



Overview of the UK Pension Risk Transfer market

Buy-ins and buyouts

August 2024

2024 so far

Following a record-breaking 2023 in which almost £50 billion of retirement income was secured across the market, demand remains exceptionally strong from pension schemes of all sizes. Our recent survey of some of the [UK's largest DB schemes](#) found that over half of respondents plan to implement a buy-in or buyout. The market for smaller schemes continues to flourish with the number of transactions below £100m more than doubling from 2020 to 2023.



This report covers our 2024 pension risk transfer (PRT) volumes so far, how we're developing our proposition through market research, and how our Group strategy is evolving to support our PRT business.

UK new business volumes

We transacted £1.1bn of business in the UK over the first half of 2024. Quote activity has continued to accelerate as the year progressed and we expect the majority of transactions across the market this year will transact in the second half. In the second quarter, we announced a £900m buy-in with the [ICI Pension Fund](#) which marked our 12th transaction with the Fund. In the year to date we have written or are in exclusive negotiations on £5bn of transactions in the UK and US. This includes our £1.1bn buy-in with the [SCA UK Pension Plan](#) that we announced in early August. Both of these transactions are profiled on page 4.

Bulk annuity sales H1 2024	<£100m	£100m - £500m	£500m+
Total size (£m)	226	-	900
Average size of quote (£m)	21	-	900
Number of transactions	11	-	1

Enhancing our service for smaller schemes

Through our Flow proposition, we aim to deliver a solution that offers a user-friendly framework for smaller schemes whilst maintaining a high quality onboarding experience for trustees and exceptional service for members. We continue to see strong demand for our Flow pricing slots and plan to increase our capacity.

We have gone through an extensive process of seeking feedback on our proposition over the first half of 2024 and are now working on developing enhancements for a relaunch towards the end of the year. We continue to explore areas for future development to support capacity and member experience into the future. The relaunch will contain a number of post-sale improvements including more clarity upfront on timescales for data cleansing and the final data requirements. We are also streamlining monthly reconciliations and benefit quotations during the data cleanse to make these areas less resource intensive for internal teams and scheme administrators.

We have received positive feedback on many aspects of Flow which we will continue to offer, in particular our price lock and fund novation solution for schemes that hold pooled funds with our Asset Management business.

A recent survey from [DLA Piper](#) found that all consultants operating in the small scheme space have seen successful transaction rates alongside affordable pricing, which demonstrates that our market is delivering for smaller pension schemes.

Developing our proposition through market research

We concluded our regular independent research exercise at the start of the year, hearing from consultants and Professional Trustees on all aspects of our proposition. The research gives us valuable feedback to ensure we're providing a first class proposition across all areas, from triage discussions to member experience.

We are pleased to have received positive feedback on a number of areas that we have focussed on since the previous research exercise in 2021. We updated our contractual terms last year and are enhancing our Flow proposition as covered in the section above. We have worked hard to provide a more joined up approach across our Group, to support price locks, in-specie transfers and [illiquid asset solutions](#).

The feedback received has enabled us to look at how we can develop our illiquid asset and deferred premium solutions even further. We are exploring ways to build on the past successes of partnership approaches, leveraging our strength in being an experienced partner that trustees can rely on.

Looking forward, we will continue to carry out research on a regular basis to ensure that we evolve our proposition to meet client requirements. Alongside this, we encourage ongoing feedback through deal-specific discussions and regular catch-ups.

Delivering attractive pricing

Insurers continue to utilise investment strategies that take advantage of opportunities in the markets. This has enabled insurers to continue to offer attractive pricing to pension schemes this year.

Pricing conditions are determined by a myriad of economic factors and an insurer's ability to adapt to a changing market environment will drive the pricing that it offers. We have seen numerous examples of this in the past decade from widening credit spreads to the use of Lifetime Mortgages and Direct Investments in insurer investment strategies.

As ever, close engagement with your advisers and preferred insurer/s can make a huge difference. Gaining a better understanding of the assets we will be taking on, considering how they might be used to back our pricing and taking into account the scheme's pricing hurdles enable us to put forward both bespoke solutions and attractive pricing.

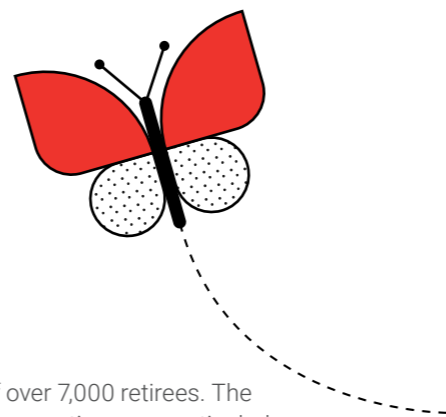
Looking after our customers

Our latest client services report can be found [here](#). We received global standard accreditation from the [Customer Contact Association](#) (CCA) for the sixth successive year, which is a leading industry benchmark for customer service excellence. We also received five awards at the CCA Global Excellence Awards 2024. We now have over 750,000 PRT policyholders and look after more than 1 million retirement customers in total.

Our customer events allow us to engage and interact with our customers, hearing their experiences first-hand. We hosted around 100 customers at our latest roadshow in May, and welcomed more than 3,000 customers to our Coffee Lounge at BBC Gardeners' World Live in June for our flagship engagement event. You can find out more about our customer roadshows by watching the video below. Our flagship engagement event is featured on page 5.



Key transactions



ICI: the power of a relationship

We completed a [£900 million buy-in with the ICI Pension Fund](#) in April, securing the benefits of over 7,000 retirees. The latest transaction means we have now covered around 70% of the Fund's total liabilities. This transaction was particularly special as it marks our 12th transaction with the Fund, and came almost exactly 10 years to the day since our first transaction in 2014.

This transaction builds on our long-standing relationship with the Fund and is a testament to the collaborative working relationship we have with all parties. In particular, the pre-agreed "umbrella" terms from previous transactions enabled a smooth and efficient exclusivity process. Our series of transactions with the Fund demonstrates how a well-prepared scheme can successfully insure benefits over time to achieve its objectives.

John Graham: collaborating across our Group

Our [£16m buy-in with the John Graham \(Dromore\) Limited Pension and Life Assurance Scheme](#) built on a strong relationship between Legal & General and the sponsor's parent company, GRAHAM, who we have previously partnered with on several construction projects across the UK. The Trustees worked with us on a sole insurer basis and followed our Flow process to ensure a seamless and straightforward transaction.

The Scheme is a client of our Asset Management division and we provided a price lock to the Scheme's funds while the terms of the buy-in were agreed. These assets were then novated at mid-price, allowing a smooth and efficient payment of the premium with a high degree of price certainty. This transaction is an example of how divisions collaborate across our Group, providing clients with a complete proposition across all aspects of the transaction.

SCA UK: a partnership approach to achieve the Plan's objectives

We recently partnered with the [SCA UK Pension Plan to complete a £1.1 billion transaction](#), securing the benefits of around 9,500 members. The Plan and Sponsor, Essity Holding UK Limited, reviewed the insurers in the market prior to receiving pricing, and chose to work with us on an exclusive basis to achieve the Plan's unique objectives. Working closely with the Plan's advisers, we were able to offer an innovative, solutions-driven approach in which the Plan agreed a price lock and premium payment portfolio with us that aligned to its assets. This included its pooled fund holdings, which were novated to us by our Asset Management business, creating cost certainty during the transition process.

The certainty and transparency around our pricing and terms, combined with strong collaboration were key to the partnership approach. This innovative transaction demonstrates how this approach can work for schemes of all sizes, providing the scheme's objectives are clear from the outset, so all parties can work together to achieve these.



The PRT Pod



Illiquid Asset Solutions

"There is a balance to strike. Pension schemes don't want to take haircuts on performing assets, but equally they don't want to lose sight of the big picture and miss the opportunity to secure their members' pensions in a buyout."

Mat Webb, Head of Endgame Solutions

"What we do is combine these solutions and these capabilities for the best outcomes for schemes."

Sumit Mehta, Head of Strategy, Corporate Development

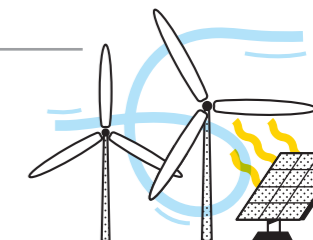
Our flagship customer engagement event

In June we returned to BBC Gardeners' World Live for the fifth time to meet our customers in-person

Podcast host, Roshni Sakaria, engaged with colleagues, including Andrew Kail, CEO of Institutional Retirement, to share their insights on delivering exceptional customer service. Additionally, Roshni interviewed customers enjoying the amenities of our customer lounge, capturing their perspectives first-hand.

See [here](#) for our latest podcasts!

Environmental, social and governance



Decarbonising our annuity portfolio

We achieved a 37% reduction in our greenhouse gas intensity relative to our 2019 baseline by year-end 2023. This is well ahead of our next interim target of 18.5% by the start of 2025. We have succeeded in keeping our portfolio carbon intensity lower than that implied by the economy-wide emission rebounds despite the reversal of the COVID-19 impact on corporate emissions in previous years. Legal & General Group has received independent validation on our science-based targets from the Science Based Targets initiative.

Our dedication to sustainability and transparency

Legal & General Group are proud to be an early adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), demonstrating leadership in addressing nature-related financial risks and opportunities. The TNFD provides a structured approach for the disclosure of companies' environmental impacts, with the aim to improve corporate reporting on nature. This is crucial for risk management and investment decisions and will improve our understanding of each company's environmental impact.

We are proud to be a founding signatory to the Sustainability Principles Charter launched by [Accounting4Sustainability](#). The charter aims to raise standards across industry and bring a more unified approach on how bulk annuity insurers report relevant information on their sustainability approaches.

Aligning our assets with our climate goals

Through our [Climate Impact Pledge](#) we encourage companies to reduce climate change risks and transition to a net-zero economy. There are 16 companies on our sanctions list which applies to our annuity portfolio as well as a number of our investment funds, leveraging our Group's role as both an asset manager and an asset owner. These exclusions signal to the companies and wider market that there has been insufficient progress made in mitigating climate change risks. Our Asset Management business engages constructively with these companies, removing them from the sanctions list when sufficient progress is made.

L&G Group's strategy and vision

In June, our Group CEO António Simões presented our strategy and vision for the future of Legal & General. Our new strategy sets out how we will deliver for our customers and shareholders. Our vision is a growing, simpler and better-connected L&G, playing a central role in meeting the long-term investment needs of society and individuals, through the work of three complementary business divisions: Institutional Retirement, Retail, and a new Asset Management division. Each of our divisions will play an integral role in the future of L&G.

Securing members' benefits

We will continue to grow our Institutional Retirement business, securing the benefits of millions of DB pensioners, funding the production of socially valuable assets, and delivering reliable capital flows for the Group for years to come. António announced our intention to grow PRT volumes, writing £50-65bn of business in the UK by year-end 2028.

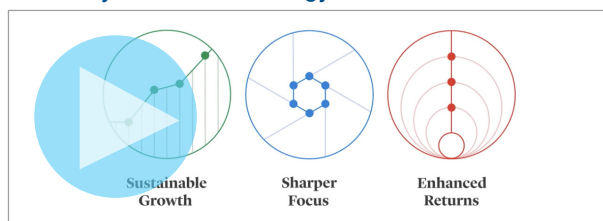
Asset Management

The new Asset Management division brings together Legal & General Investment Management and Legal & General Capital to recognise the evolving needs of our clients and partners. The new division will be a critical long-term growth engine of our business, working across public and private markets to provide complex, responsible investment solutions and opportunities. We are one of the world's largest asset managers and provide powerful asset origination capabilities. Together, the new division will continue to source the investments we will need to grow our PRT business even more and underpin our wider retirement and protection solutions.

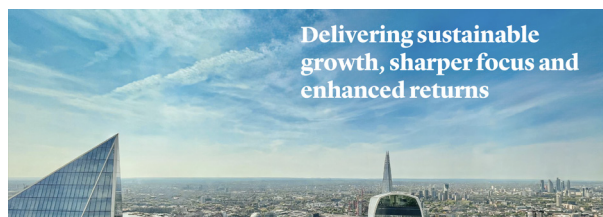
António Simões on our new strategy



Summary of our new strategy



Presentation slides



International growth

As part of our continued focus on international growth, our Institutional Retirement business in the US completed c.\$550m of business in the first half of 2024, one of their largest half years to date. The US business received the Great Place to Work Certification for the third year in a row and InsuranceERM's Pension Risk Transfer Innovation of the Year award for their split transaction solution with Reinsurance Group of America.

Contact us

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