HYMANS ROBERTSON

Risk Transfer Report 2025

Your annual overview and analysis of the risk transfer market

Certified B Corporation

Welcome to our unique insight into the risk transfer market

The bulk annuity market continues to be buoyant. In 2024 insurer volumes are estimated at around £45bn, and it's set to be the year of a record-breaking total number of transactions.

The market continues to evolve and innovate at both the small and large end to truly become a market for schemes of all sizes. For trustees making a decision to move forward with a transaction, aspects other than price have risen to the top of the agenda, in particular insurer administration and member experience.

Last year was also important for the superfund market. Clara-Pensions completed its second and third transactions, strengthening its position in this nascent market. We expect innovation from consolidators and superfunds alongside regulatory developments to increase the endgame options available to schemes.

We explore five areas:

We have led risk transfer transactions:

totalling more than **£45 billion**

ranging from **£5 million to £6 billion**

and including **27 transactions** with **FTSE 100** sponsors

During 2024 alone we led the advice on:

£14.4bn of buy-ins around **33%** of whole market

the 2 largest buy-ins of the year

the **groundbreaking Debenhams** transaction with **Clara-Pensions**

The conversion of a longevity swap to buy-in for **RAC's £1.3 billion transaction**

Our risk transfer team:

has grown by 20% in the last year

has market-leading insurer-side expertise with four senior team members having previously held lead roles at buy-in insurers

was chosen by **the PPF** to be on their industry-leading **buy-out panel**

won **Risk Reduction Adviser of the Year** at the **UK Pensions Awards 2023**

I'm thrilled to be appointed as Hymans Robertson's Head of Risk Transfer at such as busy and exciting time for the market, and delighted to share our ninth annual report.

We track the changes in the bulk annuity market and look at what these changes could mean for your DB pension scheme. We also summarise how transaction volumes have changed since the market took off in 2007, and share insights on each insurer in the growing market.

I hope you find our report helpful for your journey towards your pension scheme's long-term goal. Together, we can build better futures for your pension scheme members.

We'd love to hear from you. If you have any comments or questions about anything we cover, please don't hesitate to get in touch.

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Bulk annuity insurers overview

2024 in review

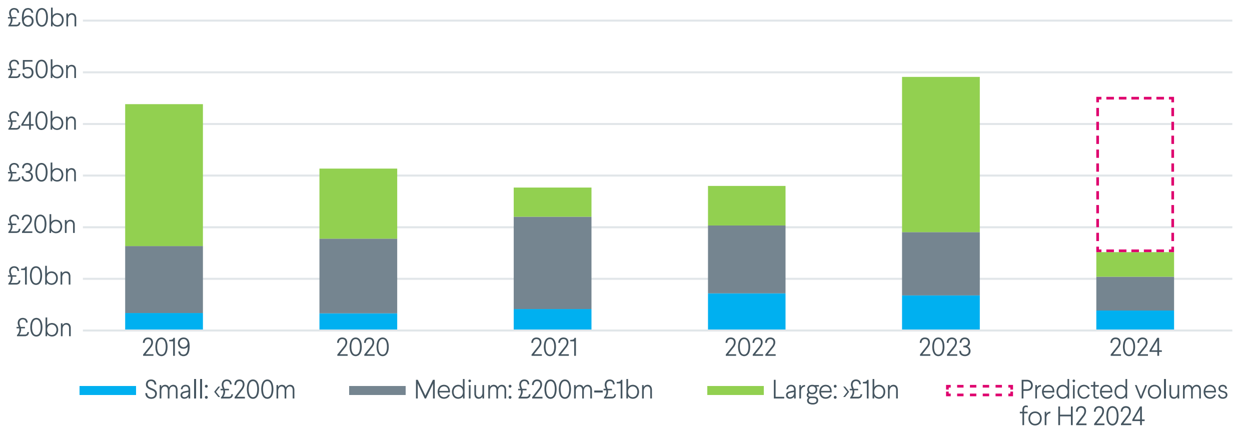
By Sam Warburton, Risk Transfer Specialist

Another year on, the trend continues. Headlines of broken records throughout 2024 show that DB pension schemes still see risk transfer as an attractive de-risking tool. With the vast majority of transactions being full scheme buy-ins, many schemes are on their way to their ultimate endgame of buy-out and wind-up.

We expect the final volume of liabilities transferred to be similar to that in 2023, but with the number of transactions exceeding previous records. In addition to bulk annuity business from pension schemes, Rothesay acquired the £6bn Scottish Widows buy-in portfolio in March 2024.

The high demand from pension schemes looking to insure benefits has led insurers to increase their capacity to quote so they can meet this demand. It's also attracted new entrants to the market. Both Royal London and Utmost Life and Pensions completed their first bulk annuity transactions in 2024; Brookfield is expected to formally enter the market in 2025, after establishing an insurance entity in the UK.

Buy-in volumes



Large and small deals

Similar to 2023, large transactions dominated bulk annuity volumes in 2024 – there were more than 10 transactions worth more than £1bn. Competition among insurers for these large transactions has increased, with at least six insurers completing buy-ins greater than £1bn in 2024.

While large transactions continued to dominate the market by volume, an unprecedented number of small schemes completed whole-scheme buy-ins. For example, Just completed 129 transactions in 2024, a single year record number of transactions for one insurer – many of these with schemes smaller than £100m.

Automation has certainly helped, as existing insurers already active in the market have worked hard to deliver efficiencies through slicker quotation processes and systems. These have allowed some providers that typically participated in large transactions to reduce their thresholds and offer quotations further down the scale. Small schemes are therefore not forced to accept an exclusive process if they engage with the market in the right way (see page 12).

Whole-scheme buy-ins still dominate

In 2024, the vast majority of transactions continued to be whole-scheme buy-ins. **More than 85%** of transactions in the first half of 2024 were of this type, and many of these schemes will be looking to convert the buy-in to a buy-out in the future. For those that have concluded insurance is the best route for them, and can afford to do so, we expect a whole scheme approach to remain the favoured option.

Changes in insurance regulation

In the background of this buoyant market, the Prudential Regulation Authority (PRA) completed the transition to the Solvency UK insurance regime, replacing Europe's Solvency II. Solvency UK gives insurers some additional flexibility in the assets they can use to match liabilities; reduced the risk margin (a component of insurer capital requirements) and reviewed some onerous reporting requirements.

The PRA is also paying more attention to funded reinsurance. Bulk annuity insurers are increasingly using funded reinsurance to increase their capacity to enter into transactions. The PRA is concerned about the risk exposure that this could generate in the bulk annuity market.

We take a deep dive into both of these changes on page 25.

Beyond buy-ins and buy-outs

Following the Mansion House speech of 2023, many schemes have continued to consider their preferred endgame. It is hoped that government announcements in the spring will enable schemes currently in a state of flux to gain greater clarity and certainty to move forwrad with their chosen path.

> We're here to help DB schemes achieve excellence in endgames, cut through the complexity, identify the right endgame strategy, and help develop and execute a strategy that puts member outcomes at its heart. Read more on our Excellence in Endgames hub.

We saw some interesting variations to a standard buy-in over the past year, including M&G announcing its first 'value share bulk purchase annuity', a £500m buy-in that shares value with the sponsor. Separately, we advised the trustees of another pension scheme on entering a similar arrangement with another insurer.

In 2024, the superfund market shifted, with Clara-Pensions completing its second and third transactions, including the groundbreaking Debenhams transaction. Clara has strengthened its position in this nascent market. We expect innovation from consolidators and superfunds alongside regulatory developments to increase the endgame options available to schemes. On page 15, we give an update on developments in the alternative risk transfer market.

Market outlook

By Verity Hastie, Risk Transfer Specialist

In the wake of the 2023 Mansion House reforms, the pensions industry has focused more on DB schemes' optimal approach to endgames. Stakeholders are properly considering their scheme's endgame and justifying it against the alternatives. We've not seen many schemes do a complete volte-face, but some have paused and will no doubt be hoping for greater certainty with the highly anticipated government announcements in the spring.

Stakeholders of other schemes continue to see the insurance market as the right home for their members. Schemes often hold this view when they don't believe their scheme is large enough to warrant run-on, or when they believe that the security of insurance is superior to the alternatives, and any extra expected cost in this respect is worth paying for.

For schemes targeting insurance in the short to medium term, we expect 2025 to offer opportunities to access competitive insurer pricing across the board – both the very large and the small can be successful.

For large schemes that are running on, we expect longevity swaps to remain a strong consideration. These schemes may feel well placed to manage investment risk themselves and view longevity risk as their primary unhedged risk. Contracts are now written so that conversion to buy-in is relatively straightforward, as we saw with the RAC scheme's recent £1.3bn buy-in that incorporated just such a conversion – so longevity swaps could continue to be a trend for schemes that wish to run on for some time.

Supply and demand

Transaction values of £40bn a year seem to have become the new norm and the market is functioning well at that level. Supply is catching up with the spike in demand from schemes over the last few years, to ensure that even small schemes can benefit from a competitive insurance market.

New players in the market will only help to improve this picture, as we expect them to generally target the smaller end of market initially, to build credibility. Royal London and Utmost have already written their first deals below £100m. We expect much more from them in 2025, joined by Brookfield once its permissions are granted. We therefore expect at least **nine of the eleven** insurers in the market in 2025 to be regularly quoting on transactions for schemes under £100m.

The market has continued to prove itself at the other end of the spectrum. Insurers can digest ever larger transactions, and we expect demand for large deals to persist. Each scheme has its own nuances and complexities, so transactions at this scale are never going to be simple. But much of the thinking has been done, and the 'plumbing' is in place. We expect insurers to continue to push the art of the possible. On page 10, we explore large scheme risk transfer in more detail.

Asset considerations

Credit spreads have been persistently tight throughout 2024, and market sentiment suggests that tight spreads may continue into 2025. Insurers think carefully about what assets they use to back their liabilities and support pricing. In an environment of narrow credit spreads and widening spreads on gilts relative to swaps (which insurers generally reference as the risk-free rate), we've started to see reduced exposure to credit spreads in insurer pricing. For de-risking transactions where assets are being transferred in specie, insurers are showing a strong preference for receiving gilts.

Schemes holding part of their portfolio in credit, potentially to mimic the way insurer pricing has historically moved, may therefore be thinking carefully about what they should do with their corporate bond holdings ahead of an insurance transaction. We explore these considerations on page 8.

Transition to buy-out

Most schemes that enter into a full buy-in typically convert the policy to a buy-out. In the wake of many whole-scheme buy-ins in recent years, post-transaction and administration teams have a mammoth job on their hands – whether those teams are with the scheme or the insurer.

When shortlisting insurers before going to market or after receiving initial quotations, schemes can consider insurers' transition and operational processes through the buy-in period, and the service they offer to members after buy-out. Considering these alongside other factors gives trustees and sponsors comfort that they're transacting with the right counterparty. We cover these considerations in our article on page 18. We also explore what the buy-out and wind-up process might look like for various types of scheme on page 20.

Schemes wanting to approach the insurance market have an opportunity to think sensibly and holistically about data, in a way that will benefit the scheme in the long term. If schemes are having to cleanse data as part of ongoing projects, it will be valuable to take the time to build in what's needed for an insurance transaction – and indeed to reach buy-out and wind-up. We expect insurers will start to really value a scheme that puts little pressure on its post-transaction teams by having clean and comprehensive data.

In conclusion, 2025 is shaping up to be another significant year for the pension risk transfer market.

Investment influences

Getting your investment portfolio ready for buy-in

By Russell Chapman, Partner

Pension scheme trustees and sponsors have a lot to do to prepare for an insurance transaction. The tasks that might come to mind first are data cleansing and benefit specifications. But trustees and sponsors also need to think about what factors (other than price) are important to them, and how to approach the market to get the best terms with their chosen insurer.

The year leading to up to a buy-in is also a time to be getting a scheme's investment portfolio ready for the transaction. Setting and following an effective investment strategy with buy-in in mind lets trustees, sponsors and their advisers get to a good position by the time of the transaction.

It pays to start this work early so the scheme has enough time to properly work through its portfolio. Doing so can help to mitigate risks to completing the transaction. An insurance-ready portfolio ensures the scheme has enough assets in the right form to meet the insurer's premium and, where necessary, tracks the insurers' prices so the scheme can still afford to transact.

Sifting the assets

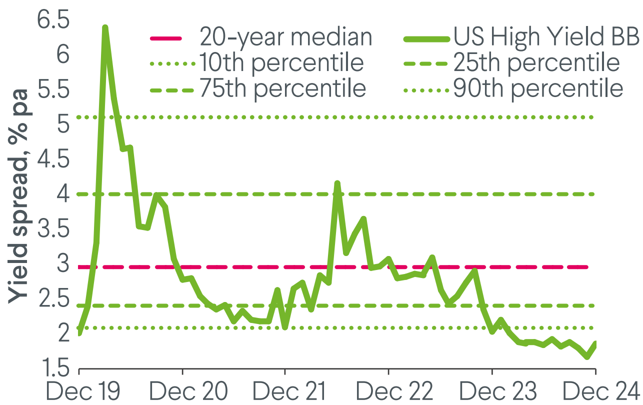
The pre-buy-in investment strategy aims to align the scheme's portfolio with the insurer's matching strategy and hedging. For most schemes, this means keeping some assets but selling others.

Therefore, one of the first things to do is compare the scheme's portfolio with the sort of portfolio that an insurer would want. In recent years, many schemes and investment advisers have focused on selling illiquid assets when thinking about a buy-in-ready portfolio. Although liquidity is an important consideration, other factors may help to determine the best strategy in the current environment.

Is credit a prerequisite for insurer pricing?

It's commonly accepted that some element of credit risk or credit exposure should help to loosely track insurer pricing over time. However, in recent months the credit spread available (the yield on corporate bonds above gilts) has declined rapidly, as shown in figure 1.

Figure 1. Credit spreads since the end of 2019



Yields are now at or close to historic lows. As a result, corporate bonds look less attractive to insurers. We've seen evidence of insurers no longer willing to accept corporate bonds in specie; they may be including much less credit exposure in their pricing bases. For example, in a recent paper released to the market, L&G has highlighted its lesser interest in credit on a pricing basis.

Thus, holding credit may not match insurer pricing in the current environment. For example, if spreads were to widen, then the assets of a pension scheme holding corporate bonds would be likely to fall in value. This fall may not be matched by improved insurer pricing, at least not until spreads had widened enough for insurers to factor in more yield to their pricing. Schemes that might be looking to transact risk having a portfolio that underperforms insurer pricing.

Consider your chosen insurers

However, the insurers in the market don't all have the same view, so it's important to evaluate each one individually. If a scheme has selected a preferred insurer, the trustees know in detail what assets the insurer will accept – and what assets it won't. At this stage, the trustees need to look at the scheme's portfolio again, in more detail.

As with other factors, there's usually room for negotiation here. And as with other factors, the negotiation will depend on what's important for the trustees and the sponsor. An insurer won't give everything a scheme could ask for – if investment considerations are important, they might take precedence over other factors.

In reality, many insurers own illiquid or private assets, which will continue to offer credit-based returns. It's likely that they will somehow factor this in, so a link to credit markets (in the broadest sense) will probably always remain.

Timing can be important

The timing of the transaction can be crucial. If you're looking to go to market in the next six months, your trustees can plan what to do with assets that the chosen insurer is unwilling or unable to take, and may wish to steer away from corporate bonds.

At two years from a transaction, other factors are likely to have a greater impact on insurer pricing and the extent of matching between the scheme assets and a buy-in price. It's therefore unlikely that you'd need to remodel your portfolio in this way. It may still be useful to evaluate the scheme's credit exposures purely on the grounds of investment or valuation.

Planning ahead

Planning early is important, to ensure enough time for the work and avoid unnecessary cost. When it comes to the assets to transfer to the insurer, it helps to keep things simple. Where assets need to be sold, it's worth carefully reviewing where to invest the proceeds.

We're seeing a mismatch between insurers' historical portfolios and the portfolios they're using for pricing new transactions. Some insurers are linking price locks or asset requests mostly to gilts. If schemes are removing or selling unwanted asset exposures, they might consider putting the proceeds into something other than credit. Trustees could consider whether assets should be held in gilts or as part of a liability-driven investment (LDI) portfolio.

The trustee perspective

Large scheme market: with great size comes great opportunity (and challenge)

By Michael Abramson, Partner and Lara Desay, Head of Risk Transfer

Improved pension scheme funding, along with increased scale and ambition from bulk annuity insurers, has combined of late to stimulate interest in insurance from the largest pension schemes. We saw this interest through buy-ins such as that for the NatWest pension scheme.

As insurers have been gearing up to engage with the largest pension schemes, schemes and insurers are likely to face challenges with buy-ins of this magnitude.

Capital

Let's start with a straightforward challenge. The larger a buy-in, the more capital an insurer needs to take on the liabilities. Although this may have been a concern a few years ago, the environment of higher interest rates has bolstered insurer capital positions. The five largest bulk annuity insurers held more than £30bn of surplus capital at the end of 2023. We estimate that this is enough to fully insure every private-sector pension scheme larger than £7bn (excluding industry-wide and multi-employer schemes) – nearly £500bn of liabilities in total.

Longevity

Insurers generally look to pass longevity risk onto reinsurers, to manage risk and capital. Doing so is even more attractive with a very large buy-in, where the insurer may be concerned about concentration risk – the particular pension scheme demographic could be material within the insurer's overall portfolio.

Insurers are often relaxed about the timing of reinsurance for a given buy-in, but for a very large buy-in the insurer may require the reinsurance to happen at the same time, so the insurer avoids a material (albeit temporary) capital impact. A capital impact could have knock-on effects on timescales and process for the buy-in that the insurer will need to factor in.

Assets

A large transaction can magnify the asset-related issues many buy-ins have. These issues can typically be resolved by either the scheme or the insurer incurring a little more cost or risk during the process. When these issues are magnified, they create costs or risks that neither party wants to bear.

Target portfolio

It's one thing to deploy a few million pounds of assets into the market, but deploying a few billion pounds is likely to take many months. Insurers generally price buy-ins on the basis of the investment returns they can achieve with a target asset portfolio. If securing that portfolio will take time, then the insurer is carrying some risk, as the price of its target portfolio may increase before it has fully deployed. Most insurers have a tipping point for the size of a buy-in, above which their pricing will start to deteriorate as they factor in this risk.

Price lock

Insurers can generally offer a price lock to pension schemes. Usually, the insurer can tolerate some mismatch between the assets it receives and its own view of the liabilities. If the insurer has a materially different view of interest rate or inflation risk to a pension scheme in a large buy-in, the mismatch can be hard for an insurer to manage. It would typically spend a lot of time to resolve any such mismatch, with the solution being specific to the circumstances.

Asset transfer

Asset transfer in a large buy-in is likely to be operationally complex, and needs careful planning. The scheme might need to keep or sell assets that the insurer can't accept – for example, debt issued by the insurer itself, or assets where the insurer has concerns about creditworthiness.

The movement of hedging positions from pension scheme to insurer can often be a complex area. The pension scheme perspective would generally prefer to pass existing positions to an insurer. This may not be possible with certain repo arrangements or swaps – some insurers prefer cleared swaps, others over-the-counter swaps. These may need to be closed out. Doing so at scale may be challenging, so bespoke solutions may be needed.

Illiquids

Illiquid assets are commonly found in the portfolios of the largest pension schemes, and they present challenges with a buy-in, as insurers typically don't want to hold them. In a large transaction, insurers may be more willing to take illiquid assets, albeit at a price. But on the whole these assets are likely to present a challenge. The pension scheme or the insurer will want to sell a large portion of these assets, which will take time and could involve haircuts.

Administration and operations

In many buy-ins, integration of the operational aspects is often left quite late – especially processes for member movements. Large pension schemes in particular should allow ample time and attention before the buy-in to establish an operating model that ensures minimal disruption for the administration team and no disruption for members.

If a pension scheme is contemplating buy-out rather than buy-in, it needs to agree suitable administration arrangements with the insurer. These may be no different to the arrangements the insurer uses for other schemes, albeit the transition will be more complex and need robust planning.

However, some pension schemes may have a particular desire to retain administration arrangements. Given the challenge of taking on many new policyholders (possibly with a rich benefit history), the insurer may be amenable to this. If the insurer needs to take on a new administrator, the scheme needs to build in a lot of time to agree that.

Commercial leverage

As business volumes have increased over the years and the buy-in market has matured, insurers have moved to consistent commercial and contractual terms, and are generally reluctant to deviate materially from these. The largest pension schemes retain significant commercial leverage when dealing with insurers, so they have scope to demand more from insurers, either when it comes to the terms themselves or the overall process.

Opportunities and challenges

There is a theme running throughout the issues here, which is no doubt familiar to those managing the largest pension schemes: size presents both opportunities and challenges. To make the most of the opportunities and overcome the challenges needs care, focus, and time and energy applied in the planning and implementation stages. We expect this segment of the market to continue to evolve and develop strategies to overcome the challenges.

Insurers step to the plate: a new era for small scheme risk transfer

By Iain Church, Head of Core Transactions and Sam Warburton , Risk Transfer Specialist

In recent years, the funding position of many pension schemes has improved to a level where they can afford to fully insure benefits. Many are therefore looking to approach the increasingly busy insurance market for buy-in quotations. To meet this surge in demand, insurers have looked at ways to increase their capacity to quote and then transact with smaller schemes.

With this move, insurers have increasingly turned to technology and have looked to remove friction from existing processes to reduce the sunk costs of quoting on and then transacting with small schemes. Four insurers in the bulk annuity market have now developed dedicated streamlined propositions for smaller pension schemes, and we expect more insurers to follow this trend.

In a Hymans webinar aimed at pension schemes below £200m, almost half of attendees said they see generating sufficient insurer engagement as their biggest challenge to insuring their scheme. As insurers expand capacity through increased efficiencies, this challenge should reduce. However, each insurer's offering has key differences, and detailed understanding of these is crucial to maximise insurer engagement and secure the best outcome for smaller schemes.

Move towards insurers' processes

In the past, many consultancies agreed their own streamlined transaction processes with insurers, along with standardised benefit and data formats.

These existing processes can still have a place in the right circumstances, but the market has generally moved on in recent years. Many insurers now require schemes follow the insurers' own processes rather than a myriad of approaches proposed by different consultancies. This gives the insurer more process certainty and control over both the pre- and post-transaction phases, making it easier for them to manage their own resource and operational commitments.

For instance, in an insurer's process, the insurer gives the scheme trustees a standard data and benefit template to complete. These templates map directly onto the insurer's pricing system, helping the insurer price efficiently. Increasingly these templates also include automated data validations to ensure that data meets minimum quality standards.

Comparing insurers

To date, four insurers have announced streamlined propositions designed for small schemes. We expect these propositions to evolve as the market develops, and other insurers to explore introducing their own.

Table 1. Insurers' streamlined offerings for small schemes (based on information provided by the respective insurers).

Small scheme proposition	Minimum scheme size	Exclusivity required?	Restrictions on scheme benefits	Typical time to quote	Price monitoring available?	Insurer expectation on contractual terms	Price locks available?
Aviva Clarity	None, but schemes smaller than £10m need to be flexible on timing	No, but exclusivity may help speed up quotation	Minimal, the template accommodates all main benefits	4 weeks	No	Standard terms with no negotiation	Yes
Just Beacon	None	No	Minimal, the template accommodates all main benefits	4 weeks	Yes	Standard terms or pre-agreed contracts with minimal or no negotiation	Yes
L&G Flow	Generally £20m, but smaller schemes can be taken on if pricing slots are available. Minimum threshold expected to decrease in 2025.	No, but exclusivity will help prioritisation	Minimal, the template accommodates all main benefits	4 weeks	No	Standard terms with no negotiation	Yes and especially able to closely align with LGIM assets
PIC Mosaic	£25m	Not required for indicative pricing. Preferable for guaranteed pricing to commit resource.	Restrictions on some complex benefits	6 weeks	Yes, limited to 6 months after quotation on indicative basis	Standard terms or pre-agreed contracts with minimal or no negotiation	Yes

Trustees of small schemes have generally welcomed streamlined insurer propositions. However, they should be mindful of the drawbacks so they can be planned for and proactively managed.

Benefits

Greater insurer engagement. Streamlined processes increase an insurer's capacity to quote on small schemes, which can lead to increased competition. For example, we regularly see at least two or three insurers competing on transactions below £30m.

Efficiency and speed. Streamlined processes speed up transactions and make the whole process more efficient – an essential step for insurers trying to service these increased market volumes. Standard templates and terms mean that most small schemes can go from approaching the market for quotations to completing a transaction in two to three months.

Serving an evolving market

In this busy market, the development of streamlined propositions to help increase insurer engagement and improve efficiencies is a welcome development for smaller schemes. However, trustees should be mindful of the restrictions and lack of flexibility that may come about from these propositions and ensure their broking process is structured appropriately to get the best outcome. Streamlined insurer offerings are likely to continue to develop as the bulk annuity market evolves.

Other considerations

Process differences between insurers. Each insurer's process is structured slightly differently, which needs careful planning to account for potential timing differences for receiving quotations. Whether quotations are transactable or indicative, and whether scheme specific requirements can be accommodated.

More up-front work. Although a streamlined process might result in a faster transaction, trustees have more work to do up front. Completing distinct templates for each insurer requires trustees and their advisers to invest more up front than they would if sending out the same data template and benefit specification to all insurers.

Restrictions. An insurer may restrict the types of benefits that it's willing to insure, generally based on whether that benefit can be accommodated within the insurer's template. In our experience, the majority of scheme benefits can be accommodated, but some trustees may need to look to remove benefit complexities, such as complex underpins.

Less flexibility on contractual terms. To ensure the pre- and post-transaction processes are aligned across all of an insurer's streamlined transactions so that the intended efficiencies are realised, insurers may be resistant to depart from their standard contractual terms. This may mean certain bespoke scheme requirements cannot be accommodated. However, the buy-in contracts on offer have been shaped by negotiations with many lawyers in the past and are typically viewed as a reasonable set of terms for trustees to sign up to.

Alternative risk transfer – the year the market changed gear?

By Richard Wellard, Partner

The alternative risk transfer market has come of age following the first three superfund transactions.

Superfunds are a go

Attitudes toward superfunds have shifted a lot in the past few years. Clara-Pensions completed the first three superfund deals in the UK in late 2023 and early 2024, including the Debenhams transaction led by Hymans. One of these transactions was with a solvent sponsor, demonstrating that superfund transactions can be valuable for a wide range of schemes and not just those with a failed sponsor.

Table 1. Superfund transactions completed to date

Pension scheme	Sears Retail Pension Scheme	Debenhams Retirement Scheme	Wates Pension Scheme
Scheme size	£590m	£600m	£210m
Members	9,600	10,400	1,500
Capital from Clara	£30m	£34m	Undisclosed

As knowledge of Clara and comfort in superfunds grow, the momentum is likely to build, and we expect to see a steady stream of transactions. Clara has been building its capacity, following the familiar playbook we've seen insurers use in the past.

Superfund market outlook

Clara's business model is a 'bridge to insurance'. It will focus on ensuring schemes are making good progress on the path to insurance. We expect Clara to report in due course on schemes transferring to insurance.

The success stories of the first three transactions can only help build understanding and confidence, and strengthen transaction pipelines. Market perceptions have already come a long way, from widespread scepticism about superfunds to many stakeholders seeing them as a viable and valuable addition to the market.

What does the future hold for superfunds?

A range of capital providers are interested in putting capital at risk to underwrite benefits promised to members for very well funded schemes. This investment offers an attractive risk-adjusted expected return, and we continue to see significant interest in making these investments.

Over the next few years we expect to see two or three new superfunds emerge in addition to Clara-Pensions.

Superfund oversight

It will be interesting to see how the Pensions Regulator (TPR) responds to these changing market dynamics. TPR recently updated its guidance to allow superfunds to extract profit when their funding levels exceed a high threshold, as indeed insurers can. This is an important change that will help a thriving superfund market to develop, and has been a long time coming.

The government is developing legislation to oversee superfunds, which would allow TPR to fulfil its natural role as a regulator and not a rule-setter. As part of its oversight role, TPR closely scrutinises superfunds on an ongoing basis as part of an enhanced oversight regime and reviews each proposed superfund transaction (as set out in the diagram below). It will be interesting to see how TPR manages a resourcing strain that could result from a flurry of transactions and interest from potential new entrants.

We'd be disappointed if regulatory bandwidth became a barrier to innovation and positive member outcomes. In due course, we expect TPR to conduct this review in a way to allow schemes to move at pace towards their preferred endgame – such as some form of 'fast track' option where the proposal is based on a tried and tested submission pack.

Figure 1. Oversight process for superfunds to write business

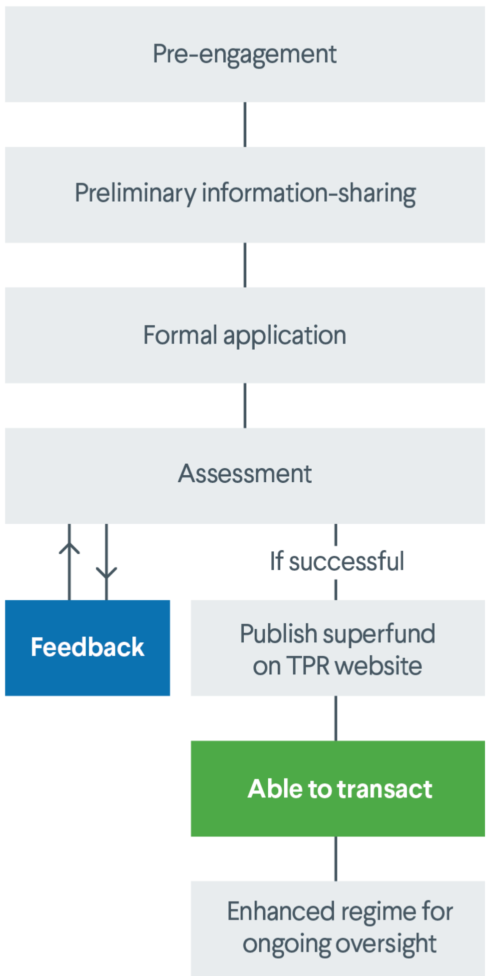
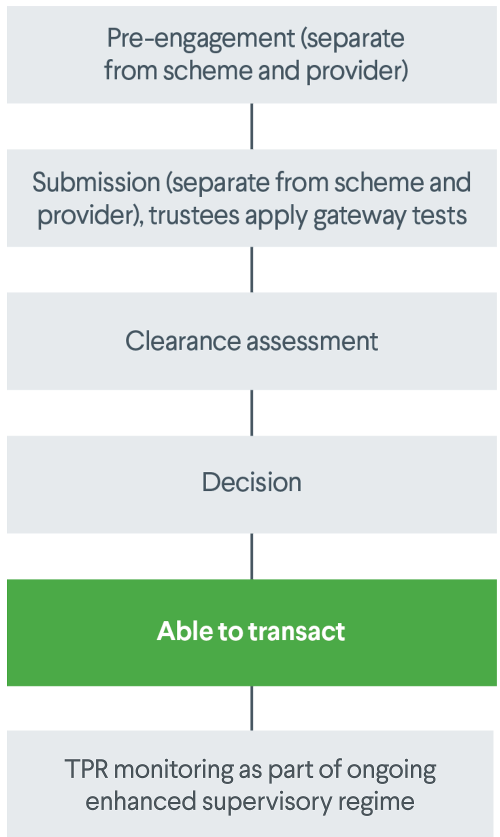


Figure 2. Oversight process for superfund transactions



Gateway tests

An area that may benefit from review is TPR's 'gateway' tests. TPR uses these tests to assess whether a scheme can enter a superfund transaction. The tests have a fairly narrow focus, with no allowance for non-price factors, such as decarbonisation plans or administration service, which could be relevant for trustees making endgame decisions. The gateway tests could possibly accommodate a principle-based approach, with trustees asked to 'comply or explain' as part of a 'fast track' review.

A shift in the Regulator's thinking

As superfund transactions are gathering pace, other capital-backed risk transfer arrangements have stalled. Providers still show a lot of interest in offering capital-backed solutions, but live discussions are struggling to make it through to transacting.

The first superfund transactions came about as schemes were compelled to act – put simply, they could transact with a superfund, or give their members reduced benefits. Capital-backed solutions have also been of interest to distressed schemes, but several issues have prevented transactions.

One issue has been uncertainty over how TPR and the Pension Protection Fund (PPF) will view a capital-backed solution after a sponsor insolvency. Trustees are concerned that being forced to exit a capital-backed arrangement would be value-destructive at a time when the scheme would already be grappling with an insolvent sponsor.

Over the past few years, TPR has taken a two-pronged approach to regulatory reform in this area. Changes in the content of various publications have been accompanied by encouraging debate about what schemes can or should do.

What about the public-sector consolidator?

Recent government consultations have probed the possibility of a public-sector consolidator. If one were formed, it could be another valuable tool to help members whose benefits may otherwise be at risk.

Commercial consolidators can offer a lower entry price than insurers by offering less security. In contrast, a public-sector consolidator is likely to have access to more capital and at a lower cost than commercial entities – so it has the potential to be stronger and cheaper than alternatives.

This combination of implicit or explicit state backing and lower entry cost could make a public consolidator the preferred option for trustees and sponsors. To minimise its potential disruption to a large and active risk transfer market, a public consolidator is likely to come with entry tests or criteria. The devil will be in the detail, and we expect these rules will be challenging to agree.

What does all this mean?

The question isn't whether schemes will change their endgames, but how many schemes will, how quickly and to what. We look forward to playing a part in the continued growth of the superfund market, as it has the potential to lead to better member outcomes in some situations.

We're delighted to have launched our streamlined offering to trustees and sponsors considering Clara. This lets schemes engage with superfunds in a way that avoids the execution risk and higher costs usually associated with new products.

A backdrop of broader endgame discussions and TPR's change in emphasis have made the industry a little more friendly for alternative risk transfer. After many false dawns, it will be interesting to see if these conditions let the market grow or if demand will disappoint alternative providers.

Trustees and sponsors have more options than ever, and decisions about endgames aren't easy. It's crucial to work through them in an orderly way, and know the state of the market. Trustees and sponsors should keep an eye on the latest developments, and what might be on the horizon. Read more of our insights on our Excellence in Endgames hub.

Comparing insurers beyond pricing

By Paula Haughton, Risk Transfer Specialist

When trustees choose an insurer to secure their pension scheme's liabilities, they increasingly look at areas other than price. Price is likely to remain important, and will affect how much other factors are taken into account. Trustees and sponsors need to decide what other factors are important, and how much weight to give to them.

When we advise pension schemes on risk transfer, we devote a lot of time to comparing insurers in a range of areas, so that trustees and sponsors can be satisfied they're making the right choice.

Comparing administration capabilities

Administration capability is often high on the list. Trustees and sponsors want to make sure their members get a good service in the long term, even after the scheme has wound up (if relevant). It's also important for trustees and sponsors to choose the insurer they think will be the best to work with once the policy is signed.

As many schemes find themselves better funded than they expected, administration is coming under strain throughout the market. Trustees are rightly probing the impact on service levels and project timings.

In a webinar we hosted in September 2024, **96% of attendees** said they would pay a higher premium to transact with an insurer whose administration service they preferred, if they could afford it. Of these respondents, **over 40%** would still consider this if the difference was not small.

Operational considerations

After they purchase a buy-in policy, trustees still have a lot of work to do to meet the insurer's contractual requirements. This includes giving the insurer regular information on changes to members' statuses, and any post-buy-in data cleansing or preparations for buy-out, if relevant.

Taking time to consider how easy and efficient it will be to work with the insurer is key.

Examples of operational considerations

- Contractual data cleansing tasks
- Insurer flexibility and practical support
- Ability to match current operational practices
- Ease of ongoing reporting obligations
- Ability to meet buy-out timescales

The member experience

The insurer you choose for your buy-in will ultimately be responsible for liaising directly with your members, if the scheme moves to buy-out or passes on direct administration responsibility to the insurer. The insurer will influence the member experience: the amount and type of communications members receive, any online functionality they have and service timescales.

Examples of member experience considerations

- Insurer brand name
- Service timescales
- Resource
- Online functionality
- Type and quality of communications
- Face-to-face opportunities for members to speak to the insurer

Security and governance

Regardless of whether an insurer provides administration services in-house or outsources them, trustees want reassurance that the insurer has appropriate controls to manage risk and monitor performance – and to implement change where things aren't working.

Examples of security and governance considerations

- Risk management processes
- Controls on outsourced services
- Cyber security
- Complaints handling
- Acting on lessons learned

How to compare insurers

Trustees have several tools they can use to assess insurers on their administration capabilities. Advisers can assess insurers' administration capability and relay their own experience. The scheme administrator can give its view on the operational requirements of the transaction.

Professional trustees might be able to draw on their experience of an insurer in other transactions. If the trustees have no experience with a particular insurer, they can seek references from trustees of other schemes.

Trustees can also meet the insurers. Although insurers are busy, they're often happy to talk to trustees to bring the discussions to life and give a feel for working with the insurer.

A demonstration of the insurer's administration system can help show trustees what the member experience might be like. Not all insurers can easily offer this, so if it's important for the trustees, they should say so early so they can explore it with insurers from the outset.

Considering other factors

Price and administration aren't the only factors that trustees and sponsors would consider. They might also be thinking about the insurer's financial strength, and how it manages risks stemming from its operations, investments and use of funded reinsurance.

Advisers can analyse insurers' financial strength in order to assist trustees with these considerations.

Environmental, social and governance (ESG) factors are often important to trustees. Advisers assess insurers' ESG credentials to aid a comparison. Credentials can include net-zero targets, any initiatives on which the insurer is a signatory, and reporting for the requirements of the Taskforce for Climate-related Financial Disclosures (TCFD).

The right broking approach can help

Choosing the right insurer for a buy-in encompasses a range of factors, some of which may be bespoke to the scheme's circumstances. You should be clear up front about what's important to you and build this into your selection process. Being clear up front helps with productive discussions and builds confidence that the journey after buy-in will be smooth and efficient, with members getting a good experience.

If particular non-price factors are important, perhaps because of specific scheme complexities, a scheme could consider a non-standard approach to the market. Such an approach can sometimes be more powerful than a typical broking process.

We have run a number of insurer selection processes where the scheme shortlists insurers based on non-price factors and then requests quotations from only those shortlisted insurers. A focus on non-price factors means a scheme might be able to negotiate specific requirements from insurers in exchange for shortlisting them.

However, this should be balanced with making the process suitably straightforward and efficient, to build insurer engagement. We tailor our approach for each scheme to ensure that it gets the best possible outcome based on its specific circumstances.

Smoothing the journey from buy-in to wind-up

By Jo Gyte, Partner

As more DB schemes are securing benefits with insurers, many trustees and sponsors are turning their attention to starting the scheme buy-out and wind-up process.

In recent years, many schemes completed whole-scheme buy-ins much sooner than they expected. Trustees and sponsors looking to insure benefits as part of their endgame could capitalise on rapidly improved funding positions after the market developments of 2022, or could take advantage of favourable insurer pricing at specific times.

But a quick journey to buy-in often means that trustees and sponsors haven't begun essential work needed to buy-out and wind-up the scheme. If buy-out and wind-up is their objective and they wait until all benefits are insured before starting this work, they might find a longer time to wind-up than they expected.
The scheme could also incur more costs, possibly eroding a surplus that might have been available to members or sponsors.

While focusing on the buy-in, many trustees might not fully consider the whole process from a whole-scheme buy-in to buy-out and wind-up. They might be unsure how long it might take, or what they can do to reduce this time and manage the risks.

How long will it take?

With a planned and well run process, it could take 18 months to convert a whole-scheme buy-in to a buy-out, and a further year to wind-up the scheme. So in an ideal world, trustees and sponsors could expect the whole process to take two to three years.

However, the process often takes longer. Three to five years might be more likely for many schemes. That's an extra year or two of running costs that the scheme might have avoided.

What could cause delays?

Most delays come from three sources: data, benefits and assets.

To settle all benefits and wind-up, a scheme needs complete, accurate and fully electronic member records. Most schemes need a lot of work to achieve this. Many data items aren't needed for effective day-to-day administration – for example, contingent spouse pensions for all members. Schemes often use workarounds, so even well run schemes face challenges here.

Trustees might only start investigating how much there is to do after the buy-in, so they might not know the exact scope of data work. Another challenge comes from resourcing constraints in pensions administration teams. This live issue in the pensions industry can add to delays.

A scheme that's winding up needs a legally reviewed benefit specification that aligns with scheme practice and covers all benefits. The trustees need to resolve known historical issues through rectification, or implement measures to mitigate the residual risks once the scheme has wound up. These residual risks include members coming forward to claim they have different benefits.

Finally, the scheme needs a suitable investment portfolio for the residual assets after the benefits are insured.

How can schemes reduce the risk of delays?

Delays to the wind-up process are costly. The longer a project takes, the more expensive it becomes, as trustees and sponsors pay for more of their advisers' time. But incremental project costs from delays are often dwarfed by an extra year or two of scheme running costs.

The extra costs erode potential surplus that might have been redistributed to members or a sponsoring employer on wind-up. So it's important that trustees and sponsors mitigate the risk of delays.

Our tips for managing risks and delivering on time

Start early

Develop your wind-up strategy at least a year ahead of the planned whole-scheme buy-in. An effective strategy includes getting assets ready, understanding powers around winding up and how to distribute surplus, and managing residual risk.

A strategy like this puts you in a stronger position when you negotiate terms with the insurer. If you know your requirements, you can ask the insurer to tailor its offer to meet them when you have the most leverage.

Assess your data and benefits

Review the member data and benefits needs for wind-up, so you have a better idea of how much work you'll need to get them ready. Then put in place a data improvement plan.

This plan should take into account the scheme's history, and the trustees' and sponsors' risk appetites. A well run wind-up process typically has this plan in place a year before buy-in, to minimise the risk of surprises (and therefore delays) after the transaction.

Don't forget the small stuff

Some small benefits can take a disproportionate amount of time to settle, particularly if they involve third parties. Examples include additional voluntary contributions or historical individual annuities. Previous buy-ins covering benefits that don't match scheme benefits can take time to review and update.

Find out what you have in this category, and decide when to start discharging these benefits. Doing this work up front might mitigate the risk of needing to run the scheme while you wait for these benefits to be settled.

Get your governance right

An appropriate governance structure focuses on the goal and keeps momentum going. It also enables a plan with accountability and the right management information to the trustee board so the trustees can monitor risks and be resilient to problems. The need for detailed project management varies between schemes, but someone accountable for programme management is a must.

If you have a full picture of your scheme's steps to wind-up, you have a good idea of the work that you need to do. You can then take steps to reduce the risk of delays, identify efficiencies and maximise the value you get from all your advisers, service providers and even the insurer.

External influences

Insurers move towards net-zero goals on investment portfolios

By Paul Hewitson, Risk Transfer Specialist

In recent years all insurers in the bulk annuity market have publicly committed to ambitious targets to reduce their emissions. These targets cover their own business operations, but crucially also the emissions associated with their investment portfolios.

Many insurers are aiming for carbon neutrality on their investments by 2050 or earlier, and all have set interim targets. For pension scheme trustees who are looking to buy-out, tracking insurers' progress against their interim targets can be a good indicator of their likely success.

All insurers publish annual reports, including climate disclosures aligned with TCFD recommendations. Metrics include operational and investment emissions, and often stress testing against various climate scenarios.

The figures disclosed can vary by carbon intensity metric, and by the currency with which metrics are recorded. But the disclosures over time can show how each insurer is progressing.

Carbon intensity metrics

Weighted average carbon intensity (WACI)
for example, tonnes of CO_2 per $m of revenue
Shows how carbon-intensive the companies in a portfolio are relative to their economic output, rather than measuring the absolute emissions.

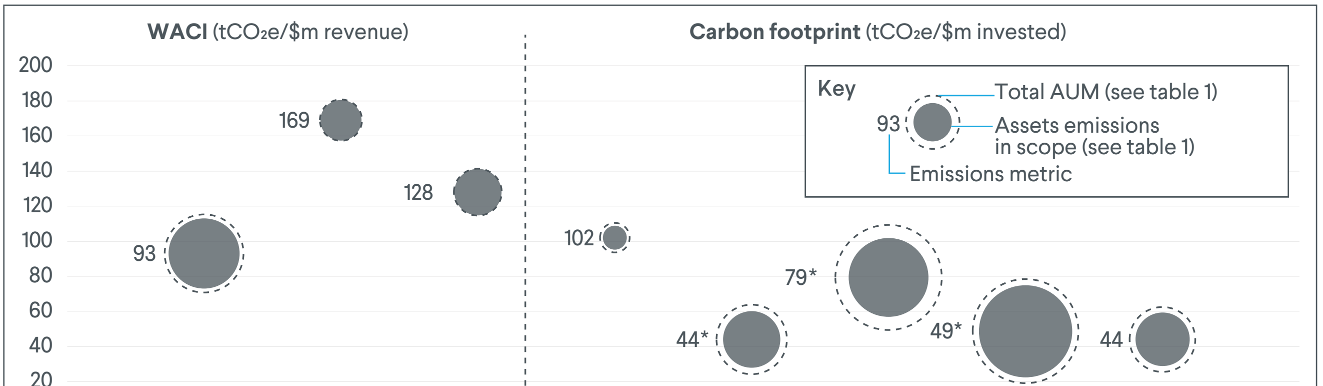
Carbon footprint
for example, tonnes of CO_2 per $m invested
Quantifies the total emissions associated with the companies in which the portfolio is invested, usually normalised per dollar invested.

Measuring progress through the latest data

Figure 1 and table 1 are based on data from insurers' 2023 disclosures: total investment portfolio size, the proportion of assets that emissions metrics are based on, and their relative reported scope 1 and scope 2 emissions.

This data is helpful to understand each insurer's standing in the market, but progress over time against their own targets will best demonstrate the extent of their success.

Figure 1. Carbon intensity of insurers' investment portfolios (scope 1 and 2 emissions)



*Estimated with approximate currency adjustment to reported figure

Table 1. Insurers' assets in scope for carbon emissions reporting

	Aviva	PIC	Rothesay	Just	L&G Group	M&G	Phoenix Group (Standard Life)	Royal London
Assets under management (£bn)	171.8	47.5	62.2	24.0	136.4	313.5	308.9	118.0
Assets in scope for emissions	Credit and equities	Whole portfolio	Whole portfolio	Credit portfolio only	Proprietary assets	Public equities and corporate debt	Public credit and equities	Corporate fixed-income and listed equites
Value of assets in scope (£bn)	141.0	47.5	62.2	16.3	92.5	178.7	244.0	82.0
Proportion of assets in scope	82%	100%	100%	68%	68%	57%	79%	69%

There are some limitations to the proportion of the insurer's total investments included in the emissions data, with only PIC and Rothesay currently reporting on their whole portfolio and which contributes to their higher carbon intensity metric. For example, Aviva's in-scope credit and equities amount to around 82% of its total assets under management.

Ultimately, insurers' final 'true' net-zero position is expected to include all investments and all emissions, including scope 3 (indirect) emissions, which are more complex to measure and typically not currently included in reported metrics at this stage.

Figures 2–8 set out details of the emissions reported by insurers, showing their progress towards their published targets. Insurers reporting WACI are in blue, and those reporting carbon footprint are in green.

M&G has published metrics since 2021, but no figure is disclosed for the 2019 baseline position to allow a comparison. Canada Life has not published emissions metrics as part of its latest reporting.

Just publishes separate metrics for its lifetime mortgages, with the same target of a 50% reduction by 2030. Its 2019 baseline position for its lifetime mortgages has been realigned with 2023, owing to a new approach for calculating emissions on these assets.

Overall, insurers are making good progress towards their net-zero targets, and all remain on course. However, trustees should continue to monitor insurers' positions as their reported metrics and targets evolve – to include all assets within their portfolio and all emissions (including scope 3).

WACI Carbon Footprint

Figure 2

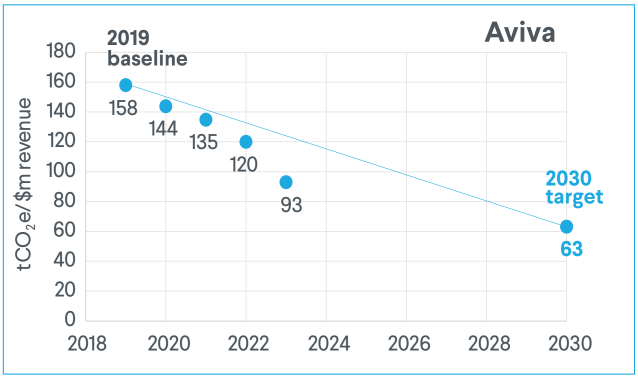


Figure 3

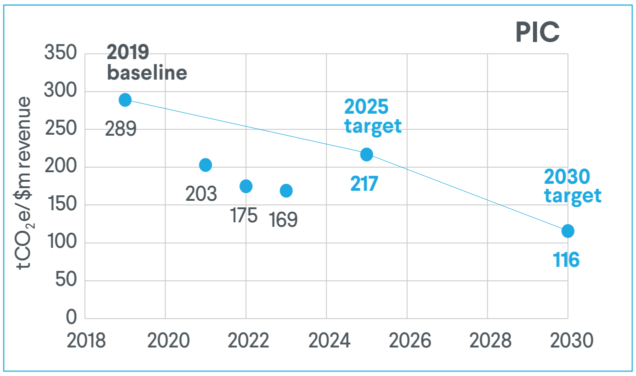


Figure 4

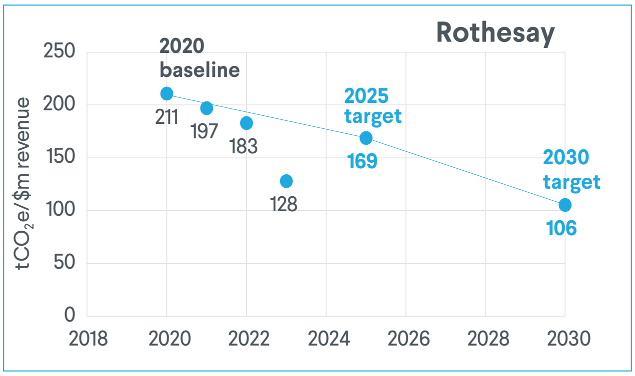


Figure 5

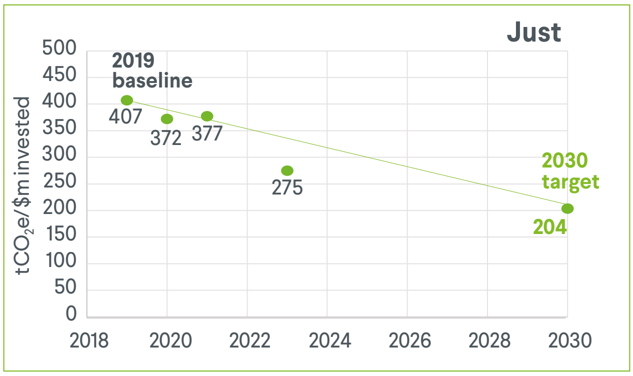


Figure 6

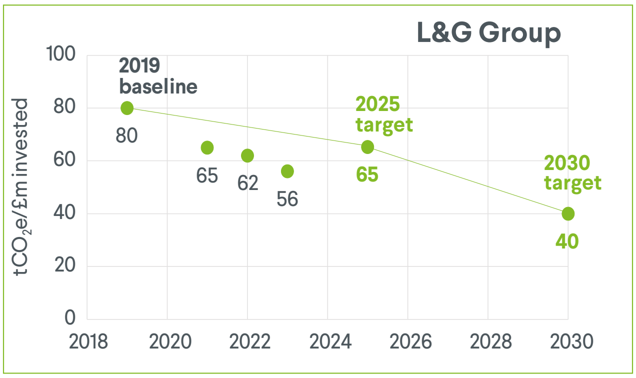


Figure 7

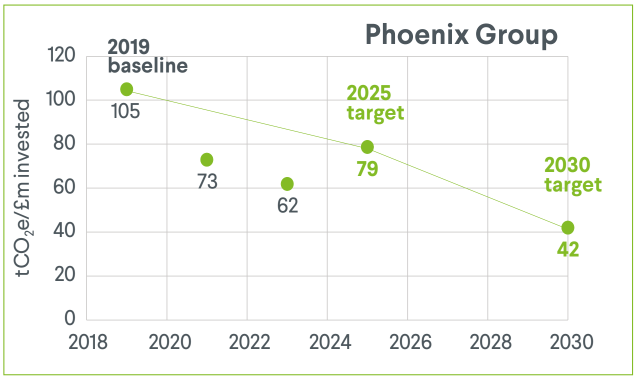
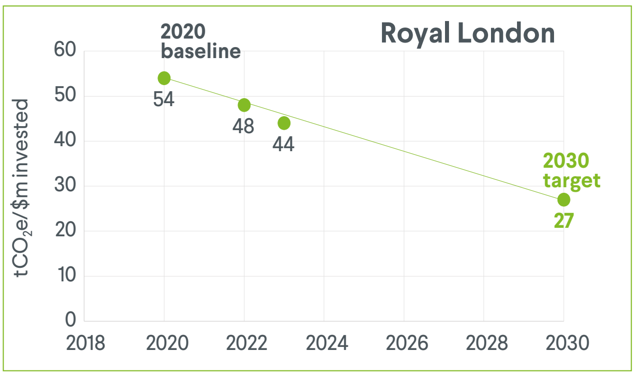


Figure 8



Reported emissions and interim target for Just (figure 5) are based on scope 1, 2 and 3 emissions. All other insurers' reported emissions and interim targets include scope 1 and 2 emissions only.

Insurance regulation update

By Michael Abramson, Partner and Lara Desay, Head of Risk Transfer

Insurance regulation had a busy year in 2024. After four years of drafting, the Solvency UK regime was enshrined into UK regulation, replacing Solvency II. This was a landmark in insurance regulation, but it was actually funded reinsurance that captured all the headlines in 2024.

Solvency UK

In November 2024, the Prudential Regulation Authority (PRA) issued its final policy statement formalising the Solvency UK regime by embedding it into the PRA Rulebook, replacing Solvency II legislation. The final rules were largely unchanged from previous policy statements (summarised below).

The Solvency UK regime includes three areas of change from Solvency II: the risk margin, the matching adjustment and reduced reporting requirements.

Risk margin

Solvency UK introduced a smaller risk margin – a component of insurance capital that was introduced with Solvency II and is prominent for annuity business.

The reduction was incorporated into statute at the end of 2023; insurers reflected it for the first time in their 2023 year-end solvency calculations. For some insurers it released capital on balance sheets in respect of business already written, with solvency capital ratios (a measure of surplus capital on the balance sheet) increasing as a result. The change resulted in a modest reduction in policyholder security.

The change had limited impact for insurers in respect of new business pricing for two reasons. Insurers typically use reinsurance to reduce the risk margin. And higher interest rates over the past few years have diluted the impact.

Matching adjustment

The matching adjustment is a fundamental component of pricing in the bulk annuity market. Without it, the cost of a buy-in or buy-out would be prohibitive to pension schemes. It allows insurers to discount their liabilities using the asset yield of the investments that back these liabilities, less an allowance for credit risk known as the fundamental spread. Solvency UK introduced changes in three areas, effective from 30 June 2024.

Highly predictable cash flows

Insurers can now match liabilities with assets having 'highly predictable' cash flows (having previously been restricted to only investing in assets with fixed and certain cash flows). A cap the benefit an insurer derives from these new assets was set at 10% of the benefit it derives from its overall matching adjustment portfolio.

Attestation requirements

Insurers use a fundamental spread that the PRA provides monthly. This is the adjustment made to asset yields to reflect the risk of future defaults and downgrades. The PRA has introduced an attestation requirement for a designated senior manager at the insurer (likely to be the chief financial officer). The designated senior manager is required to attest that the fundamental spread covers all retained risks, and the matching adjustment can be earned with a high degree of confidence; the manager is required to increase the fundamental spread accordingly if it's not. The attestation is required annually or whenever the insurer's risk profile changes materially. The PRA also has the power to apply a capital add-on for particular asset classes if it deemed the risk adjustment was not appropriate.

Increased granularity of credit quality and removal of the BBB cliff

Under Solvency II, assets were assessed based on credit quality steps such as AAA, AA, A, and no further spread was available for sub-investment grade assets (below BBB). The PRA introduced notches to the credit quality steps (such as A+ and A-), as well as an extension to sub-investment grade. The extra credit steps will better reflect the underlying risk profile of the portfolio, while the expansion to sub-investment grade assets may enable insurers to broaden their investment strategies, for example in green and digital assets.

Reduced reporting requirements

Simplifications and reduced reporting requirements were introduced to ease cost and burden on insurers. These changes came into force from the end of 2024. These changes included removing some of the existing prescriptive requirements to make the approvals process for capital models more flexible. Previously, changes could take 12 to 18 months; the hope is that this time could be reduced to around 6 months.

Insurers can also adopt a simplification of the calculation of the 'transitional' measure, the smoothing mechanism established as a bridge between Solvency I and Solvency II capital. The simplification will allow insurers to finally retire Solvency I models reducing a significant burden, cost and resource requirements for insurers.

A 'mobilisation regime' allows new insurers to conduct business at an earlier stage of maturity (subject to certain restrictions) while allowing 12 months to build up operational capabilities. This could be particularly beneficial for the bulk annuity market, where PRA approval is seen as a barrier to entry.

Next steps

Solvency UK will of course evolve, and the PRA has already highlighted one area it intends to consider further in 2024: so-called sandboxes, which would allow insurers to explore bringing new assets into the matching adjustment universe.

The changes under Solvency UK are unlikely to have a significant effect on pricing or on policyholder security. The proposed asset flexibilities may help some pension schemes with illiquid assets in certain instances in the context of buy-in or buy-out, although we don't expect this to solve the issue for most schemes with illiquid assets.

Funded reinsurance

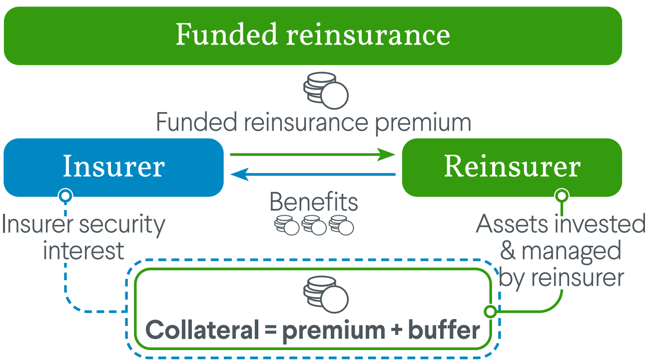
On 26 July, the PRA issued its long-awaited supervisory statement setting out its expectations for insurers entering and holding funded reinsurance contracts. It also published a 'Dear CEO' letter to life insurers on its implementation approach, and details of a comprehensive information request for insurers to show compliance with the expectations for existing arrangements.

What is funded reinsurance?

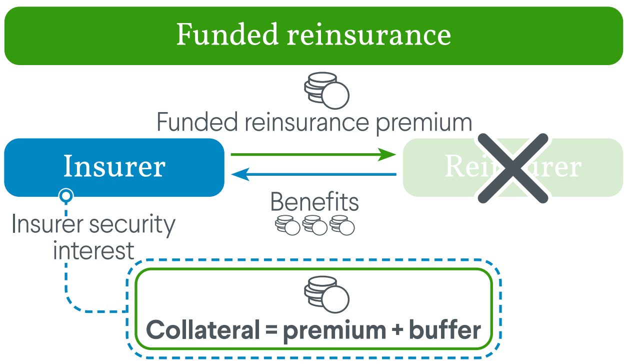
When entering into funded reinsurance, an insurer takes a portion of the buy-in/buy-out premium received from the pension scheme and passes it on to a reinsurer, often but not necessarily overseas. The reinsurer then provides monthly benefit payments to the insurer, and the insurer passes these payments on to the pension scheme (after a buy-in) or the pensioners directly (after a buy-out).

Insurers use a suite of contractual protections and collateral arrangements to protect against a reinsurer's financial strength deteriorating, as well as planned management actions should this occur. The idea is that at the point of a reinsurer failing (or, ideally, before), the insurer can step in and take control of a portfolio of assets that it can use to back the liabilities itself (a recapture).

Business as usual



Recapture



Why do insurers use funded reinsurance?

There are a range of reasons for using funded reinsurance, and the primary rationale varies by insurer. Two of the main reasons are **scale** and **economics**.

Scale
With funded reinsurance, the insurer can write larger buy-ins/buy-outs, in terms of both capital and investment. Less capital is used for writing the business if the risk is shared. Insurers may even end up with an improved capital position by writing the business – an unusual position for bulk annuities, which usually require insurers to put up capital.

Funded reinsurance also lets insurers invest quickly at scale. For example, for a £1bn buy-in, an insurer could use funded reinsurance for 50%. It would then only need to source £500m of assets, rather than £1bn

Economics
The reinsurer may offer pricing that makes it more profitable for the insurer to pass on the risks than retain them. An insurer could also use the capital savings of undertaking funded reinsurance to improve its return on capital.

What are the PRA's expectations?

The PRA's letter to insurance company CEOs restated its concerns that growth in funded reinsurance could pose a risk if it is not properly controlled. The regulator noted that while it had seen some improvements in risk management of funded reinsurance, it expects insurers to go further. The PRA mandated firms to give it information at the end of October 2024 to show whether their funded reinsurance arrangements and associated risk management frameworks meet the PRA's expectations.

The PRA also said that if it considers an insurer doesn't meet the expectations set out in the supervisory statement, the regulator may seek to take further action or use its powers. The PRA could force an insurer to hold additional capital, or restrict its use of funded reinsurance. It will be interesting to see if the PRA issues further guidance in 2025 after analysing firms' responses to the October information request – these might give an indication as to whether expectations are being met.

The PRA will incorporate funded reinsurance into one of the areas of its published industry-wide stress test, which will next be undertaken later this year.

What does this mean for pension schemes?

It's clear that while the PRA has seen improvements in the risk management approaches to funded reinsurance, it thinks that more work is needed. The PRA appears to remain concerned about the potential for funded reinsurance to be used at scale to meet demand from pension schemes.

Watch our webinar on-demand for more.

Any strengthening of the collateral parameters and contractual terms may increase the cost of funded reinsurance, which has the potential to dampen its use, particularly where an insurer's primary rationale for use was based on pricing impact.

For pension schemes with existing buy-ins or those considering buying in, we believe trustees and sponsors should take comfort from the PRA's approach to ensuring effective risk management of funded reinsurance.

A common misconception is that of a one-to-one correspondence between the risk of recapture of a funded reinsurance contract and a trustee's bulk annuity policy. When assessing the insurer's financial strength, a pension scheme should consider the prevalence of funded reinsurance across the whole of the insurer's investment portfolio, and not whether the specific bulk annuity transaction is being supported by funded reinsurance. We also suggest a scheme consider the insurer's risk management approach to funded reinsurance.

When we advise pension schemes on risk transfer, we look to Club Vita for the latest longevity tools and insights. Club Vita provides longevity analytics across the pensions industry, including to insurers and reinsurers who sit on the 'other side' of risk transfer transactions. Club Vita also prepares a range of longevity scenarios to help pension funds and insurers explore the potential effects of longer-term longevity changes. In this article, Club Vita explores the impact of potential significant increases in future lifespan and health span.

How well is the risk of living longer really understood?

With many schemes hedging their interest rate and inflation risk as part of their endgame journey, longevity risk is now one of the most significant risks that DB pension schemes face. Therefore, being able to quantify this risk is increasingly important, particularly as schemes consider their final moves to run-on/self-sufficiency or buy-out.

However, longevity trends have proved difficult to predict over recent decades, and future extreme longevity events could be overlooked, posing the question: how well is the risk of living longer really understood?

Incorporating future longevity improvements into assumptions

Actuaries traditionally set longevity assumptions in two parts:

1. the probability of death today (the baseline assumption)
2. how that probability will change in future (the future improvement assumption)

The first part looks at current mortality rates, which can be measured objectively using a combination of historical data from the scheme and the industry. Future improvements in longevity are far more subjective. They reflect views on the potential future drivers of life expectancy, such as medical advances, behavioural changes and economic growth, both in the short and the long term.

Most actuaries would agree that life expectancies will continue to improve in the decades to come, but how do they determine the *level* and *timing* of any gains? A key piece in the puzzle is considering how to *blend* short-term mortality rates to the chosen long-term rate. Most users will adopt a 'slow and steady' approach, assuming life expectancy increases steadily over time. However, in reality, longevity improvements don't always materialise in this way.

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Historical waves of large improvements in life expectancies

History tells us that when significant medical innovations and positive lifestyle changes are combined together, it can result in a dramatic shift in life expectancy.

The most recent large shift occurred in the 1990s and 2000s. It was largely attributable to improvements in treatment for heart disease, as well as behavioural changes such as quitting smoking, and increased management of blood pressure and cholesterol.

The probability of an average 65-year-old man dying before his 70th birthday

This was a perfect storm that resulted in remarkable changes in mortality rates for those at or around retirement age. Based on Human Mortality Database data, the chance of an average 65-year-old man dying before his 70th birthday halved from 1 in 7 in 1991 to 1 in 14 in 2011.

This acceleration of longevity improvements certainly wasn't predicted, and considerable effort was required by actuaries to incorporate these emerging trends into their models'.

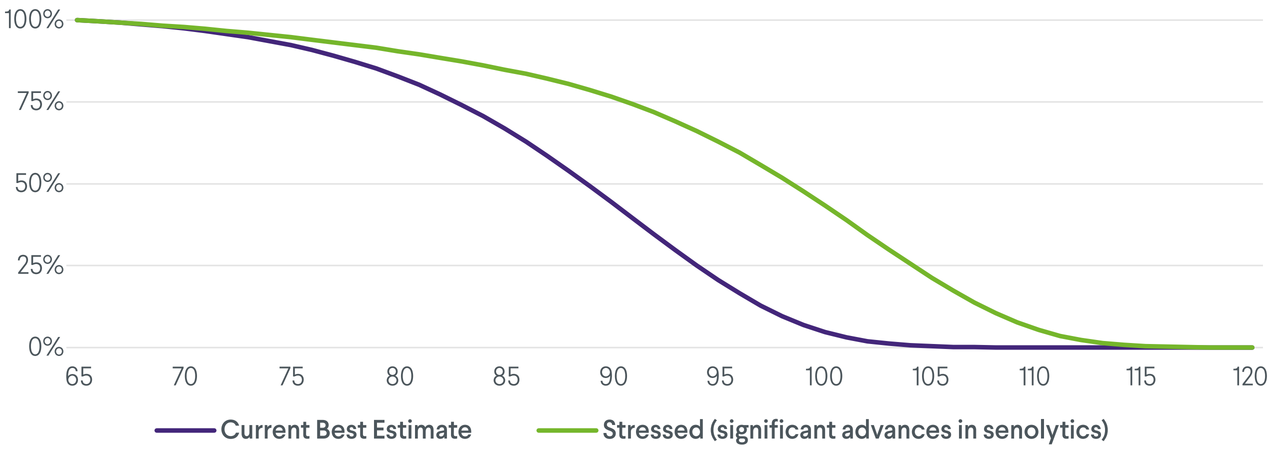
The cardiovascular revolution (as described previously) largely affected people in middle age and in the earlier stages of retirement. Now that we're in the fortunate position where people are more likely than not to see their 80th birthday, some experts predict that the next breakthrough will relate to the mortality of older people. Could we see a similar unexpected wave of large improvements in the future among older ages?

Potential future longevity events

Several plausible scenarios could lead to large increases in life expectancy at more advanced ages. One possibility is through a new class of drugs known as senolytics. Senolytic drugs are aimed at reducing the impact of ageing by clearing out senescent cells in the body. Senescent cells are damaged cells that can no longer replicate themselves – they build up as we age and are believed to trigger various physical signs of ageing.

According to Richard Faragher at the University of Brighton, a breakthrough in senolytics in the next 20 years could increase life expectancy at age 65 by around 10 years (this also depends on corresponding manufacturing and supply developments). Under current best estimate projections, a 65-year-old man in a medium or high socio-economic class has a 5% chance of living to 99. Under the stressed scenario, the chance of survival increases to almost 50%.

Probability of a 65-year-old man surviving to a certain age



Source: Club Vita calculations assuming VitaCurves base mortality for a medium/high socio-economic male (CV23v2_1921_MPNalgGpb5), best estimate improvements of CMI_2023 (core) 1.25% long term rate and stressed scenario that trends to mortality rates for (x-10) years by 2044

At a real discount rate of 2%, this scenario could increase a pension scheme's liabilities by around 25%. If the improvements were to happen over a short time, these increases could be difficult to swallow.

This is just one potential future breakthrough though. In Club Vita's Risk of Living Longer webinar series, we talked to industry experts about various scenarios that could have a material impact on life expectancies.

Given current advances in medical and technological research, it's plausible that at least some of these scenarios could occur. If they do, they could drastically change the outlook for life expectancy used in actuarial circles.

Even if these extreme future longevity events don't represent a best estimate of the future, they should not be ignored – being aware of potential blind spots is crucial.

Questions for trustees and insurers

Trustees of pension schemes and insurers should be asking:

- What are the biggest potential drivers of future improvements in life expectancy?
- How close are we to a breakthrough in extending lives?
- Would a future breakthrough take the form of a step change in life expectancy or a steady increase?
- What risks or opportunities could arise?

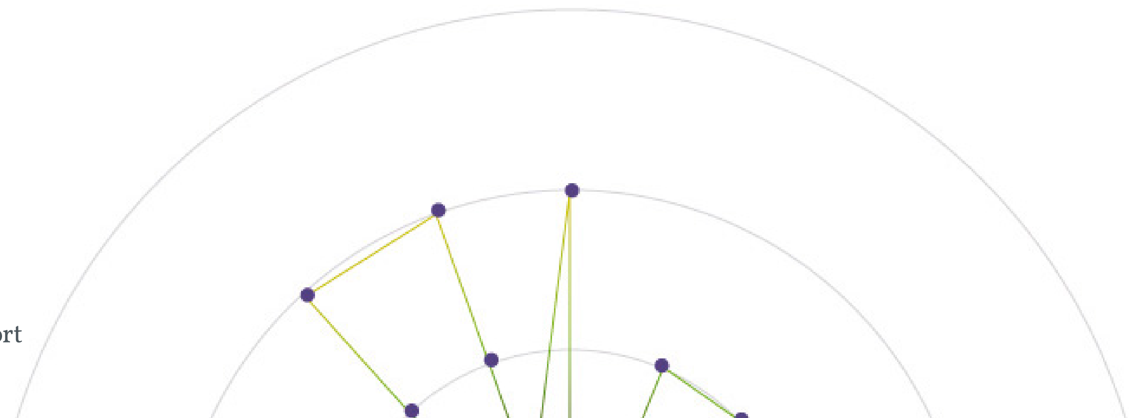
The point is not to predict the exact outcome of these scenarios, but the enormous range of outcomes that could happen. Do you think you are prepared to retain such a risk?

- **What do I need to do to understand how much longevity risk my scheme is running?**
- **Does it make sense to hedge my scheme's longevity risk? If so, does a longevity swap or buy-in make more sense, given my situation and objectives?**

Learn more about Club Vita

Club Vita is an independent longevity data analytics company, which facilitates the pooling and statistical analysis of demographic data from defined benefit pension schemes to reveal insights that would not be evident to the schemes acting alone. Club Vita was founded in the UK in 2008, and established operations in Canada in 2015 and the USA in 2019. Today, Club Vita analytics are seen as a global longevity currency, used by pension schemes, advisers, asset managers and the insurance market to develop strategies that actively monitor and manage longevity risk.

For further information, please see https://www.clubvita.net/uk



Thank you for reading our 2025 Risk Transfer Report, we hope you found it insightful.

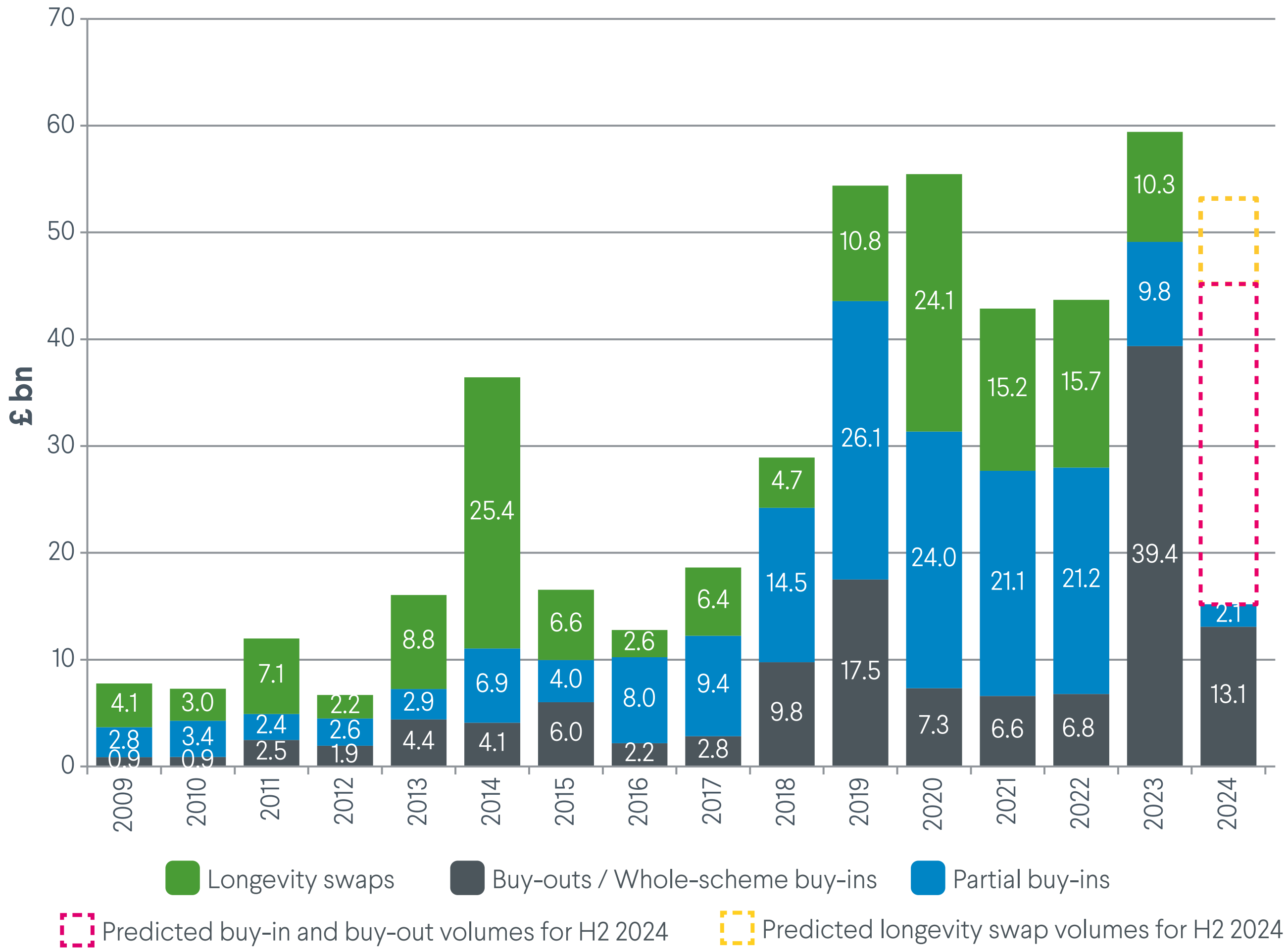
A massive thank you to all of our authors and reviewers! If you'd like to discuss anything further, please get in touch with one of our team, or contact us here.

We're here to help DB schemes achieve excellence in endgames, cut through the complexity, identify the right endgame strategy, and help develop and execute a strategy that puts member outcomes at its heart.

Read more on our Excellence in Endgames hub.

Appendix

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



Largest buy-ins and buy-outs in 2024

The following table lists all disclosed 2024 bulk annuity transactions over £200m.

Pension scheme		Provider	Value	Date
1.	Undisclosed	Rothesay	£3,550m	Q2 2024
2.	G4S Pension Scheme	Just	£1,800m	H2 2024
3.	National Grid Electricity Group of the Electricity Supply Pension Scheme	Aviva	£1,700m	H2 2024
4.	Michelin Pension and Life Assurance Plan	Aviva	£1,500m	H2 2024
5.	Compass Group Pension Plan	Standard Life	£1,500m	H2 2024
6.	Sanofi Pension Scheme	L&G	£1,400m	H2 2024
7.	Coats UK Pension Scheme	PIC	£1,300m	H2 2024
8.	RAC (2003) Pension Scheme	Aviva	£1,300m	Q3 2024
9.	Total Energies	PIC	£1,200m	Q2 2024
10.	SCA UK Pension Plan	L&G	£1,100m	H2 2024
11.	Deutsche Bank Pension Scheme	L&G	£1,100m	H2 2024
12.	De Beers UK Pension Scheme	PIC	£870m	Q1 2024
13.	Invista	L&G	£700m	Q1 2024
14.	Debenhams	Clara-Pensions	£600m	Q1 2024
15.	Clarks Footwear Pension Fund	PIC	£540m	Q4 2024
16.	Next Group	PIC	£510m	Q1 2024
17.	Undisclosed	Aviva	£500m	Q1 2024
18.	Undisclosed	M&G	£500m	H2 2024
19.	Undisclosed	Rothesay	£490m	Q2 2024
20.	ANZ	Standard Life	£450m	Q2 2024
21.	Undisclosed	Aviva	£390m	Q1 2024
22.	Hays Pension Scheme	PIC	£370m	H2 2024
23.	TUI Group UK Pension Trust	L&G	£370m	H2 2024
24.	Royal London Group Pension Scheme	Royal London	£348m	Q1 2024
25.	NSK Pension Scheme	M&G	£309m	Q1 2024
26.	Menzies Pension Fund	Just	£260m	Q1 2024
27.	Railpen	Just	£250m	Q2 2024
28.	Halma Group Pension Plan and Apollo Pension and Life Assurance Plan	Standard Life	£250m	H2 2024
29.	Finning Pension Scheme	Standard Life	£250m	H2 2024
30.	Wates Pension Fund	Clara-Pensions	£210m	H2 2024
31.	Arqiva Defined Benefit Pension Plan	PIC	£204m	Q2 2024

Longevity swaps – deals since 2009

The following table lists all pension scheme longevity swaps that have been disclosed.

Organisation	Date	Pension schemes	Provider	Approximate value
Babcock	Q3 2009	3	Credit Suisse	£1.2bn
RSA Insurance	Q3 2009	2	Rothesay Life	£1.9bn
Berkshire	Q4 2009	1	Swiss Re	£1.0bn
BMW	Q1 2010	1	Abbey Life	£3.0bn
British Airways	Q3 2010	1	Rothesay Life	£1.3bn
Pall	Q1 2011	1	JP Morgan	£0.1bn
ITV	Q3 2011	1	Credit Suisse	£1.7bn
Rolls Royce	Q4 2011	1	Deutsche Bank	£3.0bn
Pilkington	Q4 2011	1	Legal & General	£1.0bn
British Airways	Q4 2011	1	Rothesay Life	£1.3bn
Akzo Nobel	Q2 2012	1	Swiss Re	£1.4bn
LV=	Q4 2012	1	Swiss Re	£0.8bn
BAE Systems	Q1 2013	1	Legal & General	£3.2bn
Bentley	Q2 2013	1	Abbey Life	£0.4bn
Carillion	Q4 2013	5	Deutsche Bank	£1.0bn
AstraZeneca	Q4 2013	1	Deutsche Bank	£2.5bn
BAE Systems	Q4 2013	2	Legal & General	£1.7bn
Aviva	Q1 2014	1	Own insurer conduit - Munich Re, SCOR and Swiss Re	£5.0bn
BT	Q2 2014	1	Own insurer conduit - PICA	£16.0bn
PGL	Q3 2014	1	Own insurer conduit - Phoenix Life	£0.9bn
MNOPF	Q4 2014	1	Own insurer conduit - Pacific Life Re	£1.5bn
ScottishPower	Q4 2014	1	Abbey Life	£2.0bn
AXA UK	Q3 2015	1	Own insurer conduit - RGA	£2.8bn
Heineken	Q3 2015	1	Aviva	£2.4bn
RAC (2003)	Q4 2015	1	Own insurer conduit - SCOR	£0.6bn
Undisclosed	Q4 2015	1	Zurich	£0.09bn
Serco	Q4 2015	1	Undisclosed	£0.7bn
Pirelli Tyres Limited	Q3 2016	2	Zurich	£0.6bn
Manweb Group	Q3 2016	1	Abbey Life	£1.0bn
Undisclosed	Q4 2016	1	Zurich	£0.05bn
Undisclosed	Q4 2016	1	Legal & General	£0.9bn
Undisclosed	Q1 2017	1	Zurich	£0.3bn

Table continues on the next page.

Organisation	Date	Pension schemes	Provider	Approximate value
Skanska	Q2 2017	1	Zurich	£0.3bn
SSE	Q2 2017	1	Legal & General	£0.8bn
Marsh & McLennan Companies	Q3 2017	1	Own insurer conduit - Canada Life Re and PICA	£3.4bn
British Airways	Q3 2017	1	Own insurer conduit - Canada Life Re and Partner Re	£1.6bn
National Grid	Q2 2018	1	Zurich	£2.0bn
Lafarge	Q3 2018	2	Own insurer conduit - Munich Re	£2.4bn
Undisclosed	Q3 2018	1	Legal & General	£0.3bn
HSBC	Q3 2019	1	Own insurer conduit - PICA	£7.0bn
HSBC	Q3 2019	1	Own insurer conduit - Swiss Re	£3.5bn
Undisclosed	Q4 2019	1	Zurich	£0.8bn
AXA UK	H2 2019	1	Undisclosed	£0.6bn
Lloyds Banking Group	Q1 2020	3	Scottish Widows - Pacific Life Re	£10.0bn
Willis Towers Watson	Q1 2020	1	Own insurer conduit - Munich Re	£1.0bn
UBS (UK)	Q2 2020	1	Zurich - Canada Life Re	£1.4bn
Prudential	Q4 2020	1	Own insurer conduit - Pacific Life Re	£3.7bn
Barclays Bank UK	Q4 2020	1	Own insurer conduit - RGA	£5.0bn
BBC	Q4 2020	1	Zurich - Canada Life Re	£3.0bn
AXA UK	Q1 2021	1	Hannover Re	£3.0bn
Fujitsu	Q2 2021	1	Own insurer conduit - Swiss Re	£3.7bn
Undisclosed	Q2 2021	1	Zurich - PICA	£6.0bn
Undisclosed	Q4 2021	1	Zurich - MetLife	£2.6bn
Lloyds Banking Group	Q1 2022	1	Scottish Widows - SCOR	£5.5bn
Undisclosed	Q2 2022	1	Zurich - Partner Re	£1.0bn
UBS (UK)	Q3 2022	1	Zurich - Canada Life Re	£0.5bn
Balfour Beatty	Q4 2022	1	Zurich - SCOR	£1.7bn
Barclays Bank UK	Q4 2022	1	PICA	£7.0bn
Nationwide	Q2 2023	1	Zurich - PFI	£1.7bn
Yorkshire and Clydesdale Bank (YCB)	Q2 2023	1	Zurich - Pacific Life Re	£1.6bn
BT	H2 2023	1	Reinsurance Group of America	£5.0bn
MMC UK	H2 2023	1	Munich Re	£2.0bn
Merchant Navy Ratings	H2 2024	1	MetLife	£0.5bn
Airways Pension Scheme	H2 2024	1	Zurich - MetLife	£0.3bn
Total to date		**64 (deals)**		**£150.2bn**

Insurer summary insights

Aviva

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
744	**£38.2bn**	**£51m**

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
13%	**76**	**£71m**

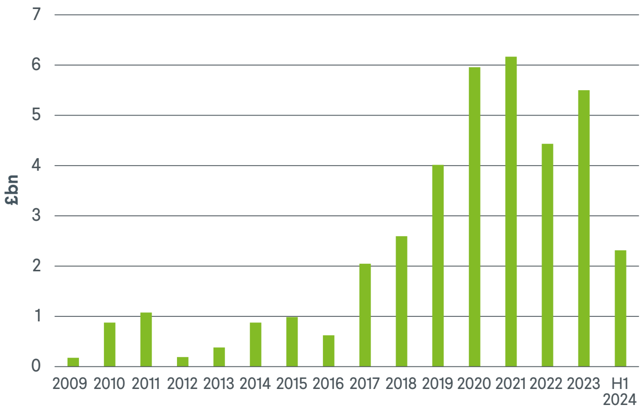
Team size

240
(including internal support, administration and pricing teams)

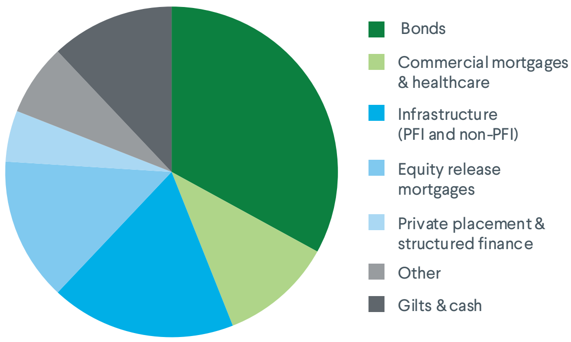
Administration

In-house

Volume of DB annuity transactions



Annuity asset strategy



Source: Aviva, as at 30 June 2024

External ratings: Aviva Life & Pensions UK Ltd

AKG Financial Strength Rating	Fitch Credit Rating
B+ (October 2024)	**AA-** (November 2024)

Recent developments

Aviva completed a £1.3bn buy-in with RAC in August 2024 and £1.7bn pensioner buy-in with National Grid in October 2024. In April 2024, Aviva announced the formal launch of Aviva Clarity – a streamlined bulk annuity service for smaller schemes, having already transacted a number of schemes under this service.

Canada Life

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
55	£5.5bn	£101m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
3%	17	£67m

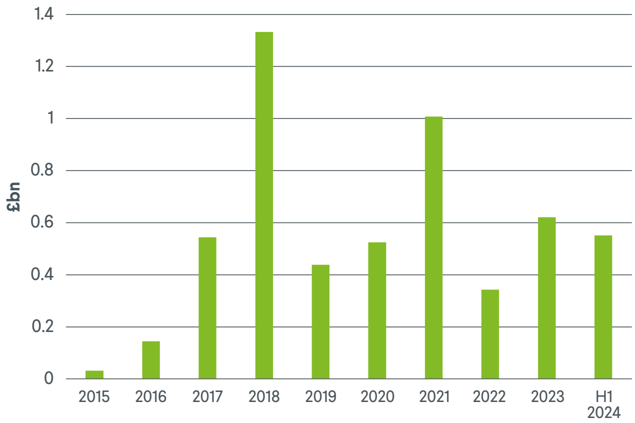
Team size

55
(split across pricing, administration and implementation)

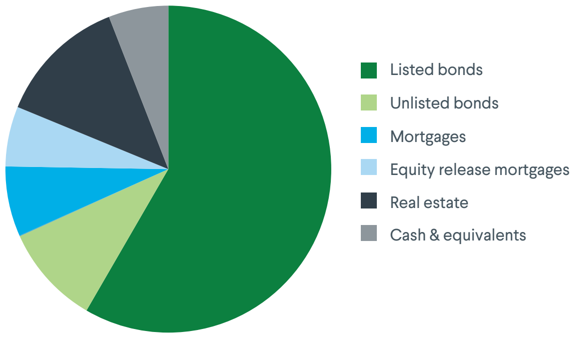
Administration

Aptia

Volume of DB annuity transactions



Annuity asset strategy



Source: Canada Life, as at 30 June 2024

External ratings: Canada Life Ltd

AKG Financial Strength Rating	Fitch Credit Rating
B+ (August 2023)	AA (October 2024)

Recent developments

Canada Life completed a £250m full-scheme buy-in with Kion Group that covered benefits from five schemes.

Just

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
332	**£16.1bn**	**£48m**

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
9%	**100**	**£39m**

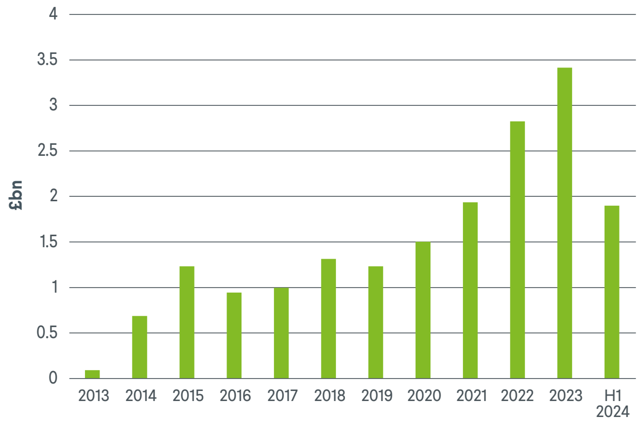
Team size

150
(including 40 in pricing and 75 in administration)

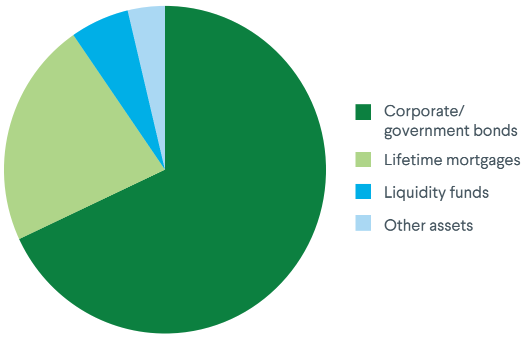
Administration

Aptia

Volume of DB annuity transactions



Annuity asset strategy



Source: Just, as at 30 June 2024

External ratings: Just Retirement Limited

AKG Financial Strength Rating	Fitch Credit Rating
B+ (July 2024)	**A+** (October 2024)

Recent developments

Just completed 129 transactions over 2024, including its largest to date, a £1.8bn buy-in with the G4S pension scheme.

In June 2024, Just launched a service to provide financial advice to non-pensioner members of any defined benefit scheme that has secured its benefits with Just Group through a buy-out. This service will be provided through HUB Pension Consulting, part of the Just Group.

Legal & General

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
851	£71.5bn	£84m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
19.3%	26	£320m

Team size

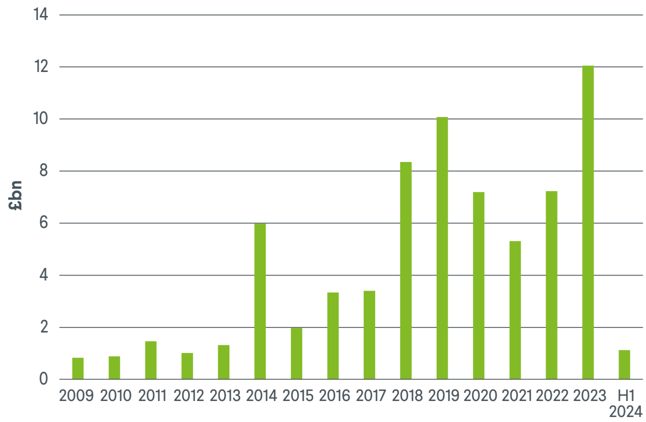
310

(100 in pricing, 50 in transitions and onboarding and 160 in administration)

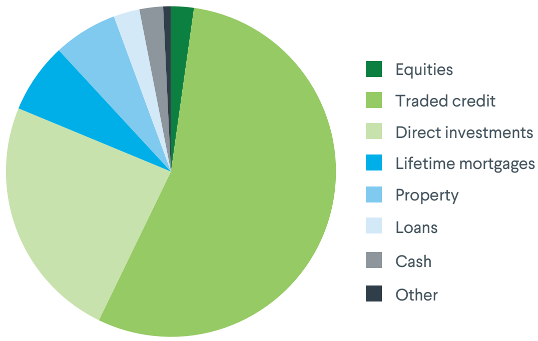
Administration

In-house

Volume of DB annuity transactions



Annuity asset strategy



Source: L&G, as at June 2024

External ratings: Legal And General Assurance Society Limited

AKG Financial Strength Rating	Fitch Credit Rating
B+ (May 2024)	**AA-** (August 2024)

Recent developments

In 2024, L&G completed a £900m buy-in with the ICI Pension Fund in May, a £1.1bn buy-in with the SCA UK Pension Plan in August and a £1.1bn buy-in with the Deutsche Bank Pension Scheme in October. In 2024 L&G invested in its streamlined Flow proposition, with the ambition of increasing its capacity to transact with small schemes.

M&G

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
24	£6.0bn	£251m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
2%	3	£309m

Team size

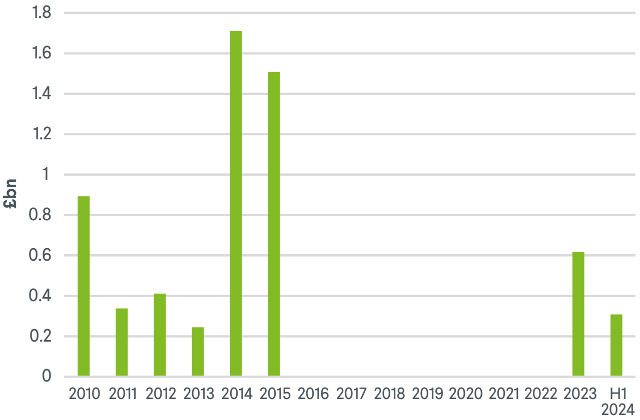
40

(covering organisation & execution, pricing, operations & propositions, legal and marketing)

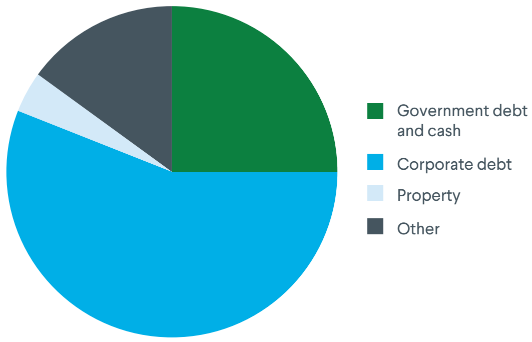
Administration

WTW

Volume of DB annuity transactions



Annuity asset strategy



Source: M&G, as at 30 June 2024

External ratings: The Prudential Assurance Society Limited

AKG Financial Strength Rating	Fitch Credit Rating
A (September 2023)	**AA-** (June 2024)

Recent developments

In November 2024 M&G completed a £500m 'value share' buy-in transaction for an unnamed pension scheme, which includes a mechanism whereby the future risk and reward of the transaction is shared with the pension scheme's sponsor.

In January 2025 Kerrigan Procter joined M&G as Managing Director of Corporate Risk Solutions. Kerrigan previously held a number of executive leadership positions at Legal & General.

PIC

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
270	£59.1bn	£219m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
8.1%	18	£194m

Team size

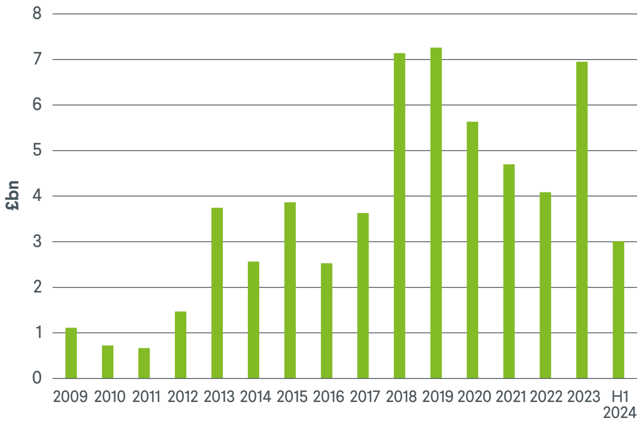
245

(including 100 in pricing and 130 in administration)

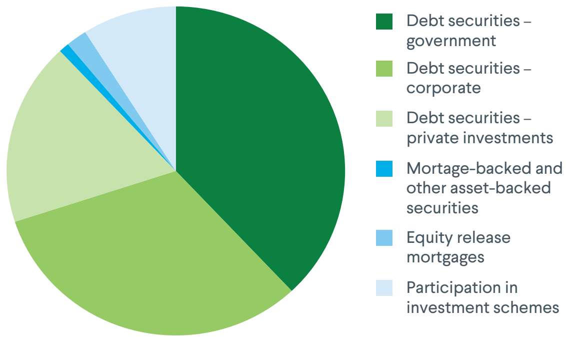
Administration

Capita

Volume of DB annuity transactions



Annuity asset strategy



Source: PIC, as at 30 June 2024

External ratings: PIC plc

AKG Financial Strength Rating	Fitch Credit Rating
B+ (September 2024)	**A+** (August 2024)

Recent developments

In 2024, PIC completed a £870m buy-in with De Beers, a £1.2bn buy-in with the TotalEnergies pension scheme, a £1.3bn buy-in with the Coats UK pension schemes, and a second buy-in with the Clarks pension scheme of £540m. PIC launched a streamlined solution in 2024 for pension schemes under £100m and announced its first transaction using this solution in December, a £20m buy-in.

Rothesay

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
94	£57.6bn	£613m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
35%	10	£1,495m

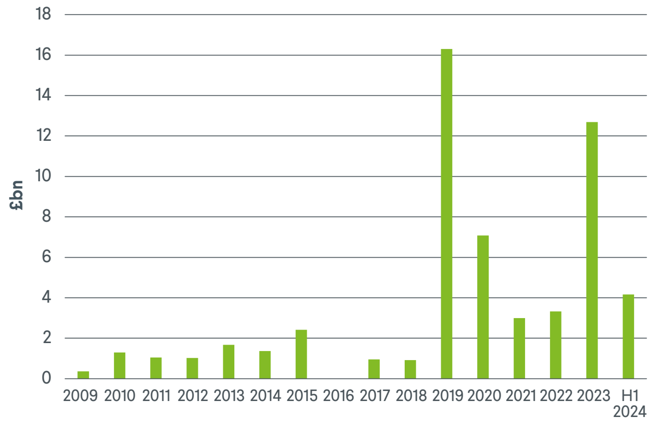
Team size

159
(across pricing, business development, transition and in-house buy-in administration)

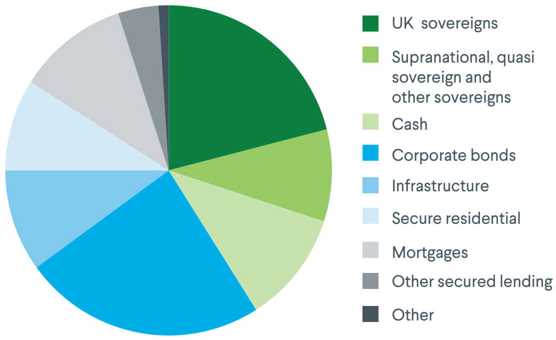
Administration

WTW, Aptia and Capita

Volume of DB annuity transactions



Annuity asset strategy



Source: Rothesay, as at 30 June 2024

External ratings: Rothesay Life plc

AKG Financial Strength Rating	Fitch Credit Rating
B+ (August 2024)	**A+** (February 2024)

Recent developments

In March 2024 Rothesay announced the purchase of Scottish Widows' £6bn bulk annuity portfolio. Rothesay also announced a £3.6bn buy-in with an unnamed scheme in May 2024.

Royal London

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
2	£0.6bn	£298m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
1%	2	£298m

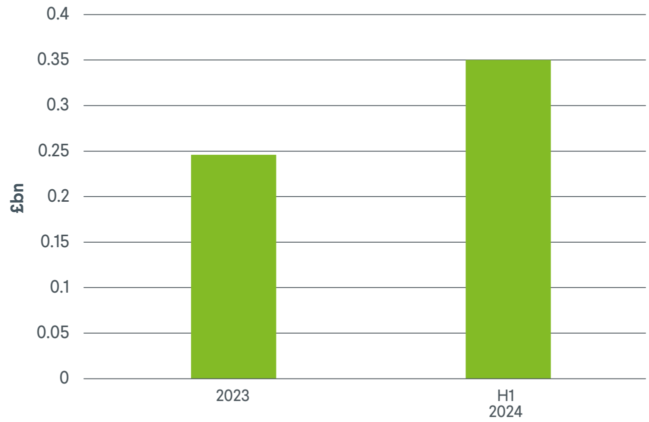
Team size

55

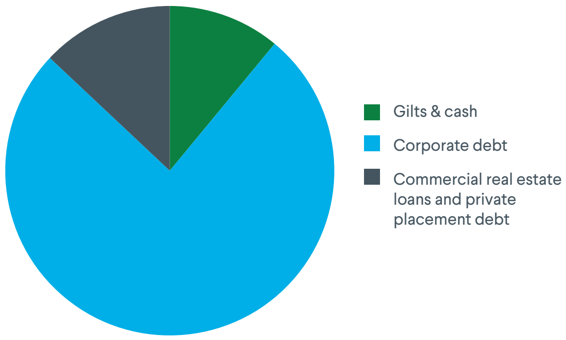
Administration

In-house

Volume of DB annuity transactions



Annuity asset strategy



Source: Royal London, as at 30 June 2024

External ratings: Royal London

AKG Financial Strength Rating	Fitch Credit Rating
B+ (August 2024)	**N/A**

Recent developments

After completing two transactions for its own schemes within the Royal London Group, Royal London has formally entered the bulk annuity market and completed three further buy-ins with external pension schemes, covering around £200m of liabilities.

Standard Life

2009 to end of H1 2024

Risk Transfer deals tracker

Transactions completed	Value of transactions	Average transaction size
57	£24.6bn	£432m

Twelve months ending 30 June 2024

Risk Transfer deals tracker

Market share	Number of transactions	Average transaction size
10%	11	£394m

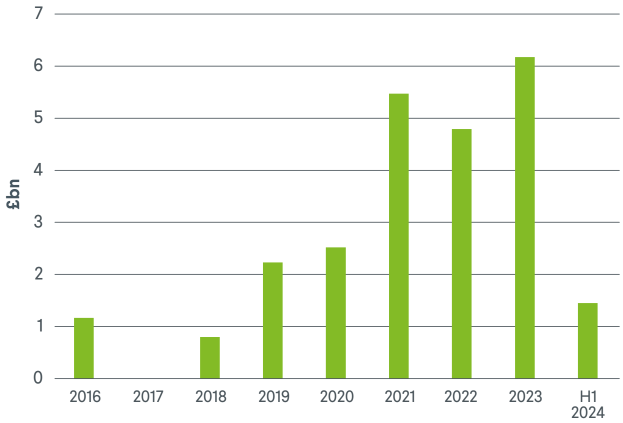
Team size

250
(including 27 in pricing and 57 in administration)

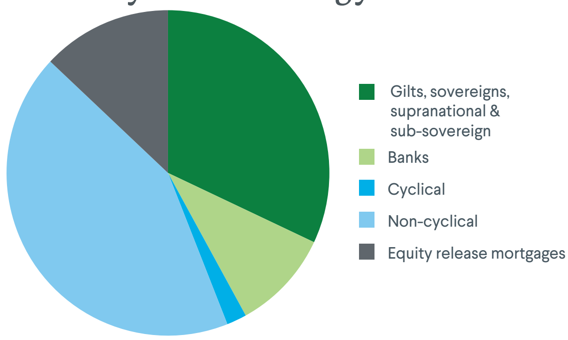
Administration

Equiniti

Volume of DB annuity transactions



Annuity asset strategy



Source: Phoenix Group Holdings plc half year 2024 results

External ratings: Phoenix Life Limited

AKG Financial Strength Rating	Fitch Credit Rating
B+ (November 2023)	**AA-** (November 2023)

Recent developments

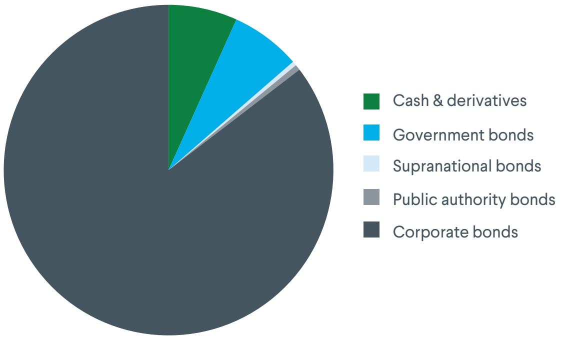
In 2024 Standard Life completed a £1.5bn buy-in transaction with the Compass Group pension scheme and a £880m buy-in with the Rolls Royce & Bentley Pension Fund.

Utmost Life and Pensions

Team size
20

Administration
In-house

Annuity asset strategy



Source: Provided by Utmost, as at 31 December 2024

External ratings: Utmost Life and Pensions Limited

AKG Financial Strength Rating	Fitch Credit Rating
B (September 2024)	**N/A**

Recent developments

Utmost entered the market in 2024. Its first two external transactions both completed in the final quarter of 2024. In October 2024, Andrew Stoker joined Utmost Life and Pensions as CEO, having previously been CFO at Rothesay.

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Derivatives

All forms of derivatives can provide significant benefits, but may involve a variety of significant risks. Derivatives, both exchange traded and OTC, include options, forwards, swaps, swaptions, contracts for difference, caps, floors, collars, combinations and variations of such transactions, and other contractual arrangements (including warrants) which may involve, or be based upon one or more of interest rates, currencies, securities, commodities, and other underlying interests.

The specific risks presented by a particular derivative transaction depends upon the terms of that transaction and your circumstances. It is important you understand the nature of these risks before entering into a derivative contract.

In general, however, all derivatives involve risk including (amongst others) the risk of adverse or unanticipated developments of a market, financial or political nature or risk of counter-party default.

In addition, you may be subject to operational risks in the event that your manager(s) does not have in place appropriate legal documentation or internal systems and controls to monitor exposures of this nature.

In particular, we draw your attention to the following:

- Small changes in the price of the underlying security can lead to a disproportionately large movement, unfavourable or favourable, in the price of the derivative.
- Losses could exceed the amount invested. There may be a total loss of money/premium. Further, an investor may be called on to make substantial additional payments at short notice. Failure to do so in the time required can result in additional loss.
- The right to subscribe is invariably time limited; if such a right is not exercised within the pre-determined timescale, the derivative may be rendered worthless.
- Not all derivatives are liquid (that is, they may be difficult or, at times, impossible to value or sell). You may incur substantial costs if you wish to close out your position. OTC derivatives in particular can introduce significant liquidity risk and other risk factors of a complex character.
- OTC derivatives may result in exposure to the creditworthiness of the derivative counter-party.
- Derivatives used as part of 'protection' strategies may still expose the investor to an unavoidable difference between the underlying asset (or other interest) and the protection offered by the derivative.

General Investment Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes but is not limited to equities, government or corporate bonds, derivatives and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of investments. As a result, an investor may not get back the full amount of the original investment. Past performance is not necessarily a guide to future performance.