

Global Pension Risk Transfer Monitor: Record H1 Transaction Volumes in UK and US

Rising pension funding ratios drive unprecedented demand.

London, UK / August 24, 2023 / The Legal & General Group's Global Pension Risk Transfer (PRT) businesses – Legal & General Retirement Institutional (LGRI), the United Kingdom's longest-serving active PRT provider and Legal & General Retirement America (LGRA), a leading provider of pension risk solutions in the United States – today released the latest edition of the Global PRT Monitor, which analyses industry trends and market outlooks in the UK and US.

In the UK, the Monitor reported an unprecedented acceleration in demand, driven by more pension schemes being closer to buyout than ever before.

The Monitor noted that the market reached an all-time first half high in 2023. Over £20 billion of transactions have been publicly announced, with some commentators speculating that the volume could reach around £25 billion – which would be just below the total achieved over the full year in 2022.

Market movements in the past year coupled with structurally higher interest rates have significantly improved pension scheme funding levels and taken five years off the average scheme's projection to its full funding date.

The Monitor observed that this increase in demand is happening across pension schemes of all sizes, but the real dial-mover is proving to be large transactions of over £1 billion coming to market. Around 20 such cases have already been quoted on in 2023 with six announced in the year to date, including the British Steel Pension Scheme's (BSPS) fourth buy-in with Legal & General at £2.7 billion, which saw BSPS become the largest pension scheme in the UK to have secured full insurance.

The Monitor reported the pipeline for 2023 and beyond is the largest the industry has seen and anticipates record market volumes for the full year.

In the US, the Monitor found that last year's record momentum for US transactions continued in the first half of 2023. The US PRT market appears poised to set another record, with an estimated \$22 billion in total transaction volume through June, exceeding the high-water mark set last spring by 31%, or more than \$4 billion. That volume is substantially higher than the \$8.7 billion in transactions the US market saw in the first half of 2021, demonstrating how rapidly the US PRT market has grown.

Key contributors to first-half momentum in the US include:

- A surge in average premium per transaction, rising from \$55 million in 2018 to roughly \$90 million in 2022—a 62% increase over five years;
- The number of closed PRT transactions continuing to rise, increasing 31% between 2020 and 2022;
- Pension funding ratios that now stand at 103.5% through June, having risen steadily from 99.8% in January; estimated by LGIMA.
- Four transactions exceeding \$1 billion, including AT&T, which settled \$8.1 billion in liabilities in Q2.

These drivers suggest a market in which plan sponsors are positioned well to consider a transaction, given quickly improving funding ratios. The health of the industry is reflected in the broad strength of the PRT market across these key metrics, including average transaction size, closing volume, and the number of jumbo deals.

Last year's explosive transaction volume in the US was driven by several jumbo deals, including IBM's \$16 billion transaction. Setting another annual record in 2023 will depend on closing similarly large deals in outsized volume

in the second half of the year. Assuming the market sees typical jumbo deal volume, however, the Monitor estimates US PRT transaction volume for this year to exceed \$40 billion, making it the second largest year on record.

The complete Legal & General PRT Monitor UK and US PRT Market Overview can be found [here](#).

Andrew Kail, Chief Executive Officer, Legal & General Retirement Institutional

“This exciting time represents an inflection point for our market. We have been busy gearing up for increasing demand and look forward to supporting more pension schemes in the months and years ahead.”

George Palms, President, Legal & General Retirement America

“This is one of the healthiest PRT markets I’ve experienced in the US. Improved funding ratios once again have plan sponsors considering PRTs as a smart way to ensure pensioners’ long-term financial security while simultaneously reducing risk to the balance sheet.”

Notes to editors

About Legal & General

Established in 1836, Legal & General is one of the UK’s leading financial services groups and a major global investor, with over £1.2 trillion in total assets under management* of which a third is international. We also provide powerful asset origination capabilities. Together, these underpin our leading retirement and protection solutions: we are a leading international player in pension risk transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Through inclusive capitalism, we aim to build a better society by investing in long-term assets that benefit everyone.

** As at 31 December 2022*

About Legal & General Retirement Institutional

Legal & General Retirement Institutional (LGRI) works with trustees and sponsoring companies of defined benefit (DB) pension schemes of all sizes to settle their pension obligations and secure scheme members’ benefits, through a full range of buy-ins, buyouts and other de-risking solutions.

Our UK Retirement annuity book stands at over £72 billion as at 31 December 2022, of which over £30 billion is invested in direct investments that deliver positive social and environmental impacts, such as clean energy and affordable housing.

Our Client Services’ 12-month rolling Net Promoter Score (NPS) is above +70, which is widely regarded as being at a “world class” level.

About Legal & General Retirement America

Legal & General Retirement America (LGRA) specializes in customized pension risk solutions for institutional clients in the US market. Established in 2015, Legal & General Retirement America is a business unit of Legal & General America, Urbana, MD. Legal & General America life insurance and retirement products are underwritten and issued by Banner Life Insurance Company, Urbana, MD and William Penn Life Insurance Company of New York, Valley Stream, NY. Banner products are distributed in 49 states, the District of Columbia and Puerto Rico. William Penn products are distributed exclusively in New York; Banner Life is not authorized as an insurer in and does not do business in New York. The Legal & General America companies are part of the worldwide Legal & General Group. CN05052023-15

More information on LGRA can be found at www.lgra.com.

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