

Longevity risk, LDI and the holistic management of DB pension plans

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The management of longevity risk in defined benefit pension plans cannot be tackled in isolation. Longevity is a significant risk that impacts DB pension liabilities just as interest rate risk and inflation risk. Any decision to mitigate or eliminate longevity risk must be made in the context of the pension plan's overall objectives, risk profile and investment strategy. Moreover, this decision must take account of the plan sponsor's risk profile (both operational and financial), creditworthiness, covenant quality and capital structure.