurers can give feedback

Secure a quotation slot



Working together – but not for everyone

Currently

Advisers are sharing pipeline

Data presented in agreed format

Trustee discretions codified

Pre-agreed legal contracts

Discussing solutions on GMP equalisation

In the future

One round processes

Data sharing

Improved engagement with administrators



Summary

- How the market has changed
- Why demand has grown
- What insurers are doing to increase supply
- How advisers can engage with insurers
- Ways of working together to deliver efficiencies



Questions

Comments

The views expressed in this presentation are those of invited contributors and not necessarily those of the IFoA. The IFoA do not endorse any of the views stated, nor any claims or representations made in this presentation and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this presentation.

The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this presentation be reproduced without the written permission of the IFoA [*or authors, in the case of non-IFoA research*].

