



Legal & General agrees record global number of PRT transactions in 2020 across the US and UK Pension Risk Transfer business

Legal & General announces over 60 Pension Risk Transfer (PRT) transactions agreed in 2020

Legal & General PRT transactions valued at over £8bn (\$11bn) globally

Legal & General today announces that it agreed over 60 PRT transactions in 2020, representing a total value of over £8bn (\$11bn). Legal & General also secured the pension benefits of more than 53,000 people worldwide.

2020 was one of the most successful years for its US and UK PRT businesses. This follows a record-breaking 2019, when it agreed over £11bn (\$14.6bn) of bulk annuity transactions.

The number of UK transactions agreed by Legal & General Retirement Institutional (LGRI) in 2020 increased by more than 40% compared to 2019, reflecting one of its busiest ever years.

[Legal and General Retirement America](#) (LGRA) also confirms that it surpassed **\$1.6bn** (£1.3bn) in premiums in 2020, a 40% increase from the \$1.1bn (£0.9bn) for 2019. In 2020, it also completed a \$355 million (£266m) PRT plan termination with [Trinity Industries, Inc.](#), which terminates the remainder of Trinity's consolidated pension plan. This was the largest transaction to date for LGRA, independent of reinsurance.

Reflecting on the year, Legal & General has identified a number of key trends and transactions that drove PRT globally:

Growth in global PRT transactions

Legal & General completed its first global PRT transactions in 2020. In May, two transactions were simultaneously agreed for [IHS Markit](#), securing \$97.2m and £37.8m in members' benefits of the US and UK pension schemes, respectively. In December, LGRI completed a £544m buy-in of [Evonik's](#) UK pension schemes, following a \$93m lift out completed for the US Evonik Corporation Retirement Plan in September 2020. Legal & General expects demand for such 'global deals' to continue in 2021.

Rise in small to mid-sized transactions in the UK

While 2019 was recognised as the year of multi-billion pound 'mega-deals' in the UK, 2020 saw growth in small-to mid-sized transactions, with schemes looking to take advantage of favourable pricing conditions in the market. LGRI saw an almost 50% increase in UK transactions under £500 million in value.

A resilient US market

LGRA estimates the annual market volume for PRT in the US totalled approximately \$25 billion in 2020. The year peaked in Q4, with an estimated \$14 billion in transactions, which makes it the largest US quarter on record since the GM and Verizon deals in 2012. Continuing the trend observed in Q3, retiree lift-outs in the US continued to make a comeback in Q4, representing approximately 75% of deals closed by premium. This is a significant increase compared to the first half of the year, which saw plan terminations represent more than 66% of deals by premium.

Innovative alternative solutions

LGRI completed its [second Assured Payment Policy \(APP\)](#) transaction for c.£400m in December 2020.

Legal & General's APP is an innovative PRT solution that allows schemes to partner with the insurer on the way to buy-in and selectively insure some of the pension risks associated with their scheme members. An APP solution provides pension schemes with an efficient and precise method of liability cashflow matching, selectively insuring against investment related risks such as changes in asset yields, interest rates and inflation.

Underfunded pension schemes and PPF

2020 saw increased demand from UK schemes requiring support from the Pension Protection Fund (PPF), with 41 schemes entering PPF assessment in the year up to March 2020, compared to 26 new schemes in the previous year. LGRI successfully helped secure the pensions for 4 such schemes including [BHS Senior Management Scheme](#) and [Countrywide Farmers Retirement Benefits Scheme](#).

2021 outlook

In its bi-annual global [PRT Monitor](#), which assesses activity in the US and UK PRT markets and covers trends for the year ahead, Legal & General notes the healthy outlook for the UK market with analysts forecasting similarly strong premium volumes for 2021. In addition, LGRI expects a continuation in the 'repeat buyer' trend in the UK. Around half of the £100m+ transactions announced in 2020 were by pension plans who have transacted previously.

In the U.S. market, if conditions remain stable, retiree lift-outs are anticipated to see continued growth. LGRI expects to see even more competition in the PRT space through 2021, as new insurers have entered the market. A broader opportunity is available to the US as the market currently has over \$3.5 trillion of corporate defined liabilities, and we estimate that around 6% of that has been transacted to date.

Laura Mason, Chief Executive Officer, Legal & General Retirement Institutional

"We are immensely proud that, despite the challenges presented in 2020, our team responded by seamlessly adapting to working from home and continuing to offer reassurance and security to pension schemes and our high level of in-house, in-country, customer service for their members.

"In 2020 we agreed two global PRT transactions, our second UK APP transaction and enjoyed our best year so far for PRT in the US.

"There are positive signs for the year ahead, and we look forward to working with trustees and pension schemes around the world, providing innovative and collaborative de-risking solutions and securing the pension benefits of their members."

George Palms, President, Legal & General Retirement America

"Each year we've come to expect a busy Q4, but the volatility experienced in H1 likely pushed more transactions than usual to the back half of the year.

"Financial market volatility should continue to serve as a catalyst for plan sponsors to evaluate the pension risk remaining on their balance sheet, and with the help of intermediaries, they can also implement de-risking strategies to reduce risk. Ultimately, de-risking enables companies to focus more on their core business rather than managing pension liabilities.

"While there is still uncertainty surrounding the market for 2021, our objectives to continue to grow remain strong. We look forward to continuing to be a partner to sponsors of pension plans both in the UK and US."

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 international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

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 de-risking solutions. We work closely across divisions in the Legal & General Group, which has to date invested £26 billion in real assets including urban regeneration, clean and low-cost energy, housing and transport links.

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 does not solicit business there. The Legal & General America companies are part of the worldwide Legal & General Group.

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