

Buy-outs, buy-ins and longevity hedging – H1 2024

Managing pension scheme risk



Welcome to our half-yearly update, summarising the activity in the buy-in, buy-out and longevity hedging markets during the first half of 2024, and the year to 30 June 2024 ('the last year').

Building on the £49.1bn record set in 2023, 2024 has been a fascinating year for the risk transfer market. The insurers have demonstrated that they can handle record buy-in transaction numbers, and the vast majority of transactions are now 'whole-scheme buy-ins', many of which will subsequently be looking to move to buy-out. During the first half of 2024, our risk transfer team led the advice on two-fifths of all buy-ins and buy-outs by value.

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Buy-outs and buy-ins - deals during the first half of 2024

The total value of buy-in and buy-out deals completed in the first half of 2024 was £15.2bn (£43.1bn for the year to 30 June 2024). The total number of transactions in the first half of 2024 was 134, the highest number of deals ever recorded for a six-month period.

In this report, we use 'buy-in' when an insurer has confirmed that a transaction is a buy-in, a partial buy-in or a pensioner-only buy-in. We use 'buy-out' when an insurer has confirmed a transaction is a buy-out, full-scheme buy-in or a final transaction that results in the scheme being fully insured.

In contrast to the second half of 2023, where larger deals dominated the market, the first half of 2024 saw a large pipeline of small and medium transactions. Medium schemes (with assets between £100m and £1bn) were therefore able to consider more insurers when approaching the market for competitive pricing.

With so much happening in the market, Rothesay's acquisition of Scottish Widows in March 2024 seems a while ago. M&G continues to strengthen its proposition and experience since its entrance to the market last year. At the time of writing, Royal London formally announced its entry into the market having completed two transactions in the year to 30 June 2024 and two external transactions in the third quarter of 2024. It expects further transactions in the coming months. Utmost Life and Pensions has recently entered the bulk annuity market, and expects to complete its first transaction in the second half of 2024. Brookfield is also set to enter the bulk annuity market, after setting up an insurance company in the UK.

During the first half of 2024 the UK's second ever superfund deal was also completed with Clara-Pensions, securing £600m liabilities of the Debenhams Retirement Scheme.

The table below summarises both the total number and value of deals completed during the second half of 2023 and the first half of 2024.

Buy-out and buy-in deals	Number of deals completed			Value of deals completed		
	H2 2023	H1 2024	Total	H2 2023	H1 2024	Total
Aviva	37	39	76	£3,070m	£2,315m	£5,385m
Canada Life	7	10	17	£584m	£551m	£1,135m
Just	45	55	100	£1,968m	£1,900m	£3,868m
Legal & General (L&G)	14	12	26	£7,182m	£1,126m	£8,308m
M&G	2	1	3	£617m	£309m	£926m
Pension Insurance Corporation (PIC)	9	9	18	£475m	£3,010m	£3,485m
Standard Life	7	4	11	£2,880m	£1,450m	£4,330m
Rothesay	7	3	10	£10,785m	£4,165m	£14,950m
Royal London	1	1	2	£246m	£350m	£596m
Scottish Widows *	1	n/a	1	£150m	n/a	£150m
Total	130	134	264	£27,957m	£15,176m	£43,133m

*No longer active in the bulk annuity market following the acquisition of Scottish Widows by Rothesay announced in March 2024

Insurer appetite

	<£50m	£50m - £100m	£100m - £0.5bn	£0.5bn - £2bn	>£2bn
Aviva	●	●	●	●	●
Canada Life	●	●	●	●	●
Just	●	●	●	●	●
L&G	●	●	●	●	●
M&G*	●	●	●	●	●
PIC	●	●	●	●	●
Rothesay	●	●	● ●	●	●
Royal London**	●	●	●	●	●
Standard Life	●	●	● ●	●	●
Utmost***	●	●	● ●	●	●

Key

- More likely to quote
- More selective
- Unlikely to quote

* M&G plc is essentially the UK part of the old Prudential plc Group. Prudential used to be active in the bulk annuity market until around 2016, albeit at that time it did not cover deferred liabilities.

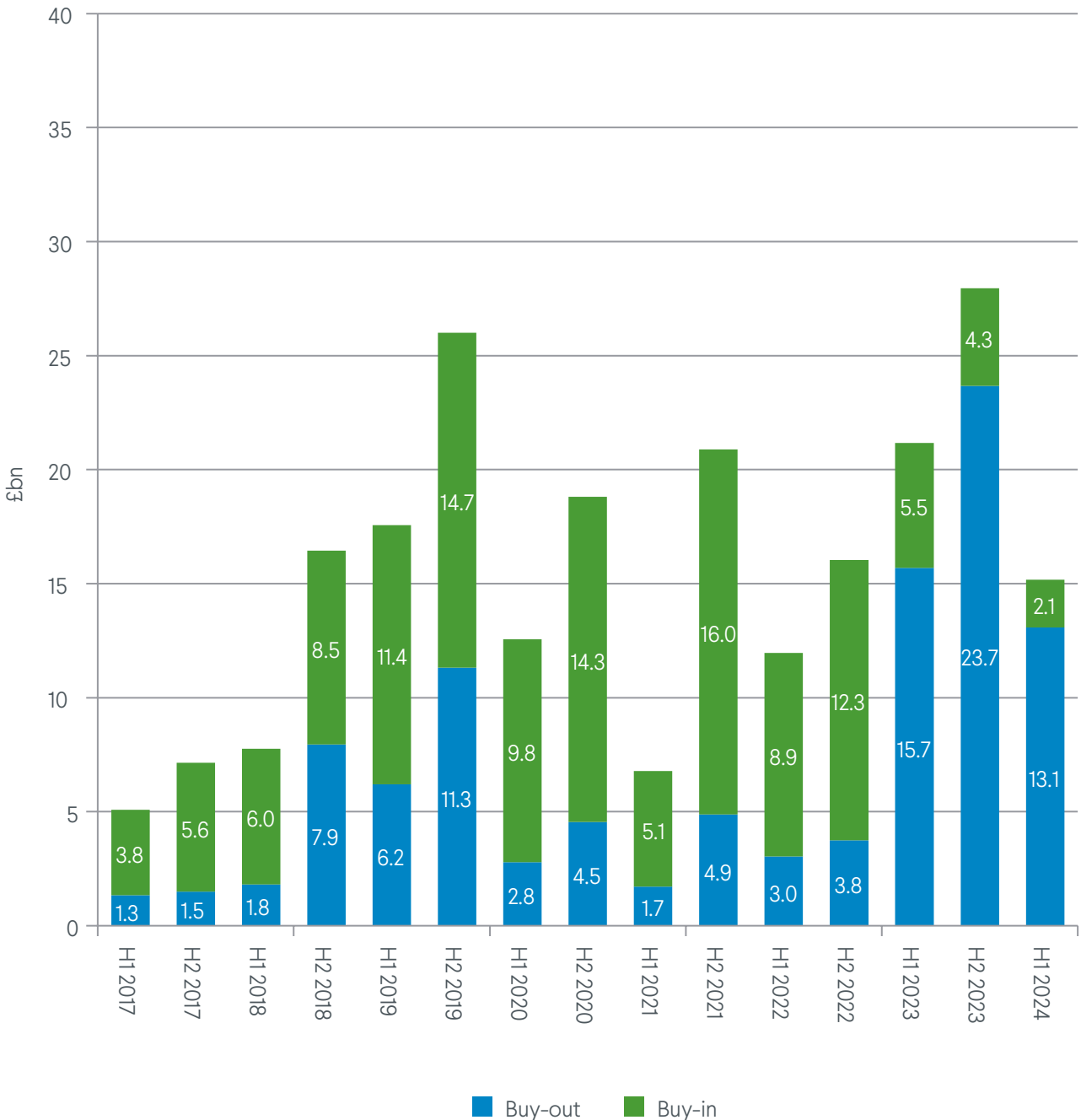
** Royal London has already completed a small number of deals since launching its bulk annuity business, and is initially focusing on deals up to £500m.

*** Utmost Life and Pensions has recently entered the bulk annuity market, and expects to be ready to complete its first transactions before the end of 2024.

Buy-ins vs buy-outs

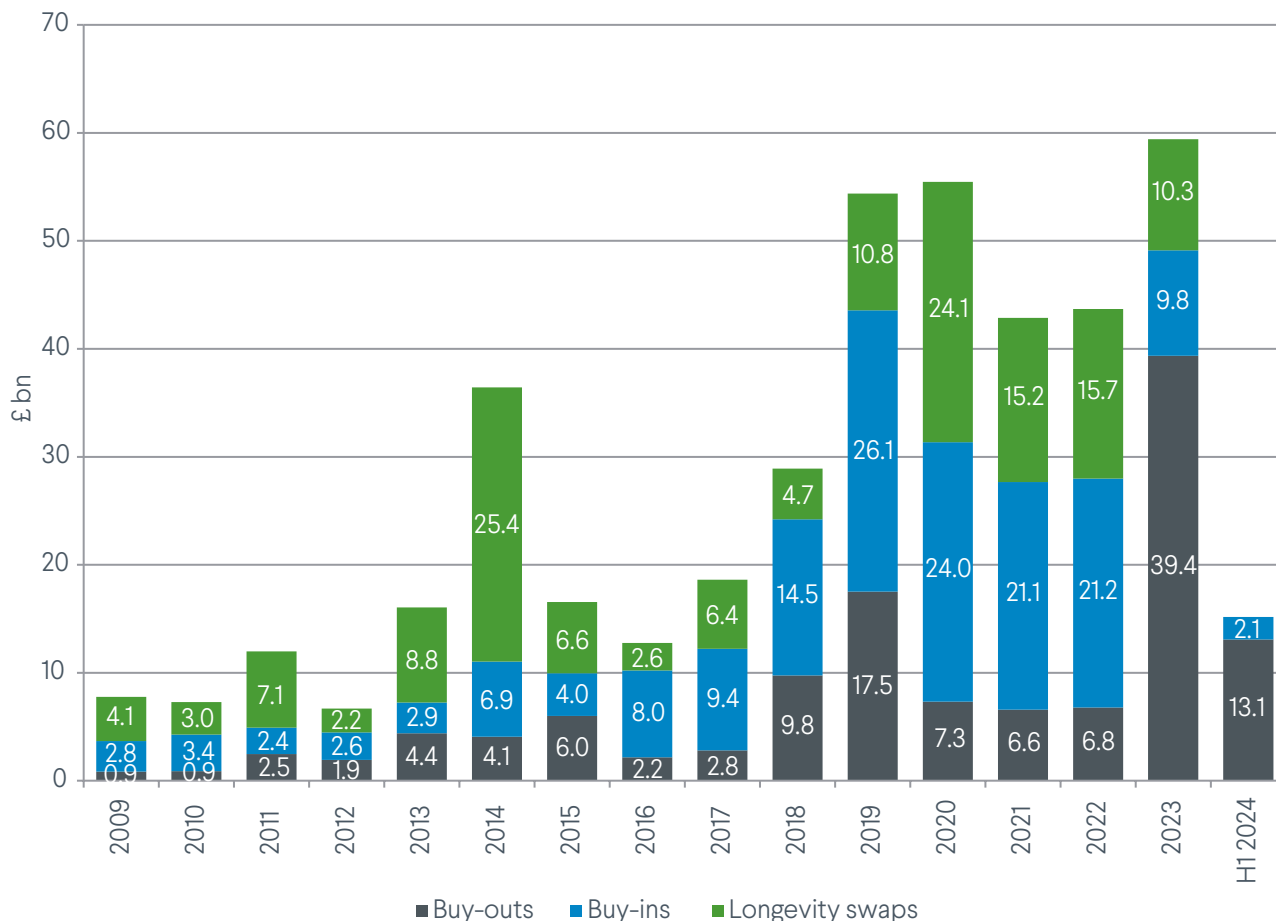
Whole-scheme buy-ins continue to dominate the market. We expect this trend to continue as many pension schemes can afford to full insure and look to move to buy-out.

Value of buy-ins and buy-outs since 2016



Note: In this chart, buy-outs include transactions that insurers have said are full-scheme buy-ins.

Value of buy-ins, buy-outs and longevity swaps since 2009



This table shows the ranking of the total value of buy-in and buy-out transactions completed over the previous five years (12 months to 30 June and six months to 30 June).

Year	Total for year (ranking)	Total in first half of year (ranking)
2024	£43.1bn (1st)	£15.2bn (2nd)
2023	£37.2bn (3rd)	£21.2bn (1st)
2022	£32.8bn (4th)	£12.0bn (4th)
2021	£25.6bn (5th)	£6.8bn (5th)
2020	£38.8bn (2nd)	£12.6bn (3rd)

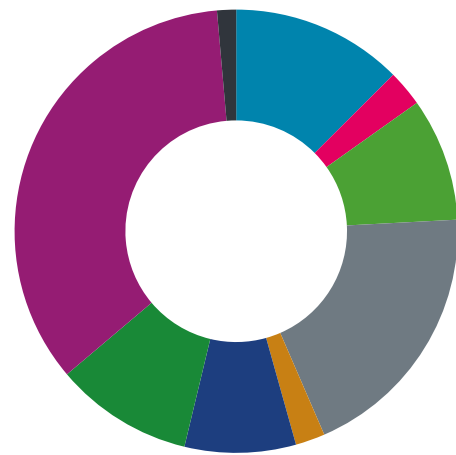
Buy-ins and buy-outs: Market share (by value) during the year to 30 June 2024*

*For simplicity, the table and charts below do not include Scottish Widows.

The overall average buy-in and buy-out deal size for the last year was £163m, a decrease from the year to 31 December 2023 when it was £217m.

Market share during the year to 30 June 2024	Total value of deals	Total number of deals	Average deal value
Aviva	£5,385m	76	£71m
Canada Life	£1,135m	17	£67m
Just	£3,868m	100	£39m
L&G	£8,308m	26	£320m
M&G	£926m	3	£309m
PIC	£3,485m	18	£194m
Standard Life	£4,330m	11	£394m
Rothsay	£14,950m	10	£1,495m
Royal London	£596m	2	£298m
Total	£42,983m	263	£163m

Share of the buy-in and buy-out market (by transaction value) for the year to 30 June 2024.



Aviva	13%
Canada Life	3%
Just	9%
L&G	19%
M&G	2%
PIC	8%
Standard Life	10%
Rothsay	35%
Royal London	1%

Rothesay dominated the market with 35% market share by value across 10 transactions, including a £3.8bn buy-in with the Co-operative Pension Scheme in November 2023 and a further £3.6bn buy-in in May 2024 with an undisclosed scheme. This share doesn't include the £6bn Scottish Widows buy-in portfolio, which Rothesay acquired in March 2024.

Legal & General had 19% of the market. In the year to 30 June 2024, it completed 26 deals with an average size of £320m, including a £900m buy-in with the ICI Pension Fund, which marked L&G's 12th transaction with the fund.

Aviva's 76 transactions worth £5.4bn puts it in third place, with a market share of 13%. During the first half of 2024, more than 70% of its 39 transactions (by number) were with schemes smaller than £50m.

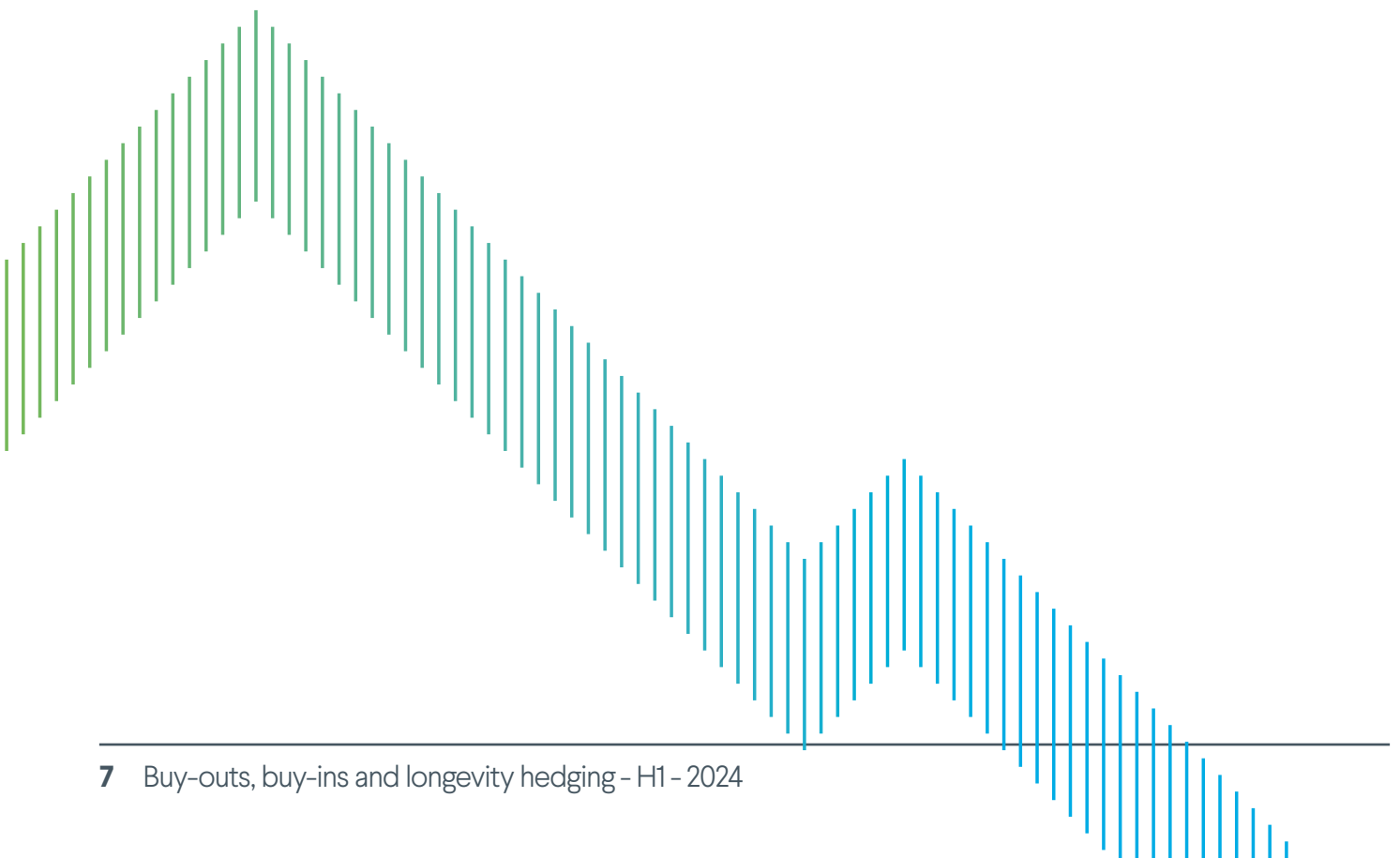
Having completed an £880m buy-in with the Rolls-Royce & Bentley Pension Fund in the first half of 2024, Standard Life had a market share of 10%.

Just's 100 transactions were worth a total of £3.9bn, resulting in a market share of 9% but again completed the most transactions of a single insurer and over the year to 30 June 2024 beat its record in 2023 of 80 transactions.

PIC tends to focus on the medium and upper end of the market by transaction size, and completed 18 transactions worth £3.5bn in the last year. During the first half of 2024, it secured a £1.2bn transaction with TotalEnergies UK Pension Plan and an £870m transaction with De Beers UK Pension Scheme.

Canada Life transacted 17 deals worth a total of £1.1bn.

The two new entrants in the market have also been busy in the last year. M&G completed its third deal, worth £309m, with NSK Pension Scheme in March 2024. It has written close to £1bn of business since its re-entry to the market in the second half of 2023. Royal London completed its second ever deal with Royal London Group Pension Scheme at the beginning 2024, solidifying its entrance to the bulk annuity market in March 2024. At the time of writing, Royal London formally announced its entry into the market having completed two external transactions in the third quarter of 2024. Royal London intends to initially focus on bulk annuity transactions of up to £500m.



Buy-ins and buy-outs in 2024

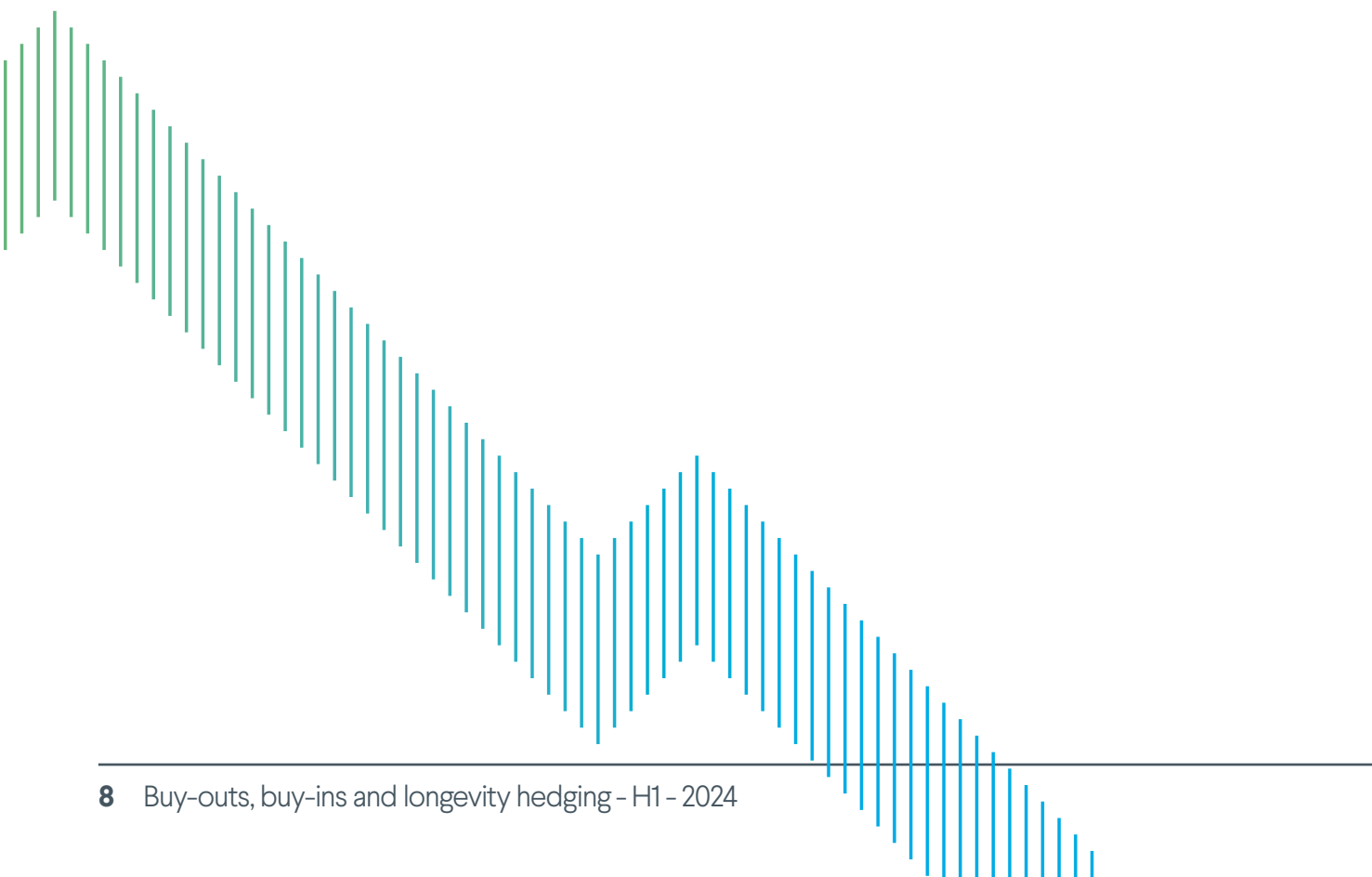
Following the record-breaking 2023, demand remains exceptionally strong, with a significant volume of buy-ins completing in the second half of 2024. We expect over £40bn of buy-ins and buy-outs will transact over 2024. We expect over 250 buy-ins and buy-outs to transact during the whole of 2024, which would be a record number for a calendar year since the market began in 2006.

We expect there to be a number of large deals that will be announced throughout the remainder of 2024 and into 2025 which are keeping insurers busy. However, we expect new entrants such as M&G, Royal London and Utmost to help meet market demand. Pension schemes have a wider range of options for de-risking than ever: 10 insurers are active in the buy-in market, and Brookfield is due to enter the market shortly. The alternative risk transfer market is growing.

Superfund and captive insurance transactions allow pension schemes to explore the pros and cons of the different options, alongside meeting their objectives.

At the other end of the scale, the smaller market continues to evolve. For example, Aviva launched its Aviva Clarity streamlined template in April 2024 and Just updated its streamlined bulk pricing service in May 2024, now known as Beacon. Processes are becoming more standardised, which increases efficiency.

Whole-scheme buy-ins continue to dominate the market. We expect this trend to continue as many pension schemes can afford to fully insure and look to move to buy-out. This could create an administration bottleneck, and so trustees may need to carefully test their chosen insurance company's capacity for ongoing administration and the transition to buy-out.



Appendix

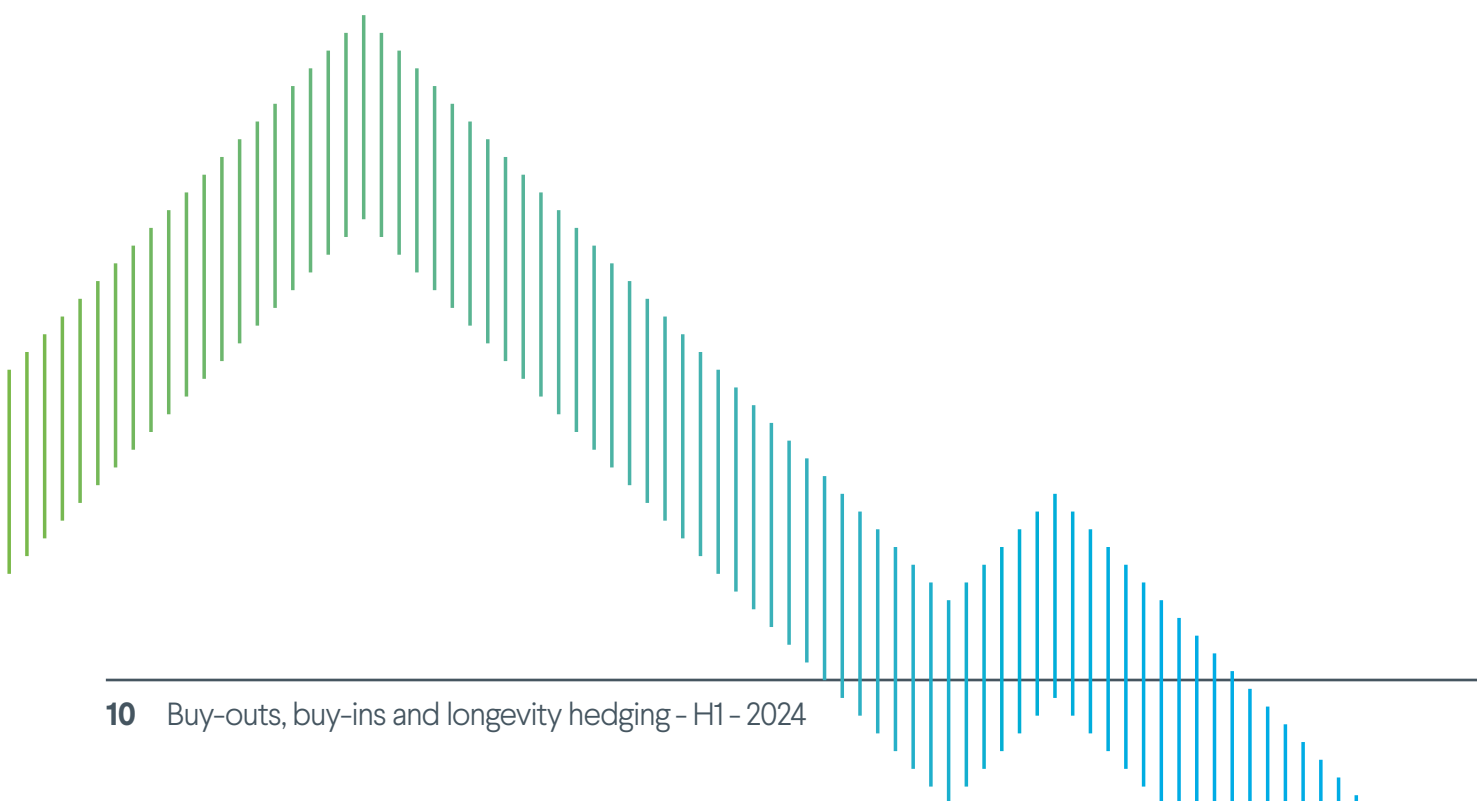
Largest buy-ins and buy-outs in the year to 30 June 2024

In the last year, at least 37 deals exceeded £200m, of which at least 15 were worth at least £500m. Rothesay's £3.6bn buy-in was the largest single transaction in the first half of 2024, followed by the £1.2bn transaction PIC completed with TotalEnergies.

Pension scheme	Provider	Value	Date
1. Boots Pension Scheme	L&G	£4,800m	Q4 2023
2. Co-operative Pension Scheme	Rothesay	£3,810m	Q4 2023
3. Undisclosed	Rothesay	£3,550m	Q2 2024
4. Thales UK Pension Scheme	Rothesay	£2,700m	Q4 2023
5. United Utilities	L&G	£1,800m	Q3 2023
6. Undisclosed	Standard Life	£1,699m	Q4 2023
7. Rexam Pension Plan	Rothesay	£1,435m	Q4 2023
8. Undisclosed	Rothesay	£1,385m	Q4 2023
9. TotalEnergies UK Pension Plan	PIC	£1,200m	Q2 2024
10. De Beers UK Pension Scheme	PIC	£870m	Q1 2024
11. Undisclosed	Rothesay	£555m	Q4 2023
12. Next Group	PIC	£510m	Q1 2024
13. Undisclosed	Aviva	£500m	Q1 2024
14. Deutsche Bank (UK) Pension Scheme	L&G	£500m	H2 2023
15. Undisclosed	Aviva	£500m	Q4 2023
16. Undisclosed	Rothesay	£490m	Q2 2024
17. Undisclosed	Standard Life	£474m	Q4 2023
18. Undisclosed	Rothesay	£460m	Q4 2023
19. P&O	Rothesay	£440m	Q3 2023
20. UK tech firm	Just	£400m	H2 2023
21. Undisclosed	Aviva	£390m	Q1 2024
22. Undisclosed	Aviva	£350m	Q4 2023

Pension scheme	Provider	Value	Date
23. Royal London Group Pension Scheme	Royal London	£348m	Q1 2024
24. Cable and Wireless fund	L&G	£340m	Q3 2023
25. M&G Group Pension Scheme	M&G	£331m	Q3 2023
26. Unisys Payment Services Limited Pension Scheme / Unisys Public Sector Pension Scheme	Standard Life	£317m	Q4 2023
27. NSK Pension Scheme	M&G	£309m	Q1 2024
28. ITB Pension Funds	Just	£290m	Q3 2023
29. Northern Bank Pension Scheme	M&G	£286m	Q3 2023
30. Bayer Group Pension Plan	Canada Life	£280m	Q3 2023
31. Menzies Pension Fund	Just	£260m	Q1 2024
32. Undisclosed	Just	£250m	Q2 2024
33. Undisclosed	Aviva	£250m	Q4 2023
34. Royal Liver UK Pension scheme	Royal London	£246m	Q4 2023
35. Undisclosed	Aviva	£230m	Q4 2023
36. Undisclosed	Just	£225m	Q3 2023
37. Undisclosed	Aviva	£220m	Q4 2023

Highlighted blue transactions were completed over the first half of 2024.



Longevity swaps – deals since 2009

Since 30 June 2009, 62 deals have been completed, covering liabilities worth around £149.4bn.

Organisation	Date	Pension schemes	Provider	Approximate value (£bn)
Babcock	Q3 2009	3	Credit Suisse	1.2
RSA Insurance	Q3 2009	2	Rothesay Life	1.9
Berkshire	Q4 2009	1	Swiss Re	1.0
BMW	Q1 2010	1	Abbey Life	3.0
British Airways	Q3 2010	1	Rothesay Life	1.3
Pall	Q1 2011	1	JP Morgan	0.1
ITV	Q3 2011	1	Credit Suisse	1.7
Rolls-Royce	Q4 2011	1	Deutsche Bank	3.0
Pilkington	Q4 2011	1	L&G	1.0
British Airways	Q4 2011	1	Rothesay Life	1.3
Akzo Nobel	Q2 2012	1	Swiss Re	1.4
LV=	Q4 2012	1	Swiss Re	0.8
BAE Systems	Q1 2013	1	L&G	3.2
Bentley	Q2 2013	1	Abbey Life	0.4
Carillion	Q4 2013	5	Deutsche Bank	1.0
AstraZeneca	Q4 2013	1	Deutsche Bank	2.5
BAE Systems	Q4 2013	2	L&G	1.7
Aviva	Q1 2014	1	Own insurer conduit – Munich Re, SCOR and Swiss Re	5.0
BT	Q2 2014	1	Own insurer conduit – PICA	16.0
PGL	Q3 2014	1	Own insurer conduit – Phoenix Life	0.9
MNOFP	Q4 2014	1	Own insurer conduit – Pacific Life Re	1.5

Organisation	Date	Pension schemes	Provider	Approximate value (£bn)
ScottishPower	Q4 2014	1	Abbey Life	2.0
AXA UK	Q3 2015	1	Own insurer conduit – RGA	2.8
Heineken	Q3 2015	1	Aviva	2.4
RAC	Q4 2015	1	Own insurer conduit – SCOR	0.6
Undisclosed	Q4 2015	1	Zurich	0.1
Serco	Q4 2015	1	Undisclosed	0.7
Pirelli Tyres Limited	Q3 2016	2	Zurich	0.6
Manweb Group	Q3 2016	1	Abbey Life	1.0
Undisclosed	Q4 2016	1	Zurich	0.1
Undisclosed	Q4 2016	1	L&G	0.9
Undisclosed	Q1 2017	1	Zurich	0.3
Skanska	Q2 2017	1	Zurich	0.3
SSE	Q2 2017	1	L&G	0.8
Marsh & McLennan Companies	Q3 2017	1	Own insurer conduit – Canada Life Re and PICA	3.4
British Airways	Q3 2017	1	Own insurer conduit – Canada Life Re and Partner Re	1.6
National Grid	Q2 2018	1	Zurich	2.0
Lafarge	Q3 2018	2	Own insurer conduit – Munich Re	2.4
Undisclosed	Q3 2018	1	L&G	0.3
HSBC	Q3 2019	1	Own insurer conduit – PICA	7.0
HSBC	Q3 2019	1	Own insurer conduit – Swiss Re	3.5
Undisclosed	Q4 2019	1	Zurich	0.8

Organisation	Date	Pension schemes	Provider	Approximate value (£bn)
AXA UK	2019	1	Undisclosed	0.6
Lloyds Banking Group	Q1 2020	3	Scottish Widows – Pacific Life Re	10.0
Willis Towers Watson	Q1 2020	1	Own insurer conduit – Munich Re	1.0
UBS (UK)	Q2 2020	1	Zurich – Canada Life Re	1.4
Prudential	Q4 2020	1	Own insurer conduit – Pacific Life Re	3.7
Barclays	Q4 2020	1	Own insurer conduit – RGA	5.0
BBC	Q4 2020	1	Zurich – Canada Life Re	3.0
AXA UK	Q1 2021	1	Hannover Re	3.0
Fujitsu	Q2 2021	1	Own insurer conduit – Swiss Re	3.7
Undisclosed	Q2 2021	1	Zurich – PICA	6.0
Undisclosed	Q4 2021	1	Zurich – MetLife	2.6
Lloyds Banking Group	Q1 2022	1	Scottish Widows – SCOR	5.5
Undisclosed	Q2 2022	1	Zurich – Partner Re	1.0
UBS (UK)	Q3 2022	1	Zurich – Canada Life Re	0.5
Balfour Beatty	Q4 2022	1	Zurich – SCOR	1.7
Barclays	Q4 2022	1	PICA	7.0
Yorkshire and Clydesdale Bank	H2 2023	1	Zurich – Pacific Life Re	1.6
Nationwide	Q2 2023	1	Zurich PFI	1.7
BT	H2 2023	1	Reinsurance Group of America	5.0
MMC UK	H2 2023	1	Munich Re	2.0
Total to date		62 (deals)		£149.4

FTSE 100 pension scheme risk transfer deals

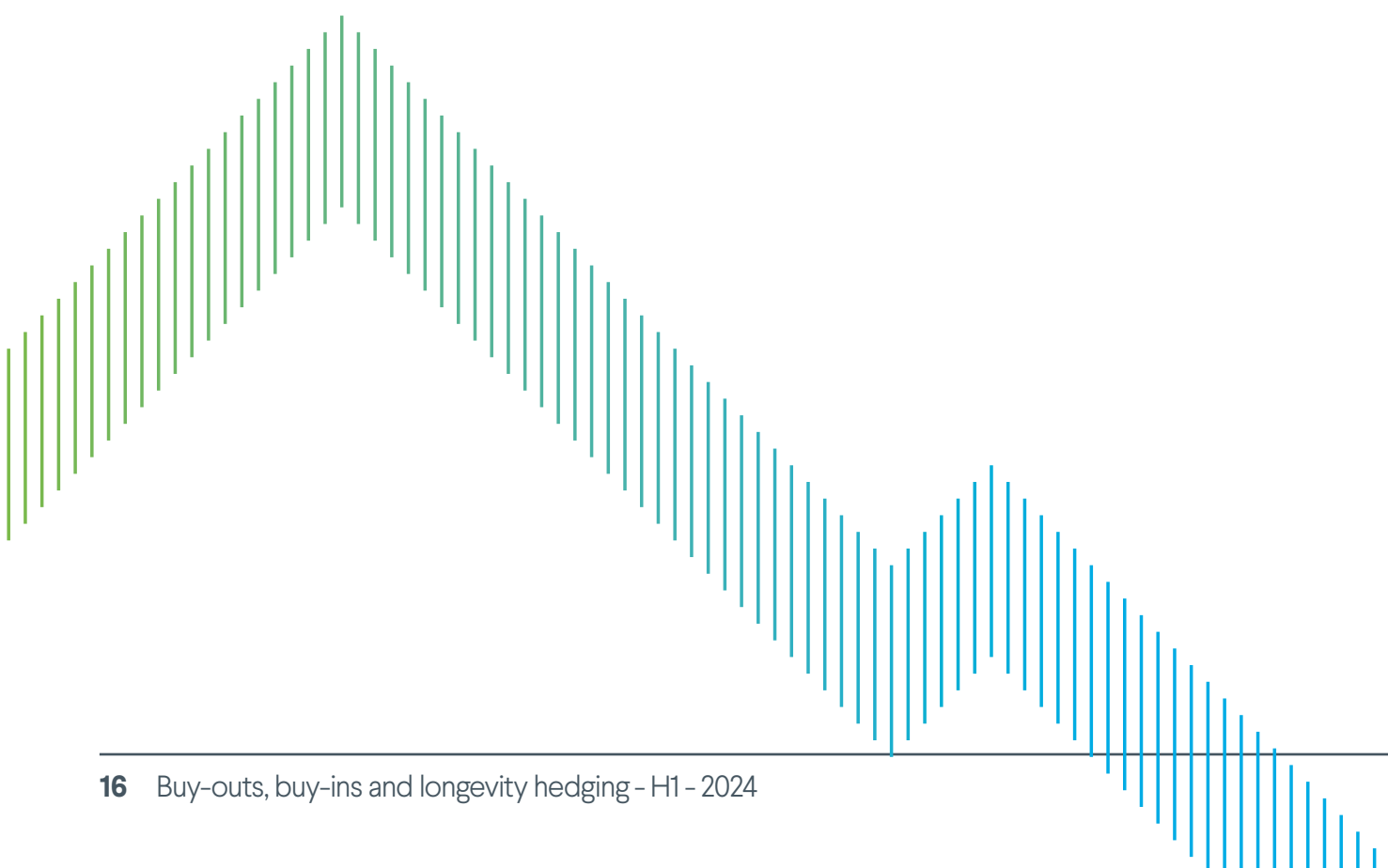
The table shows risk transfer deals completed with FTSE 100 companies at the time of the transaction.

FTSE 100 company	Provider	Value	Deal type	Date
3i Group	PIC	£200m	Buy-in	Mar 2017
	L&G	£95m	Buy-in	Apr 2019
	L&G	£650m	Buy-in	May 2020
AstraZeneca	Deutsche Bank	£2.5bn	Longevity swap	Dec 2013
Aviva	Munich Re, SCOR and Swiss Re	£5.0bn	Longevity swap	Mar 2014
	Aviva	£1.7bn	Buy-in	Oct 2019
	Aviva	£870m	Buy-in	Nov 2020
BAE Systems	L&G	£3.2bn	Longevity swap	Jan 2013
	L&G	£1.7bn	Longevity swap	Dec 2013
Barclays	Reinsurance Group of America	£5.0bn	Longevity swap	Dec 2020
	PICA	£7.0bn	Longevity swap	Dec 2022
British American Tobacco	PIC	£3.4bn	Buy-in	Jun 2019
	PIC	£385m	Buy-in	May 2021
	PIC	£233m	Buy-in	Oct 2022
BT Group	PICA	£16.0bn	Longevity swap	Jun 2014
	Reinsurance Group of America	£5.0bn	Longevity swap	Jul 2023
Coca-Cola	Prudential	-	Captive	Q1 2011
Frasers Group	PIC	£604m	Buy-in	Jun 2022
GlaxoSmithKline	Prudential	£892m	Buy-in	Dec 2010
HSBC	PICA	£7.0bn	Longevity swap	Jul 2019
IMI	PIC	£173m	Buy-in	Dec 2022
Imperial Brands	Standard Life	£1.8bn	Buy-in	Dec 2021
InterContinental Hotels	Rothsay	£440m	Buy-out	Aug 2013
Kingfisher	L&G	£230m	Buy-in	Dec 2015
	PIC	£210m	Buy-in	Jan 2018
	Aviva	£910m	Buy-in	Jul 2021

FTSE 100 company	Provider	Value	Deal type	Date
Land Securities	Just	£110m	Buy-in	Dec 2016
	Just	£80m	Buy-in	Dec 2022
Legal & General	L&G	£925m	APP	Jun 2021
Lloyds Banking Group	Pacific Life Re	£10.0bn	Longevity swap	Jan 2020
	Scottish Widows and SCOR	£5.5bn	Longevity swap	Jan 2022
M&G	M&G	£331m	Buy-in	Aug 2023
Marks & Spencer	Aviva	£925m	Buy-in	Mar 2018
	Phoenix	£470m	Buy-in	Mar 2018
	PIC	£940m	Buy-in	Apr 2019
	Phoenix	£460m	Buy-in	Apr 2019
	Aviva	£390m	Buy-in	Sep 2020
	Phoenix	£360m	Buy-in	Sep 2020
Melrose	Just	£513m	Buy-in	Mar 2023
National Grid	Zurich	£2.0bn	Longevity swap	May 2018
	Rothsay and L&G	£4.4bn	Buy-in	Oct 2019
	Rothsay	£800m	Buy-in	Dec 2020
Next	Aviva	£124m	Buy-in	Aug 2010
	PIC	£510m	Buy-in	Jan 2024
Pearson	Aviva	£600m	Buy-in	Oct 2017
	L&G	£600m	Buy-in	Oct 2017
	L&G	£500m	Buy-in	Feb 2019
Phoenix Group Holdings	Phoenix	£1.1bn	Buy-in	Mar 2019
	Standard Life	£1.0bn	Buy-in	Jul 2021
	Standard Life	£440m	Buy-in	Oct 2021
Prudential	Pacific Life Re	£3.7bn	Longevity swap	Nov 2020
Reckitt Benckiser	Scottish Widows	£415m	Buy-in	Nov 2020
Rentokil Initial	PIC	£1.5bn	Buy-in	Dec 2018
Rolls-Royce	Deutsche Bank	£3.0bn	Longevity swap	Nov 2011
	L&G	£4.6bn	Partial buy-out	Jun 2019
Smith & Nephew	Rothsay	£190m	Buy-in	Q2 2013
	Rothsay	£260m	Buy-in	Jun 2023

FTSE 100 company	Provider	Value	Deal type	Date
Smiths Group	L&G	£250m	Buy-in	Mar 2008
	Paternoster	£250m	Buy-in	Sep 2008
	Rothsay	£150m	Buy-in	Dec 2011
	PIC	£170m	Buy-in	Sep 2013
	Canada Life	£176m	Buy-in	Jul 2019
	Aviva	£142m	Buy-in	Sep 2020
	Canada Life	£146m	Buy-in	Nov 2020
	Rothsay	£640m	Buy-in	Jun 2022
SSE	PIC	£350m	Buy-in	Dec 2016
	L&G	£800m	Longevity swap	May 2017
Taylor Wimpey	Partnership	£206m	Buy-in	Q1 2015
Unilever	L&G	£129m	Buy-in	Q4 2014
United Utilities	L&G	£1.8bn	Buy-in	Jul 2023
Whitbread	Standard Life	£665m	Buy-in	Jun 2022
WPP	PIC	£250m	Buy-in	Mar 2020

The highlighted blue transaction was completed in the first half of 2024.



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