

Buyouts are the logical next step for de-risking, says JLT Pension Capital Strategies

October 2011, London - JLT Pension Capital Strategies (PCS), which specialises in corporate consulting and pension scheme de-risking, today announces its analysis of pension fund buyouts to the end of the second quarter of 2011.

There was a significant increase in buyout activity over the second quarter of 2011, with approximately £1.4bn of buyout and buy-in deals being written during the quarter, a 400% increase from the £350 million written in the first quarter of 2011. The total business written in the first six months of the year was £1.75bn. Insurers remain confident for the rest of 2011, as they report busy workloads. A number of deals are scheduled to be announced in the remainder of the year.

Bulk annuity prices remained stable during Q2 and the early part of Q3 despite ongoing uncertainty in the Eurozone. A number of large bulk annuity deals took place in the second quarter of 2011, including the £240m Law Society deal with Metlife and the £203m London Stock Exchange deal with PIC.

Tiziana Perrella, Head of Buy-Out Services at JLT PCS, commented: "The activity in Q1 was converted into a healthy number of deals completed in Q2. Equally, the amount of activity in Q2 should see the buyout and buy-in market remain buoyant for the rest of this year. We believe the prospects for the industry remain excellent, provided the economy does not decline further. The interest in de-risking solutions remains high as more schemes enter 'end game' territory."

Soaring debt and increasing liabilities have resulted in a trend towards pension schemes wanting to de-risk. This has been a key factor in the ongoing flight from equities to bonds for schemes looking to be risk-averse.

Ms Perrella continued: "Buyouts remain a logical solution for pension schemes wanting to de-risk, so it is imperative for schemes to prepare, so that transactions can take place quickly once conditions allow. We expect many trustees and employers to push for transactions to be complete prior to the implementation of Solvency II. The final impact of the Solvency II requirements on bulk insurers remains unclear, leading to uncertainty in future pricing bases.

"Trustees and sponsors need to be aware of developments in the market and understand the implications for their own scheme if they want to maximise their chances of striking an optimal solution at the right time. Insurers are continuing to offer flexible payment options to assist schemes in completing transactions; we predict this will encourage yet more buyout activity over the remainder of 2011 and into next year."

END

Press Release

Buyout MarketWatch

Notes to Editors:

Enquiries:

Charles Cowling, JLT Pension Capital Strategies	07920 834 047
Simon Hazeldine, JLT Benefit Solutions	01727 775 102
Olivia Evans, Smithfield	020 7903 0670

Notes to Editors:

About JLT Pension Capital Strategies

JLT Pension Capital Strategies (PCS) is a trading name of Pension Capital Strategies Limited, which was established in 2006 to help companies to manage their Defined Benefit pension obligations, offering advice on managing scheme assets and liabilities, on communication with trustees and on finding the right funding solutions.

A subsidiary of the Jardine Lloyd Thompson Group, PCS can draw upon skills and experience in the areas of corporate finance, tax, capital markets, asset management, actuarial and general pension regulation and practice to provide strategic advice and practical answers.

www.jltpcs.com

JLT Pension Capital Strategies

6 Crutched Friars

London

EC3N 2PH

Tel 020 7528 4892

Fax 020 7309 8330

Email solutions@pensionstrategies.co.uk

Web www.jltpcs.com

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