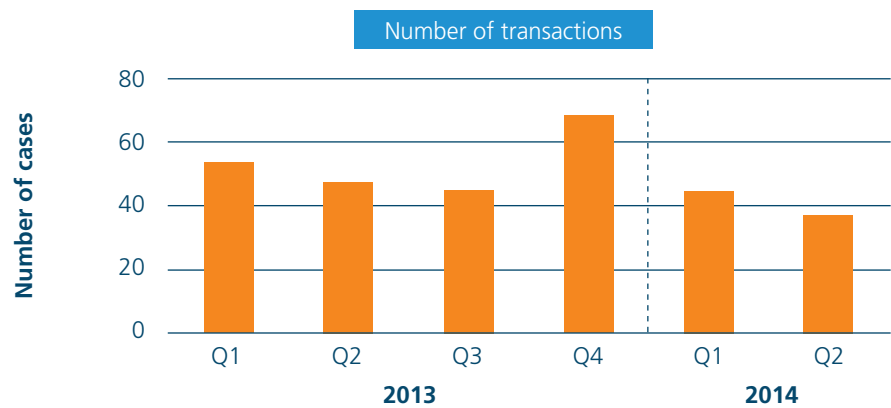
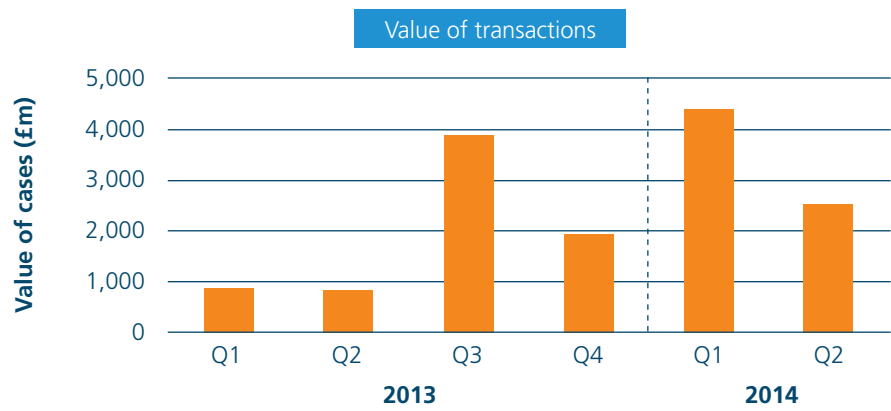


Buy-outs, buy-ins and longevity swaps – Quarter 3 2014

Quarter 2 of 2014 saw several significant deals completed including the largest ever longevity swap completed by a UK pension scheme. Several schemes also insured further tranches of their defined benefit liabilities having previously carried out partial bulk annuity transactions.

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For more information on buy-outs and buy-ins, visit our [website](#).

Buy-outs and buy-ins: market statistics



Provider news

In Quarter 2 of 2014, 37 transactions worth £2.5bn were completed by the UK bulk annuity insurers. Pension Insurance Corporation completed the greatest value of business, with 4 transactions worth a total of £1,649m. Prudential and Rothesay Life both completed around £300m worth of business each.

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One leading insurer has seen a 50% decrease in individual annuities over the first half of the year, and anticipates this falling further in future. Several providers of both bulk and individual annuities have announced their intention to increase their focus on the bulk annuity market. Meanwhile, other insurers who have previously only provided individual annuities are showing an increased interest in bulk annuities.

Significant transactions

Prudential has completed a £300m transaction with the Philips Pension Fund, covering 1,800 members. The scheme had completed another buy-in worth £484m with Rothesay Life last year.

Aviva won a £300m pensioner buy-in with the Interserve Pension Scheme. This demonstrates Aviva's renewed enthusiasm for larger transactions after a couple of years when they focussed on smaller deals.

Rothesay Life has completed a further £280 buy-in with the Western United Group Pension Scheme, following the completion of two previous buy-ins with the scheme. The scheme's liabilities are now fully insured so they are in a position to wind up.

After completing several buy-ins over the last few years, the Merchant Navy Officers Pension Fund has finally insured all of the benefits for its Old Section, worth a total of £1.3bn. There were also some funds available to provide a 2.2% uplift to these members which was insured with Rothesay Life.

In July 2014, the BT Pension Scheme announced that they had completed a £16bn longevity swap with the Prudential Insurance Company of America. This is the largest longevity swap completed by a UK pension scheme, covering 25% of the scheme's longevity exposure, and is more than three times the size of the previous record. The pension scheme created its own insurance company to engage with the re-insurers.

The PGL Pension Scheme has completed a £900m longevity swap by transferring the longevity risk to Phoenix Life who is part of the same group. Phoenix Life then reinsured this risk.

Other News

Pricing has increased recently as a result of a reduction in corporate bond, swap and gilt yields. However, the impact for a particular scheme will depend on the movement of pricing relative to the assets held. In particular, for schemes holding these assets, the value of these will have increased as well. Regular monitoring of pricing can help schemes to ensure that opportunities to transact are not missed.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact Gavin Markham or Mark Paxton via the following:

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