



ACA MEMBERS' CONFERENCE BUYOUT MARKET REVIEW

Matt Barnes
Senior Actuary, Business Origination

February 2016



**PENSION INSURANCE
CORPORATION**

Risks transferred, pensions insured

About Pension Insurance Corporation



■ Pension Insurance Corporation (“PIC”) is a UK insurer authorised by the PRA and regulated by the PRA and FCA

■ **Specialist, focused insurer**

- Simple business model
- Investing in customer care
- Recognised for innovation via industry awards:



■ **Portfolio of clients**

- More than £16bn of assets, 25% share of buy-in/buyout sector long term
- Over 130,000 pension fund members insured
- 120 schemes insured including the two largest full buyouts in UK

■ Clients include:



London STOCK EXCHANGE



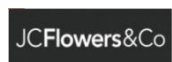
Panasonic



Institute and Faculty of Actuaries

■ **Shareholders and management**

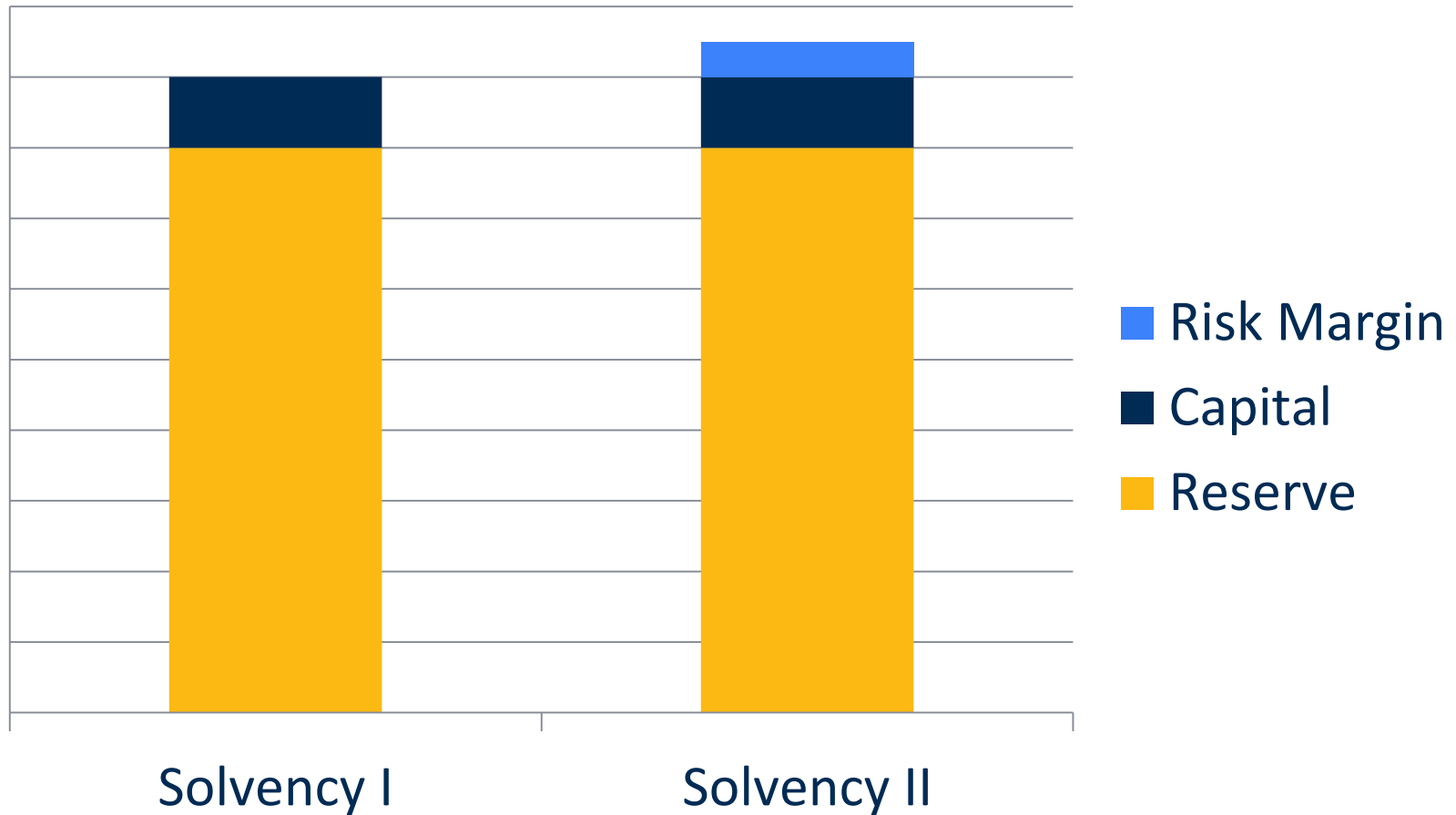
- Experienced Board and management team: Sir Mark Weinberg, John Coomber, Tracy Blackwell, Rob Sewell
- Capital provided by:



Write down the first word you see

Q	D	N	O	I	S	N	E	P	C
V	L	T	E	A	M	D	Y	X	O
S	P	B	V	N	O	I	T	C	A
V	Y	W	F	U	N	S	P	D	C
T	H	S	H	W	E	A	L	T	H
I	B	L	T	J	Y	O	U	G	F
M	J	O	Y	E	H	S	C	N	G

Solvency II

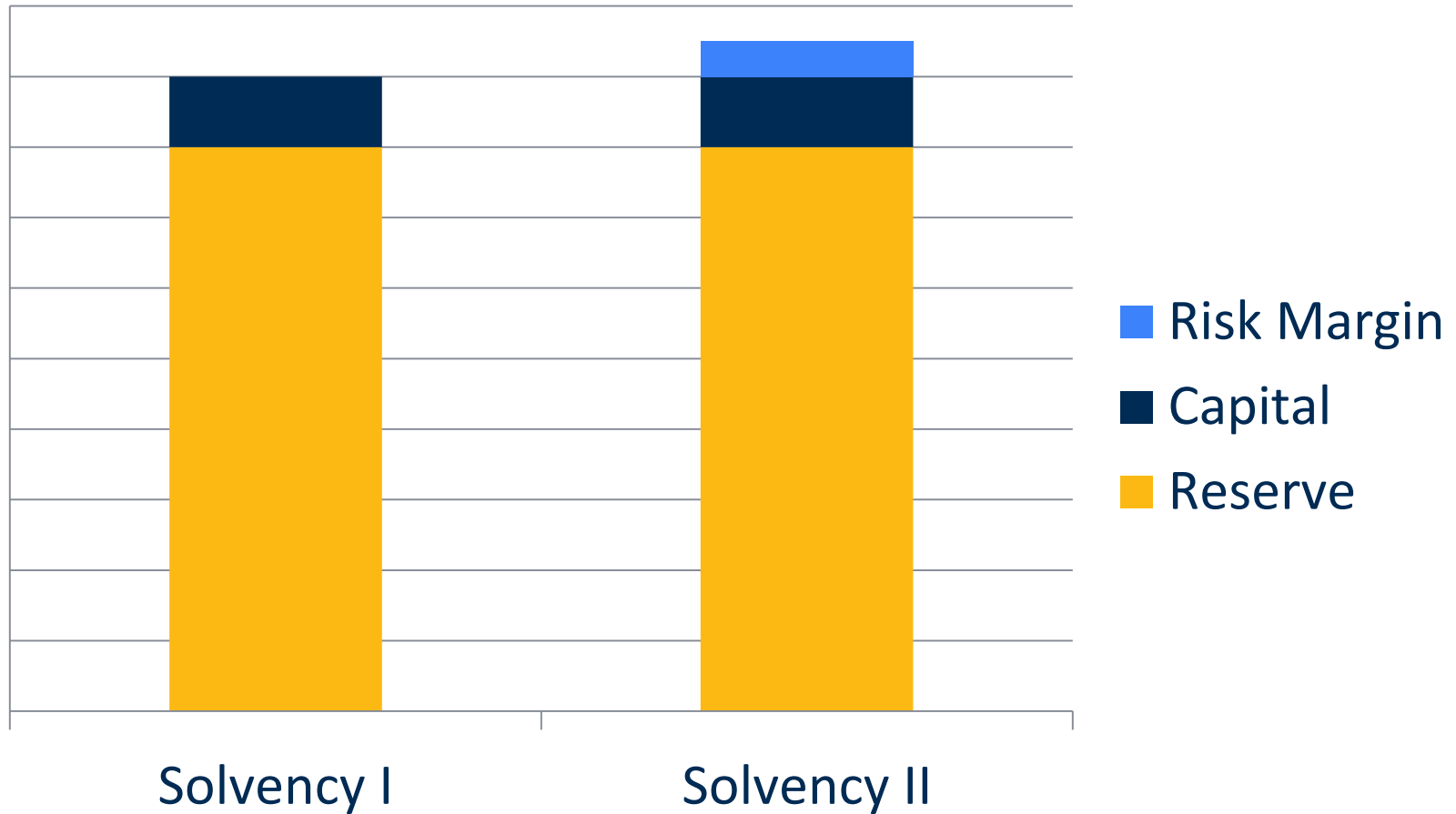


Source: Pension Insurance Corporation



$$RM_t = \sum_{h \geq 0} \frac{CoC \cdot SCR_{\text{long}, t+h}}{(1 + r_f)^{-h}}$$

Solvency II



Source: Pension Insurance Corporation

Solvency II reserving discount rate



Solvency II reserving discount rate



Solvency II reserving discount rate



Solvency II reserving discount rate



Matching



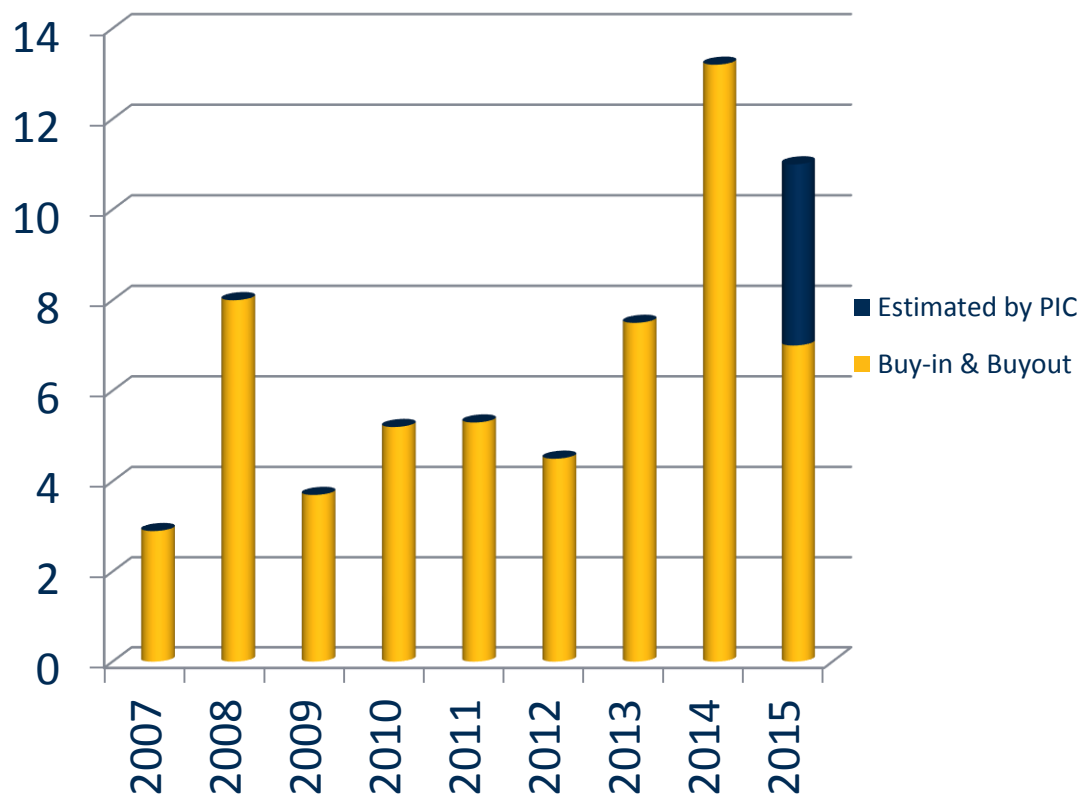
Matching



Matching



Buy-in & Buyout Transactions



UK Market Current Status**

- 20% FTSE 100 companies with UK pension plans have completed transactions
- 10% pension members in DB pension plans now insured through a buy-in or buyout

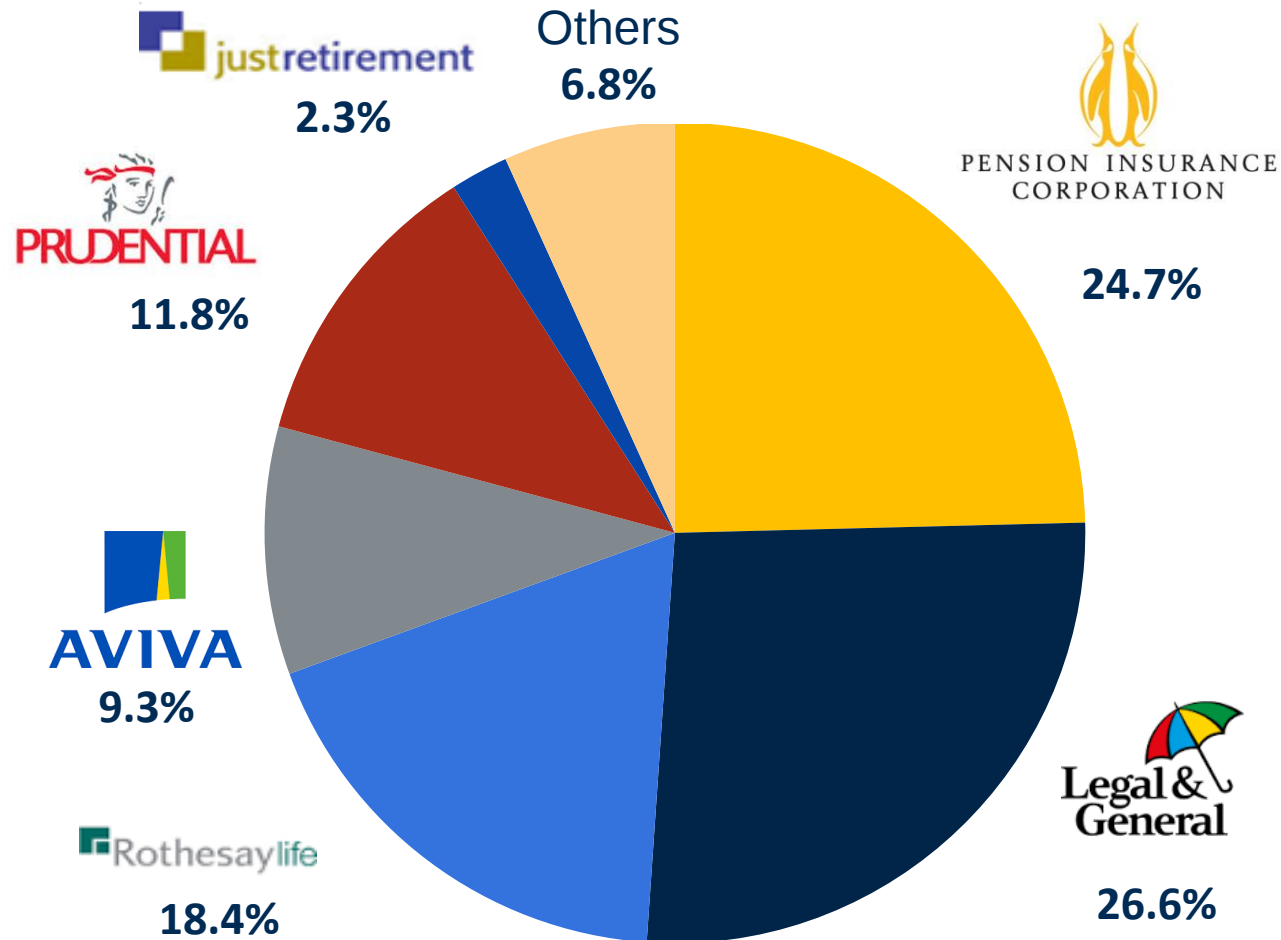
Buy-in/Buyouts Market

- The overall average buy-in/buyout deal size for 2014 was £69m- an increase from 2013
- Increasing demand from pension schemes to transfer their risks will likely draw new providers to enter the market

*Source: Hymans Robertson "Buy-outs, buy-ins and longevity hedging" Q3 2015

**Source: LCP "Buy-ins, buyouts and longevity swaps 2014"

Share of buy-in/ buyout sector by volume 2008-Q3 2015

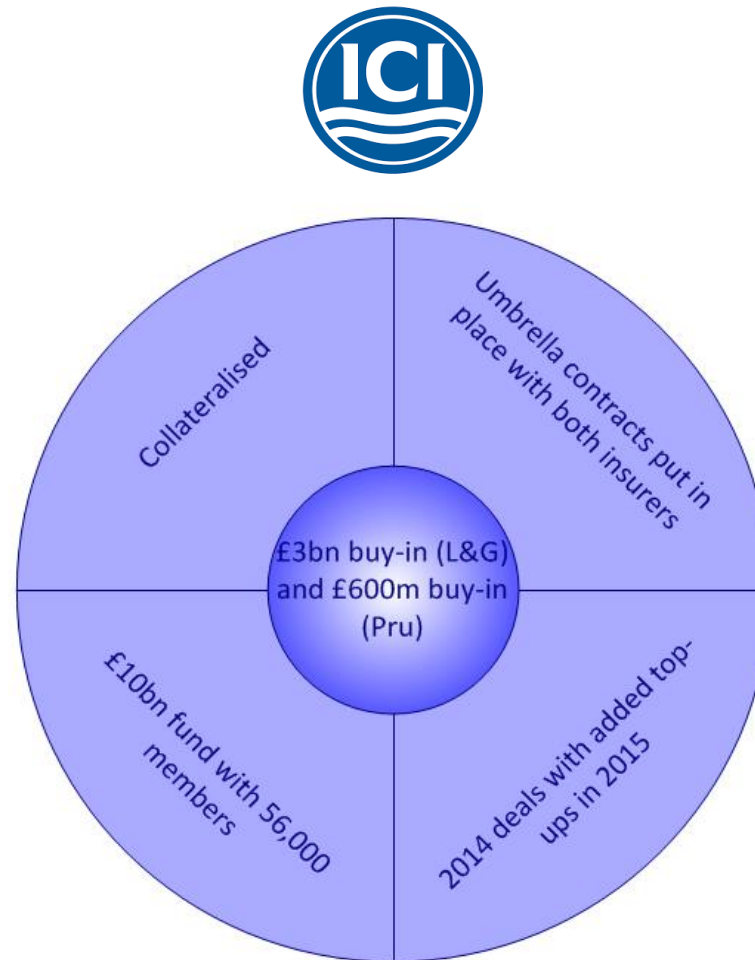


Source: Hymans Robertson and LCP buyout reports

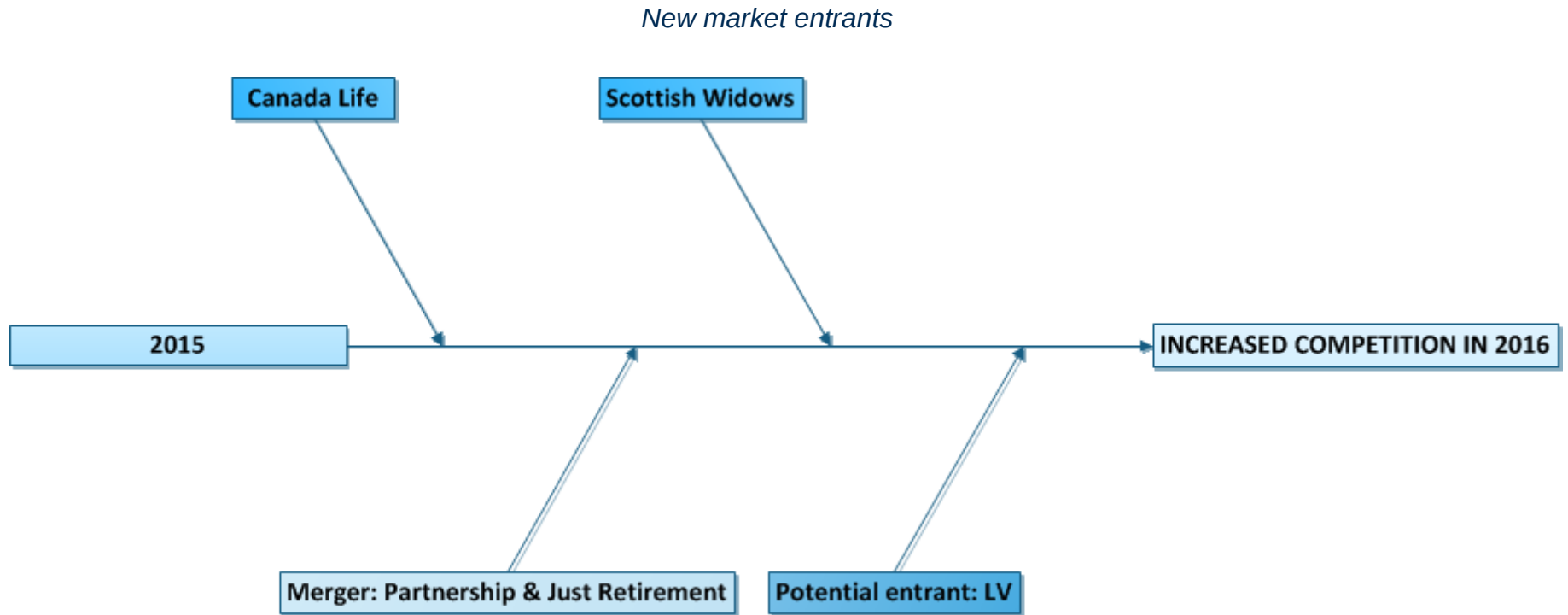
PHILIPS



Case studies- ICI Buy-in (L&G, Prudential)



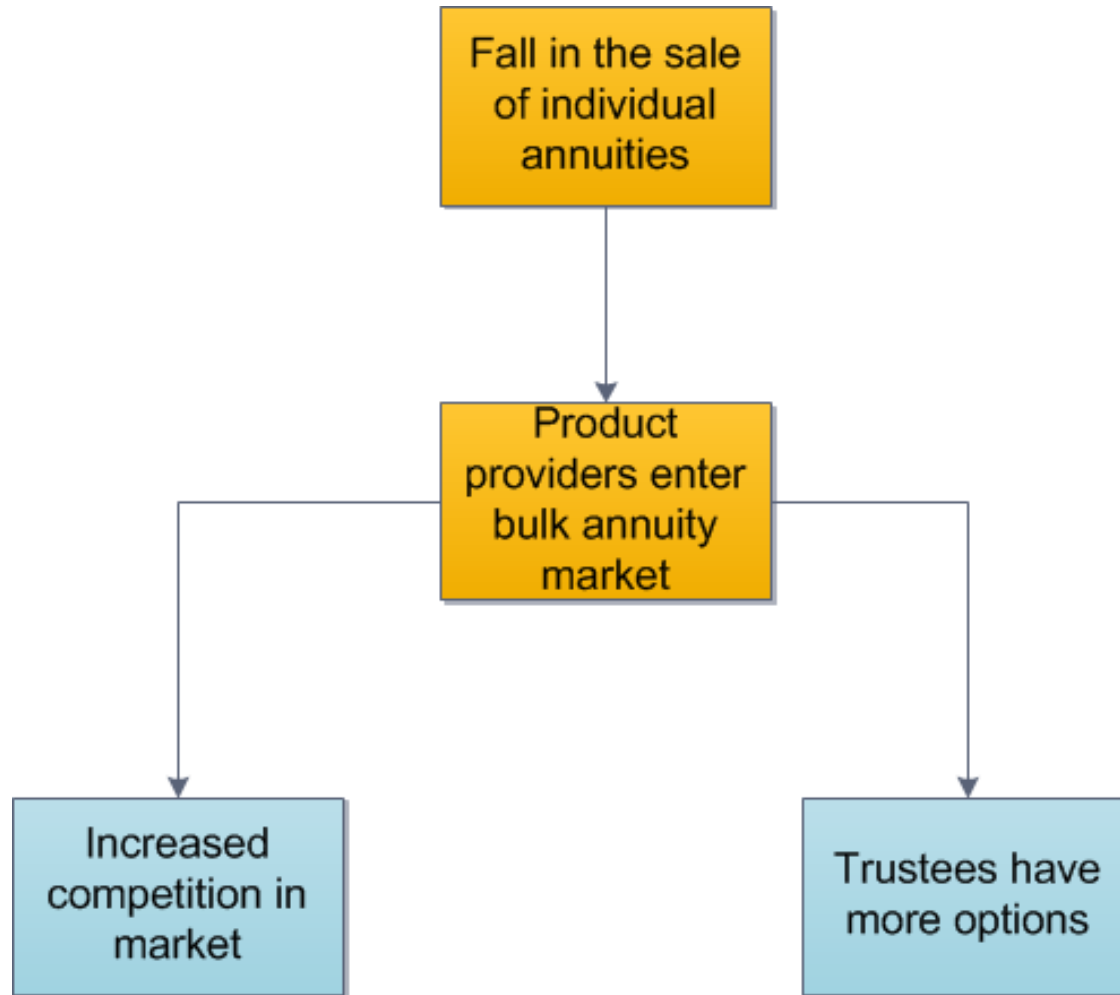
Trends for 2016 - New market entrants/changes



Mergers and potential entrants

- **New ways of slicing risk**
- **Deferred premiums**
- **Small scheme longevity risk transactions**
- **Market monitoring**

Impact of the Pensions Freedoms



Contact



Matt Barnes

Matt joined Pension Insurance Corporation in June 2007 as a Senior Actuary in the Business Origination team and has led a significant number of successful insurance transactions, including the innovative £300m Denso and £200m Leyland DAF buyouts. Matt joined from Watson Wyatt where he was a Senior Pensions Consultant, holding a Scheme Actuary certificate. Prior to that he held a similar role with Towers Perrin and started his career in 1997 at National Mutual Life. Matt graduated in Mathematics at Cambridge University and is a Fellow of the Institute of Actuaries.

Pension Insurance Corporation

14 Cornhill
London
EC3V 3ND

Telephone: +44 (0)20 7105 2000

Fax: +44 (0)20 7105 2001

Email: enquiries@pensioncorporation.com

www.pensioncorporation.com

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