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Business

Brookfield eyes UK pensions risk deals

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Brookfield, the North American asset manager, is set to muscle in on a lucrative area of the UK pensions industry dominated by Legal & General, Aviva, Standard Life and other British insurers.

The Canadian-American firm will launch Brookfield Wealth Solutions (BWS), its insurance spin-off, as an entrant into the bulk annuity pensions market. This is where private companies with traditional defined-benefit pension schemes seek buy-in or buyout deals to transfer their risks to insurers and life assurance companies.

The UK pension risk transfer market is dominated by domestic players. M&G re-entered last year, as deals were forecast to continue to run at about £50 billion a year in the coming years. Brookfield has won approval from the UK's two main financial regulators, the Financial Conduct Authority and the Prudential Regulation Authority.

Sachin Shah, chief executive of BWS, said the insurance arm was eyeing deals worth about $4 billion a year in the UK, matching transactions it made in its main US and Canadian markets last year. Shah said that Brookfield's investment footprint in the UK — where it is a player in real estate, infrastructure and renewable energy — would allow it to enter the market "with the expectations of scale, bringing in capital and creating a lot of jobs".

Brookfield has £63 billion of investment assets in the UK, including Center Parcs, the holiday chain, Homeserve, an emergency repair service, and Canary Wharf Group, alongside the Qatar Investment Authority.

Employers with legacy defined-benefit pensions funds have rushed to take advantage of market conditions to offload their schemes to insurers and walk away from uncertain and volatile liabilities stretching decades into the future.

Trustees have largely welcomed the deals as pension promises become underwritten by insurers, which are required to hold large capital buffers and are regulated by the Bank of England, rather than a single employer.

However, the last two UK governments have pushed for defined-benefit schemes to be run on and for surpluses to be invested into risky UK assets and equities.

Rachel Reeves, chancellor, has said she wants to unlock £60 billion in defined-benefit schemes to lift economic growth, a key objective of the Labour government.

Barnett Waddingham, a leading pension scheme adviser, has warned that listed companies with traditional schemes risk missing out on hundreds of billions of pounds if they offload to insurers due to improving funding levels. Guaranteed defined-benefit schemes have been largely replaced by defined contribution pots where pensions depend on the performance of markets.