

# A strong start

## ✓ A round up of the de-risking deals to have already hit the headlines this year

The past two years saw record-breaking volumes of de-risking deals, with last year especially characterised by a number of headline-grabbing 'mega deals'. These helped the number of bulk annuity deals completed to exceed £41 billion, which smashed expectations from the beginning of 2019. Over £12 billion of longevity swaps also occurred during the year.



scheme's broader long-term de-risking strategy, with the trustee describing the latest transaction as a "positive result for scheme members".

Co-op director of reward, Gary Dewin, said: "Our Pace pension scheme is one of the strongest in the

UK and highly valued by its members.

"The purchase of Pace's second significant insurance contract further protects members by strengthening the scheme's position."

### • MNOPF

The Merchant Navy Officers Pension Fund (MNOPF), an industry-wide pension scheme established in 1937 to provide retirement and death benefits for shipping companies' officers, converted its pensioner longevity swap into a £1.6 billion buy-in with PIC in early February [see page 44 for more information].

The move from an existing pensioner longevity swap with Pacific Life Re secured the pensions of around 14,000 members of the scheme.

MNOPF chair, Rory Murphy, commented: "This buy-in enables us to more effectively manage the risks faced by the fund as a whole, providing greater certainty to members that their benefits will continue to be paid in full from the fund.

"It is also good news for employers in the maritime and shipping industry, who have already saved many millions in deficit contributions over recent years as a result of our improved funding position."

### • AWH Group Pension Scheme

The AWH Group Pension Scheme completed a £2.3 million buyout with

Aviva at the beginning of February.

The pension scheme's members are employees of family textiles business AW Hainsworth, which has operated since 1783 and made British military uniforms worn during the Charge of the Light Brigade.

The AWH Group Pension Scheme trustees were advised on the bulk annuity deal by K3 Advisory and H&C Consulting throughout the de-risking process.

AW Hainsworth Group managing director, Adam Hainsworth, said he was "pleased that H&C and K3 have managed to secure this deal with Aviva", which had completed the journey to securing benefits for all the scheme's members.

### • Lloyds Banking Group pension schemes

Moving onto longevity swaps, at the end of January Lloyds Banking Group pension schemes agreed a longevity swap deal covering £10 billion of pensioner liabilities.

The deal covers members in the Lloyds Bank Pension Scheme No.1, Lloyds Bank Pension Scheme No.2 and HBOS Final Salary Pension Scheme.

It is structured as an insurance with Scottish Widows as the insurer and corresponding reinsurance with Pacific Life Re as the reinsurer, which means that the schemes' longevity risk is passed on to Pacific Life Re.

Commenting, Lloyds Banking chair of the trustee, Harry Baines, said: "We are delighted to have successfully completed these longevity insurance and reinsurance arrangements with Scottish Widows Limited and Pacific Life Re Limited.

"This will protect the schemes from the financial risk of an unexpected increase in life expectancy and make the schemes more secure to the benefit of all members."

This is the second-largest longevity swap in UK history after the £16 billion deal that took place between the BT Pension Scheme and PICA in 2014.

However, according to Willis Towers Watson, 2019 saw around 100 deals take place, a third less than the 162 deals that took place in 2018.

The company predicts the total volume of bulk annuity business in 2020 to be in the region of £30 billion, attributing the slight dip to the anticipated decrease in mega deals, and for the longevity swap market to exceed volumes of £25 billion.

How accurate are these predictions looking so far? With Q1 not completed yet, a number of de-risking transactions have already been announced this year. These include:

### • Pace

The Co-operative Pension Scheme (Pace) has completed a £1 billion buy-in with the Pensions Insurance Corporation (PIC) in the middle of February, securing benefits for approximately 7,000 scheme members.

This followed the first ever buy-in for the Co-op section of the scheme in January, which saw Aviva insure pension liabilities for around 7,000 members, also at £1 billion cost.

Both buy-ins form part of the Pace