

## Bulk annuity market Q2 trustee update

### Market commentary

- 2023 was confirmed as a record year with £49.1bn of business written, with Q1, 2024 also starting strongly with several large deals already announced.

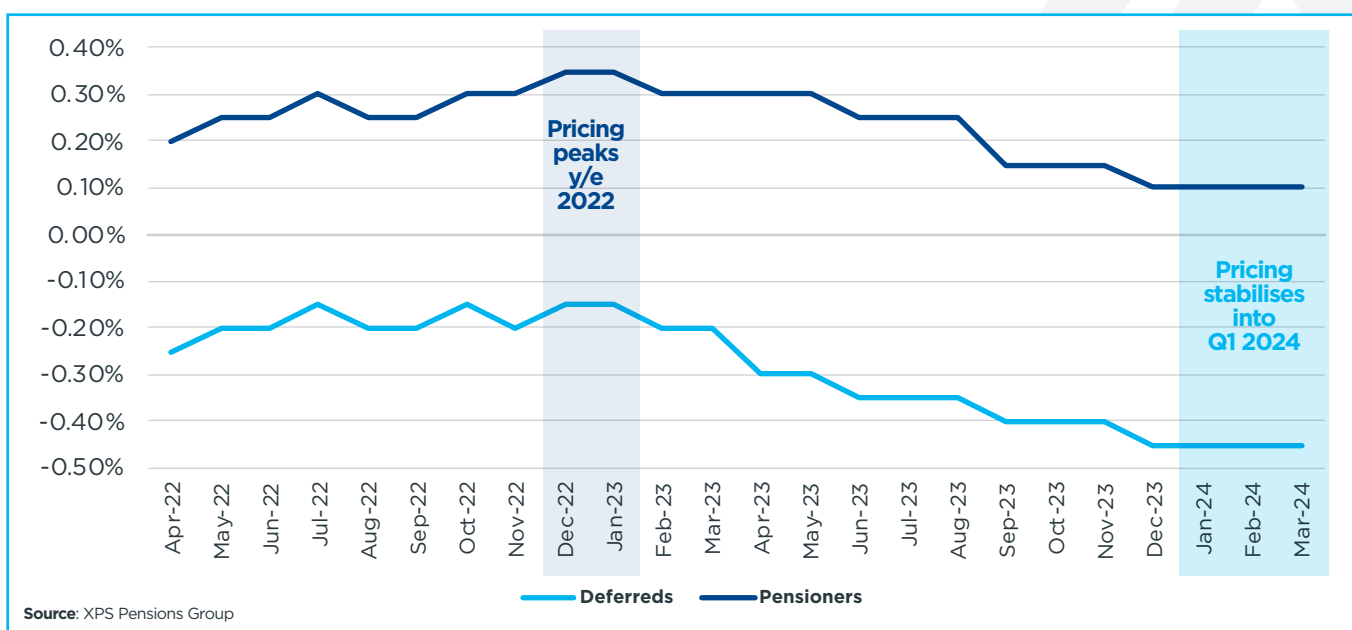
#### Notable deals in the last quarter in the public domain included:

De Beers	£870m	Large whole-scheme transaction, written by PIC
Rexam	£1.4bn	Whole-scheme transaction with residual risks, written by Rothesay

- XPS has already led on 5 transactions in Q1 2024.
- Insurer capacity constraints have eased as insurer capacity levels are re-set, and although some deals attract fewer bidding insurers, pricing remains competitive for well-prepared schemes at all sizes.

### Pricing levels

XPS closely tracks pricing through pricing fees from insurers and real-life transaction pricing across deals of all sizes. Average pricing over the past 24 months (relative to gilt yields) is illustrated below:



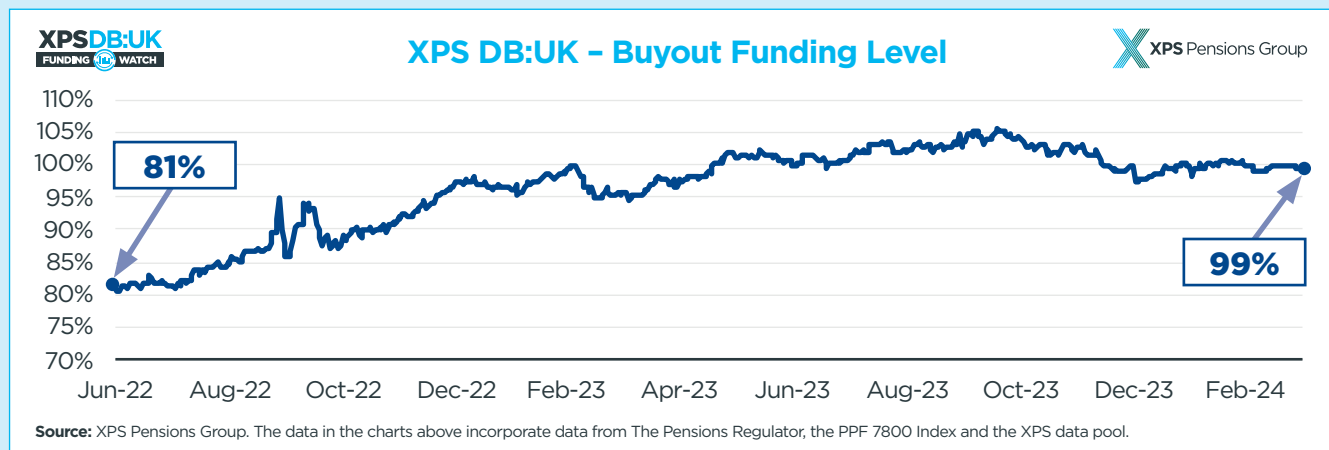
**Note:** The pricing is based on observed market pricing and model points from bulk annuity insurers and is representative of a generic £100m liability. Actual bulk annuity pricing is specific to a particular scheme's demographic and benefit profile, and other wider factors influencing insurer appetite for a transaction.

## Industry news

- **Rothesay acquires £6bn Scottish Widows bulk annuity portfolio:** On 13 March 2024, Rothesay announced it had agreed to acquire the c.£6bn Scottish Widows bulk annuity portfolio. The acquisition, should it get approved by the Part VII Court process, represents Rothesay's sixth acquisition of in-force annuities.
- **Royal London enters the market:** On 11 March 2024, Royal London announced plans to enter the bulk annuity space and confirmed it has already completed deals with Royal Liver and Royal London Group pension schemes.
- **Second superfund deal:** On 13 March 2024, Clara announced it had undertaken its second transaction, a £600m transaction with the Debenhams Retirement Scheme, further demonstrating the credibility of its bridge to buyout model.

## Funding and investment news

**Bond yields** are expected to remain volatile during 2024, but many schemes have de-risked and locked into more stable funding positions. Over the last quarter tightening credit spreads have slightly reduced funding levels, but funding remains at historically high levels. See **XPS DB:UK Funding Tracker** below.



## Outlook for 2024

**XPS market intelligence** – through our continued engagement with the insurers and our own pipeline, XPS is aware of around 20 £1bn+ transactions currently in the market for 2024 and expects another bumper year for bulk annuity volumes with expectations of another record year in the market.

**New entrants** – XPS is aware of at least 2 more insurers seriously looking at entering the bulk annuity space in the second half of 2024. These additional insurers should increase capacity and competitiveness which should help maintain pricing levels at certain segments in the market as the year progresses.

**Sub-£100m transactions** – insurers are pushing for earlier exclusivity with thresholds on smaller transactions increasing as demand continues to build. Competitive pricing is still attainable in the market, but preparation and understanding of market dynamics remains key.

**Pension Insurance Corporation** released its small schemes solution in February which is welcome news and it should help capacity for transactions at this end of the market.

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