



53% of large UK Defined Benefit schemes targeting buy-in or buyout

In a survey of large defined benefit (DB) pension schemes, 53% of respondents are planning to implement a buy-in or buyout, according to new research by Legal & General in partnership with the Centre of Economics and Business Research (Cebr).

With an average scheme size of £9 billion, the schemes surveyed are amongst the largest in the UK. 38% of the respondents are aiming for full buyout which was the most common long-term objective identified in the survey, and a further 15% of respondents are planning to implement a buy-in as part of their de-risking objectives.

This marks a notable increase from a [previous study](#) led by Legal & General in 2015 when only 11% of large schemes were aiming for full buyout.

The time horizon for schemes looking to implement an insurance arrangement is also accelerating. 46% of respondents said their time horizon is shorter than a year ago by an average of over two and a half years. All the schemes that cited buyout as their long-term objective are aiming to complete a transaction within the next 3 years.

46% of respondents said that they had either already implemented or were currently investigating an investment strategy to target buyout, with a further 15% considering it as a potential future strategy. 76% of the schemes surveyed are monitoring their buyout funding level on a quarterly basis.

The research follows a record-breaking 2023 for the UK bulk annuity market, with an estimated £50 billion of retirement income secured through buy-ins and buyouts, including five transactions of over £2.5 billion.

Read: [The de-risking journeys of large DB pension schemes](#)

Andrew Kail, CEO, Legal & General Retirement Institutional (LGRI):

“This research provides a valuable window into a moment of great change and opportunity for the largest pension schemes in the UK as they look to the future of providing security in retirement for their members. The findings underscore the recognition of the stability and security that insurance offers. When we conducted our previous survey in 2015, the market had completed only seven transactions over £1 billion, and since then there have been more than forty.

“There are around £1.4 trillion of DB pension scheme assets sitting on UK company balance sheets. Securing these pension promises will be a long-term process and we expect to see a healthy buy-in and buyout market for many years to come.

“Invariably the best outcomes are achieved through schemes engaging early with advisers and insurers so that they are well prepared and transaction ready.”

Mark Johnson, Head of Institutional Clients, Legal & General Investment Management (LGIM):

“Higher interest rates have led to [dramatically improved scheme funding levels](#), with 67% of schemes fully funded¹. This L&G research shines a light on the significant increase in those exploring full buyout, as certain schemes are better placed to lock in their current positions.

¹Pension Protection Fund, [The Purple Book 2023: DB pensions universe risk profile](#), 6 December 2023.

"The notable improvement in scheme funding, coupled with progress for DB scheme regulation, has driven a seismic shift in strategy. Endgame solutions are now front and centre of scheme agendas and the trustees we speak to are considering how they bridge to buyout, run-on or both.

"All schemes have their own challenges, whether it is managing illiquid assets and scheme surplus or constructing endgame ready portfolios. LGIM and our partners in LGRI are well placed to share both investment and insurance expertise to help trustees construct the way forward to an optimal, endgame outcome."

Methodology

Cebr was commissioned by Legal & General to conduct the survey. Cebr surveyed 40 schemes, with an average scheme size of £9 billion, who are collectively responsible for over £360 billion of assets under management. They received 13 responses.

The survey accepted responses between 31st October and 30th November 2023. For some questions, the results in this report are contrasted against a comparable survey undertaken by Legal & General in 2015.

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 £1.2 trillion in total assets under management¹ of which 40% is international. We have a unique and highly synergistic business model, which continues to drive strong returns. Legal & General provides powerful asset origination and management capabilities directly to clients, which also 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. Our purpose is to improve the lives of our customers and create value for our shareholders. Through inclusive capitalism, we are investing in long-term assets, such as real estate and infrastructure, that can help build a better society for the future.

¹Data as at 31 December 2023.

About Retirement Institutional (LGRI)

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 Client Services' 12-month rolling Net Promoter Score (NPS) is above +70, which is widely regarded as being at a "world class" level. Legal & General is the UK's longest-standing active bulk annuity provider.

Our UK Retirement annuity book stands at an estimated £86.1 billion at 31 December 2023. Across the group over £30 billion is invested in direct investments that deliver positive social and environmental impacts, such as clean energy and affordable housing. Legal & General provides income and pension security to more than a million retirement customers around the world.

Further information

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