

Early in 2019 Rothesay Life secured the benefits of the Teachers Assurance Group Pension Fund. This transaction went on to see LV= win Longevity Risk Transfer deal of the year at the Insurance ERM awards 2020.

LV= acquired Teachers Assurance, a member-owned mutual friendly society, in 2016. Among the businesses transferred to Liverpool Victoria Financial Services (LVFS) was the ring-fenced Teachers Assurance Fund (TA fund), which was responsible for making payments to cover all liabilities of the Teachers Assurance Group Pension Scheme (TAGPS).

However, the TAGPS exposed the TA fund to significant risks, notably long-tail longevity and inflation risks and considerable market risk. These exposures resulted in volatility in the surplus position of the TA fund and a material risk that increased contributions would be required in future to support the TAGPS. This was a significant issue given the TA fund is in run-off and distributing surplus to its with-profits policyholders.

The Trustee of the TAGPS (BESTrustees) and LV= were therefore keen to insure members' benefits through a buyout policy. The small size of the scheme was a concern as it had the potential to make it difficult to attract buy-out providers in what was a very busy and competitive market. However, through clear articulation of the requirements, all parties were able to reach agreement quickly on a pricing level and structure which met the goals of both the Trustee and LV=.

The initial proposal and contractual terms were provided by Rothesay Life to the Trustee in mid-December 2018 and a full buy-in contract was signed on 7 February 2019. The Trustee triggered wind-up in mid-September 2019. Once the buyout is complete, the responsibility for meeting scheme members' benefits will transfer to Rothesay Life.

This has resulted in improved security for TAGPS members, while also improving the capital position of the TA fund and speeding up the distribution of surplus to the TA fund's policyholders.