

A hand holding a crystal ball that reflects a mountain landscape. The background is a blurred mountain range under a blue sky. The crystal ball shows a clear reflection of the same landscape. The hand is positioned at the bottom, with a ring visible on the ring finger.

Pension Settlement Service

Introduction

As Defined Benefit schemes mature and the liabilities relating to pensioners increase, Trustees and Employers are increasingly considering ways to manage the associated risks. Settling liabilities using a bulk annuity contract is a very effective way of reducing risk. WTW has developed our Pension Settlement Service to help clients investigate the cost and benefits of bulk annuities, monitor the price and secure the best terms available in the market.

How does it work?

Our Pension Settlement Service provides clients with full support to complete a transaction in four steps:



Feasibility

A feasibility study examines the high-level financial and accounting implications of a settlement, as well as wider issues such as legal feasibility based on a review of the trust deed & rules. It also analyses the Scheme's benefit structure to identify the most suitable options. The feasibility study provides a quick and cost-effective way to assess the settlement options available.

1



Quotations

Having decided to investigate the purchase of a bulk annuity further, the next step is to obtain quotations from insurers. We have extensive experience of managing quotation exercises, working with both domestic and overseas insurers to achieve competitive tension and secure the best price for our clients.

2



Provider selection

Selecting a suitable provider is a critical part of the transaction process. While price is a key factor, other criteria also need to be assessed and it is important to carry out due diligence to identify which provider is best placed to provide the contract. We use our deep understanding of the annuity market to help clients find the provider that meets their requirements.

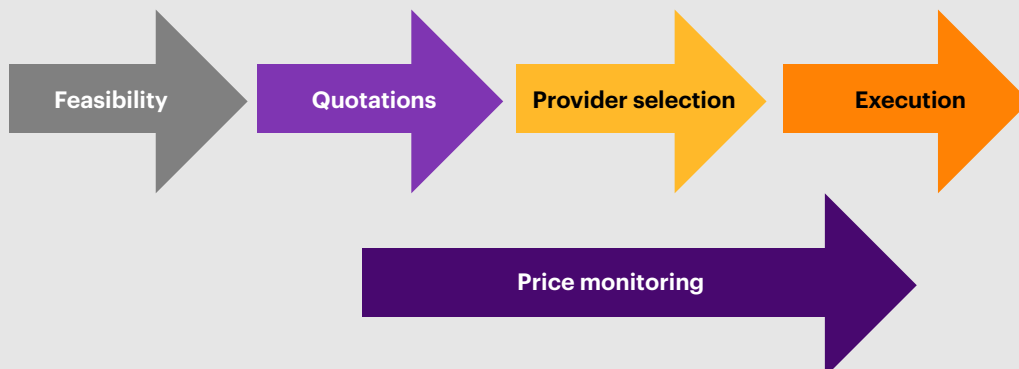
3



Execution

Once the provider has been selected and a transaction date set, the task of bringing together all the elements begins. The key objective is to secure terms with the provider as soon as possible to ensure the Scheme's exposure to pricing and asset movements is kept to a minimum. WTW helps all parties work together to complete the transaction as efficiently as possible.

4





Monitoring the price

After deciding in principle to purchase a bulk annuity, the Trustees and Sponsor will need to monitor the price to identify the right time to transact. Our market leading software, Asset Liability Suite (ALS) uses up-to-date pricing information from insurers to track daily changes

in annuity pricing and triggers can be set to send alerts when certain price targets have been hit. This allows Trustees to act when market conditions move favourably and ensures that opportunities to transact are not missed.



Set Target Price and Track



Daily monitoring of market pricing



Target Price hit



Indicators that your pension scheme should consider settlement options

Some signs that it is time for your pension scheme to carry out a feasibility study are:

- A significant proportion of the Scheme's liabilities relate to pensioners.
- The Scheme has largely de-risked its investment strategy by investing in assets to match pensioner liabilities.
- The Employer wants to remove risk and volatility of pension cost.
- The Scheme is, or is close to being, fully funded on its ongoing valuation basis.
- The Scheme is expected to wind-up at a future date.

Our specialist team

WTW has considerable experience and expertise in advising on and managing settlement projects. Our specialists combine a blend of actuarial, legal, broking and project management skills. This range of skills means that we can not only help to negotiate the terms and assess the financial impact of the transaction, but also ensure that the project is delivered efficiently within the agreed timelines.

- Our transactions team has worked with clients across Europe to de-risk pension plans.
- We have relationships with a wide range of European insurers which we leverage to increase the level of competition in the bidding process.
- We have extensive experience of supporting clients with captive insurance arrangements and working with reinsurers.
- Our team leads transactions covering bulk annuities and longevity swaps across Europe.

As Irish pension plans mature, we expect the bulk annuity market here to continue to grow and our expertise means we are uniquely placed to assist Trustees and Sponsors with their de-risking plans.



Case studies

Case Study 1

We advised the Trustees of a scheme in the financial services sector in relation to an annuity buy-in transaction for €335m. The Trustee's objective was to secure the best price and maximise security. This was the first deal of its kind in Ireland including enhanced security for Trustees through a collateralised structure involving the insurer, the employer and an independent custodian.

This was a complex arrangement requiring our specialist advice and in-depth knowledge of the annuity market.



Case Study 2

We were appointed by the Trustees of a scheme in the energy industry to manage the settlement of the pension liabilities as part of a de-risking exercise. A shortlist of suitable providers was drawn up and a bidding process was set up until only the two most competitive providers remained. After the final round of pricing, the Trustees completed the transaction which resulted in a saving of 4% compared to the best initial quote. This demonstrates that there is essential value added in taking advice and appointing a specialist to run a competitive process before completing a transaction.

4% saving
compared to the
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For further information please contact:

Brian Mulcair
+353 1 614 6885
Brian.Mulcair@wtwco.com

Paul O'Byrne
+353 1 614 6824
Paul.O'Byrne@wtwco.com

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).



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