

Crossing the Pond: UK Risk Transfer Techniques have Reached the US

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Abstract

Today, the UK is the most vibrant market in the world for pension plan de-risking. Progress in the UK has been driven by regulation, accounting transparency and risk awareness among pension schemes that has led to dramatic changes in risk management and governance.

Many of the same catalysts for change are arriving in the US today. As US pension plan sponsors face these changes, there is broad recognition that their current risk position is unsustainable. While affordability remains an issue, techniques used in the UK for reducing and transferring risk have crossed the pond. LDI and pension buy-out have existed in the US for quite some time. Pension buy-in transactions have just arrived and longevity insurance will follow but demand will likely be modest until there is greater awareness of pension longevity risk in the US. This increased awareness is on its way as US longevity risk analysis tools and research are being developed as we speak.