

# Pension risk settlement: a review of 2021

11 January 2022



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As we enter a new year we are issuing this report on how the risk settlement market performed in 2021.

## The headlines:

Despite a slow start, 2021 ended up being a very busy year in the de-risking markets, with some exceptional pricing opportunities. The final deal volumes are still being calculated and will not be disclosed by the insurers for some time, but based on our market knowledge, we expect totals of just under £30bn of bulk annuities and £15bn of longevity swaps, making 2021 the third busiest year ever in this market, despite significant headwinds.

We are proud that WTW remained at the forefront of the market over 2021, including acting as lead trustee adviser on:

- 16 bulk annuities totalling £6.5bn of liabilities, expected to represent around a quarter of the market



**We are proud that WTW remained at the forefront of the market over 2021, building on an incredibly successful 2020.**

- The largest bulk annuity of 2021: the £2.2bn buyout for the Metal Box Pension Scheme
- 3 longevity swaps, covering £12.7bn of liabilities, representing 84% of the market

In this report Ian Aley, head of transactions, and Shelly Beard, senior director of transactions, review the risk settlement market in 2021.

## WTW's 2021 record in numbers

**44%**

Best record for any adviser

of the market across bulk annuities and longevity swaps

### Our bulk annuity record in 2021

**16**

bulk annuities  
totalling  
£6.5bn of liabilities



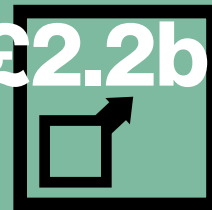
**market share**

Best record for  
any adviser

**£10m**

Our  
smallest  
transaction

**£2.2bn**



We led the largest  
bulk annuity  
of 2021

### Our longevity swap record in 2021

**£12.7bn**



**84%**  
market share



ever deferred  
pensioner  
longevity swap

## The bulk annuity market in 2021

Over 2021 we estimate that nearly £30bn of bulk annuities were completed, with the trend towards larger and more full-scheme transactions continuing. The market had a very slow first half, but volumes in the second half more than compensated for this and pension schemes were able to take advantage of particularly attractive pricing across all transaction types. The consistently good pricing we're seeing for clients has been largely due to increased allocations to illiquid assets in insurers' investment strategies, as well as improved longevity reinsurance costs.

**Our team were active across the market, acting as lead trustee adviser to deal sizes ranging from £10m to £2.2bn.**

Another key development over the year was the insurers' focus on their environmental, social and governance (ESG) credentials. In fact our annual bulk annuity provider ESG index showed positive year-on-year steps for every insurer.



## Bulk annuity market share by lead trustee adviser in 2021 and 2020

Lead trustee adviser	2021		2020	
	Volume	Market share	Volume	Market share
WTW	£6.5bn	23%	£8.8bn	28%
Aon	£3.9bn	14%	£6.6bn	21%
Hymans	£5.6bn	20%	£1.0bn	3%
LCP	£3.0bn	11%	£5.2bn	17%
Mercer	£1.0bn	3%	£0.6bn	2%

Source: Willis Towers Watson, 31 December 2021, assuming total new business volumes of £28bn in 2021. Please see the bottom of the report for details of the methodology used to calculate these figures.

Our team were again active across the market, acting as lead trustee adviser to deal sizes ranging from £10m to £2.2bn, including deals for John Laing, the Pearl Group Staff Pension Scheme and Keysight Technologies.

In addition to the above transactions where we acted as lead trustee adviser, we also provided corporate advice to a number of scheme sponsors who undertook bulk annuities last year, covering a further £3bn of deals.



## The longevity swap market in 2021

The momentum we have seen recently in the longevity swap market continued in 2021, with four swaps covering £15bn of liabilities being completed. Innovation has featured strongly in the market this year, including the first longevity swap to cover predominantly deferred members for AXA, which we were proud to lead.

The pricing in this market is currently at its most compelling level in recent memory relative to pension scheme reserves, reflecting both the fact that:

- The market is very competitive, with a number of new providers as well as existing providers expanding their appetites; and
- We are observing some initial downwards pressure on pricing reflecting the likely longer term implications of COVID-19 on life expectancy (albeit it is going to be a long time before anyone understands this with certainty)

Our clients have continued to view hedging longevity risk, where it is affordable to do so, as a sensible risk management technique.

## Longevity swap market share by lead trustee adviser in 2021 and 2020

Lead trustee adviser	2021		2020	
	Volume	Market share	Volume	Market share
WTW	£12.7bn	84%	£14.7bn	61%
Other (confidential)	£2.5bn	16%	-	-
Aon	-	-	£8.0bn	33%
Mercer	-	-	£1.4bn	6%

Source: Willis Towers Watson, 31 December 2021. Please see the bottom of the report for details of the methodology used to calculate these figures.

## Another strong year expected in 2022

Looking forward to this year we know that market conditions are likely to be favourable and there is significant demand from our clients. In fact, we're predicting 2022 will be the biggest ever year for pension scheme de-risking across both bulk annuity and longevity swap markets – with £40bn of buy-ins and buyouts and £25bn of longevity swaps.

These deals will be generated both as a result of repeat transactions by those that have previously completed deals, as well as from pension schemes approaching the market for the first time. We are also expecting the gradual trend towards full buyouts to continue, as schemes mature and funding levels improve, but also as PPF+ cases complete transactions.

Following interim approval of Clara-Pensions by the Pensions Regulator we expect to see the first superfund transaction complete in 2022, which is a significant milestone for the market.

As schemes define their long-term objectives and consider the best de-risking steps and insurers assess which deals they wish to quote on in such a busy marketplace, it will be important to partner with an adviser with an in-depth understanding of all of the market options. Please get in touch if you'd like to discuss options for your scheme.

Our strength is our depth – meet our team of transaction leaders.



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## About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximize performance.

Working shoulder to shoulder with you, we uncover opportunities for sustainable success – and provide perspective that moves you.

### Disclaimer

The data underlying this report is based on insurance company data, public announcements and deals led by Willis Towers Watson. The market share statistics have been calculated as a percentage of the amount of liabilities transferred based on the lead trustee adviser. The lead trustee adviser information is not always available.

This material is based on information available to Willis Towers Watson as of 31 December 2021 and takes no account of subsequent developments after that date. In preparing this material we have relied upon data supplied to us by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and Willis Towers Watson and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party.

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