

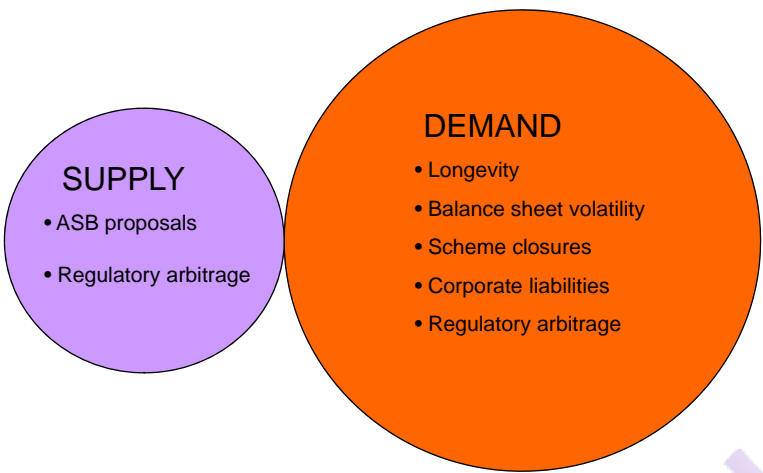
Pension Risk Transfer Seminar



Regulation and the buy-out market

Pension Risk Transfer Seminar
June Mulroy, the Pensions Regulator
London, 29 April 2009

Supply and demand




SUPPLY

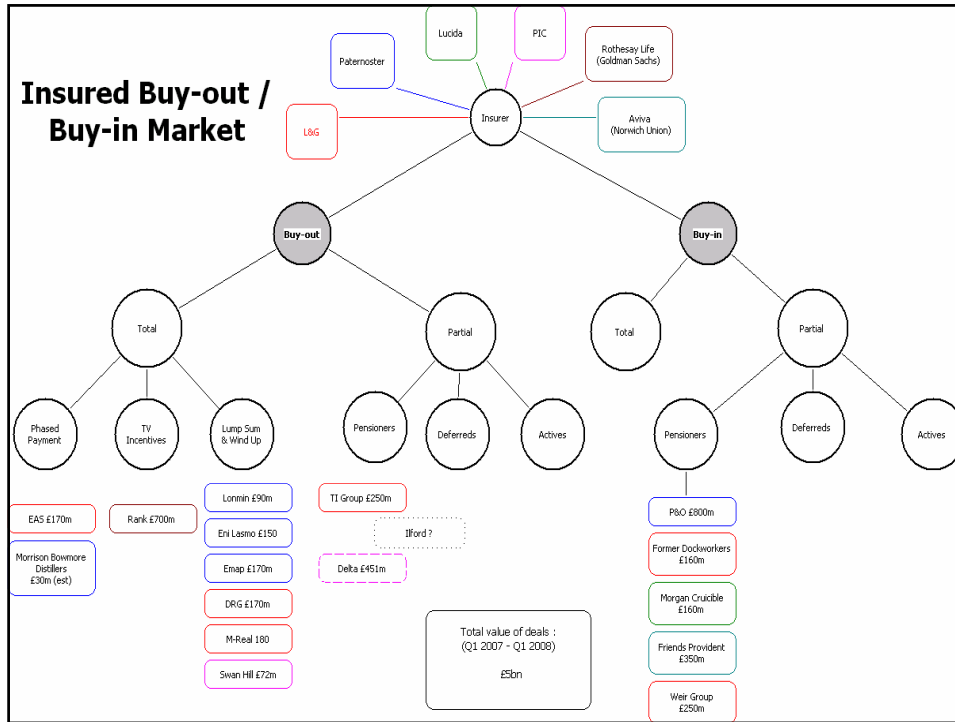
- ASB proposals
- Regulatory arbitrage

DEMAND

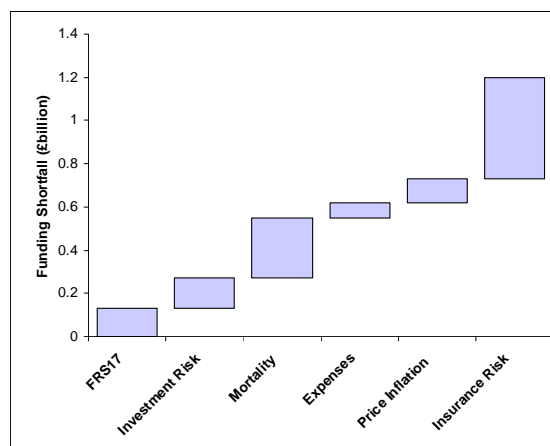
- Longevity
- Balance sheet volatility
- Scheme closures
- Corporate liabilities
- Regulatory arbitrage



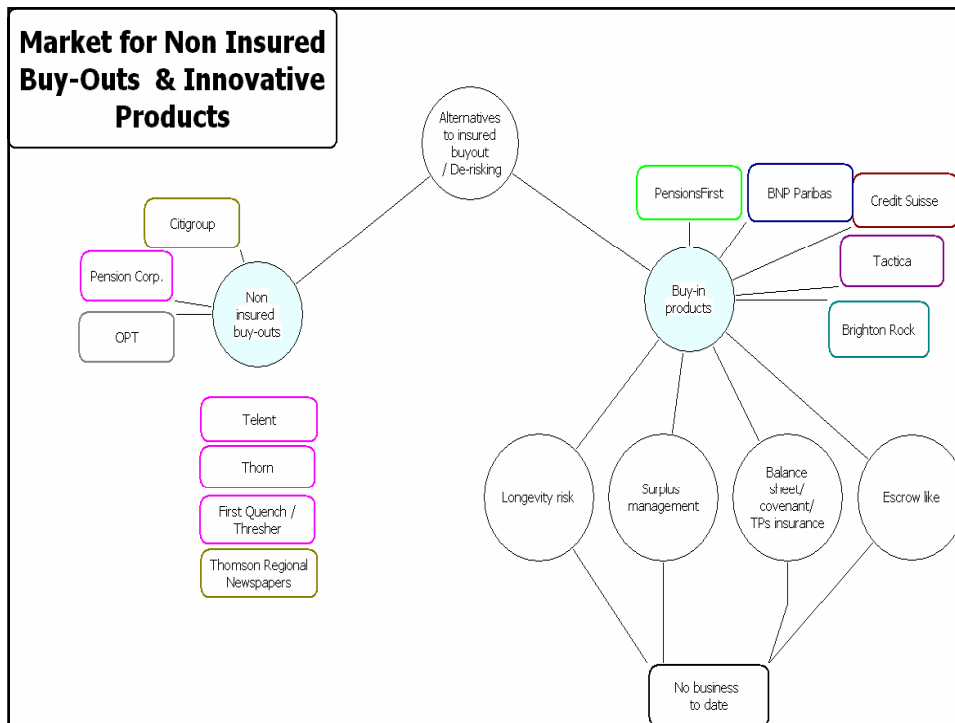
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Insured buy-out funding - an example



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Risk factors within the buyout market

- Asymmetry of risk – scheme operates or is designed to operate for profit where proper account is not taken of members interests
- Misalignment of interests
- Non-insured buyouts
- Circumstances where we expect to use the material detriment test
- Transfer incentives – or other “window dressing” pre-insured buy outs

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Liability management exercises

- Behaviours which unacceptably increase risks noted in vigilance statement published April 2009
- Transfer incentive exercise before or after a buyout - inducement?
- We will investigate and take steps to prevent or sanction against such behaviour where appropriate
- See web based guidance: Inducements offers



Vigilance please

- Risks to members?
 - Incentives or 'inducements'?
 - Risks to the PPF?
 - Impact on employer covenant pre/ post transaction?
 - Trustees conflicted?
 - Insured buy out?
 - Uninsured buy out?
 - Steps before buy out?
 - Alternatives?
- www.thepensionsregulator.gov.uk

