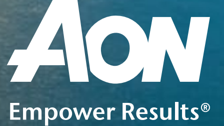
Navigating you through your de-risking journey

Risk settlement market 2018



Welcome

to Aon's 2018 review of
the risk settlement markets

In this market review, our team will help you to navigate some of the popular topics of 2017 and discuss some of the key trends expected in 2018. Our analysis will provide you with expert advice, helpful tips and practical tools and information to support you in your de-risking journey.

Introduction

After a slow start, the pace picked up in 2017 when we saw some of the best bulk annuity pricing in the last 10 years and longevity reinsurance pricing gradually corrected to reflect the latest mortality trends.

I am delighted that these positive conditions led to excellent results for scheme members across many deals. As a shining example, we have included an in-depth look at the Tullett Prebon case study where we locked in a material surplus for the full scheme bulk annuity.

The assets being used by insurers to support pricing are proving key to success, and we have provided some colour on this on page 12. We also take a closer look at the debate on whether annuities offer value for money or whether schemes with sufficient scale could put themselves in the insurer's shoes and self-insure.

Both the annuity and longevity swap markets are open to schemes of all sizes, and it is interesting to see the developments globally where other countries are starting to catch up with the UK in focusing on and managing pension risk.

Expectations are high for 2018, with a number of full scheme buyouts entering the market as well as a continued flow of pensioner buy-in deals. The theme of insurance consolidation continues with a number of significant back-book transactions ongoing at the time of writing. The bulk annuity market is primed for a record year, with transactions potentially reaching £30bn in 2018.

The good news is that for well-prepared schemes, opportunities will persist.

Many schemes are finding that they are much closer to eventual full scheme buyout and focusing on a much shorter time frame to get there.

A word of warning though – in the past, a speculative approach to test the market has been tolerated, but such approaches will almost certainly result in disappointment in 2018. Insurers are increasingly focusing their resources on those deals that are most likely to transact and so thorough preparation and price monitoring remain essential elements in de-risking game plans.

I hope you enjoy reading the selection of articles and that they provide food for thought. Do get in touch with me or one of the team if you would like to talk in more detail about opportunities for your own scheme.

Best wishes,

Martin

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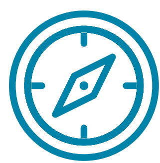
2017 at a glance

Some of the best annuity prices seen since the credit crunch were available to well-prepared schemes, and longevity reinsurers corrected their pricing to reflect current trends.

Over
£18bn
of risk transferred to bulk annuity and longevity swap providers



95% of cases taken to market using Aon's Compass platform have led to successful transactions

Aon offers **bulk annuity and longevity swap** solutions for schemes of all sizes

8
bulk annuity providers actively pricing

10+
risk takers in the longevity hedging market

Buyout positions for many schemes **improved by over 10%** in 2017

Bulk annuities market expected to exceed
£30bn
for the first time ever in 2018

Chapter 1

Bulk annuities

1

A year of increasingly strong market opportunities

Full scheme bulk annuity – a case study

Innovative asset strategies support better annuity pricing

Pre-Compass Checklist

Key opportunities for smaller schemes

A year of increasingly strong market opportunities

It is safe to say that 2017 was a vibrant year for the bulk annuity market, with eight active insurers seeking to write significantly sized business. Having updated their business models to adjust to the Solvency II regulatory regime, they were ready to move forward, and with the insurance back-book activity on the back burner, their key source of business was company pension schemes.

Better prices, stronger competition

Firstly, we saw annuity pricing improve notably in 2017. Competition was also strong, with a greater range of asset opportunities used to maximise yield, alongside lower costs for hedging longevity risk and the removal of some conservatism (applied when Solvency II requirements were unclear). All of this played its part in welcoming some of the best annuity prices seen since the credit crunch of 2008.

Key points

- 2017 saw the expanded market gear up for greater volumes
- Strong price opportunities for ready schemes
- Buyout is becoming a more achievable target

Growing auction opportunities

By the summer of 2017, this opportunity was becoming clear to a large range of schemes, which led to an increase in auctions later in the year – with many spilling over into 2018. 2018 is expected to see record volumes of bulk annuities, including insurer back-book transactions – with Rothesay Life's acquisition of £12bn of Prudential annuities already announced.

To avoid a shortage of available resource, insurers are being increasingly selective before agreeing to quote. In particular, they are keen that new auctions are carefully prepared – with clear parameters for execution – before being willing to invest time and effort in producing detailed quotations.

Moving trends

Despite a year of record pricing, unusually, there were no transactions over £1bn. In part, this reflected the trend towards securing benefits in tranches – either from repeat buyers, who had already secured much of their pensioner liabilities and were simply 'topping up', or from schemes taking a more gradual approach to integrating annuities into funding and investment strategies.

Largest disclosed 2017 transactions

Source	Insurer	Size (£m)	Membership secured
Dockworkers	PIC	725	All
Pearson	Aviva	600	Pensioners
Pearson	L&G	600	Pensioners
Ferguson	PIC	590	Pensioners
Plumbers	L&G	570	Pensioners
Merchant Navy	L&G	490	Pensioners
Royal Mail	Rothesay Life	450	All

Buyout buoyancy

Many providers had a particular interest in either pensioner-only deals or full scheme transactions, reflecting their competitiveness for different profiles. This led to competitive auctions, even for those schemes with a large proportion of younger members or members who have not yet retired. The attractive pricing also meant that many schemes found themselves much closer to full scheme buyout than they might have predicted at the start of the year. We estimate that around a quarter of transactions by volume were full scheme buyouts.

	2017		2016	
Provider	Value (£m)	Number of deals	Value (£m)	Number of deals
PIC	3,704	26	2,529	17
Legal & General	3,405	31	3,339	21
Aviva	2,045	34	1,477	41
Just Group*	998	22	620	21
Rothesay Life	960	5	-	-
Scottish Widows	645	8	943	4
Canada Life	544	6	145	4
Phoenix	-	-	1,181	1
TOTAL	**12,301**	**132**	**10,234**	**109**

*Just Group data includes business written as Just Retirement and Partnership.

Our survey showed that:

25% of clients had completed at least their first **annuity transaction**

50% **would secure the whole of their final salary** scheme liabilities in the annuity market if they had the money to do so

Some of the **remaining schemes are also likely to secure their liabilities over time** but after the deferred membership has matured further, potentially following member option exercises as well as natural progression

Source: Aon's Risk Settlement Survey 2017

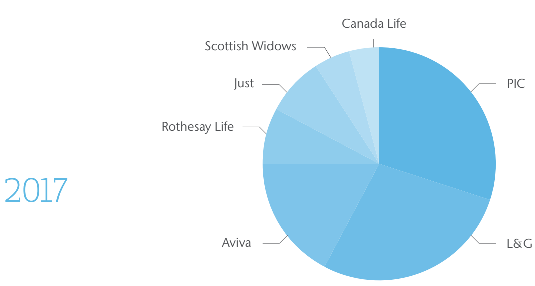
Plentiful opportunities

As shown in the table to the left, there were £12.3bn of bulk annuity transactions in 2017 – this is similar to 2015 levels, with 2016 temporarily lower (£10.2bn excluding back-books), because of the distractions of Solvency II implementation and back-book deals.

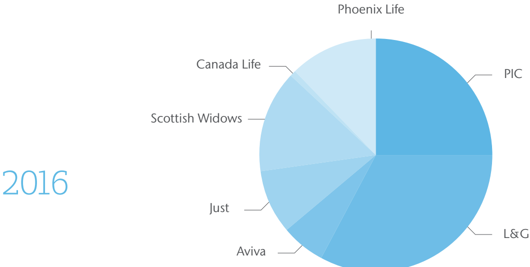
Given the pricing available, this suggests some schemes are missing opportunities that they could capture. For example, it could be fruitful for some to reduce allocations to low-yielding gilt and LDI portfolios, provided they can maintain their current level of interest rate protection while gaining the wider benefits of annuities.

Insurer market share, 2015–2017

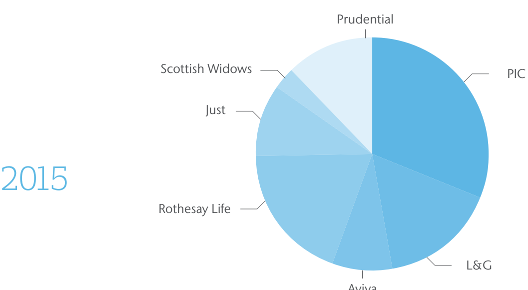
2017



2016



2015



Market movers and shakers

PIC and L&G continued to lead market share in 2017, writing a wide range of transaction types and sizes. Aviva's growth plans were however also very evident, with their business rising dramatically from £0.9bn in 2016 to over £2bn, and a busy start to 2017 suggesting the group will increase volumes further.

While Rothesay Life placed less business in 2017, this fell in between digesting a then record £6.4bn of back-book transactions in 2016, and before its £12bn transaction in 2018 to take on part of Prudential's closed annuity book. Prudential's proposed split into two entities, leaving an asset management focused company writing business in Europe, suggests there will be further annuity back-book opportunities in the coming years.

Scottish Widows has the capacity to significantly increase volumes in 2018, with an expanded product offering including full scheme transactions.

Canada Life became more established in the bulk market in 2017, disclosing two substantial transactions over £0.2bn each.

Meanwhile, Phoenix Life launched its offering in 2017 and is expected to announce bulk annuity transactions in 2018, following its £1.2bn transaction for Phoenix's own group scheme at the end of 2016 and its recent life company acquisition from Standard Life Aberdeen.

Just Group has continued to write steadily, revamping its offering to support larger buy-ins and to provide a range of options to incorporate medical underwriting into smaller deals.

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Tullett Prebon with Rothesay Life

Full scheme bulk annuity

The preparation

Preparation was key for the Tullett Prebon deal with Rothesay Life. We first conducted a feasibility study in summer 2015, long before approaching the market, on the back of an improved funding level. This resulted in a detailed plan of action to get the scheme in a better position, which included:

- A series of member option exercises, including flexible retirement offers and enhanced transfer values
- A staged data cleansing programme
- A series of discussions with stakeholders to agree when de-risking would be acceptable to a scheme invested 100% in high-performing growth assets
- Establishing a new asset manager and de-risked asset strategy, to be adopted as a transitional structure when the time is right
- Planning how to deal with a series of 'uninsurable' benefits, such as a salary link and complex benefit underpins
- Closer monitoring of the solvency position and of the market.

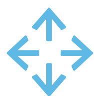
The preparatory steps were carried out during 2015-2016, helping the scheme's funding position to improve dramatically.

As soon as auction pricing was obtained and analysed, the assets were fully de-risked – with a fast move made possible due to the thorough preparatory work. This locked in a material surplus.

Key points

- Advance planning captured strong pricing
- Surplus locked in quickly through transitional asset strategy
- Not all barriers to wind-up prevent a transaction

The outcome



A price lock was agreed with the winning insurer, Rothesay Life, based on the scheme's own new asset profile. A tailored contract was agreed, covering residual data risks in as much detail as possible. Overall, the timing capitalised on a dramatic period of asset returns and falling annuity pricing to capture the surplus from a volatile position. The final pricing reflected the confidence of providers that the scheme would transact and should therefore attract their best asset opportunities on offer.

'Aon showed a lot of commitment to ensure the trustees could secure the risks of the Tullett Prebon pension scheme as quickly as possible. Their market knowledge, attention to detail and work ethic kept the project on track. This was a complex and bespoke transaction where fast reaction and genuine project management were important.'

Clive Gilchrist, BESTrustees

The lessons

Some key buyout takeaways learnt from this deal include:

- The importance of planning ahead and integrating the planning of different exercises leading to buyout, in order to avoid missed opportunities
- A scheme that seems to have clear barriers to transaction, such as hard-to-insure benefits, can secure terms in practice before solving each issue – provided there is thought given to how benefits will ultimately be replaced with insurance
- Timely asset switches can dramatically reduce the time to buyout
- It is important to consider the protection that the trustees and sponsor want for residual risks in advance, such as data uncertainty, and the acceptable price to pay for these risks
- Solvency estimates need to be examined closely as a transaction starts to become potentially affordable – it is often the case that the deficit gap can be closed in the final throes of a competitive auction process.

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Innovative asset strategies support better annuity pricing

Under Solvency II (the EU directive that governs the amount of capital that insurers are required to hold), annuity providers are strongly encouraged to back annuities with assets generating income that closely matches the stream of benefit payments expected in future. Their asset portfolios therefore consist of long-term assets with predictable income. Interest rate, inflation and, in many cases, longevity risk, are substantially hedged.

Key points

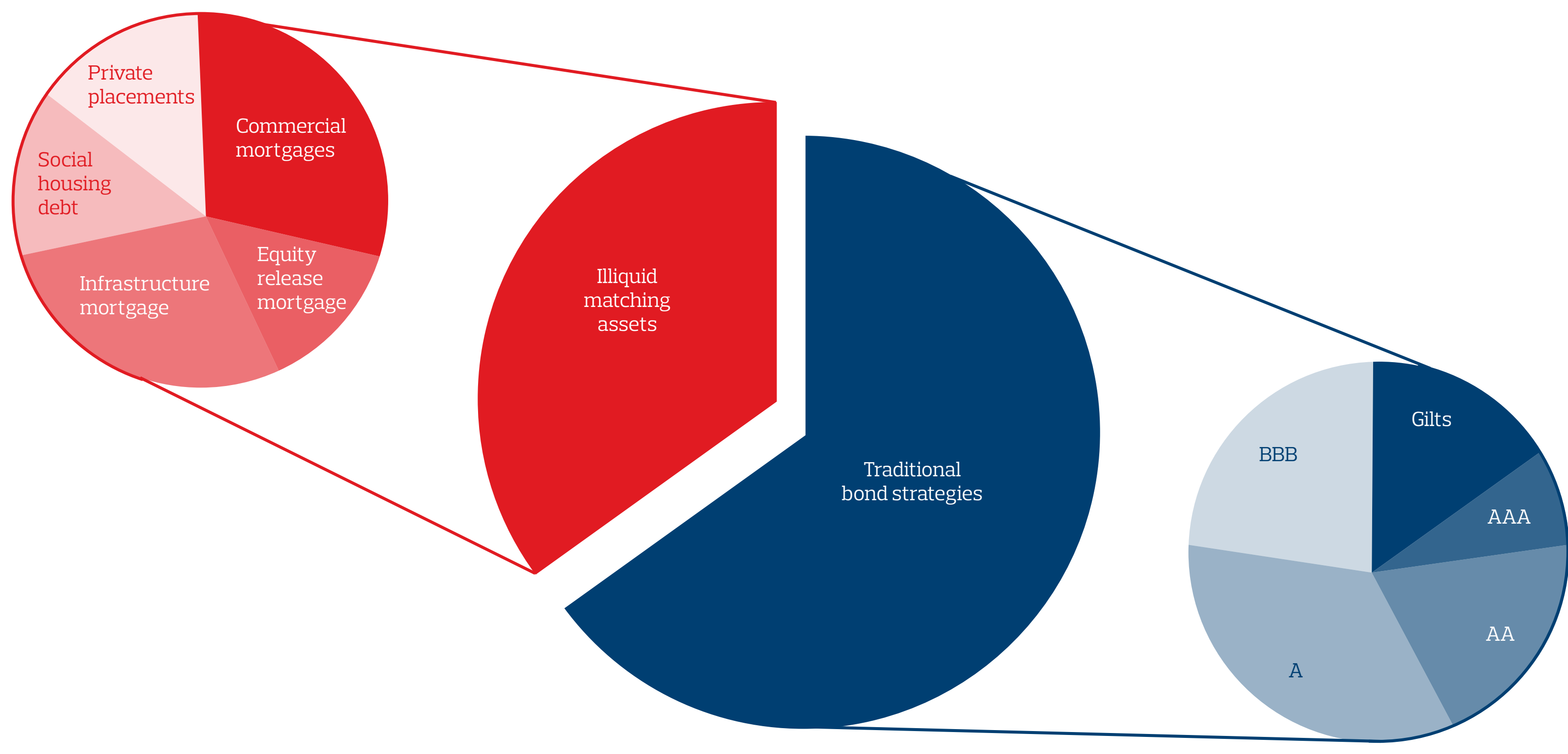
- Insurers proactively looking to optimise yield for annuity assets
- Low bond yields make alternative assets attractive
- Innovation thriving, despite the regulatory requirements

The quality of the assets, in terms of credit rating (allowing for any collateral support), is also carefully considered, as riskier assets mean higher reserving requirements.

Despite these constraints, we have seen a definite move by insurers to diversify the assets they hold to back annuity policies. This was partly encouraged by a more stable regulatory environment since Solvency II was introduced in 2016, as well as political encouragement to invest in socially beneficial infrastructure projects. This development, in part driven by a competitive market, has meant that insurers are increasingly moving away from the traditional approach of investing in corporate bonds to find alternative higher-yielding assets which help them support better pricing.

Some of the insurers have been able to tap into useful in-house asset sources. For example, Just, L&G and Aviva are three of the main issuers of equity release mortgages, and this asset class has been increasingly used to back annuities – many of the other providers have also now found ways to access this asset class. A technical issue is that equity release mortgages do not deliver a predictable enough yield to meet the Solvency II requirements to be a 'matching' asset. However, this can be addressed by internal securitisation, with an associated company sourcing the asset and issuing debt securities to the annuity provider which produce predictable income funded by the returns on the portfolio of mortgages. This approach means that the income can be shaped to be in optimal form for backing annuities.

Insurers lacking an in-house asset source have been creative about developing other means of accessing suitable assets, through tie-ins with other organisations and by recruiting dedicated sourcing teams, each focused on a specific asset class. By becoming a key investor in a particular area, they can still have a significant influence on the structure of the investment (often securitised), particularly in terms of the duration and shape of income it produces.



Commercial mortgages, senior infrastructure debt, private credit, ground rent and stock lending to banks are among the other asset classes increasingly used by annuity providers to deliver income with an improved yield and/or better matching qualities than investing in corporate bonds. Some insurers have found that this allows their annuity business to tackle social responsibility both by supporting pensions and by investing in projects that benefit the less affluent. Examples of this are PIC participating in several social housing programmes, and L&G launching a low cost house-building business a few years ago.

This innovation in sourcing alternative assets is key to the annuity market's development, as the level of issuance of listed credit (the traditional asset class for insurers) has been volatile and as credit spreads have reduced in recent years. The success of insurers in this area has been a major factor in their being able to offer the very attractive pricing, and these capabilities will be increasingly critical in future if the market is to cope with the increased demand that we are anticipating.

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Effective scheme preparation

Pre-Compass Checklist

If 2017 highlighted one thing, it was the crucial importance of thorough preparation when it comes to securing the best pricing in the market. But what does effective preparation actually look like? In 2017, well-prepared, successful schemes were able to:

- Demonstrate commitment to the transactions, meaning that insurers were willing to participate in auctions as well as allocate high yielding assets to support their pricing, rather than re-directing those assets elsewhere
- Reduce the margins that insurers include in their pricing for uncertainties over data.

Key points

- If unprepared, schemes may struggle in the upcoming busy 2018 market
- Preparation will reduce the margins that insurers include in their pricing

Preparing your scheme: where to start

The first step? Education. Seven in 10* schemes believe that they would need further training before embarking on a settlement exercise. The next step is preparation – where our Pre-Compass Checklist is crucial. It ensures our clients are well positioned to achieve the most competitive pricing for their liabilities.

*Source: Aon's Risk Settlement Survey 2017

Item	Establishing a de-risking framework	Status / actions
Long-term objectives	What are the trustee and company's long-term objectives?	Buyout
Monitoring pricing opportunities	Does the scheme have a process for monitoring market pricing to identify opportunities (eg, using Aon's Risk Analyzer)	Review BAMM updates, no specific monitoring in Risk Analyzer
Target price	Has the scheme identified a transactable pricing level? (eg, would the trustees and company transact if this could be done on a funding neutral basis)?	To be determined, explore as part of feasibility study
Impact on financial metrics	Has the scheme considered the impact of a transaction on financial metrics (eg, funding, expected return, value at risk and accounting)?	To be determined, explore as part of feasibility study
Availability of cash funding	Is the company likely to be prepared to pay additional contributions to facilitate a buy-in/out?	To be discussed with the company
Setting an overall strategy – a phased approach	Over what time does horizon buyout or self-sufficiency look achievable? Does it make sense to capture pricing opportunities and settle benefits through partial buy-ins over time?	Buyout not achievable for 5+ years, consider tactical settlement opportunities in the short term
Setting up a sub-committee	• Has the scheme established a steering or sub-committee to consider settlement further? • How will the trustees and the company work together in a settlement process? • Would the sub-committee have any delegated powers? (Need to consider 'go' and 'no go' decision points)	To be established
Power in trust deed and rules	Does the trustee have the power to carry out a buy-in/out?	To be established – check scheme rules

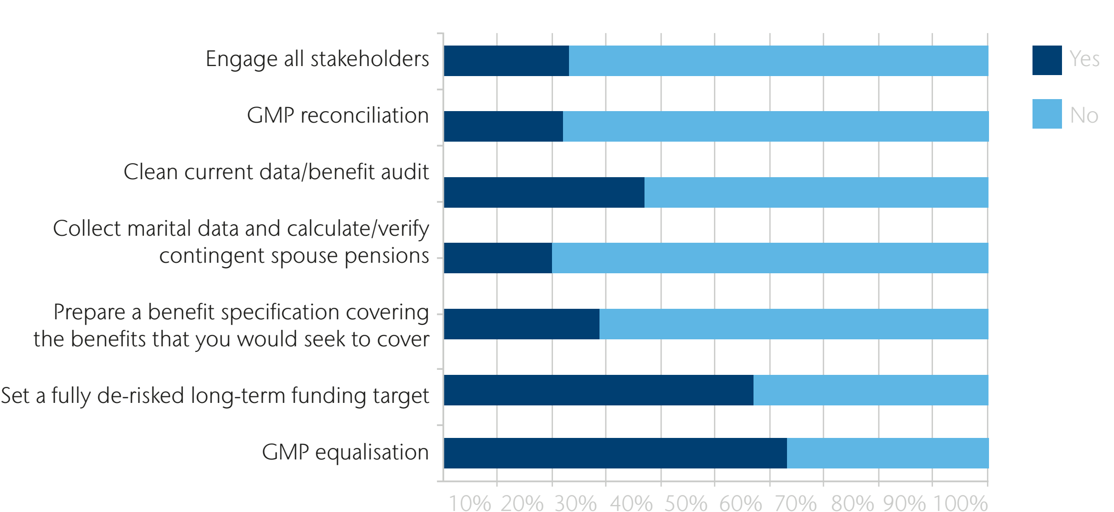
How ready is your scheme?

Around 25% of our clients* now see themselves as either ready, or close to being ready, to insure their pension scheme liabilities via a bulk annuity or a longevity swap. Their preparation work is nearing completion and they are well-placed to go to market when the time is right for them. On the flip side, Aon's key prediction for 2018 is that schemes that are not properly prepared will struggle in the upcoming busy market.

*Source: Aon's Risk Settlement Survey 2017

Based on our research, the chart below shows the extent of work done across seven key areas of preparation in 2017. And, as you can see, the results are mixed. Over the year, there was an increased focus on cleaning data and checking that benefits were being paid correctly. However, the next stage of collecting and recording additional data – important for insurance quotations (marital data and spouses' pensions) – has not been tackled by many schemes. Engagement with the scheme sponsor should also not be underestimated as, to secure the best pricing, all stakeholders will need to demonstrate commitment to the transaction.

Which steps have already been taken or are planned in the next 12 months to prepare for a future settlement exercise?



Source: Aon's Risk Settlement Suvey 2017

Pre-Compass Checklist will help prepare you for success

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Key opportunities for smaller schemes

– and how to make the most of them

Did you know that smaller schemes are still able to obtain competitive quotes from up to four insurers? Aviva, Just and Canada Life have no minimum size requirements. Legal & General also do not have a stated minimum, although they tend to be very selective in this space.

Approaching it right

In order to obtain maximum engagement from insurers, smaller schemes need to provide evidence that they are well prepared to complete a transaction. This includes having the correct data, benefit information and governance in place so that a transaction can proceed very quickly if the price is right.

As an alternative, smaller schemes may be happier to select a preferred counterparty in advance and obtain a quotation on an exclusive basis. Setting a challenging, but realistic, trigger price is fundamental if this model is followed.

Key points

- Smaller schemes can obtain quotes from Aviva, Just, Canada Life and Legal & General (although selective)
- Competition in the medical underwriting space is down but there is potential for underwriting savings here
- Buyout pricing may look attractive for smaller schemes once ongoing management costs have been taken into account

What is happening to the medically-underwritten market?

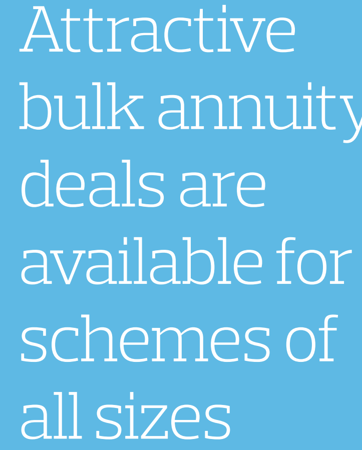
Medical underwriting is particularly relevant to smaller schemes, as they may have higher levels of concentration risk, with a significant proportion of the scheme liabilities being in respect of only a few members. It is also more likely that scheme trustees will have relevant knowledge in respect of the membership.

Following the merger of Just Retirement and Partnership (the joint entity is now known as 'Just'), competition in this segment of the market has reduced significantly. It is still possible to take advantage of potential savings from underwriting by following a model where underwriting is carried out after a transaction completes, and a proportion of the savings is rebated to the scheme (but no balancing payment is due if the results from the underwriting exercise are disappointing). This model assumes that the chosen insurer was competitive to start with on a non-underwritten basis.

To buyout or not to buyout?

Buyout pricing may look particularly attractive for smaller schemes once the ongoing costs of keeping the scheme running are taken into account, as these can be proportionately much greater than for bigger schemes.

Insurers can offer a contract structure in which a proportion of the full premium is paid upfront (no less than 75% of the full premium). The insurer takes on the risk immediately, with the scheme retaining the payroll until the unpaid proportion of the premium is amortised. This structure can fit with the existing schedule of contributions – as the sponsor simply continues to pay the contributions that have already been agreed until the end of the recovery plan, with no residual risk.



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Chapter 2

Long-term strategies

2

Navigating phased buy-ins

Navigating the best insurance outcomes

The journey to buyout

The hidden value of annuities

Navigating phased buy-ins: the big benefits and a step-by-step approach

In recent years, the bulk annuity market has been dominated by schemes insuring just part of their liabilities through a pensioner buy-in. Recent examples include Smiths Group, Kingfisher, Pilkington, and even Aon's own pension scheme. Our survey suggests that this trend will continue, with over two-thirds of schemes seeking buyout planning to adopt such a strategy.*

*Source: Aon's Risk Settlement Survey 2017

Over

66%

of schemes looking to buyout plan to **secure liabilities when pricing opportunities arise**

Key points

- Repeat buyers of annuities often get some of the best deals
- Phased buy-ins can target the scheme's largest risks, or the population that is cheapest to insure (and sometimes both at the same time!)
- Our Compass platform has been developed to obtain the best possible deal

The benefits of this approach are compelling:

For corporates, a buy-in is a clear way of demonstrating that all financial and demographic risks have been tackled for the relevant population. Indeed, around one-third of FTSE100 companies have now implemented a transaction to tackle longevity risk.

The desire to maintain a governance structure to manage the risks over the next 50 years is not appealing to many. Our survey suggests that buyout will be the endgame for over 80% of schemes. Once schemes have taken the decision to work towards the ultimate buyout, the challenge to construct an effective investment hedging portfolio is a fiendish one. Ultimately, the only way to hedge all three of insurer asset strategies, longevity risk, and market supply and demand simply is to invest in a buy-in itself.

In an increasingly busy market, schemes that have already transacted are more likely to get the best deals. Insurers have greater certainty that they will transact, and scheme stakeholders will be sufficiently experienced and nimble to seek and react to opportunities as soon as they arise.

With all of these benefits in mind, the key question is, why are more schemes not doing this already?

In our experience, the answer is twofold.

Governance and resources

The burden of running a pension scheme in current regulatory and financial conditions is challenging enough in itself, without carving out time to carry out a major transaction. A buy-in transaction may be equivalent to the sponsor selling a significant proportion of its business, and require a commensurate level of resource and focus.

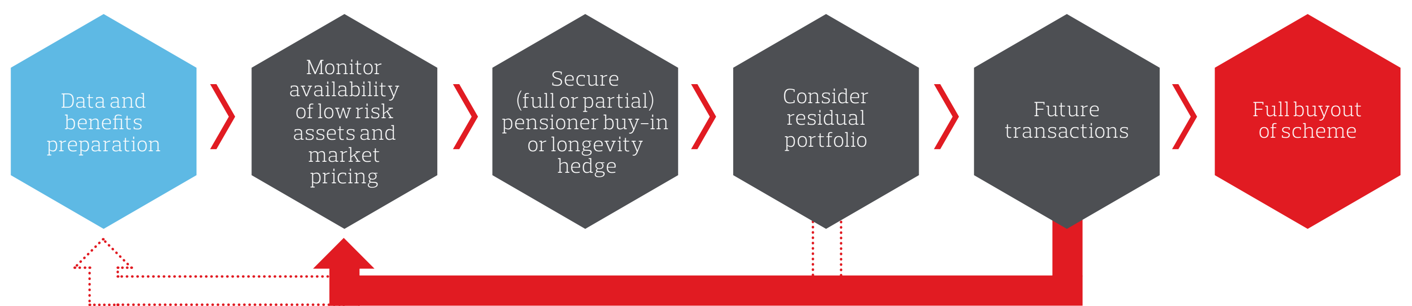
Investment priorities

Existing investment strategies can sometimes conflict with implementing a buy-in, for either of the following reasons:

- For schemes reliant on growth assets to meet their benefit obligations, there are simply not sufficient assets to fund the buy-in premium and keep the funding plan on course
- For schemes that have already materially de-risked, existing low risk assets may be tied up as collateral to hedge interest rate and inflation risks. In fact, over 80% of respondents in our survey cited hedging interest and inflation risk as a key priority.

A phased approach

Increasingly, we see schemes putting in place a de-risking framework such as the one below to integrate (a phased approach to) insurance within their existing investment strategy:



Schemes seeking to transact a partial transaction have a wide range of options to explore when seeking the best pricing. From time to time, different insurers will favour different populations to give the best price. Kingfisher's medically underwritten buy-in, covering the largest liabilities, is the most high profile case – but transactions covering oldest, youngest or benefit-related structures have all been shown to yield the best results at the right time.

Getting the best possible deal

For schemes exploring a buy-in, our Compass platform was developed to obtain the best possible deal. It draws upon two significant benefits to differentiate schemes from many cases in the market:

1. First and foremost, schemes go through a rigorous preparation phase, giving all parties greater confidence before significant resource is committed
2. Secondly, where pricing is not quite at the expected level, the innovative trigger mechanism ensures you will be at the front of the queue when conditions change.

Get in touch to find out more here

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Navigating the best insurance outcomes

2018 is set to be a huge year for pension de-risking, with improved pension scheme funding levels and better insurer pricing set to make settlement more affordable than ever.

How to ensure the best insurance outcome

There are four crucial areas to focus on when it comes to obtaining the best outcomes:

Establish your choice of de-risking approach

Educate stakeholders and gain their support

Prepare your scheme

Monitor when to transact

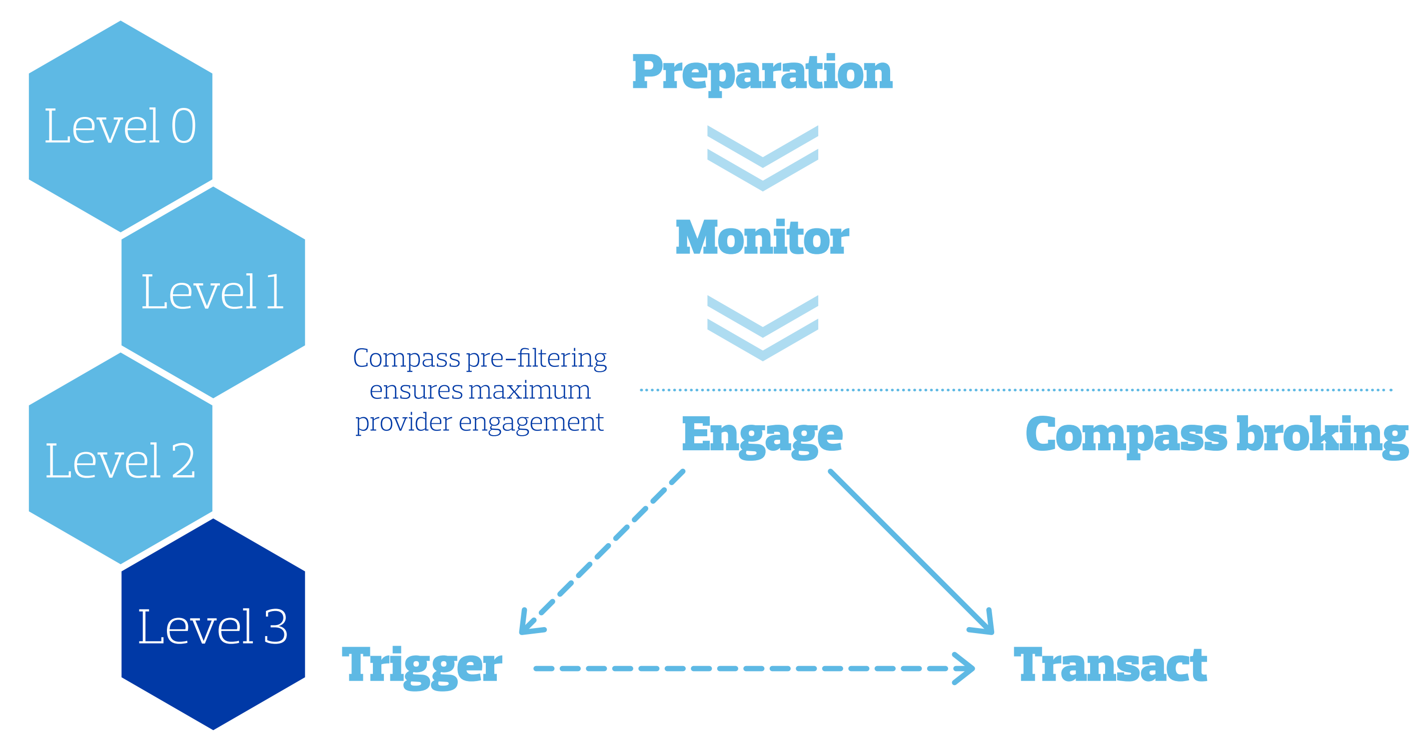
Key points

- Aon's Compass is designed to generate the most competitive annuity pricing
- Good preparation is crucial to getting the best deal on an annuity
- Monitoring the market maximises the chance of capturing pricing opportunities

How to make it happen with Compass

The first two levels of our Compass platform enable our clients to demonstrate their commitment to the transaction. This results in greater traction with insurers who, in turn, offer more competitive and committed pricing.

Aon's Bulk Annuity Compass



Level 0 – Prepare

As always, preparation is crucial. The most successful risk settlement transactions typically begin with a feasibility study, to establish the trustee and sponsor's de-risking aims and objectives. These studies consider the options available to your scheme – eg, bulk annuities, longevity insurance and member options – and evaluate the pros and cons of each, to work out an agreed approach.

By going through a feasibility study, we ensure that all pension scheme stakeholders understand the impact of a potential de-risking transaction. The considered factors include:

- Funding position
- Investment strategy – transferred assets and residual portfolio
- Corporate accounting position
- Administration

By considering these factors, we can remove perceived barriers and successfully obtain the support of all stakeholders for a chosen strategy.

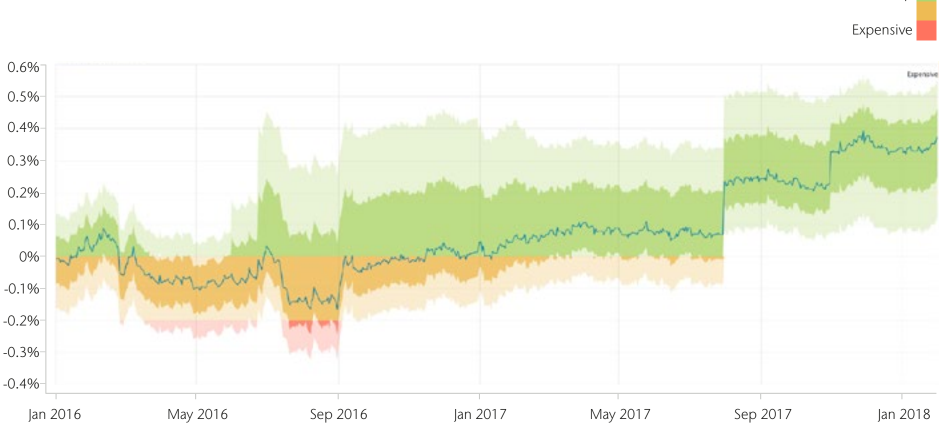
Early cleansing of data and drafting of a comprehensive benefit specification also demonstrate that both trustee and company have invested in the transaction, and are committed to de-risking their scheme. This matters because insurers spend significant sums on pricing opportunities they receive and understanding which schemes have spent time and money preparing – knowledge which helps them to prioritise the best opportunities.

Level 1 – Monitor

Pension schemes also need to understand when to insure their liabilities. Increasingly, trustees and companies are putting in place insurance triggers that focus on a combination of:

- Competitiveness of insurance pricing
- Funding position
- Available assets

Our Bulk Annuity Market Monitor (BAMM) provides a daily comparison of the competitiveness of insurer pricing relative to other low risk asset strategies. As well as using this, we can monitor your scheme's funding position with our Risk Analyzer software, and work with your investment adviser to keep a close eye on the asset position, so we can quickly inform you when the time is right to transact.



Source: Aon's Bulk Annuity Market Monitor on Risk Analyzer

Start early, be ready

The best insurance outcomes for pension schemes are obtained through early preparation. All of the above steps can be completed well ahead of a transaction to ensure that, when conditions are right, your scheme is ready to move quickly and to capitalise on the most favourable pricing opportunities.

Is your scheme ready?

Discover all you need to make the most of the fruitful market ahead

Discover

Seize your best opportunity this year

Get in touch and see which of our solutions will help boost your success

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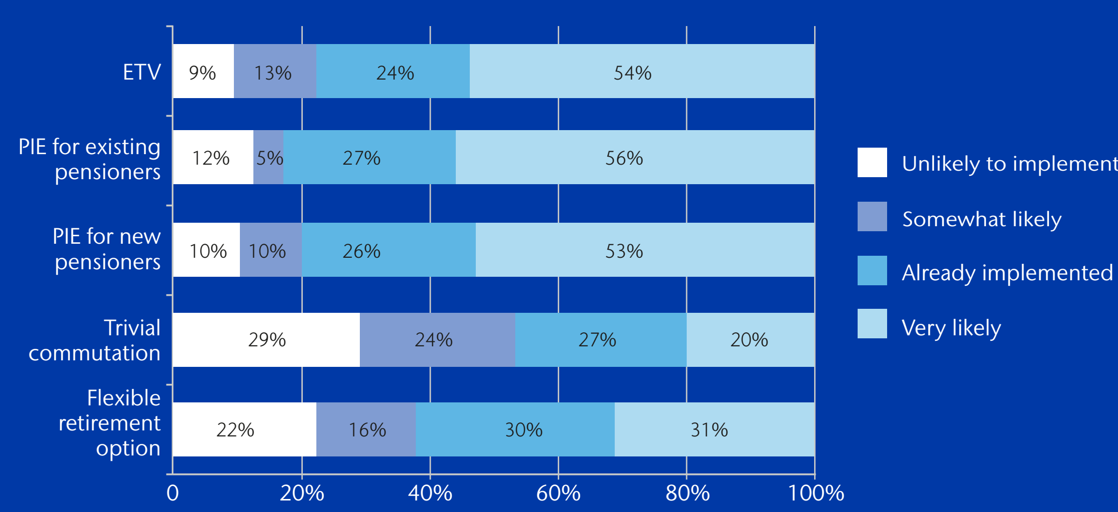
Liability settlement:

The journey to buyout

In with the new

Offering more choice and extra flexibility with the introduction of new member options is becoming increasingly common. In fact, our UK Global Pension Risk Survey 2017 showed that around half of all schemes had already implemented key member options or were likely to do so in the near future.

Liability management



Source: Aon's Risk Settlement Survey 2017

Key points

- Many schemes can more than halve their path to buyout and reduce risk along the way
- An effective strategy for an accelerated buyout plan can start with a simple framework
- Options such as Pension Increase Exchange (PIE) can result in greater flexibility for members and reduced business cost

Better choices, reduced cost

So what is driving the introduction of these new options? In many cases, it is fuelled by a desire to give members greater choices and benefits that better suit their needs. However, increasingly we are seeing schemes focusing on the 'win:win' that arises when these options also reduce the cost of a bulk annuity policy – now or in the future.

50%
of schemes responding to our survey **have introduced new options** or will in the future

Perspective

Let us take a closer look at a case study to see how the new options have played out in practice.

The situation

A manufacturing company with a mature c£200m scheme, and aspirations to buyout, decided to offer a Pension Increase Exchange (PIE) to their pensioner members.

The outcome

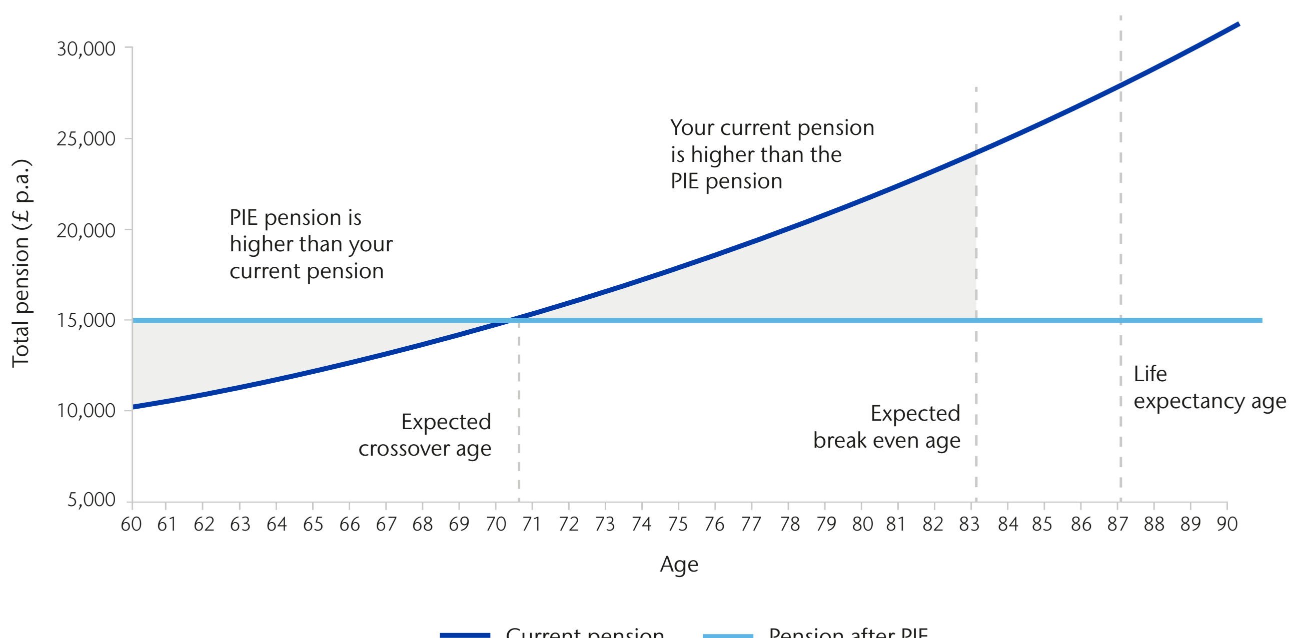
By swapping caps and floors (which were expensive to insure) for inflation-linked pension increases, the scheme reduced the premium for a pensioner buy-in at the same time as making an attractive offer to members.

The offer was so attractive that it generated a take-up of more than 50%. This has meant that the scheme can afford to insure all of its pensioners now rather than waiting and risking markets moving against them.

What is a Pension Increase Exchange?

- The Pension Increase Exchange (PIE) gives members the option to swap the increases on their pension, when it comes into payment, in exchange for a higher, non-increasing pension
- Many schemes can more than halve their path to buyout and reduce risk along the way
- Options such as Pension Increase Exchanges can result in greater flexibility for members and reduced business cost.

Example PIE offer for a male member aged 65



Accelerating the path to buyout

A number of steps can be taken to achieve an accelerated path to buyout. Often, one alone will not be enough but putting several steps together, with marginal gains from each, can dramatically reduce the time taken to reach the goal.

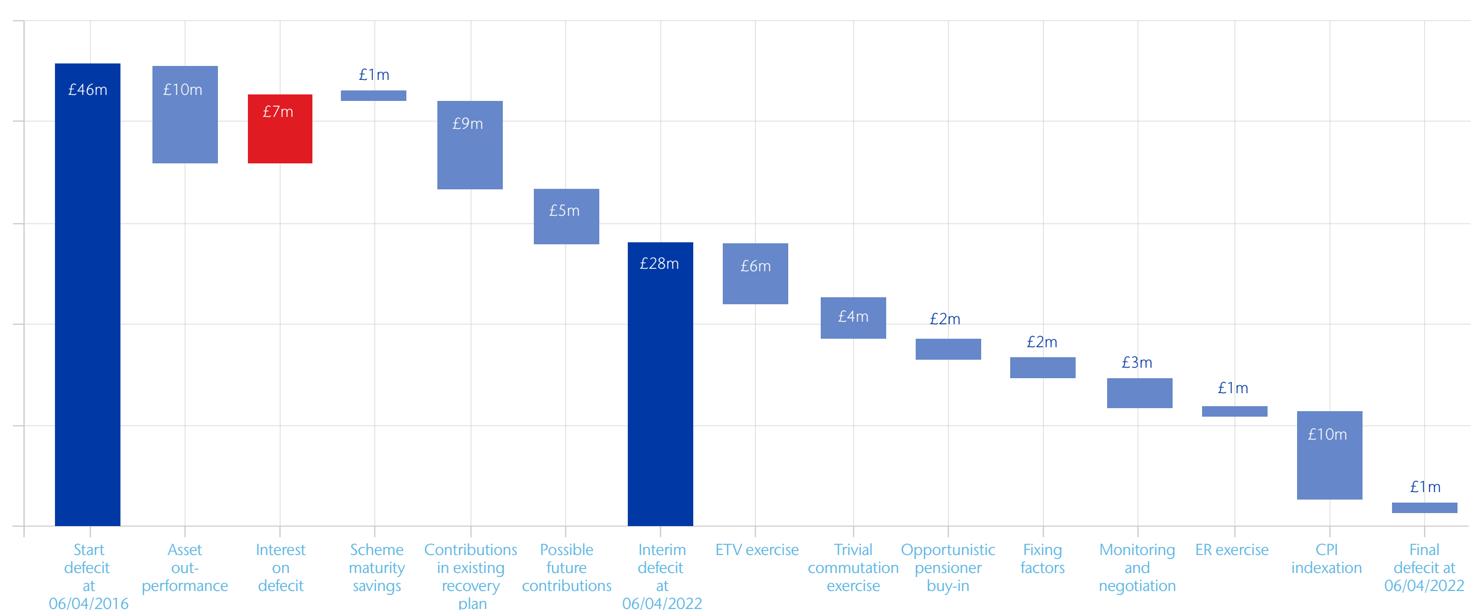
Our research suggests that many schemes can more than halve the time to buyout and significantly reduce risk along the way.

Framework, strategy, action!

With an accelerated path in mind, we see more and more schemes putting together strategic action plans to achieve this goal. It is possible to use a framework like the one below to develop a strategy and then monitor progress as you implement it.

We work with schemes of all sizes on this journey and many of the insurance transactions reported in the market, including the one for our own Aon schemes, have been possible because of succession action plans like this.

Possible actions to take to reach your long-term target on a buyout basis



Member option exercises will accelerate your path to buyout

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The hidden value of annuities

Are they worth it?

Weighing up the options

Some schemes opt against insurance as an investment due to the headline cost, instead settling for self-insuring their risks by implementing an asset and contribution strategy that has a reasonable likelihood of seeing them through to the final benefit payment.

The downside risks of this can be substantial and the full implications of running a pension scheme to the very end – perhaps in 60 years' time – often make annuities look more attractive than at face value.

Key points

- The hidden value of an annuity is often overlooked
- The risks in long-term asset strategies need to be considered
- You can optimise your strategy with affordable buy-ins

The hidden value of annuities

The value of an annuity is easily underestimated. But let us take a closer look:

- **Asset optimisation** – Maturing schemes tend to adopt an increasingly narrow range of asset strategies to limit governance requirements. In contrast, insurers specialise in sourcing long-term income-bearing investments, often from within their own business or as a preferential investor. This allows the insurer to optimise returns within the constraint of matching asset and liability cashflows
- **Sustainable arrangements for members** – Annuity funds consolidate defined benefit commitments, and will pay pensions to hundreds of thousands of members. This is likely to be a more viable administration and governance model than a closed and matured pension scheme, which has little to no link to the current HR function of the sponsor
- **Concentration risk** – For most schemes, larger value members will influence a scheme's risk profile considerably more than in an annuity fund (the funds are typically £15bn-£50bn in value)
- **Yield improvement** – At recent prices, pensioner buy-ins offer an investment yield materially in excess of that from gilts and LDI, and the comparison looks starker when the risk protection gained is considered.

85% of schemes surveyed **expect to use annuities** to reach their end goal

The potential risk of self-insuring

Before selecting either option, it is important to gain a full understanding of the potential value and any risks. For self-insuring, some of the considerations to be aware of include:

- **Long-term asset risk** – A long-term target of 'self-sufficiency' – which our 2017 Global Pension Risk Survey showed was the objective of many schemes – often involves asset strategies carrying some risk over the very long term, leaving cost uncertainty for the company
- **Long-term covenant risk** – The strategy may also effectively assume that the sponsor remains around for the very long term (eg, 60 years), in case unanticipated problems emerge later on, and will be both able and willing to fund the scheme
- **Longevity risk** – Schemes that do not address longevity risk under annuities (or longevity swaps) carry a risk to funding that is not expected to be rewarded
- **Exposure to future changes** – Schemes are subject to potential future legislation that could alter liabilities or tighten current funding and investment freedoms, adding to cost volatility. Sponsors also carry the risk of legacy data issues eventually coming to light.

We believe that these factors mean that the optimum strategy for most schemes will become buyout after a certain level of maturity, typically best achieved by a series of affordable buy-ins over time.

More than 60% of schemes **intend to introduce buy-ins** to their investment strategy

Get in touch to find out more here

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Chapter 3

Longevity swaps

3

Navigating the UK longevity swap market

Main players in the longevity reinsurance market

Solvency II requirements for longevity risk

Navigating the UK longevity swap market – looking back and where next?

A notable boost in 2017 thanks to relocation of pricing

Longevity swap activity by UK pension schemes picked up markedly in 2017 – particularly towards the end of the year – with a number of completed transactions ranging from £300m to £3.4bn in size. With longevity risk hedged for a total of £6.4bn of liabilities during the year (based on deals announced), this was an almost threefold increase on 2016.

A strong start to the new year

It has been a positive start to 2018 too. In March, we led the execution of a £2bn longevity swap for a large UK pension scheme (details remain confidential at this time).

Key points

- The longevity swap market is evolving and behaviours are changing
- UK insurers are now able to reinsure longevity risk on all sizes of bulk annuity thanks to Solvency II implications
- Pension schemes and reinsurers are opting for more cost-effective, straightforward options

Looking back at 2017's successes

Reflecting on the activity that contributed to 2017's longevity swap success, take a look at the UK scheme longevity swap transactions announced in 2017 in the table below:

Date	Pension scheme	Size of transaction	Structure	Insurer/Reinsurer
September 2017	British Airways	£1.6bn	Captive (Guernsey)	N/A / Partner Re and Canada Life Re
September 2017	MMC UK Pension Fund	£3.4bn	Captive (Guernsey)	N/A / Prudential Insurance Company of America (PICA)
August 2017	Scottish Hydro-Electric Pension Scheme	£800m	Pass-through	Undisclosed / SCOR
June 2017	Skanska Pension Fund	£300m	Fully- intermediated	Zurich / SCOR
March 2017	Confidential	£300m	Fully-intermediated	Zurich / SCOR

Prediction vs. reality

So, how did this match up to predictions? In our review of 2016, we:

- Raised concerns about a 'dislocation' in longevity insurance pricing, with the longevity risk takers (global reinsurance companies) not reflecting in their pricing the marked slowdown in UK longevity improvements. We felt that these had become too significant to ignore – a key driver in the low level of swap deal activity in 2016.

In early 2017:

- We highlighted positive signs of longevity insurance pricing 'relocating' to a fairer level, which boded well for a greater volume and scale of deals throughout 2017
- We have seen this continue, through several longevity reinsurance broking exercises we led during the course of 2017 – for both pension schemes and insurers. Pricing was significantly better in the second half of 2017 compared to 2016
- Schemes looking to hedge longevity risk can now seek insurance pricing with reassurance that this should fairly reflect the underlying risk, up-to-date information and longevity expectations.

Evolution and segregation

In the same way the bulk annuity market has segregated, with different providers focusing on transactions of different sizes, we are seeing a similar trend in the longevity swap market.

The evolution and segregation in the longevity hedging market has mostly been driven by increasing appetite from UK insurers to reinsure longevity risk on smaller bulk annuity transactions. In particular, due to the implications of the new Solvency II capital regime, UK insurers generally now reinsure longevity risk on all sizes of bulk annuities. This stimulus has consequently encouraged the market to adapt to dealing with 'small' scheme longevity risk, both in terms of process (eg, streamlined to ensure cost efficiency) and pricing (requiring a much greater reliance on postcode modelling in the absence of plentiful scheme experience data). For sub-£750m transactions, a more cost-effective and streamlined approach is required.

All of this has generally enabled a better functioning small scheme longevity market.

Sub-£750m transactions vs. £750m+ transactions

The key differences between the larger end of the market (over £750m transactions) and the smaller end of the market (sub-£750m transactions) are summarised in the table below.

Longevity swap market	Sub-£750m	Over £750m
Active reinsurers	Less than five	10+
Collateralised approach	No	Yes
Pricing	Focus on postcode (as a proxy for health and wealth)	Focus on actual scheme experience *and* postcode
Standard terms	Yes	Often bespoke negotiation
Structural options	Standard approach	Various options – with cost savings available where the pension scheme takes on the reinsurer credit risk (a 'pass-through' approach) and/or sets up its own insurance vehicle taking on the administration of the contract (a 'self-intermediated' approach)
Ongoing management	Less frequent reporting/payments	More frequent reporting/payments Collateral requirements

The main players in the longevity reinsurance market

Canada Life Re
Challenger
Hannover Re
Munich Re
Pacific Life Re
Partner Re
Prudential US
RGA
SCOR
Swiss Life
Swiss Re

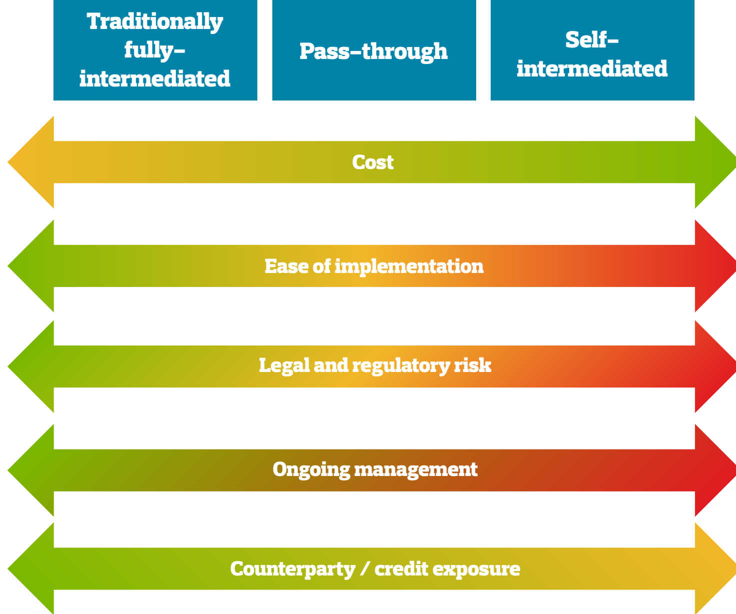
Using a range of swap structures for larger transactions

We have continued to see pension schemes making use of a number of different structural options to access the global reinsurance capacity for longevity risk:

- The British Airways and MMC deals both used a scheme-owned insurance cell based in Guernsey
- The Scottish Hydro-Electric longevity swap is with a UK insurer (Legal & General), on a 'pass-through' basis, under which the scheme takes on reinsurer credit risk
- The £2bn deal we executed earlier in 2018 and the two mid-market Zurich deals in 2017 were on a fully-intermediated basis.

There is no 'one size fits all'

The achievements gleaned from using different structural options demonstrate our view and advice to clients: there is no single solution that fits all schemes. We would recommend considering the different structural options available in line with your requirements.



Navigating mid-market longevity hedging and getting the attention of reinsurers

Both of the 'small scheme' longevity transactions that closed in 2017 – for the Skanska Pension Fund and another confidential scheme – covered around £300m of UK DB liabilities. The number of deals might be minimal, but it is encouraging to see that smaller deals are possible as the reinsurance market gradually becomes more interested in this sector of the market.

With lots of £multi-billion pension schemes and UK bulk annuity insurers also competing for reinsurance capacity, it is crucial that smaller schemes (with sub-£750m of liabilities) are well-prepared and armed with an effective go-to-market strategy to ensure they obtain the right level of attention, care and priority from the reinsurers.

Transferring risk

It remains capital-efficient for insurers to transfer longevity risk to reinsurers. This has been evidenced by continued activity from UK insurers to line up reinsurance for both back-book and new bulk annuity transactions. In particular, Rothesay Life, Pension Insurance Corporation and L&G all announced longevity reinsurance treaties in 2017.

Over the course of 2017, we continued to help UK insurers transfer longevity risk and maintained our position as lead adviser on longevity risk transfer for both pension schemes and insurers.

Looking ahead – what is next?

Improvements in pricing mean that greater activity is expected over the coming months. In particular, there is pent-up demand from a number of pension schemes who paused the longevity broking processes when it became clear that reinsurance pricing was lagging behind on the most up-to-date information during the second half of 2016 and the first half of 2017. There also continues to be strong demand from UK insurers to hedge the longevity risk relating to both new bulk annuity business and existing back-book exposures (driven by the implications of the Solvency II capital regime).

All of this means that 2018 could be one of the busiest years to date for the longevity hedging market!

Where next for you? If you would like to discuss any of the themes in this article or understand which option could be most capital-efficient for your scheme, please do not hesitate to get in touch.

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Solvency II

Why insurers and reinsurers are focusing on risk capital optimisation solutions

Since Solvency II went live on 1 January 2016, insurers and reinsurers have been focusing on implementation and analysing the implications for de-risking pricing, as well as their own tolerance for existing risks and their appetite to write new business.

Key points

- Insurers have been reassessing their risk appetite, with some choosing to transfer out their longevity risk
- Initial pricing fears have dispersed, due to higher returns on illiquid assets and improved longevity pricing terms
- The reinsurance market continues to evolve, calling for reassessment of risk appetite and a need for optimisation solutions

Pricing fears disperse

Initial fears that the new standard would have an adverse effect on pricing soon disappeared, primarily due to:

- Insurers and reinsurers seeking out higher returns on illiquid assets as part of their pricing portfolio
- Improved longevity pricing terms, as a result of the heavier population mortality observed in the last five years. Different firms have moved at different paces but our regular price benchmarking indicates that a broad consensus has now formed, with most market participants having moved or intending to move onto the CMI_2016 model (which was released in 2017). Moving from CMI_2016 to the recently released CMI_2017 could typically result in a further reduction of between 0.5%-1.0%, depending on the age profile of the scheme.

Reinsurance market evolves

The nature of the reinsurance market has also continued to evolve. Insurers have been reassessing their risk appetite and need for reinsurance and capital optimisation programmes.

As a result, some market participants have chosen to put their annuity portfolios on the market in order to transfer out their longevity risk – and we expect this consolidation to continue. As a consequence, in-force annuity portfolios have been competing alongside pension schemes for reinsurance risk transfer.

Navigating the right solution for you

We are continuing close observation of the evolving market for deferred annuitant reinsurance and working with clients to develop innovative reinsurance structures that enable the transfer of asset, longevity and optionality risks for these members.

If you would like to explore this as a solution for your scheme, please do not hesitate to get in touch.

Get in touch to find out more here

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Chapter 4

Longevity risk

4

Changing views on longevity trends

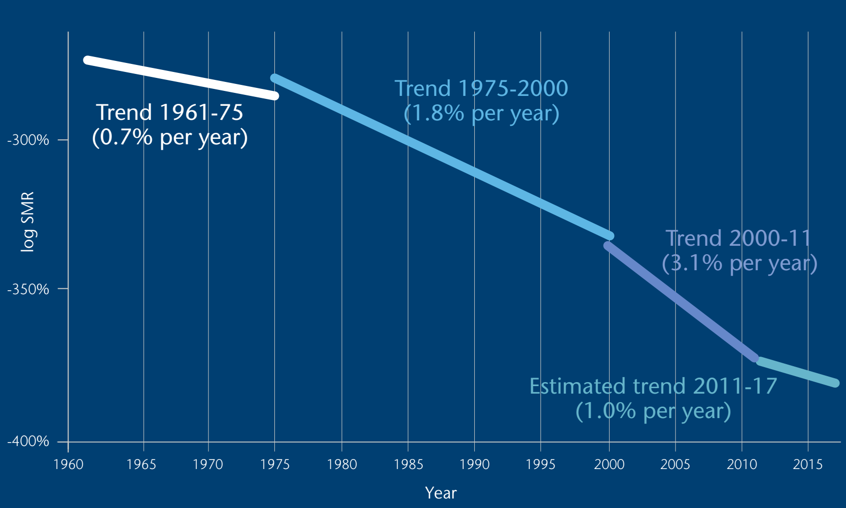
Longevity market dislocation and relocation

Changing views on longevity trends

Improvement trends in male mortality rates 'dramatically lower'

It is no longer seriously disputed that we have entered a low national mortality improvement phase. In the chart below, you will see that we have plotted standardised male mortality rates by calendar year since 1961[1], together with some trend lines. The steeper the slope of the trend line, the higher the rate of longevity improvement.

Standardised England & Wales mortality rate (males aged 50 to 89 inclusive)



Source: Aon calculations using data from the Office for National Statistics. Note that the value for 2017 is an estimate based on part year data. The standardised mortality rate (SMR) is based on the subset of the European Standard Population 2013 for ages 50 to 89 last birthday inclusive.

[1]The standard Office for National Statistics starts in 1961. This is also a reasonable starting point to review mortality improvement trends in the modern (ie, post Second World War) period.

The chart shows:

- The relatively high longevity improvements over the final quarter of the last century (1975-2000)
- The very high longevity improvements experienced over the first decade of this century (2000-11)
- The dramatically lower improvement trend that has emerged since 2011 (2011-17)

Key points

- Strong evidence suggests that we have entered a phase of low improvements in mortality
- At the time of writing, it seemed likely that the number of deaths in England & Wales in 2017 would be the same as in 2015 – which was regarded as exceptional at the time
- The longevity market has taken this information on board and, following a year or more of pricing dislocation, it has relocated to pricing that is fair in historical terms

The '2015 was a blip' argument is no more

The chart on the previous page highlights the stark contrast between recent annual male mortality improvements of 1% over the seven-year period 2011-2017[2], compared with those of around 3% the previous decade.

So the debate on whether 2015 was a 'blip' or part of a change in trend is essentially over – and team blip has lost. In fact, the period of 3% improvement now looks to be the outlier when compared with historical improvements.

National improvement in male mortality continues at

1% per year

compared to over 3% per year for the previous decade

What does this mean for pension schemes?

The debate has now moved on to whether the fall in the national trend can be applied unadjusted to pension schemes. This is because the fall-off in mortality improvements may be less marked for pension schemes.

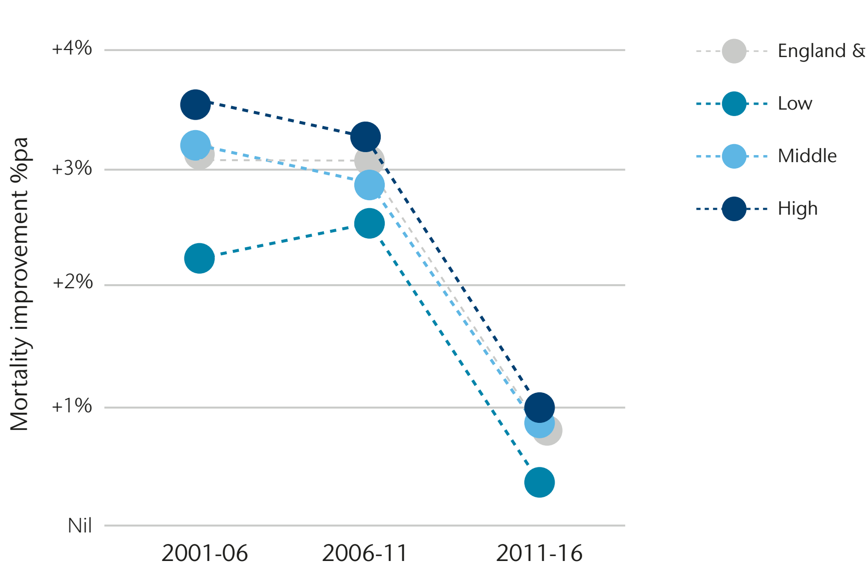
Defined benefit pension schemes are biased towards the better off because the individuals able to accrue a meaningful pension will have been in work for a long period, which implies a certain level of good health, and because pension liabilities are weighted towards individuals with larger pensions.

[2] This estimate is based on part year data for 2017 and a neutral estimate for the remainder of the year.

Male mortality improvements

We can take a closer look at this using data from the Office for National Statistics (ONS) for male mortality improvements by socio-economic group. We have used this data to estimate mortality improvements over five-year intervals from 2001 to 2016, shown in the chart below.

Male mortality improvement by socio-economic group over five-year periods



Source: Aon calculations using data from the Office for National Statistics. Improvements are for standardised mortality rates using the subset of the European Standard Population 2013 for ages 50 to 89 last birthday inclusive

The striking features of the chart are:

- Mortality improvements were higher for the better off over all of the five-year intervals
- It appears that the situation was beginning to revert, with the gap in improvements narrowing for the second period, 2006-11
- Improvements for all groups have fallen dramatically in the last five-year period.

It is important to be wary of over-interpreting the ONS data, but it seems that there is a strong case to suggest that mortality improvements have fallen for all sub-groups and this should therefore be reflected in mortality best estimates for pension schemes.

Get in touch to find out more here

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Longevity market dislocation and relocation

Longevity insurers and reinsurers were initially – and understandably – reluctant to recognise the heavier than expected mortality data, in case it turned out to be a transient effect. Trustees and scheme actuaries shared the same concern but, as the evidence continued to mount, they started to adjust their best estimates to reflect the data. However, reinsurers and insurers delayed their response. This led to a dislocation in market pricing during 2016 and early 2017, with pricing materially lagging best estimates.

Key points

- 2016 and early 2017 saw a dislocation in market pricing, with insurers and reinsurers slow to respond to changing mortality figures
- Aon's experience enabled us to spot this dislocation and advise clients not to transact if pricing was not favourable
- External pressure and ongoing low improvements have led longevity reinsurers to adjust their pricing

Our stance

Given our engagement in the market on numerous potential deals, Aon was well placed to observe this price dislocation and, as the leading adviser on longevity swaps, we led the market by calling out this issue publicly to:

- Ensure our clients did not enter unattractively priced transactions in the short term
- Accelerate the process of price relocation.

This meant that some very large Aon-advised deals did not proceed, illustrating that we are fully prepared to advise our clients not to proceed with a deal when the terms are unfavourable.

Relocation, relocation, relocation

Partly because of this pressure – and with further data reinforcing the view that low improvements are not a blip – longevity reinsurers have now incorporated lower life expectancies into their pricing. The longevity market, assessed in a competitive broking scenario, has relocated to pricing that we consider to be broadly fair in historical terms.

Get in touch to find out more here

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Chapter 5

Overseas

5

Navigating international settlement markets

Navigating international settlement markets

What is happening globally?

Over the past three years, a record $110bn of pension liabilities have been transferred to insurers in the UK, the US, the Netherlands and Canada, highlighting both the global nature of the risk settlement market and the continued focus around the world on pension risk management. We expect volumes to increase significantly over the next three years.

Our latest Global Pension Risk Survey showed that around a quarter of all plans are intending to insure their pension liabilities. Both improved funding levels and improved insurer pricing in many territories mean that now is the right time to execute those de-risking strategies. As ever, early preparation is vital to capitalise on best pricing.

Proportion of pension plans with a long-term objective to insure their benefits

2015		2017
N/A	Ireland	30%
15%	US	25%
N/A	Germany	25%
5%	Canada	20%
15%	Switzerland	20%
5%	Netherlands	10%

Trends, themes and transactions

At the larger end of the market, transactions are increasingly utilising:

- Plan-specific mortality data – with $250m emerging as a baseline transaction size
- Asset-in-kind premium funding – representing a movement toward the UK system where bonds are directly used to fund the transaction. Aon recently led a transaction where we saved our client over $4m or 1.5% on their $250m premium.

Insurer capacity

Sales diversification and insurer capacity increased in 2017, with 14 insurers actively insuring pension buyouts, six of which closed aggregate transactions in excess of $2bn. Three new insurers emerged over 2017 – Athene, Mutual of America and CUNA Mutual, with Athene quickly becoming a major player, writing in excess of $2bn of business in 2017.

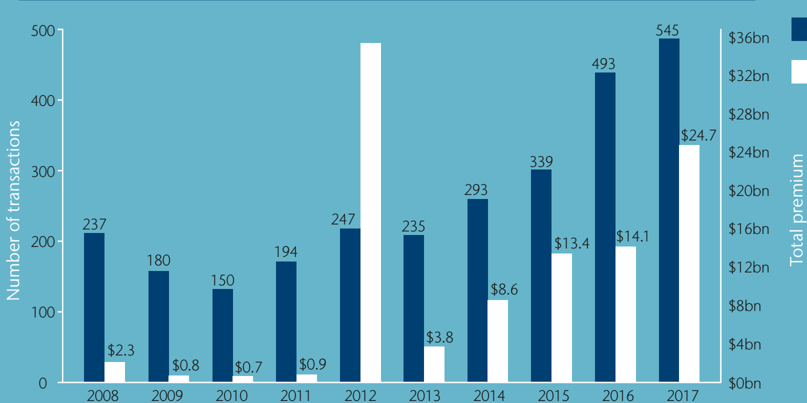
Lump sums

Lump sum payments continued to be a popular pension risk transfer mechanism, with take-up rates continuing at around 55% in 2017. Around half of Aon's US clients have run a lump sum window, giving members the option to convert their vested accrued DB pension for a one-time lump sum payment, in the last few years, but this is expected to slow down dramatically in 2018, both due to mortality table changes made by the IRS, effective from 1 January 2018, and due to the fact that many have run these exercises already.

"Pricing remained strong in 2017, supporting a growing appetite from companies to de-risk their pension plans, particularly for retiree transactions where multiple bidders are typically involved"

Ari Jacobs, senior partner and US settlement lead

Annuity plan settlement transaction



Source: Year-end 2017, as reported in insurer responses to Aon Investment Consulting's survey of the most significant U.S. insurers

US

2017 was another year of tremendous growth for the US pension risk transfer market. A market volume of $24.7bn represents a fifth consecutive year of growth. The dominant market theme was small benefit pensioner buyout transactions of between $100m – $1bn, driven by a focus on reducing Pension Benefit Guaranty Corporation premiums (similar to the UK PPF) where premiums are calculated on a per member basis and an unfunded liability basis.

"Annuity buy-ins have become more popular in the last few years with a c$900m single annuity buy-in transaction in 2017. Annuity prices appear robust for 'blue collar' transactions. As the size of the Canadian market grows as well as the size of the individual deals, so does the governance required, demonstrating the need for experienced advisers."

Tom Ault, partner and Canada settlement lead

Canada

The Canadian settlement market continued to grow and innovate in 2017.

- Over the year there was $3.7bn of group annuities
- We have not seen any further longevity swaps in the Canadian market – although longevity risk continues to attract significant attention.

In 2017, we saw developments in Canada that will positively impact the settlement market in 2018:

- Consistent with the UK, funding of pension plans has steadily improved over the year. The median Solvency Ratio for Aon clients in Canada at end of Q4 2017 stood at 99.2%
- There has been a gradual removal of so called 'boomerang risk' – the risk of an insurer going bust and the annuities reverting to plan sponsors, with legislation in place or being drafted across Canada
- A new single product group annuity provider, Brookfield Annuity, entered the market late in 2016; it has been active during 2017 and is expected to grow further in 2018.

Europe

De-risking activity varies across Europe and is based on local circumstances:

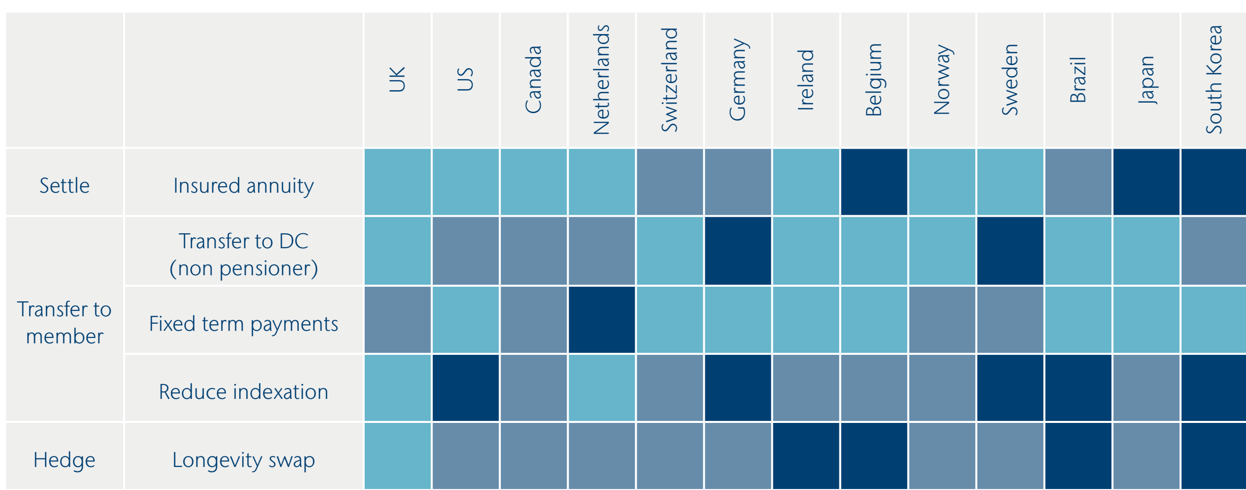
- In Germany, 60% of plans have, or are considering, lump-sum settlement payments to their pensioners
- In Switzerland, insurers are keen to transact on settlement opportunities where the active population is also transferred
- In Ireland, Danske Bank transferred €335m of its Irish DB pension liabilities to Irish Life in the largest deal of its kind in the local market.

Further afield

De-risking and plan wind-up possibilities are also beginning to emerge in other markets, for example in Japan and Brazil.

The outlook ahead

The global pension risk transfer market will continue to grow in 2018 and beyond. We expect to see continued innovation and a far greater range of solutions in the less developed markets, including bulk annuities and longevity swaps being offered in more countries, particularly across Europe. Aon's market-leading global, and local, insurance knowledge and capabilities enable our clients to time their transactions and carry out the necessary preparation to enable them to seize the best pension risk transfer opportunities.



Discover

Seize your best opportunity this year

Get in touch and see which of our solutions will help boost your success

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Meet the team

Meet the newest member of the team

Mike Edwards

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Mike Edwards joined us in March 2018 and brings additional risk settlement expertise to the team.

Mike has over 14 years' experience in the pensions and insurance industry, specialising in risk settlement solutions. Prior to joining Aon, Mike held senior roles in the bulk annuity businesses at Scottish Widows and Legal & General.

Most recently, Mike led the new business team at Scottish Widows overseeing the structuring and completion of over £2.5bn buy-in and buyout transactions and was responsible for developing and maintaining all new business processes since their entry to the market in 2015. At Legal & General he was responsible for managing the bulk annuity product range and developed a range of new solutions which were integral to the implementation of insurance for over £3bn of pension scheme liabilities.

Mike spent the first nine years of his career as a consultant advising trustees and corporate sponsors on a variety of pension risk management issues including member options exercises, scheme funding, benefit change and accounting.

Meet the team

Karen Gainsford

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Karen is a settlement adviser with broad experience across the market on bulk annuity transactions (both medically underwritten and traditional). Bringing skill and understanding to every transaction, Karen is authorised to advise on bulk annuity transactions and has worked with a range of clients with transaction sizes varying from £10m to £1.6bn.

Meet the team

Dominic Grimley

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Dominic is no stranger to the world of bulk annuities, having managed a wide variety of these transactions since the late 1990s. His experience includes bespoke deals to transfer additional risk upfront, programmes of multiple buyouts and accelerated transfers to support corporate requirements.
He also shares his expertise across Aon by leading on services that make annuity purchases easier, such as due diligence exercises to compare insurers and pre-negotiated contracts.

Meet the team

Tiziana Perrella

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Tiziana brings extensive experience in bulk annuity transactions and scheme wind-ups, both solvent and insolvent. Since 2008, she has been working exclusively in the risk settlement area and has been the lead adviser on over 100 buy-ins and buyouts with 10 different insurers.

Meet the team

Phil Curtis

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Phil expertly divides his time between acting as operations lead for the Risk Settlement Group and a consultant and project manager for bulk annuity transactions. A full time member of RSG since 2014, he has successfully guided risk transfers for cases ranging from £10m to £1bn+.

Meet the team

Hannah Cook

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A talented risk settlement adviser, Hannah's broad experience includes advising on longevity swaps, reinsurance treaties and bulk annuity transactions. She is authorised to advise on all types of transaction and has completed transactions for diverse clients, covering over £12bn of liabilities in the last five years.

Meet the team

Michael Walker

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Michael brings over 15 years of pensions experience to his role as senior risk settlement advisor. He advises on both bulk annuities and longevity swaps ranging from £2m to £1bn+. His knowledge spans both sides of the de-risking fence, having previously led one of Legal & General's pension risk transfer pricing teams, initially for UK transactions and expanding out to US group annuities.

Meet the team

Tom Scott

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With wide-ranging settlement experience, Tom has advised on buy-in and buyout deals ranging from £50m to £1bn as well as longevity swaps. His latest longevity swap project is a £2bn deal that transacted in the first quarter of 2018.

Meet the team

Matt Fletcher

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Matt Fletcher is a longevity specialist with more than 15 years' experience advising pension plans and the insurance sector. He provides analysis and advice on longevity and other demographic risks in the UK and overseas, including Canada and the Netherlands. Matt also chairs the Continuous Mortality Investigation's (CMI) Self-Administered Pension Schemes Committee which is responsible for producing the Actuarial Profession's industry-standard mortality tables for pensioners.

Meet the team

John Baines

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Head of bulk annuities, John advises on integration of bulk annuities within wider de-risking strategies. His notable experience includes leading on some of the most high-profile transactions of recent years, including the Kingfisher, Pilkington and Ferguson (formerly Wolseley) bulk annuity transactions.

Meet the team

Steve Bale

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Steve splits his time between advising insurers and reinsurers on longevity (UK and international), and is also a member of Aon's Life Reinsurance Team. He is the chair of the CMI's High Age Mortality Working Party.

Meet the team

Martin Bird

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Martin Bird is a senior partner and head of Aon's Risk Settlement Group. He has a broad range of experience working with clients to analyse longevity risk and successfully execute bulk annuity and longevity hedging solutions. He has led a number of the industry's largest deals, including the BMW, Rolls Royce and BAE Systems longevity hedges, placed over £15bn of longevity hedging in relation to insurance back-books and recently led the £900M LV= asset/longevity deal.

Meet the team

Ben Roe

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Ben is a senior partner and the head of the Member Options team at Aon. He spends the majority of his time advising companies and trustees on the options that are offered to defined benefit members and making sure that the right level of member support is in place so members can make informed decisions. Ben has advised on some of the largest, most complex member option programmes in the UK.

Meet the team

Tim Gordon

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Tim is a partner in our Risk Settlement Group, having joined Aon in 1997. He leads our longevity modelling and advisory team, which provides the mortality analysis and risk advice to support all our risk transfer transaction advice. Tim's clients include insurers and reinsurers as well as pension plans.

Tim is currently the chairman of the CMI Mortality Projections Committee, which produces the standard mortality projections (eg, CMI_2017) for the UK actuarial profession.

Meet the team

Paul Belok

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020 7086 8089

Advising on bulk annuities since the 1990s, Paul has managed a variety of schemes of all shapes and sizes. The growing list of high profile clients he has worked with includes CAA, Smiths Group, Cadbury and Aon itself.

About Aon

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