LCP's predictions for the Irish de-risking market in 2024

- The New Year is often a time for reflection, and after a busy 2023, we have been reflecting on the future of de-risking for Irish pension schemes and what might lie ahead for trustees, sponsors and advisors in 2024.
- Many Irish DB schemes are in very strong funding positions as a result of favourable market conditions from 2022 onwards. Bulk annuities in the form of buy-ins or buy-outs are an attractive investment and risk management option given DB surplus positions and the compelling pricing available (more on slide 2).
- Our predictions for Irish pension scheme de-risking in 2024 are:

1	The **pace of DB scheme wind-ups will accelerate** due to a combination of factors (e.g. strong funding levels, IORP II cost burden, deferred annuity contracts etc)
2	The first **deferred member buy-in/buy-out** will take place making **full scheme settlements possible for the first time**.
3	**New insurer entrants** will win business and grow market share, stoking further competition among Irish insurers.
4	**Buy-in / buy-out volumes** will exceed previous record levels, with total deal volumes exceeding **€1 billion**.

- **Some of LCP's de-risking resources from 2023 (click picture for access):**

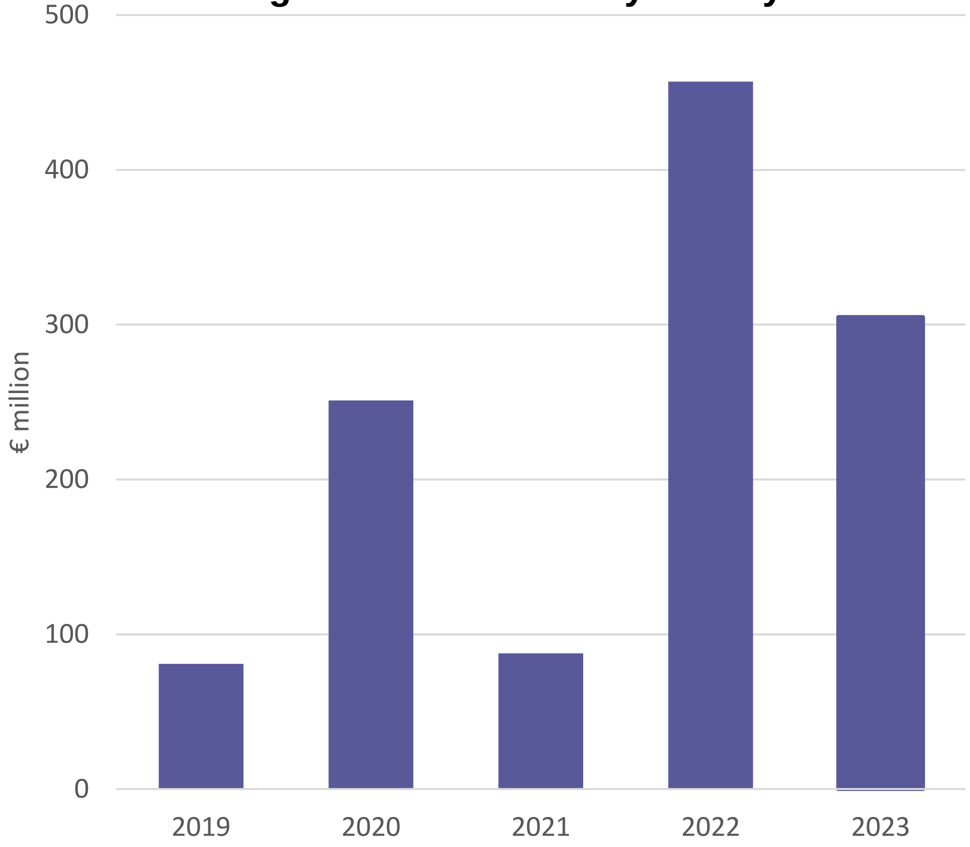
DB Endgame Presentation at IAPF Autumn Conference

2023 Pensions Accounting Brief

2023 de-risking in charts

It was another busy year for pension scheme buy-ins / buy-outs with attractive yields on offer. Insurance companies continue to provide returns on buy out which exceed the returns on Government Bonds.

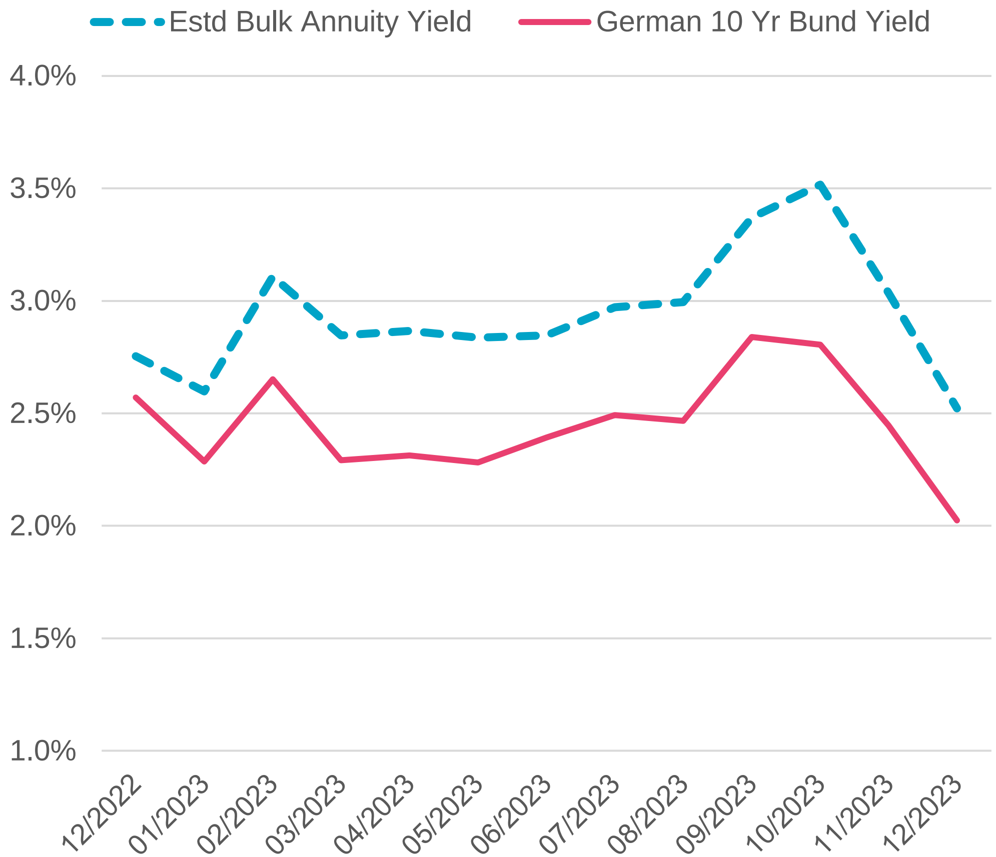
Figure 1 – Bulk annuity activity



- 2023 saw a decline in transaction volumes relative to 2022.
- **Given the significant levels of quotation activity and the developments around deferred annuities, we expect 2024 volumes to be the highest yet.**

Source: Insurance companies, LCP analysis

Figure 2 – Estimated bulk annuity yields



- The implied return on bulk annuity moved in tandem with bond yields over 2023.
- **On average, bulk annuity offered an additional c 0.5% p.a. return above German bunds of appropriate duration.**

Source: LCP insurer pricing model. The model is calibrated against live quotation and final transaction pricing. Final transaction pricing depends on a wide range of factors such as transaction size, benefit structure, membership profile and insurer appetite and can differ materially from that shown above.

Our pension scheme de-risking specialists

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