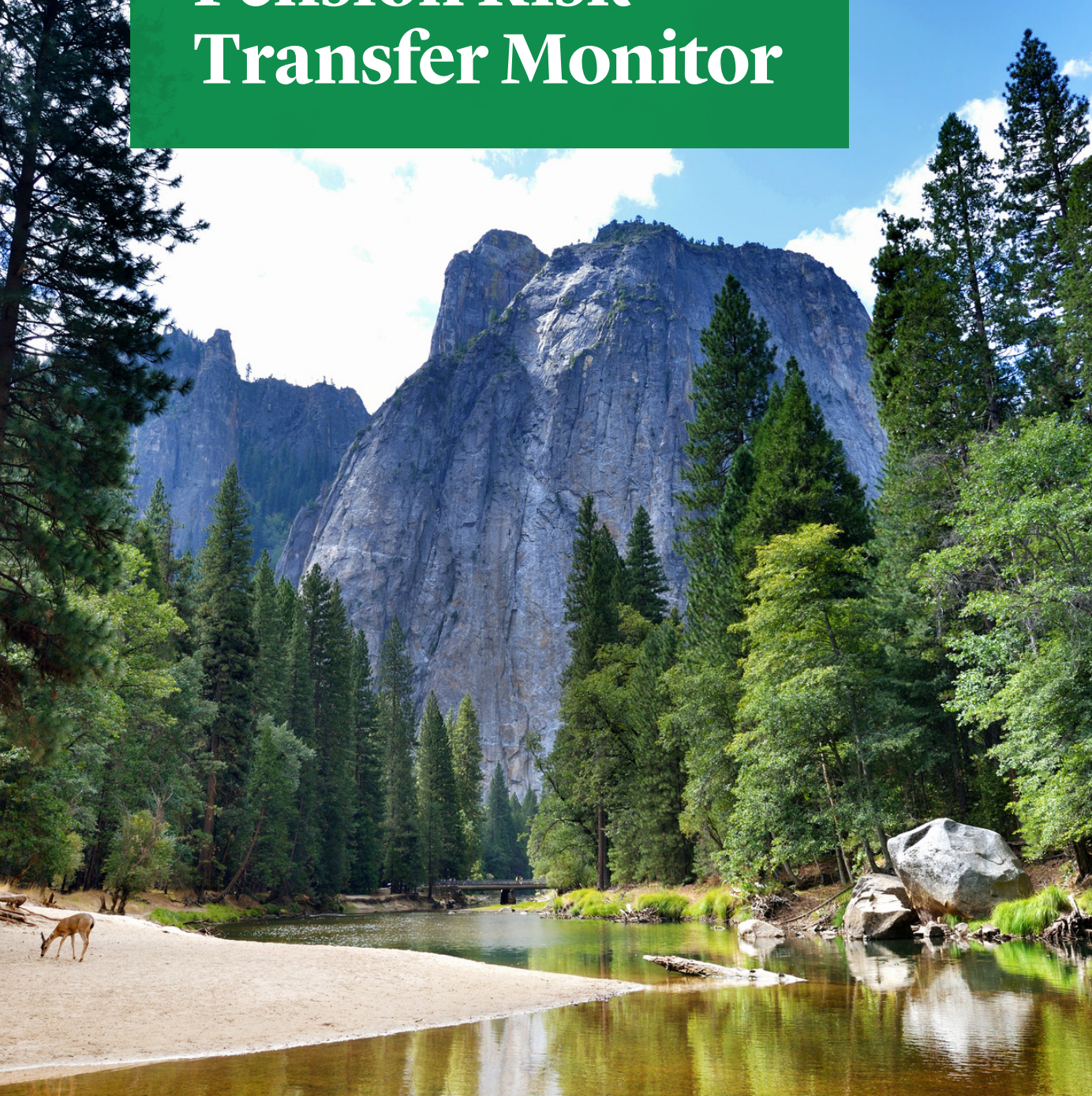




Pension Risk Transfer Monitor



Market update

In this latest edition of our Pension Risk Transfer (PRT) Monitor, we offer a side-by-side analysis of the two largest PRT markets globally – the US and UK. We expect PRT volumes to remain elevated across the next decade. Based on current levels, more than £250 billion of combined UK and US volumes are likely to be secured by insurers in the next 3 years alone. In this bulletin we reflect on the first half of 2024 and examine the acceleration in demand expected across the rest of the year.

In the US



Following a quick start to the year for the US PRT market with the first quarter closing at an unprecedented \$14.6 billion¹, the strong volumes continued through Q2 and pushed the first half of 2024 to an estimated \$26 billion. This equates to around a 15% increase from H1 2023 and the largest H1 on record.

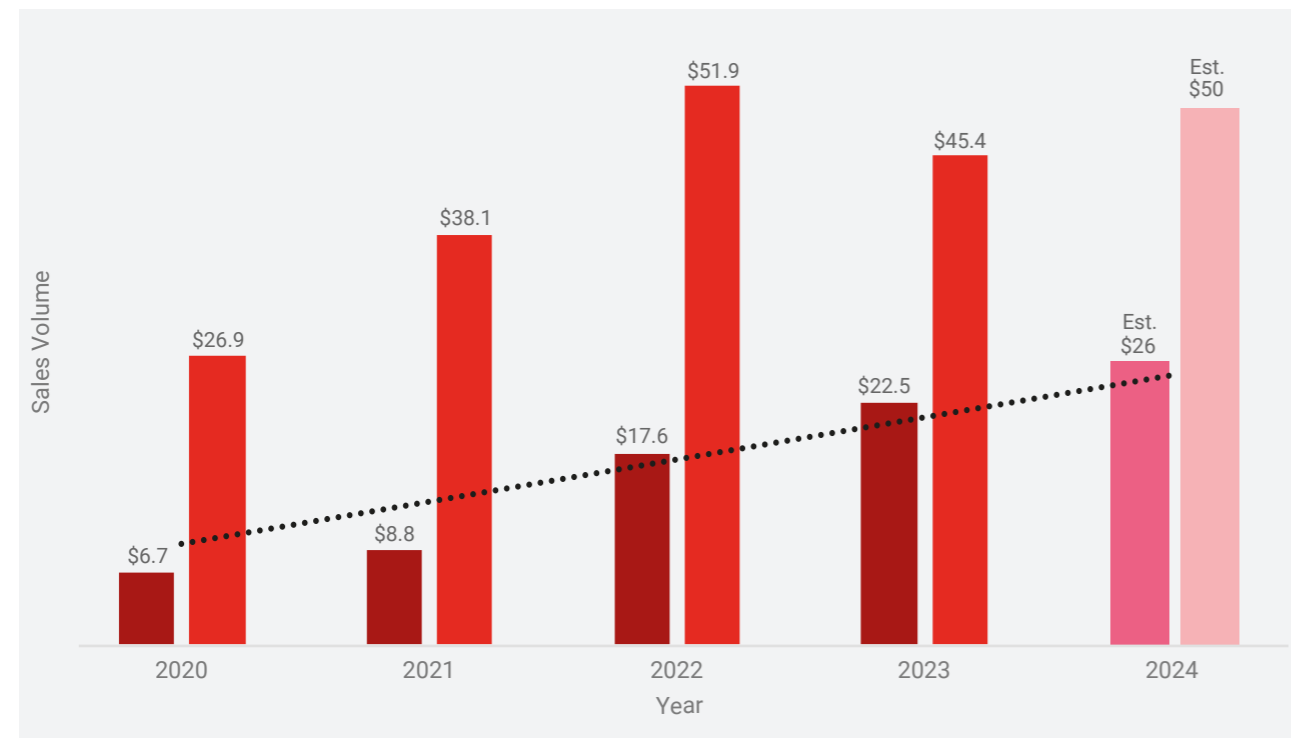
As we've reported in past Monitors, the increase in market volumes continues to be driven by transactions that are over \$1 billion. We saw five such transactions close in H1, totaling approximately \$16 billion. Over the last 3 years, large transactions have made up around 50% of the market, showing their significance on overall market volumes. Additionally, the average premium per

transaction has also risen by around 20% compared to H1 2023, contributing to the record volumes being seen.

There has also been an increase in the number of plan sponsors looking to terminate their pension plans. Of the transactions we saw in H1, 66% by count were plan terminations, compared to 54% in 2023. High funding ratios may be playing a role in this rise as plan sponsors are in a better position to transact. The average US pension funding ratio continues to soar at 109.5% in July according to Legal & General Investment Management America's Pension Solutions Monitor².

Our US business, which has been in the PRT market since 2015, completed \$548 million in the first half of 2024, our second largest H1 to date.

H1 vs Total Sales Volume (in billions)³



2024 figures based on Legal & General Retirement America's estimation.

Top 3 largest publicly announced US transactions in 2024 year to date

Name	Size \$m	Insurer
Verizon Communications Inc.	5,900	Prudential and RGA
Shell USA Inc.,	4,900	Prudential
3M Co.	2,500	MetLife

The competitive landscape

There are 21 insurers in the US PRT market, with the latest entering just last year and more market entrants expected. The increasing number of insurers participating in PRT has heightened competitiveness and capacity in the market, allowing for more support of plan sponsors as they look to derisk with transactions of all sizes.

2024 Market Outlook

The strong market activity in the first half has continued into the second and we could see at least two more transactions over \$1 billion close by year-end. While large transactions continue to drive market volumes, we are

also seeing increased activity from mid-sized pension plans when compared to previous years. Looking at the third quarter this year, we're seeing an increase of approximately 20% by count in transactions between \$50 and \$500 million when compared to the last 5 years. This demonstrates the growth of the overall market and signifies that sponsors of pensions plans of all sizes are increasingly looking to PRT as a de-risking tool.

We anticipate the full year market volume to exceed \$50 billion, surpassing 2023's volume of \$46 billion and nearing the record-setting volume in 2022 of \$51.9 billion.



In the UK



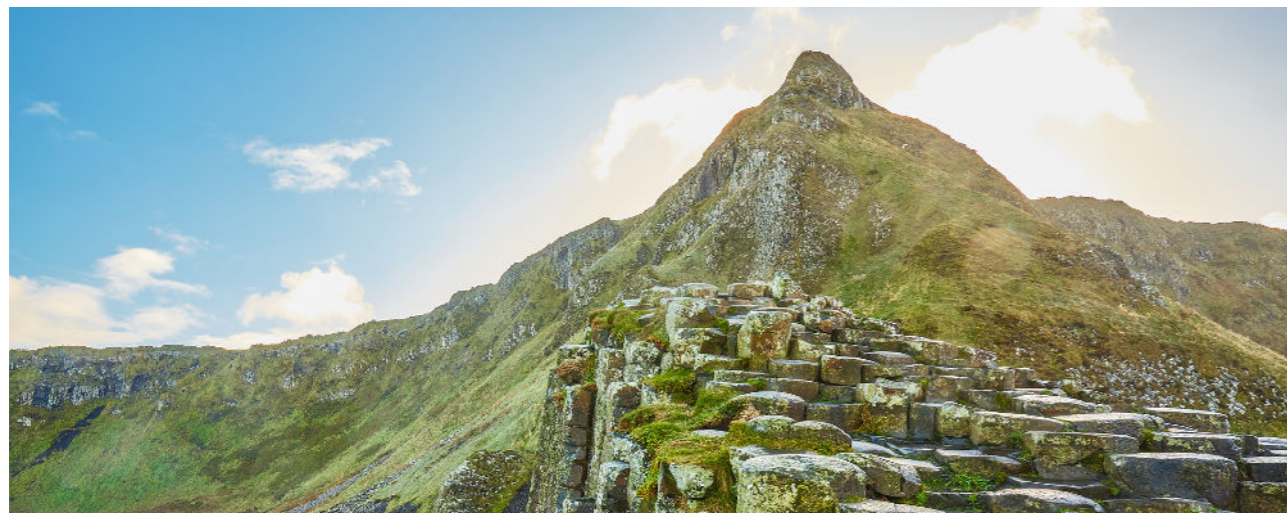
Following a record-breaking 2023 in which almost £50 billion of retirement income was secured across the market, demand remains exceptionally strong from pension schemes of all sizes.

As reported in our [half year results](#), we have written or are in exclusive negotiations on £5 billion of transactions. In the year-to-date we estimate that insurers have completed around £20 billion of buy-ins and buyouts, and we have over £20 billion of active deals in the UK pipeline, most of which we expect to transact in 2024.

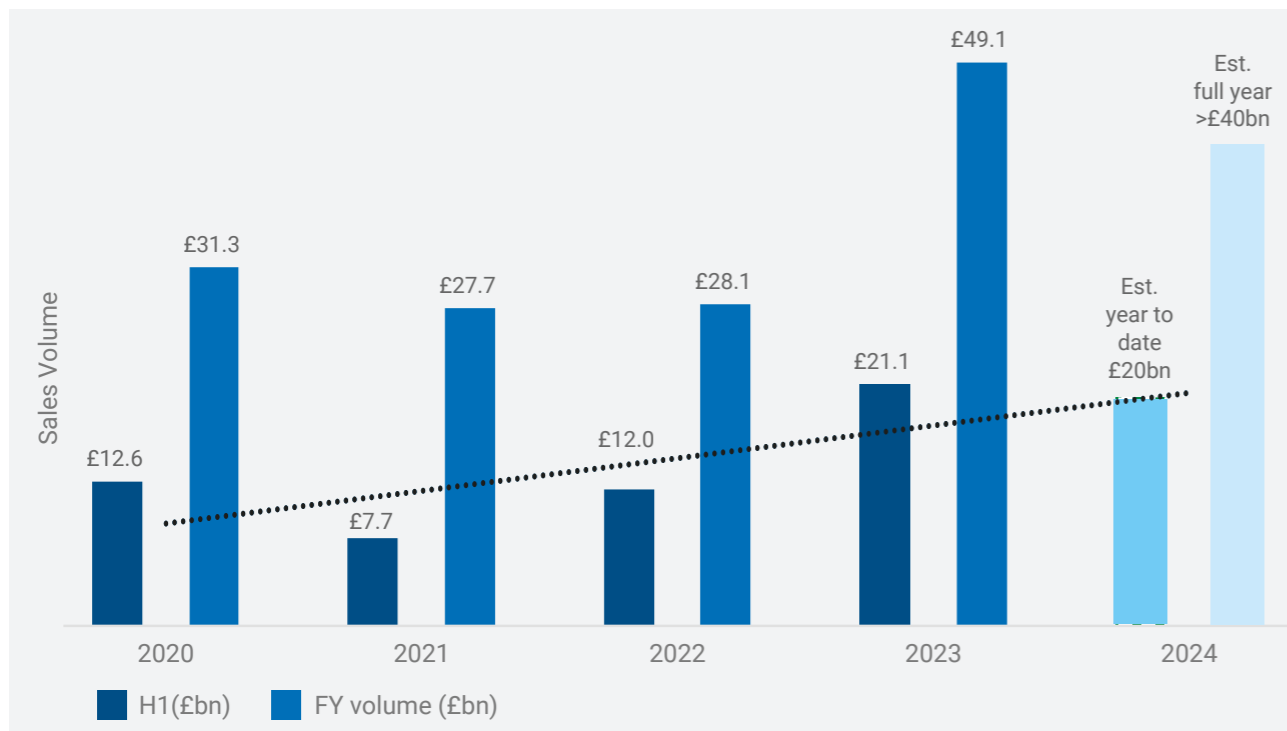
This demonstrates how the market has scaled up capacity and reflects a step change from the volumes we were seeing just two or three years ago.

As in the US, we have seen a significant increase in the number of £1 billion+ cases coming to market and the pipeline includes several very large pension schemes.

The total market volume in 2024 is likely to exceed £40 billion, making it one of the largest years on record. The longer-term pipeline is the largest we have ever seen, and we continue to expect elevated PRT volumes over the next decade.



Total volumes across the UK market (£billion)



Source: LCP. 2024 figures based on Legal & General's estimation

Largest publicly announced UK buy-ins and buyouts in 2024 year to date

Name	Size £m	Insurer
Coats UK Pension Scheme	1,300	PIC
TotalEnergies UK Pension Plan	1,200	PIC
SCA UK Pension Plan	1,100	L&G
ICI Pension Fund	900	L&G
Rolls-Royce & Bentley Pension Fund	880	Standard Life

Large transactions

The largest publicly announced buy-ins and buyouts in the year to date are shown in the table above. These transactions include Legal & General's [£900 million buy-in with the ICI Pension Fund](#) and [£1.1 billion buy-in with the SCA UK Pension Plan](#), a longstanding client of our Asset Management business.

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. A decade ago, the market had completed just 7 transactions over £1 billion, and since then there have been more than forty.

How these large transactions are structured and when they complete can materially impact the total market volume in any given year.

Small transactions

The market for smaller schemes continues to flourish with the number of transactions below £100 million more than doubling from 2020 to 2023. A [recent survey](#) from DLA Piper found that all consultants operating in the small scheme space have seen successful transaction rates alongside affordable pricing.

We continue to see strong demand for our 'Flow' solution which offers dedicated pricing resources and an efficient onboarding framework for smaller pension schemes. We provide price locks for all Flow transactions which delivers price certainty and the ability to transact quickly.

Clients of our Asset Management business can also benefit from a bespoke asset transfer arrangement preserving affordability and minimising transition costs for the scheme.

The importance of close engagement

The industry has a long track record of meeting increasing demand and the significant step up in volumes demonstrates that there is excellent capacity. The market welcomed two new entrants last year, and as in the US, more are expected to follow in future which is likely to expand capacity further particularly for small and mid-sized schemes.

At the same time, the market is as busy as we have ever seen it. For pension schemes approaching a busy market, close engagement with advisers and insurers can make a huge difference. On the liability side, insurers need to understand the benefits they are taking on. On the asset side, insurers will consider how the scheme's assets compare to their pricing portfolio, and if there are any additional requirements such as [restructuring illiquid assets](#).

Some pension schemes are adopting a partnership model, in which the scheme works exclusively with a carefully selected insurer in an open and transparent way to achieve its objectives. Our recent transaction with the [SCA UK Pension Plan](#) is an example of a successful partnership approach where we worked with our Asset Management business to bring together highly bespoke investment and insurance solutions to help the Plan secure the benefits of 9,500 members.



Contact us

For further information, please contact:



 info@lgra.com

 lgra.com



 derisking@landg.com

 legallandgeneral.com/prt

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