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## **PRUDENTIAL STAFF PENSION SCHEME AGREES LONGEVITY SWAP WITH PACIFIC LIFE RE**

The Prudential Staff Pension Scheme (the “Scheme”) has entered into a longevity swap transaction with Pacific Life Re Limited, a subsidiary of Pacific LifeCorp. This arrangement, covering £3.7 billion of pension liabilities relating to over 20,000 pensioners, provides long term protection for the Scheme against costs that could result from unexpected increases in the life expectancy of its pensioner members.

The longevity swap policy forms part of the Scheme’s investment portfolio. It builds upon a comprehensive programme of hedging risks which enhances the security of benefits for all members.

The Prudential Staff Pension Scheme is M&G plc’s largest UK pension scheme. It is made up of two sections, first a Defined Benefit Section, which has c£7bn of assets and liabilities, and is closed to new members and is the subject of today’s announcement. Secondly, it has a legally segregated Defined Contribution Section, which is M&G plc’s main UK pension scheme for current and new employees, and has c£400m in assets.

The Prudential Staff Pension Scheme was originally established in 1918 by The Prudential Assurance Company, which remains the Scheme’s Principal Employer and is a major company within M&G plc.

Following a competitive process including many bidding reinsurers, Pacific Life Re was selected to provide reinsurance. A Captive Insurance Company established in Guernsey and owned by the Trustee of the Scheme is providing access to the reinsurance market by writing an insurance contract as a result of which all the longevity risk is reinsured. Following a competitive procurement process, Artex Risk Solutions Inc. were selected to establish this captive under their ‘ready-made’ incorporated cell company with BWCI Group providing calculation services.

Commenting on the transaction, **Keith Bedell-Pearce, Chair of the Trustee**, said: “The Scheme’s diligent approach to risk management resulted in longevity risk receiving close scrutiny by the Trustee. Following a period of investigation, the Trustee has worked with our advisers to identify an optimal solution to reducing longevity risk in the Scheme, enhancing the security of benefits for all members while maintaining the funding level of the Scheme.”

**Simon Banks, Head of Pensions and Benefits, M&G plc** said: “As an organisation we have worked over many years to support the Trustee in managing risk. This transaction marks another positive



step in de-risking the Scheme, and providing long-term security for members, as well as providing greater certainty to M&G plc.”

**Ian Aley, Willis Towers Watson, Head of Transactions,** said: “We were pleased to be able to build on the Trustee’s in-depth understanding of this type of transaction to help them achieve attractive terms that reduce risk and enhance member security. By maximising competition in both the reinsurance market and between the providers of “ready-made” captive solutions to Trustee we were able to tailor a package to suit our client’s precise requirements.”

Mayer Brown International LLP acted as legal adviser to the Trustee. The Scheme also took legal advice from Walkers (Guernsey) LLP.

**-Ends-**

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**Note to Editors:**

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