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Legal & General Profits Surge on Pension Transfers

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Legal & General (L&G), the UK's largest investment manager, has posted a significant rise in profits as demand soars for pension risk transfers (PRTs), a trend driven by British employers seeking to offload defined benefit schemes.

During the first half of 2025, the FTSE 100 firm secured £3.4 billion in PRT deals, a substantial increase from £1.5 billion in the same period last year. These arrangements, where companies hand over the responsibility of managing legacy pensions to financial institutions, remain one of the most profitable areas for L&G.

The strong performance pushed L&G's pre-tax profit to £859 million, marking a 6% rise compared to the previous year. With assets under management exceeding £1 trillion, the firm is positioning itself to capture a larger share of what it estimates to be a £42 billion pipeline of potential deals.

Chief executive Antonio Simoes confirmed the company's ambitions to expand in this sector, stating in a recent update that L&G remains "firmly on track" to meet its strategic targets. The firm also reaffirmed its commitment to return £5 billion to shareholders over three years.

Employers have become increasingly eager to divest themselves of costly defined benefit schemes, many of which are closed to new members but continue to accrue financial obligations. However, this growing market has drawn attention from global competitors.

In July, Pension Insurance Corporation was acquired by Athora, backed by US private equity powerhouse Apollo Global, in a deal worth £5.7 billion. More recently, Canadian investment giant Brookfield made a £2.4 billion bid for Just Group, a UK-listed retirement specialist.

Despite rising competition and a slight drop in its solvency ratio down to 217% from 223% L&G's shares only dipped modestly, falling 2% to 256.2p. Some analysts had expected stronger capital metrics, though the firm's broader financial outlook remains positive.

Meanwhile, Simoes has issued a stark warning about Britain's retirement savings gap. In an interview with the Daily Mail, he urged the government to reduce the minimum age for workplace pension auto-enrolment from 22 to 18.

"We need to tackle how much we as individuals and employers are contributing," he said, highlighting a long-term issue that has yet to be seriously addressed by policymakers.

The Chancellor, Rachel Reeves, has attempted to encourage employers to retain their pension schemes to boost domestic investment, but the market's shift toward risk transfers suggests that employers are choosing financial certainty over state-led guidance.

Work and Pensions Secretary Liz Kendall recently announced a formal review of the state pension age, as part of a broader inquiry into retirement saving. But for many employers, the appeal of handing pension responsibilities to firms like L&G remains compelling.