AMNT Conference held on 22nd February 2017 – 'Pension Trustees: Have your say'

Breakout Groups - DB: Buy-ins and Buy-outs. Chaired by Matt Barnes PIC

Notes of Discussion

- 1. It was pension scheme consultants that normally approach PIC to consider Buy-ins and Buy-outs.
- 2. Prior to PIC involvement, there had usually been some agreement between the Trustees and sponsoring employer about Buy-ins or Buy-outs.
- 3. Pension members were usually preferred for initial Buy-ins.
- 4. In respect of indexation for pensioner Buy-ins, PIC can consider 'discretionary increases', 'guaranteed levels of increase' or developing a 'partial Buy-in'.
- 5. Trustees would normally obtain 3 or 4 quotes from the 7 or 8 insurers in the marketplace. Some insurers had discrete preferences, e.g. concentrating on medical underwritten schemes.
- 6. The current marketplace is between £8b to £15b.
- 7. Potential risks to PIC are a meltdown in the corporate bond markets or an accumulation of 1:200 year events. Also, if members continue to live for extended periods.
- 8. PIC concentrate on the Buy-in/Buy-out markets and have no desire to work in the life insurance business; which could provide some 'pay-off' benefits if potential risks occur.
- 9. PIC has to hold capital against the advent of any major risks and also hedge against inflation risks.
- 10. It costs more to insure deferred pension scheme members.
- 11. There had in certain situations been some negative re-action, by members, when a Buy-in or Buy-out had been explored. However, members would in such situations be covered by the FCA and not the PPF.
- 12. Any Buy-in or Buy-out needs adequate and good communication with the members. PIC has in the past welcomed discussions with the various cohorts of pensioners and members.
- 13. The effect on the spouse's pension was the most common question in relation to Buy-ins and Buy-outs. It is essential to codify all terms of the pension scheme in any deal.
- 14. It is possible that bigger schemes may break up sections of the pension scheme to different insurers.
- 15. Administrators are outsourced by PIC, but communications are labelled with the original employers name and individual administrators are hand-picked by PIC.
- 16. The effect of GMP on any Buy-in or Buy-out is still an open debate??