

Overview of the UK pension risk transfer market





Looking back on 2022

The second half of 2022 saw unprecedented movements in the financial markets. The sharp rise in interest rates and widening credit spreads resulted in a reduction in the size of pension scheme liabilities and significant improvements in buyout affordability for many pension schemes.

As a result, we saw a surge in demand for buy-in and buyout transactions in the final six months of the year. We're expecting this to lead to new business volumes for the year in excess of £25 billion which would make 2022 the fourth largest year on record. However, this volume doesn't tell the full story. If we adjust for the impact of the significant rise in interest rates on transaction size, then we'd see 2022 as the second largest year in the history of the Pension Risk Transfer (PRT) market.

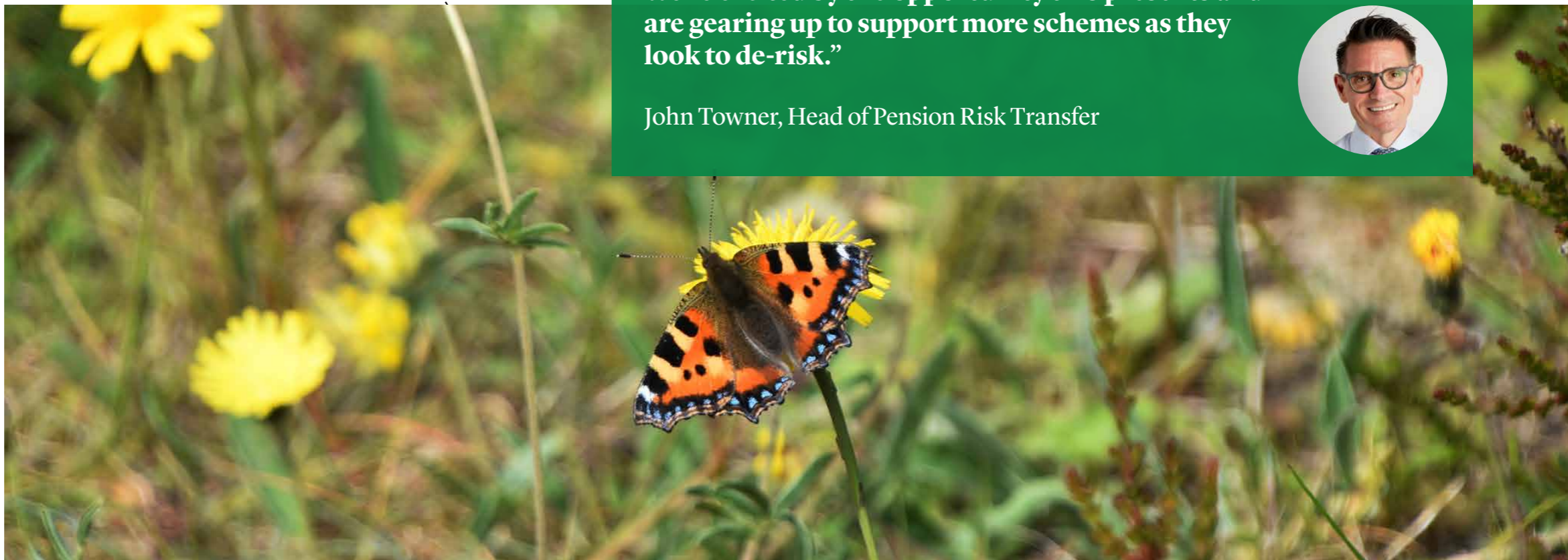
We expect even stronger demand from pension schemes looking to secure buy-ins or buyouts in 2023, with the anticipated return of multi-billion-pound transactions. In a busy market, it will be more important than ever for pension schemes to be 'transaction ready' as they approach the market. We would encourage pension schemes and their advisers to engage with insurers early in the process to develop the right strategy to ensure they get the best outcome.

In this update, we look back on the year just gone and set out our expectations for 2023 and beyond.

UK new business volumes

In 2022 we wrote 47 policies, including three Assured Payment Policies ("APP"). We received £7.3 billion of new business premiums, including balancing premiums. This compares to 45 policies (including one APP) and £6.2 billion of premium in 2021.

Bulk annuity sales 2022	£0m - £100m	£100m - £500m	£500m +
Total size (£m)	972	2,027	4,320
Average size of quote (£m)	25	338	2,160
Number of transactions	39	6	2



“It has been a very successful year for the PRT market. With the funding level improvements seen by many schemes, we're expecting a step up in demand over the coming years. We're excited by the opportunity this presents and are gearing up to support more schemes as they look to de-risk.”

John Towner, Head of Pension Risk Transfer



Our global business

We secured £9.5 billion of new business globally across 61 transactions in the UK, US and Canada.

In a record year for the US PRT market, we completed 12 transactions in 2022, securing over \$2 billion of premium. In Q4 alone, we secured five transactions which resulted in c\$1.1 billion in premium – our largest quarter to date.

In Canada we secured two transactions totalling CAD \$725 million.

We continued our successful partnership with the British Steel Pension Scheme (BSPS)

Over 2022, we completed two follow-on transactions with BSPS securing approximately 60% of the scheme's obligations. These transactions represent one of the largest de-risking arrangements we have ever implemented with a single partner in a calendar year.

We expanded our relationship with Rolls-Royce

We wrote a \$145m pension risk transfer transaction with Rolls-Royce North America Inc., covering approximately 1,200 participants and expanding our long-standing relationship with Rolls-Royce, to whom we provide both investment and pension de-risking support in the UK, with a £4.6 billion transaction in 2019. The deal highlights how we are supporting companies and pension schemes internationally and across markets.

The power of pensions

We use the funds generated by our PRT business to invest in the real economy. We have invested £30 billion across the UK in the regeneration of towns and cities outside of London, including Leeds, Newcastle, Sheffield, Cardiff and Manchester.

These kinds of investments not only make a positive impact on our society, but they also match pension liabilities very well and will be integral for us to support the growing volume of PRT business.

In 2022:

- We made a **£4 billion investment commitment** to the West Midlands Combined Authority to support the provision of net zero neighbourhoods, affordable housing and levelling up.
- We began construction of our **£100 million regeneration scheme** in Sunderland Riverside.
- We made our first investment, through Bruntwood SciTech, in Scotland (the Met Tower, Glasgow) which is set to become a **new hub for tech and digital businesses**.



Looking forward

As demand for buy-ins and buyouts grows, we are stepping up to the challenge of increasing capacity, while continuing to provide market-leading customer service to pension scheme members.

In these bite-size videos, our expert team explore the key trends they expect to see over 2023 and beyond.



Sabeen Iftikhar
Director

Sabeen Iftikhar notes a shift towards **full scheme transactions**



Adrian Somerfield
Director

Adrian Somerfield anticipates the return of **"mega" deals**



Rachel Cutts
Director

Rachel Cutts describes how **bespoke solutions** can help pension schemes to manage their assets



Beatrice Male
Director

Beatrice Male discusses **standardisation and streamlining** for smaller schemes



Julian Hobday
Director

Julian Hobday explains the importance of **preparation** and how pension schemes can ensure they are **'transaction ready'**



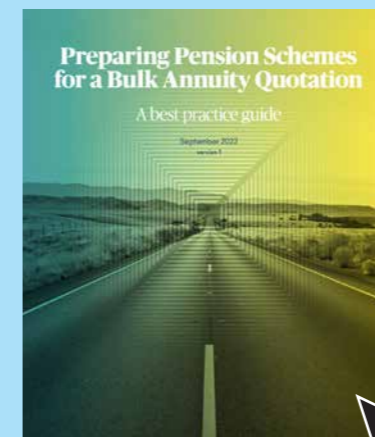
An industry commitment to wellbeing

In December, we held our annual festive de-risking seminar with a focus on mental health and wellbeing. Our panel, with representation from a de-risking adviser, a pension scheme administrator and an insurer, discussed how as an industry we can meet future growth opportunities in the PRT market while looking after our collective wellbeing.

The panel cited the pressures experienced by all players in the industry as a result of the additional workload. Dave Matthews, Head of PRT Quote Production at Legal & General, suggested that we need to recognise the difficulties the larger and more complex transactions bring and the changes needed to support those involved.

A good starting point is the industry's first-ever insurer-led **Best Practice Guide linked below**. The guide was produced by all UK insurers operating in the PRT market, working together in collaboration with DLA Piper. The aim of the guide is to help pension schemes to prepare for a quotation process and drive greater standardisation and efficiencies across the market.

Best practice guide



Contact us

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