

# THE SOCIAL & ECONOMIC VALUE OF FINANCE

MEASURING THE REGIONAL FOOTPRINT & IMPACT OF THE INDUSTRY THROUGH THE LENS OF PENSION INSURANCE CORPORATION

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In partnership with:



> *The banking, insurance, and capital markets industry has a vital role to play in driving long-term investment across the UK - but it needs to make a better and more concrete case for the value of what it does. This report drills down behind the headline numbers to highlight the social and economic value of one financial services company at a regional level and the impact it has on people's everyday lives in every corner of the country.*



## The social and economic value of finance

For everyone working in the banking, insurance, and capital markets industry it is self-evident that it plays a vital role in channelling investment into the economy to support jobs and growth, and helping millions of people manage risk and save for their futures. But to most people outside of the sector, what it actually does is complex, abstract, and remote. The further you get from London, perhaps the less relevant the industry may seem. Most people (and many politicians) do not trust the industry, they do not understand it, and they do not engage with it.

This is not helped by the fact that the finance industry has traditionally talked about itself in terms of itself and often prefers talking about big abstract numbers rather than smaller but more relatable ones. Of course, the industry is a vitally important sector in its own right and is a rare UK example of a world-leading industry. It employs around 1.1 million people across the UK and generates more than 10% of tax receipts (although this is perhaps a good example of big numbers that have limited meaning or relevance to most ordinary people). This narrative can reinforce the abstract nature of the industry and a sense of 'otherness' to many people - and it misses the opportunity to engage with people about what the industry actually does and the impact it has on people's everyday lives.

## An alternative perspective

This report takes a very different approach and analyses the regional footprint of PIC, a specialist insurance company that helps trustees of defined benefit pension schemes secure their members' future pensions and invests billions of pounds in concrete projects across the UK. It drills behind the headline numbers (as of the end of 2022 PIC has insured more than 250 pension schemes with a combined value of more than £50bn, has more than 300,000 policyholders, and has invested more than £15bn across the UK) and focuses on the social and economic impact of what PIC does for a living at a local level in every corner of the UK.

This is timely for at least three reasons. First, at a time when the UK economy needs all the help it can get the industry has an opportunity to reset its relationship with wider society for decades to come by demonstrating its social and economic value, and how it contributes directly to investment, growth, and people's everyday lives. Second, in the debate on the post-Brexit reform of financial services, it highlights the role that insurers play in investment in productive assets and how they could invest more with appropriate reforms to Solvency II. And third, in the current debate on the future of pensions in the UK, it underlines how pension buyouts are an important part of the solution.

We hope this report encourages other firms across the industry to rethink how they think and talk about their business and to focus on their local and regional impact. I would like to thank PIC for providing an unusual level of access to its business; Sheenam Singhal, Seethal Kumar, and Katharina Ritter at New Financial for their diligent research and hard work; and our members for supporting our work in making the case for bigger and better capital markets. This project is a work in progress and any errors are entirely my own.

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# EXECUTIVE SUMMARY

Here is a short summary of the report:

1. **Beyond the headline numbers:** PIC is a specialist insurer that has insured the pensions of more than 300,000 individuals across more than 250 pensions schemes with a combined value of more than £50bn at the end of 2022. While these are big numbers, this report drills down behind these headline numbers to analyse what we think is more important: the footprint of PIC's day-to-day activity at a regional level, and the social and economic value of PIC's business in concrete terms in every corner of the country.
2. **Direct investments:** over the past decade PIC has invested in nearly 200 projects across the UK with a combined value of nearly £12bn. Each of these projects - from social and affordable housing in Northern Ireland and Wales, to student accommodation in Scotland and the South West, infrastructure investment in the West Midlands or North East, renewable energy off the coast of Cumbria or Humberside, or urban regeneration in Liverpool and London - has a direct social and economic impact on the local communities in which they are based.
3. **Concrete terms:** we have translated PIC's investments from big numbers into more tangible terms. We estimate that it has helped fund the construction of enough homes to accommodate 130,000 people (equivalent to the population of Solihull), enough university accommodation for 14,000 students (the entire student population of the University of Hull), and enough renewable energy to power a city the size of Aberdeen. Building these projects has created tens of thousands of direct and indirect jobs across the UK.
4. **Policyholders:** PIC's customers are individual policyholders who live in every corner of the UK, with 1,200 living in Northern Ireland, 15,000 in the West Midlands, and 24,000 in the South East. In many cases there are strong local connections between PIC policyholders and the local companies where they used to work. More than 25,000 of PIC's policyholders have attended more than 50 townhall events up and down the country.
5. **Public credit:** in addition to its direct investments PIC has invested nearly £4bn in the public bonds issued by companies operating across the UK: from utilities companies in Wales and Yorkshire, to energy firms in the North West and Scotland, and transport and infrastructure firms in London and the South East.
6. **The policy debate:** in the current debate on the reform of UK financial services, PIC's local footprint underlines how appropriate reforms to Solvency II could unlock more investment in socially useful projects across the country, and that pension buyouts have a productive role to play in the future of UK pensions.
7. **Tax contribution:** in addition to the social and economic value of PIC's investment footprint across the UK, it makes a significant direct contribution to the economy with tax and employment. PIC's total tax contribution over the past five years was more than £1.2bn from corporation tax, National Insurance, income tax, and VAT (enough to employ more than 7,000 nurses a year).
8. **Employees & diversity:** PIC business is growing fast and it has quadrupled its headcount over the past decade. It has an unusually high level of employee engagement and better performance on many diversity and inclusion metrics than the rest of the financial services industry.
9. **ESG:** PIC has more than halved its own emissions and energy consumption over the past four years on a per employee basis and has committed to get to net zero across its entire portfolio by 2050. Many of its new build housing projects are up to 40% more energy efficient than existing housing, and a number of its urban regeneration projects will operate on a net zero basis.
10. **The wider industry:** the banking, finance, and capital markets industry has a vital role to play in driving growth and investment - and a rare opportunity to reset its relationship with wider society. We hope this report helps the wider industry think about how it can make a better case for the direct social and economic value of what it does to support the day-to-days lives of millions of people in every corner of the UK.





**Tracy Blackwell**

Chief Executive Officer  
PIC

## Finance is local - but we have to explain how

The financial services industry is a vital part of our economy. Our economic wellbeing depends on a well-functioning and well-regulated sector that manages risk, rather than having it closed it down. However, there is a major disconnect between society and the financial services industry which has existed since before the Great Financial Crisis, but which has never recovered from the events of 2007/8. In short, society fundamentally doesn't trust the financial services industry.

Whilst there are good reasons for this, it is a profound problem for the country. What we have seen since the GFC is a zero-tolerance attitude from politicians and regulators which has sought to squeeze risk out of the system, and ultimately protect consumers at all costs. Whilst it is vital to protect consumers - PIC is built on providing guaranteed pensions to our policyholders - this drive has gone a long way to creating the stability of the graveyard in parts of our financial services industry and we all lose out.

However, there is a good argument to make that the financial services sector itself does not help itself in this regard, especially in how it reports its activity. Those who follow and invest in financial services companies will all be familiar with impenetrable jargon and large, complicated numbers liberally strewn throughout annual reports and accompanying press releases.

In my view, if the sector wants to reset its relationship with society, it has to start to explain itself in terms that ordinary people can easily grasp, providing more transparency and accountability. It's all very well leading the M&A league table, but it's important for the financial services industry to break those numbers down, and explain what they mean for jobs, for businesses, and for investment in the economy.

I hope that this document, which New Financial have so brilliantly put together from our data, goes some way to providing a template for the financial services industry to start explain their real impact on the economy and on ordinary people. By better explaining our business we might hope that society comes to better understand the role that we play in powering the economy.

**Tracy Blackwell**

Chief Executive Officer  
PIC



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## Social and economic impact

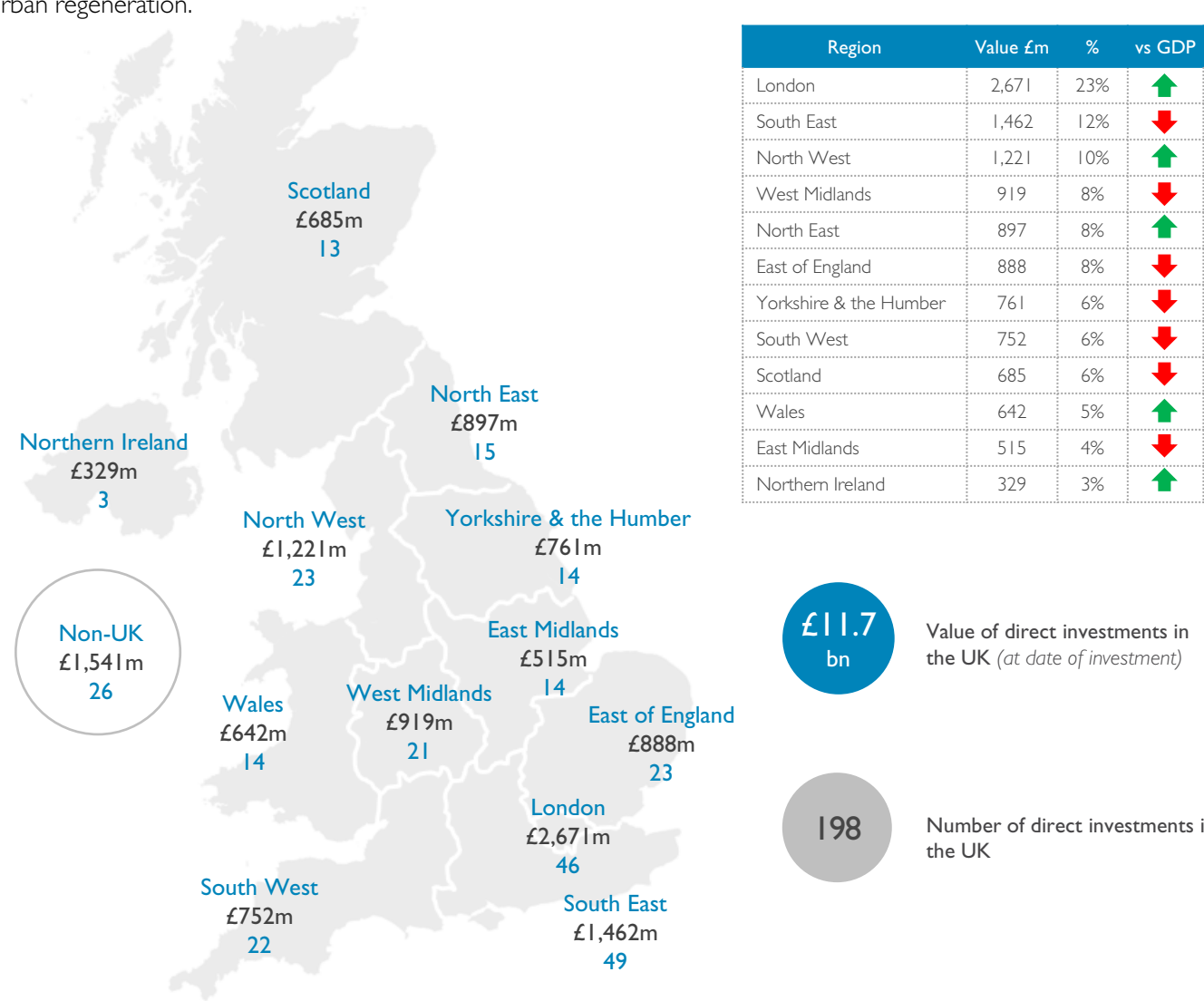
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# SUMMARY - DIRECT INVESTMENTS

Fig.1 The footprint of PIC's private direct investments across the UK

This map shows the value and number of private market and direct investments made by PIC in every region of the UK. These investments include social and affordable housing, education, infrastructure, renewable energy, and urban regeneration.



Source: New Financial estimates based analysis of data from PIC

## Levelling up in practice

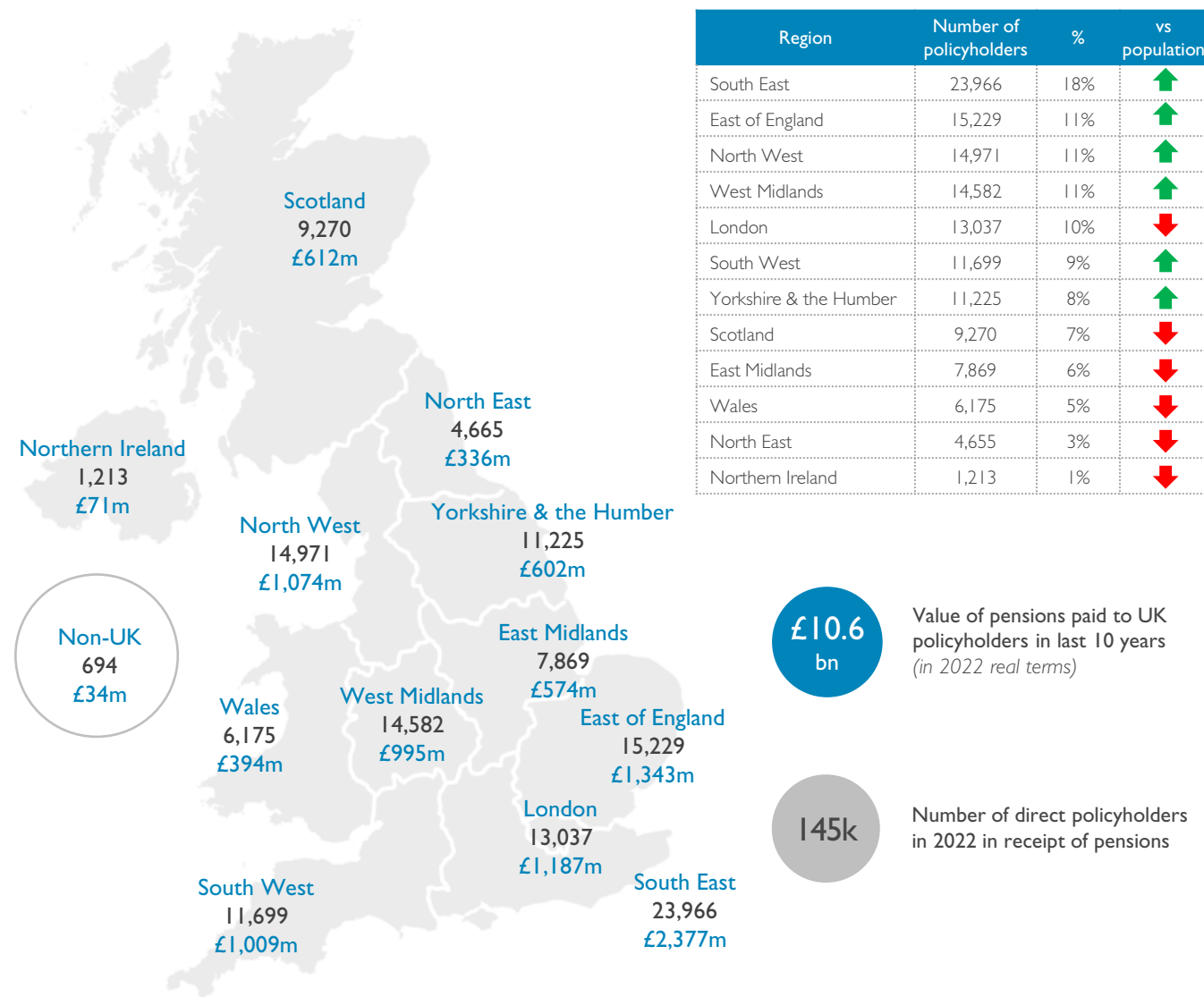
While PIC may be headquartered in London, over the past decade it has invested in specific projects in every corner of the UK. We mapped nearly 200 of PIC's privately-arranged direct debt investments and allocated their value to each of the 12 regions in the UK according to the location and activity of the project or the investee. While London and the South East dominate overall activity with 35% of the value of investment, this is only slightly higher than their combined 33% share of the UK economy. It is striking that PIC has invested more than £7.5bn in around 160 projects in the regional economies outside of London and the South East (including projects that operate in multiple regions). The North East, North West, Northern Ireland, and Wales all have a share of total investment that is higher than their share of UK GDP.



# SUMMARY - POLICYHOLDERS

Fig.2 The distribution of PIC's policyholders across the UK

This map shows the regional distribution of where PIC's direct policyholders in receipt of their pensions live and how much PIC has paid in pensions over the past decade.



Source: New Financial estimates based analysis of data from PIC

## A local connection

PIC had insured the pensions of over 302,000 individuals at the end of 2022 across the UK and we mapped the location of the 145,000 direct policyholders and how much they have received in pensions payments over the past decade (the remaining 157,000 pensioners are still administered within their original defined benefit schemes). In real terms (using 2022 money as our base) PIC has paid £10.6bn in pensions in the decade to the end of 2022, with an average payment of £7,700 last year. Its policyholders live in every corner of the UK ranging from 1,200 individuals in Northern Ireland (who have received £71m in pensions over the past decade) to 24,000 in the South East (who have received £2.4bn).

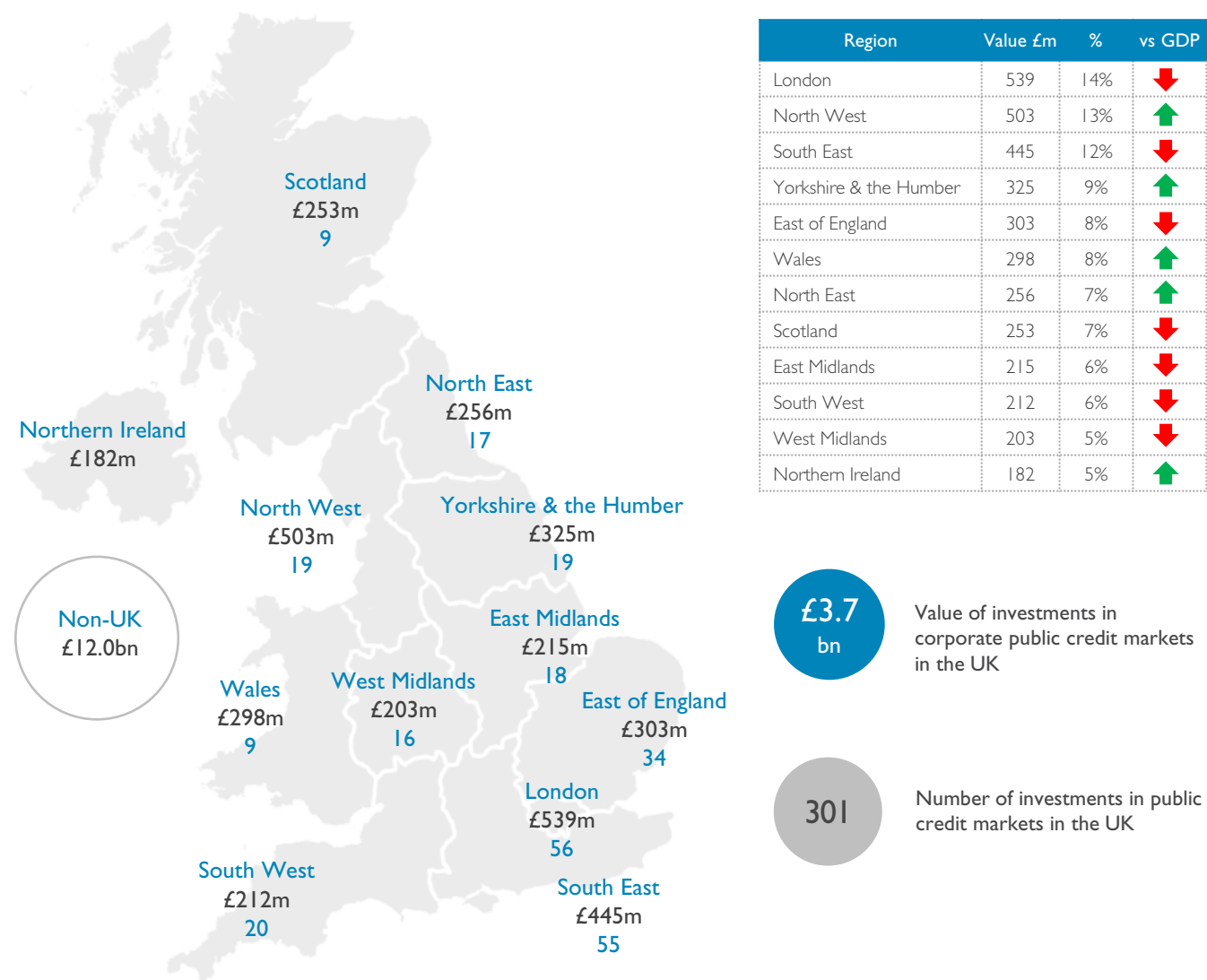
The proportion of PIC's policyholders who live in London and the South East (28%) is roughly in line with their regional share of the UK population (27%). PIC has more policyholders in the East of England, North West, West Midlands, and Yorkshire and the Humber, and a significantly lower number than you might expect the East Midlands, and Northern Ireland.



# SUMMARY - PUBLIC CREDIT INVESTMENTS

Fig.3 The regional footprint of PIC’s public credit investments

This map shows the value and number of public credit market investments made by PIC in every region of the UK.



Source: New Financial estimates based analysis of data from PIC

## A regional footprint

In addition to privately-arranged direct investments, PIC invests in public credit markets (mainly bonds issued by governments, companies, and financials). UK issuers represent nearly a quarter of this £16bn portfolio (as of August 2022) and we mapped £3.7bn of securities from 100 different issuers and allocated the value of each investment to regions across the UK based on where the issuer operates. The regional distribution is more evenly spread: for example, the £985m allocated to London and the South East represent 26% of PIC’s total investment in UK public credit markets, significantly lower than their combined regional share of GDP (33%). The North East, North West, Northern Ireland, and Yorkshire and the Humber all account for a higher proportion of investment than their share of UK GDP. This in part reflects the heavy allocation in the portfolio to utilities (49% of the UK portfolio), which tend to operate more at a regional than a national level.



The footprint of PIC’s policyholders

In this section we look at the regional distribution of some of the 250+ pension schemes that PIC has insured and the local concentration of many of PIC policyholders.

Pension schemes insured by PIC	10
Local concentration of policyholders	11



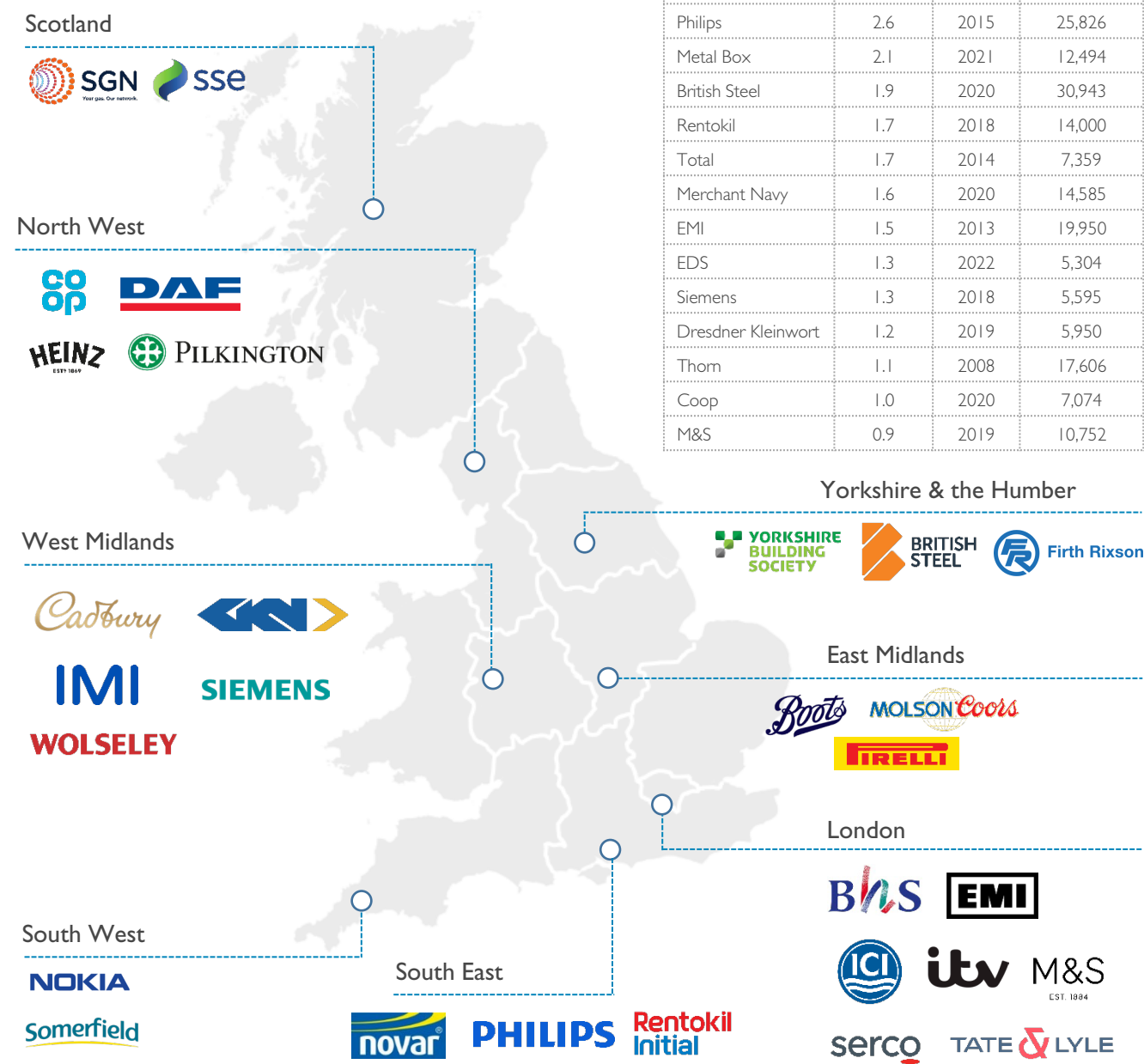
# LOCATION OF SCHEMES

Fig.4 The location of the pension schemes insured by PIC

This map shows the location of the headquarters of a selection of pension schemes insured by PIC. Since it was founded in 2006, PIC has insured more than 250 separate pension schemes with a combined value of more than £50bn (as of the end of 2022). These include schemes operated by many household names shown on the map below, which highlights the range and regional footprint of the pension schemes insured by PIC. These include 'buy-ins' (where the trustees of a scheme insure all or part of its future pension payments but continue to operate the scheme) and 'buyouts' (in which the whole scheme is insured, wound up, and the members transferred to PIC as individual policyholders).

PIC's largest buy-ins and buyouts by value

Region	Value £bn	Year	Members
RSA	6.5	2023	40,000
BAT	3.3	2019	11,276
Philips	2.6	2015	25,826
Metal Box	2.1	2021	12,494
British Steel	1.9	2020	30,943
Rentokil	1.7	2018	14,000
Total	1.7	2014	7,359
Merchant Navy	1.6	2020	14,585
EMI	1.5	2013	19,950
EDS	1.3	2022	5,304
Siemens	1.3	2018	5,595
Dresdner Kleinwort	1.2	2019	5,950
Thorn	1.1	2008	17,606
Coop	1.0	2020	7,074
M&S	0.9	2019	10,752

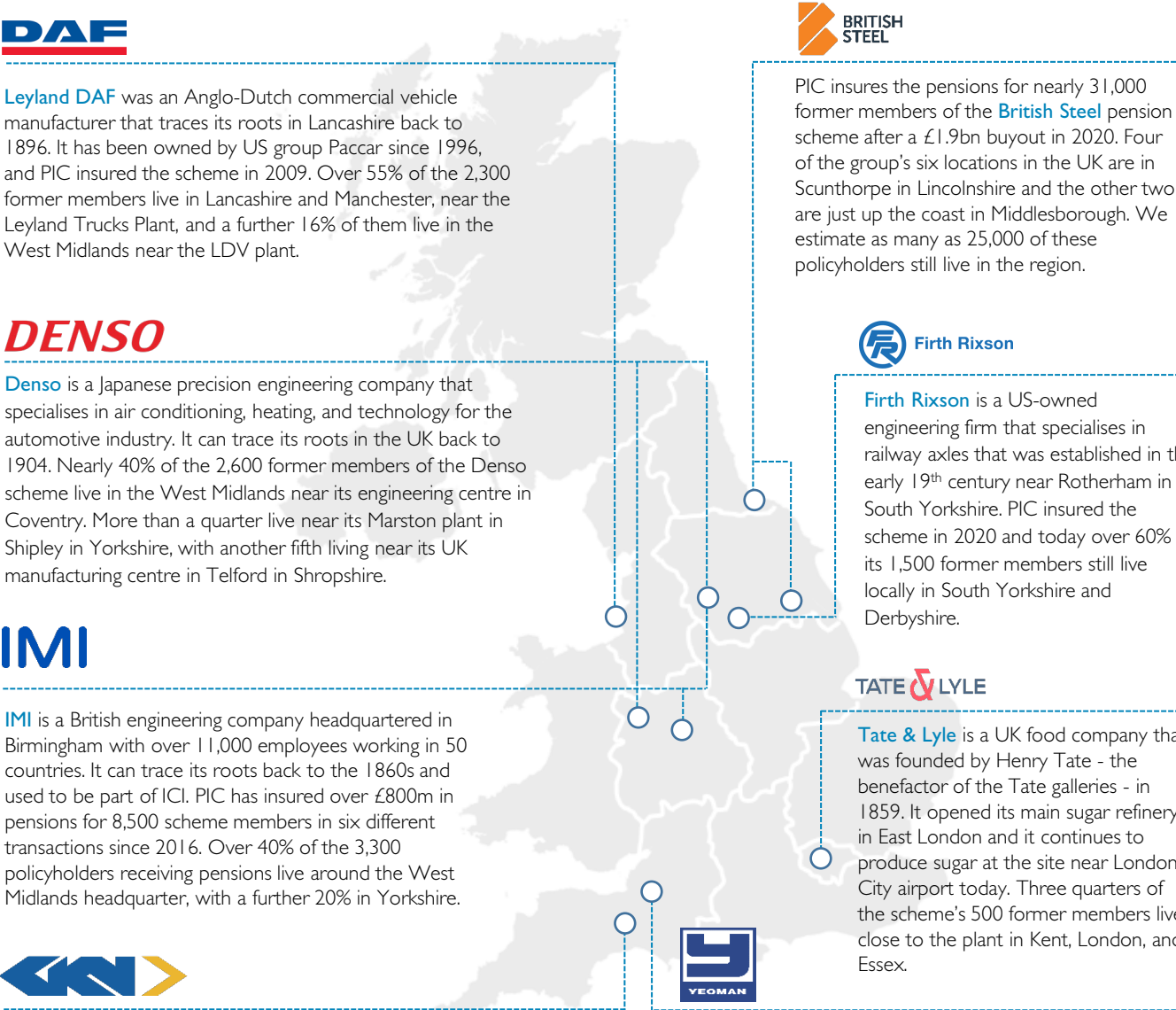




# LOCAL CONCENTRATION OF SCHEME MEMBERS

Fig.5 A local connection

One of the most striking aspects of PIC's business is that in many cases the former members of the pension schemes that it has insured are highly concentrated in and around local communities where the company that operated the scheme is based. This in part reflects the strong local or regional footprint of many of the companies, such as industrial firms with a few large plants. One way in which PIC reinforces this local connection is by hosting regular townhall style events with its policyholders: it has hosted more than 50 events up and down the country that have been attended by more than 25,000 policyholders. This map highlights some examples of schemes with a particularly high level of connection to their local economies and communities:



**GKN** is a British-owned manufacturer of components for the aerospace and automotive industry that traces its roots back to an ironworks in Wales in 1759. Now owned by UK group Melrose, in the 1990s it bought the helicopter manufacturer Westland that was based in Yeovil in Somerset. Today nearly 40% of its 1,300 former members still live in Somerset with 20% in neighbouring Bristol and Dorset.

**Forster Yeoman** is a quarrying and asphalt firm that is based near Frome in Somerset and was founded 100 years ago. It was acquired by Aggregate Industries in 2006, now part of the Holcim Group. Just over half of the 470 former members of its pension scheme (which PIC insured in 2010) live in Somerset or just up the road in Bristol.

Source: New Financial analysis of data from PIC



The footprint of PIC’s direct investments

In this section we analyse the local and regional footprint of PIC’s privately-arranged direct investments and highlight some case studies from its investments in housing, education, infrastructure, urban regeneration, renewable energy, and build-to-rent.

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# A SUMMARY OF PIC'S DIRECT INVESTMENTS

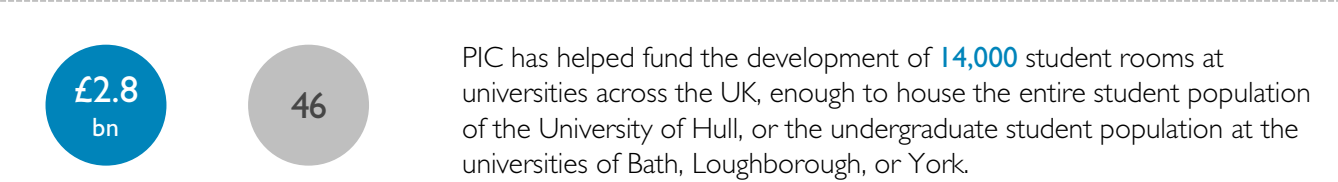
Fig.6 A sector view

This chart summarises PIC's direct investments in the UK and shows the value invested and number of investments by sector. It also estimates their economic impact in concrete terms. Overall, we identified £11.7bn of direct investments across nearly 200 different projects in the UK, with a further 26 investments outside the UK with a combined value of £1.5bn. Housing (which includes social and affordable housing, and build-to-rent projects) is by far the biggest sector with 67 investments worth a combined £3.7bn, representing nearly a third of PIC's direct investments.

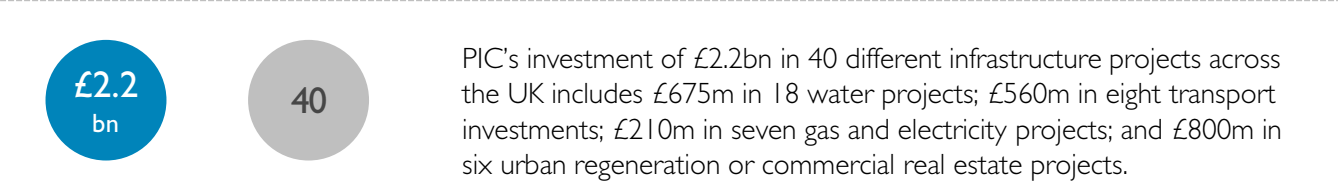
## Housing



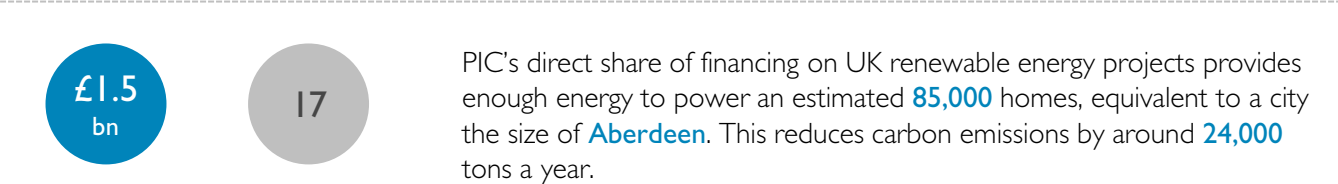
## Education



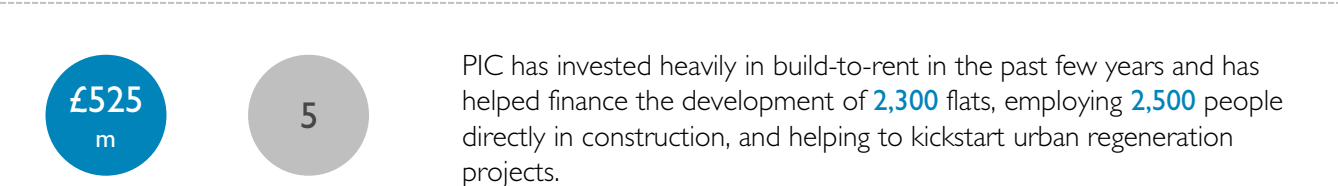
## Infrastructure



## Renewable energy \*



## Build-to-rent \*



Source: New Financial estimates based on analysis of data from PIC

\* Note: renewable energy includes five solar power investments in Spain, and the build-to-rent investments are also counted under housing



# SOCIAL & AFFORDABLE HOUSING

Fig.7 Social investment

This map highlights a selection of social and affordable housing investments made by PIC in every corner of the UK. PIC has invested £3.7bn in 67 housing projects over the past decade and has helped finance the construction and development of 54,000 homes, enough to accommodate 130,000 people. This is equivalent to the population of Solihull in the West Midlands.



PIC has invested in two social and affordable housing projects in Scotland with a combined value of £90m in the past three years. In 2019, PIC invested £40m in debt issued by Eildon Housing Association, one of Scotland's largest housing associations based in Selkirk that manages 2,500 homes. The investment supports the construction of 750 new homes. And last year, PIC invested a further £50m with Caledonia Housing Association, based in Dundee, to help finance the construction of more than 500 energy efficient new homes.



Last year PIC invested in two projects in Northern Ireland to help finance the development of nearly 3,000 new social and affordable homes. The firm invested £100m with Apex Housing Association to help build around 1,500 new homes, focussing on family accommodation and energy-efficient buildings. Apex, which is based in Belfast, manages 7,000 homes across Northern Ireland. And PIC also invested £55m with Clanmill, a housing association based in Londonderry that provides homes for 10,800 people across the region, as part of £100m fundraising to help build 400 new homes by 2026.



Over the past decade PIC has invested £230m in four separate social and affordable housing projects in Wales. Two of these investments were with Pobl (£35m in 2013 and £65m in 2020), the largest housing association in Wales that is based in Newport and has more than 17,000 homes under management. The investment will help Pobl build 10,000 new affordable homes by 2030, with a target to build homes that are 40% more energy efficient than average.

In 2017, PIC provided £93m in funding to the Welsh Housing Partnership, a group of four housing associations backed by the Welsh government. And in 2021 it invested £38m in Wales and West Housing, which operates 12,000 homes across Wales with a focus on housing for older people and supported housing, to help fund the development of 2,500 new homes.



Over the past decade PIC has invested more than £3.2bn in 59 different housing projects across England. There are too many individual investments to record here but we have marked many of the locations on the map to give an indication of the footprint across the country. Some notable investments include:

- **North Star Housing:** in 2020 PIC invested £80m to refinance and help develop 600 new homes for North Star Housing, which operates 4,000 homes in the Tees Valley, Yorkshire, and Durham.
- **Livin Housing:** in 2019 PIC invested £65m to help develop 450 homes in the North East with Livin Housing.
- **Greatwell Homes:** PIC invested £40m in 2019 to help develop 600 homes in the East Midlands.
- **Accord Housing:** in 2018 PIC invested £100m to help fund the construction of 1,500 in the West Midlands.
- **Senior Living:** last year PIC set up a joint venture with Octopus Real Estate aiming to invest £200m in building 10 retirement communities across the UK with homes for around 2,000 older residents. The first project near St Albans was launched late last year.
- **London Borough of Newham:** in 2022 PIC invested £83m to help finance the development of 161 homes on a brownfield site near London City Airport, with up to half of the homes being designated as affordable.
- **Raven Trust:** PIC invested £130m in 2022 to help the Raven Trust, which manages over 7,000 homes in Surrey and Sussex, build a further 630 homes by 2026.



**Fig.8 Investing in the future**

This map highlights some of the investments made by PIC in education and student accommodation. PIC has invested £2.8bn in 46 different education projects over the past decade, which has helped finance the development of 14,000 student rooms at universities across the UK - enough to house the entire student population of the University of Hull, or the undergraduate student population at the universities of Bath, Loughborough, or York.

**University of Birmingham:** PIC invested £128m in a project by the University of Birmingham to redevelop its Pritchatts Park Student Village into a low-carbon residential facility with 1,230 rooms. The development is part of the university's expansion plan and features solar photovoltaic panels, direct electric heating, and a zero-carbon emissions strategy.

**University of Bath:** PIC invested £50m in refinancing a loan for the University of Bath to fund improvements in academic research, student experience, and overall teaching quality.



**University of Exeter:** PIC invested £192m in two separate deals in (£37m in 2018 and £125m in 2019) to fund the development of more than 1,500 rooms for student accommodation at the University of Exeter. PIC partnered with UPP, one of the biggest providers of student accommodation and campus infrastructure in the UK, on both investments. PIC has partnered with UPP on six investments across the UK worth more than £530m, including schemes at Swansea University, the University of London and the University of Kent, which have helped fund the development of more than 6,000 student rooms.

**University of York:** PIC invested £160m to finance student accommodation and departmental study spaces for the University of York. The investment will help fund the development of nearly 1,500 student rooms.

**University of Northampton:** PIC invested £50m in 2014 into the University of Northampton's £330m Waterside project to restore a historic building into a purpose-built facility. The development brings the new campus, which opened in 2018, closer to the town centre.

**Durham University:** In 2018 PIC invested £145m in long-term debt as part of the university's 10-year development strategy to support multiple projects including a new teaching centre, a new sports and leisure centre, a new maths and computer science department, and new college facilities.

**London School of Economics:** PIC invested £129m in January 2022 to fund the development of a 676-room student residence in Southwark for students at the London School of Economics. The rooms will be marketed at a discount to other options in the LSE's residential portfolio and over a third of the rooms in the residence will specifically benefit from the London Plan's affordable student housing requirements, enabling access to good quality housing for lower income students.



Fig.9 Productive investment

This map highlights a selection of infrastructure investments made by PIC across the UK. PIC has invested £2.2bn in 40 different infrastructure projects across the UK over the past decade, including: £675m in 18 water projects; £560m in eight transport investments; £210m in seven gas and electricity projects; and £800m in six urban regeneration or commercial real estate projects.



**West Midlands rail:** PIC invested £102m last year into Corelink Rail Infrastructure to help finance the delivery of new trains to ease overcrowding and reduce pollution from trainlines in the West Midlands. The new trains are being built by Alstom at its plant in Derby and by CAF at its plant in South Wales. The new trains will be leased from Corelink by West Midlands Railway and London Northwestern Railway, which operate London commuter services, long distance routes connecting Birmingham to other cities, and regional services in the West Midlands.

**The National Trust:** PIC completed a £100 debt investment in 2018 in the National Trust, one of the largest charities in the UK. The funds will be used to maintain and invest in existing heritage assets and conservation, including supporting a programme of improvements to visitor facilities at the Trust's properties across the UK, including: Dyrham Park in South Gloucestershire (pictured) and Charlecote Park in Warwickshire. The Trust looks after 780 miles of coastline, over 248,000 hectares of land, and more than 500 historic buildings, monuments, gardens, parks and nature reserves. It has more than five million members across the UK and attracted more than 20 million visitors last year.



**Government Property Agency:** PIC has invested more than £370m in two recent commercial real estate developments to provide office space for 5,500 civil servants leased by the Government Property Agency.

Last year PIC invested £105m to forward fund the new 130,000 sq ft net zero First Street office development in Manchester which will be let to the GPA and will house approximately 2,500 civil servants (including 700 relocations from London). It is estimated that £31m in economic benefits will be generated through the direct contribution to the local economy from staff relocations to Manchester. And this year PIC invested £268m in the Ruskin Square development in Croydon, a new 345,000 sq ft net zero development that will be let to the GPA and accommodate 3,000 Home Office staff.

**Thames Tideway:** in 2016 PIC invested £100m to help finance the construction of the Thames Tideway project, a new 16 miles long tunnel under London to relieve the city's sewage system, reduce pollution in the river Thames, and improve environmental standards across the sewage network. Tunnelling was completed last year and the project, which has an expected lifespan of more than 100 years, is set to go live in 2025.



Fig.10 Sustainable investment

This map highlights a selection of renewable energy investments made by PIC across the UK. PIC has invested £1.5bn in 17 different renewable energy projects over the past decade. We estimate that PIC's direct share of financing on UK renewable energy projects provides enough energy to power an estimated 85,000 homes, equivalent to a city the size of Aberdeen. This reduces UK carbon dioxide emissions by around 24,000 tons a year.

In 2017 PIC invested £115m in the **Walney Extension offshore wind farm** project as part of a £1.3bn financing by Orsted, the Danish wind power company, and two Danish pensions (PKA and PFA) to acquire a 50% share in the development. Situated off the coast of Cumbria, the offshore wind farm will have a total capacity of 659MW and power more than 500,000 UK homes.



PIC also invested in another Orsted wind farm project by providing £109m in funding in 2018 to help finance the development of the **Hornsea offshore wind farm**. Hornsea is the largest offshore wind farm in the world with 174 turbines generating over 1.2GW, enough to power more than one million homes in the UK. The project directly supports nearly 400 jobs at Orsted's onshore centre in Grimsby.

PIC invested £158m in 2018 as part of a £1.3bn refinancing of the **Dudgeon offshore wind farm** operated by Norwegian energy company Equinor. The wind farm is based 20 miles off the Norfolk coast, generates 402MW and helps power more than 410,000 homes in the UK.

PIC loaned £10m to **Empower Community**, a social enterprise that helps accelerate the deployment of solar and other renewable energy sources in the social and affordable housing sector. The loan helps provide free daytime solar energy to over 2,300 social homes in Sunderland in collaboration with Gentoo Group, a social housing association. The provision of free daytime energy saves residents up to 40% in bills and reduces their carbon emissions. The financing also helped Gentoo roll out solar panels to a further 3000 homes.

In 2012 PIC invested £40m in the first ever publicly-listed solar finance bond issued by **Solar Power Generation Ltd**, a renewable energy company based in Somerset that develops solar projects on behalf of landowners. PIC was the sole buyer of the 24-year bond, which was used to help finance two 5MW solar plants in Somerset.

In March 2023 PIC invested £50m in Portsmouth Water to finance the construction of the **Havant Thicket Reservoir**, the first reservoir to be built in the UK since the 1990s. The new reservoir will help address the challenge of limited water resources across much of the South East and help protect the rare chalk streams in Hampshire. It will store nearly nine billion litres of water that can be supplied to Southern Water in time of low rainfall and drought.





# BUILD-TO-RENT & URBAN REGENERATION

Fig.11 Kickstarting investment

This map highlights some of the investments made by PIC in urban regeneration and build-to-rent. PIC has invested £525m in five different build-to-rent projects to the end of 2022, which have helped finance the development of 2,300 flats, employing 2,500 people directly in construction and helping to kickstart urban regeneration projects.

PIC's first build-to-rent project was in 2020 when it invested £130m in the **New Victoria** development in Manchester. The development has repurposed a former car park next to Manchester Victoria station, providing 520 flats built by Muse, a national urban regeneration firm that is part of Morgan Sindall and lead contractor Vinci. The topping out of the building in July last year was attended by some of PIC's policyholders, helping draw a direct connection between PIC investments and paying the future pensions of its policyholders.

Analysis by PIC highlights the social and economic benefit of the development:

- at least £40 million has gone directly into Greater Manchester's economy through local employment, businesses and material sourcing;
- the project has employed 550 people during construction, and a further 1,500 people have worked on the project; it has provided 3,000 apprentice weeks;
- 99.5% of waste at the site has been recycled, reused, or disposed of in more environmentally friendly ways thereby avoiding landfill; and all electricity used at the site has been procured through renewable energy suppliers.



PIC invested £130 million last year in a build-to-rent development at Millar's Quay, part of the **Wirral Waters** project in Liverpool that is the largest urban regeneration project underway in the UK. Wirral Waters is a government-supported project to redevelop a brownfield site into a new waterfront neighbourhood, creating up to 20,000 permanent jobs, and is being led by developer Peel L&P. The residential scheme will include 500 apartments, including 100 affordable flats.

PIC invested £80 last year to acquire a brownfield site in **Milton Keynes** and develop it into build-to-rent project. The project will deliver 306 flats, including 43 affordable housing units, and is expected to provide around 750 local jobs during the construction phase over the next few years.



PIC invested £200m last year to forward fund the development of **One Eastside**, a build-to-rent development on a brownfield site in central Birmingham. The project will create 667 flats across two towers and is located next to the Curzon Street HS2 station that is currently under construction. The project will provide around 300 jobs during the construction and includes a student academy to provide local students with work placements and training on the construction site.

PIC invested £90m in 2021 to develop **The Wiltern**, a 15-storey build-to-rent development in Ealing in West London. The project, which is next to the listed art deco Hoover Building, will include 278 flats and a third of them will be affordable housing. The development is due for completion by the end-2023 and is expected to create 400 jobs during the construction phase.



Measuring impact

In this section we look at PIC's measurable social and economic impact across a range of indicators including its tax contribution, employees, diversity, and ESG.

Tax contribution	20
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ESG and the environment	24



# TAX CONTRIBUTION

## Direct economic impact

A more conventional way of thinking about a company's economic impact is to look at its direct economic contribution in the form of tax. We estimate that over the past five years (2018 to 2022) PIC's total tax contribution to the UK adds up to £1.24bn in real terms (using 2022 as our base).

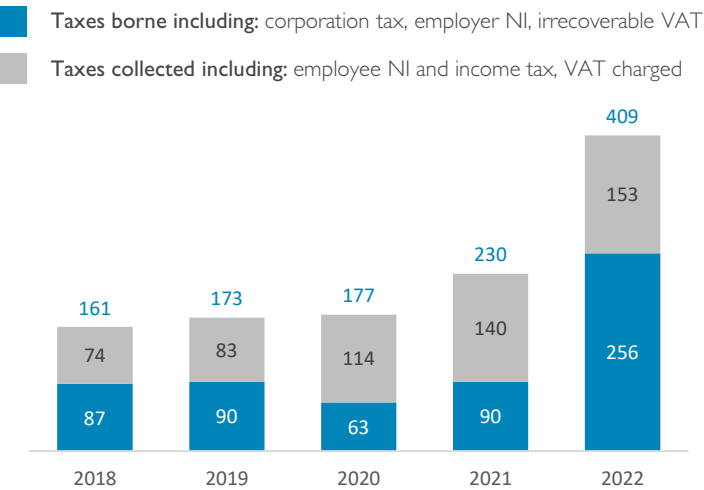
This contribution is divided into two separate parts: first, the taxes borne or paid directly by PIC, such as corporation tax, employer National Insurance contributions, and irrecoverable VAT paid on goods and services. And second, taxes collected by PIC on behalf of the government, such as NI contributions and income tax paid by its employees, and VAT charged for its services. The breakdown over the past five years is shown in Fig.12 i), and the split is roughly 50/50 between the two. Last year alone its total tax contribution was just over £400m.

The biggest single component of PIC's tax contribution is corporation tax that it has paid on its pre-tax profits (see Fig.12ii)). Over the past five years it has paid £563m in corporation tax in real terms (45% of its total tax contribution) and £823m over the past 10 years.

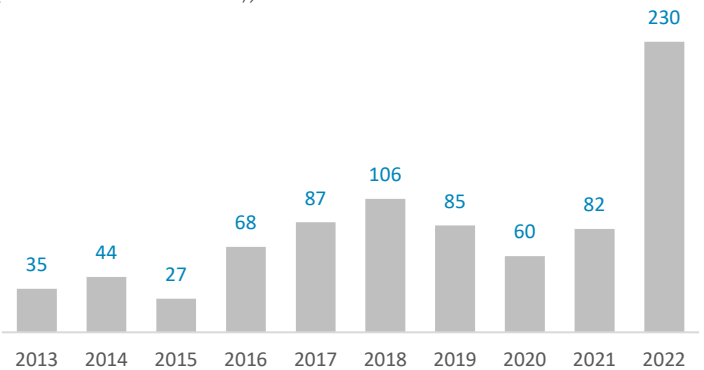
We estimate that it has paid a further £34m in employer NI contributions over the past five years in real terms, and that it has collected a further £75m at source in NI and income tax on the pay and bonuses paid to its employees.

Fig.12 Closing the gap

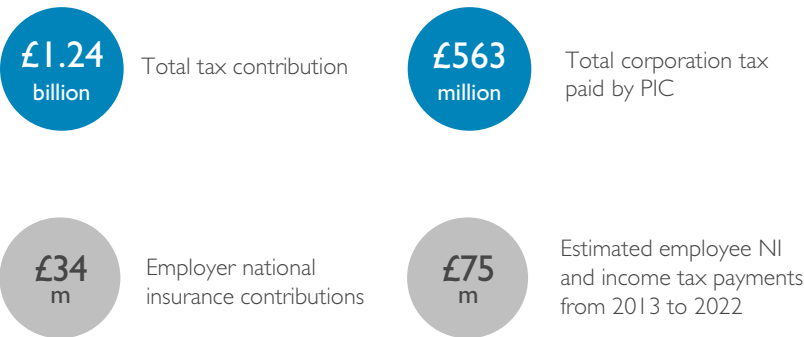
i) Estimated total tax contribution by PIC from 2018 to 2022 £m



ii) Corporation tax paid by PIC from 2013 to 2022 £m  
(in real terms - 2022 money)



iii) The different components of PIC's tax contribution from 2018 to 2023  
(in real terms - 2022 money)



Source: New Financial estimates and analysis, PIC



A primary asset

Like most financial and professional services firms, PIC's most important asset is its employees - who play a significant role in its direct economic contribution to the UK economy.

PIC has been growing fast: over the past five years the average number of employees at PIC has more than doubled to an average of 415 in 2022 and its headcount has more than quadrupled in the past decade (see Fig.13 i)). Last year alone it hired more than 150 new staff.

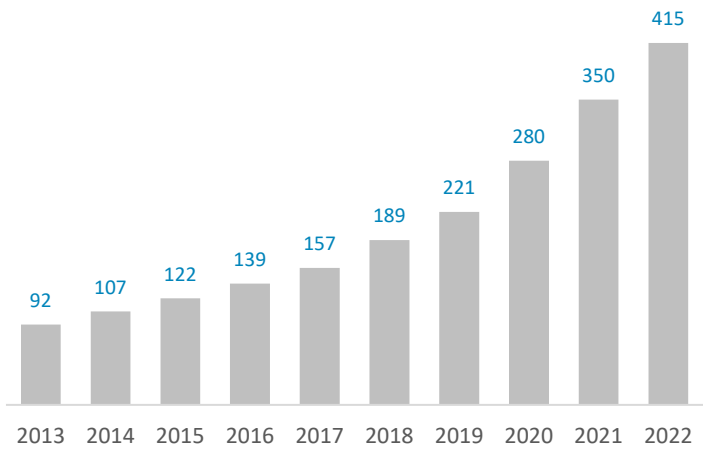
Like many firms in financial services, PIC offers generous pay and benefits. Last year it paid £58m in pay and bonuses to its employees. This in turn translates into a direct impact of high tax take (combined NI and income tax came to around £27m last year) and the indirect impact of employee spending power in the communities in which they live.

PIC's only office is its headquarters in central London and most of its staff live in London or within commuting distance around London. It also directly supports jobs at key suppliers like Capita, which has a team based in Darlington working on policyholder administration for PIC, and XPS Pensions Group, which has 15 offices across the UK.

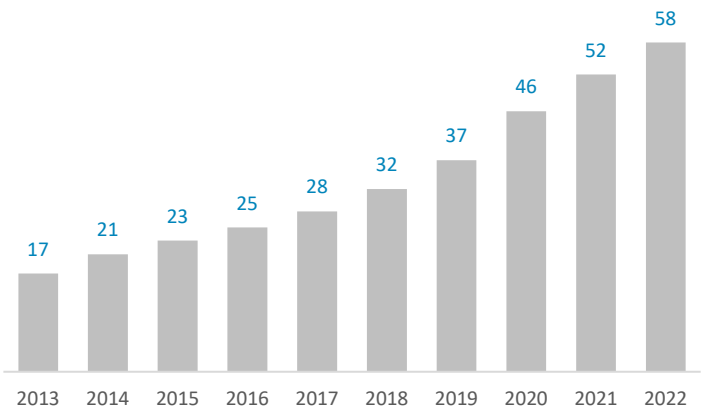
Nearly 90% of PIC's employees took part in the firm's staff survey last year (an unusually high level of participation) and they are unusually positive about the business (see Fig. 13 iii)). PIC is one of a limited number of private companies that offers staff a chance to participate in a company Save as You Earn ('SAYE') scheme. SAYE schemes allow individuals to have a sense of ownership in the business and benefit from its long-term success.

Fig.13 A growing workforce

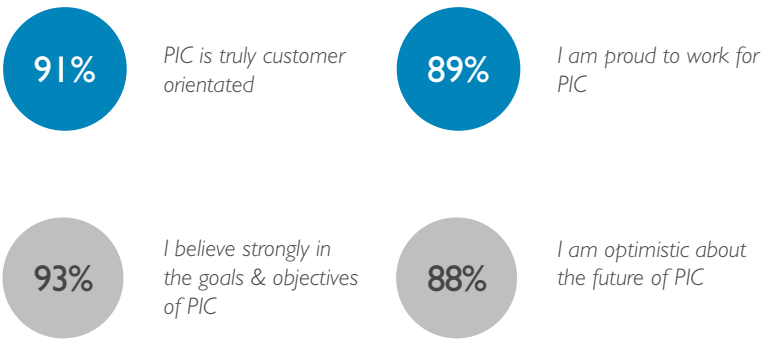
i) Average number of employees at PIC 2013 to 2022



ii) Pay and bonuses for employees at PIC 2013 to 2022  
(in real terms - 2022 money)



iii) What PIC's employees think about PIC



Source: New Financial, PIC



## A diverse workforce

Over the past decade the financial services industry has come under intense scrutiny over its approach to diversity in terms of representation and pay disparities. At a headline level, women account for nearly a third (30%) of PIC's ten member executive committee (ahead of the average for financial services of 22% based on our research from 2021) and this proportion has remained constant over the past five years. In addition to the CEO, the roles of general counsel and chief people officer have been held by women over the past five years.

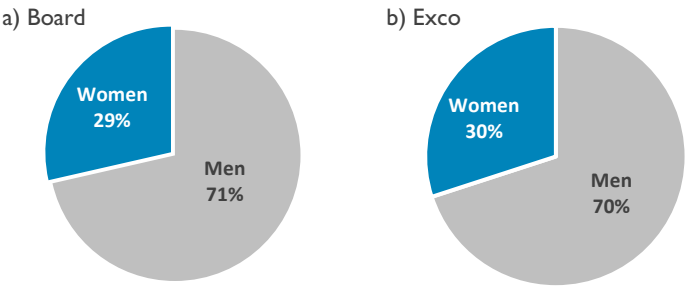
At board level, women accounted for 29% of directors last year after a significant improvement over the previous few years. However, this is slightly below the financial services industry average of 32% (based on our research that analysed more than 200 financial services firms operating in the UK). This year board level representation has since dropped to 24%, with four women on the current board of 17 directors.

Across the firm, women account for 34% of all staff (based on our analysis of PIC's gender pay gap reports), below the average of 45% across the financial services industry. Women represent 29% of the highest paid quartile of employees, in line with the average for the financial services industry.

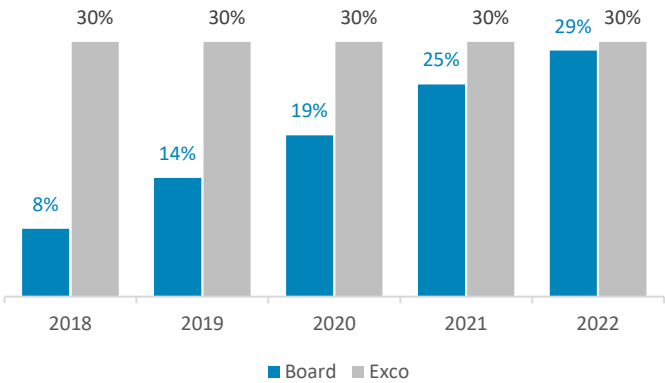
PIC runs an internal diversity and inclusion forum, is a corporate member of LGBT Great, and supports the #10000BlackInterns initiative. It has also launched the PIC Academy to develop early career talent, including an apprentice scheme. Last year PIC extended fully paid maternity leave to 26 weeks, doubled paid paternity leave to four weeks, and adopted formal policies on hybrid working in the wake of the pandemic.

Fig. I4 Representation of women at PIC

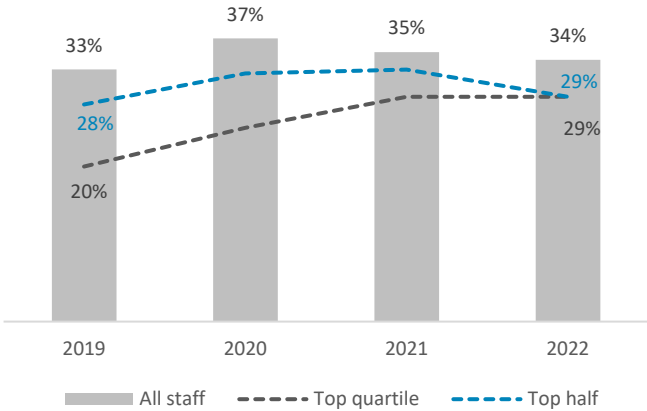
i) Representation of women on the board and executive committee 2023



ii) Representation of women on the board and exco 2019 to 2022



iii) Representation of women at different levels of seniority 2019 to 2022 (all staff, top pay quartile, top half by pay)



Source: New Financial, PIC



# DIVERSITY - GENDER PAY GAP

## Closing the gap

PIC has significantly reduced its gender pay and bonus gap over the past five years and is well ahead of the rest of the financial services and insurance industry, according to our analysis.

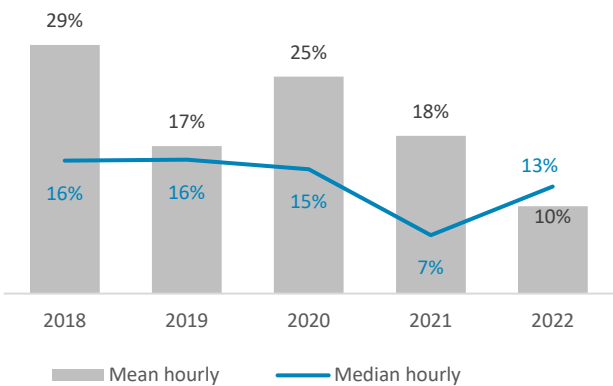
The mean hourly pay gap between men and women was 10% last year at PIC, a significant fall from 29% as recently as 2019. This gap is lower than the national average across all sectors of 14%, and much lower than the 28% average for insurance firms and the wider financial services industry. PIC's median gender pay gap of 13% last year is roughly half the industry average.

In terms of bonuses - a significant proportion of earnings for people working in financial services - PIC has virtually eliminated the gap between bonuses paid to men and women on a mean basis (it fell from 26% in 2018 to just 1% last year). This is much lower than our estimate of the industry wide average of 51%. On a median basis, PIC's bonus gap of 18% is less than half of the industry average of around 40%.

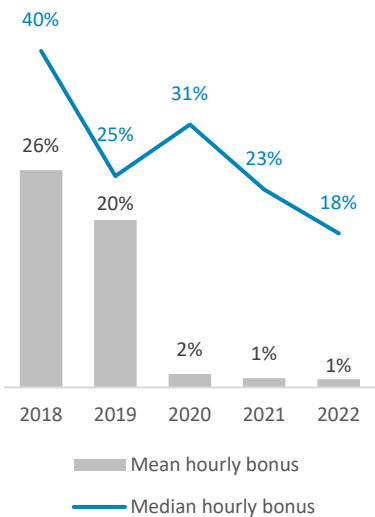
Over the past four years for which we have comparable data, the number of women in the top quartile of employees by pay has increased significantly from 20% in 2019 to 29% last year (based on our analysis of PIC's gender pay gap reports). Given that the number of women in the second pay quartile has come down over the same period, this suggests that PIC has managed to address the steep drop-off in representation in the highest paid roles at the firm that is prevalent across the financial services industry.

Fig. I5 Closing the gap

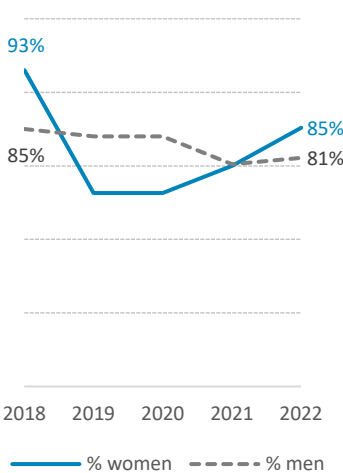
i) The mean and median hourly gender pay gap at PIC 2018 to 2022



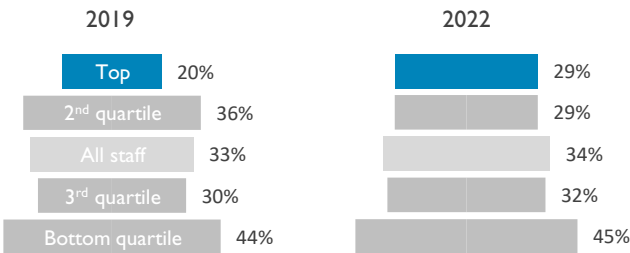
ii) Mean & median hourly gender bonus gap at PIC 2018 to 2022



iii) % of staff receiving a bonus at PIC 2018 to 2022



iv) Representation of women by pay quartiles at PIC



Source: New Financial, PIC



## A reduced footprint

In addition to the direct role that PIC has played in supporting the transition to net zero by investing more than £1.5bn in renewable energy projects, PIC takes an active approach to ESG and the environment.

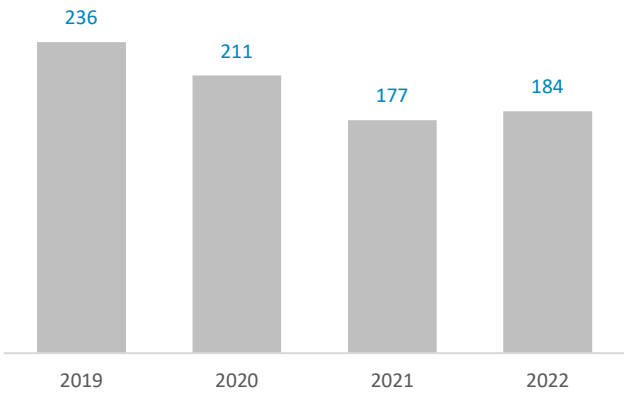
In terms of its own business, PIC has reduced its own CO2 emissions by more than fifth (22%) over the past four years despite rapid growth in the business (scope 1 emissions are the direct emissions from a company's operations and scope 2 includes the indirect emissions caused by the production of the energy it uses). While PIC's overall energy consumption increased last year as more people returned to work, on a per employee basis PIC's energy consumption and emissions have more than halved since 2019.

Of course, PIC's portfolio of investments has a far bigger impact on the environment than PIC's direct business operations, and the firm is working to reduce this impact. PIC is a signatory to the UN Principles of Responsible Investment, the Net Zero Asset Owners Alliance, and the Taskforce on Climate-Related Financial Disclosures.

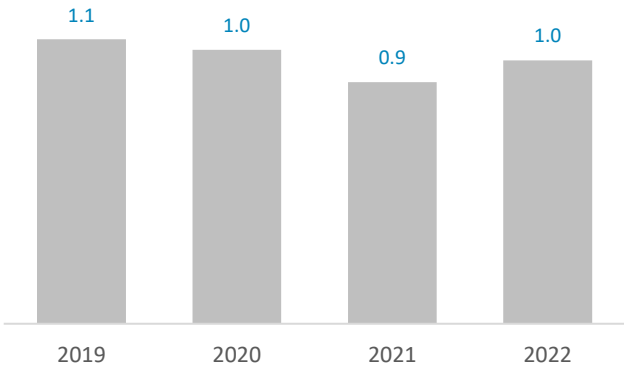
It aims for its own business to be carbon neutral by 2025 and to achieve net zero emissions across its business and portfolio by 2050. It has committed to reducing the carbon intensity of its investment portfolio by 50% by 2030, with an interim target of a 25% reduction in its public credit portfolio by 2025. PIC has an in-house ESG team that applies a risk-based approach to its investments. It works with providers like Sustainalytics on ESG data and analysis, and with engineering consultants like Buro Happold to reduce the carbon footprint of its direct investments and improve the energy efficiency of its new projects.

Fig. I6 PIC's environmental impact

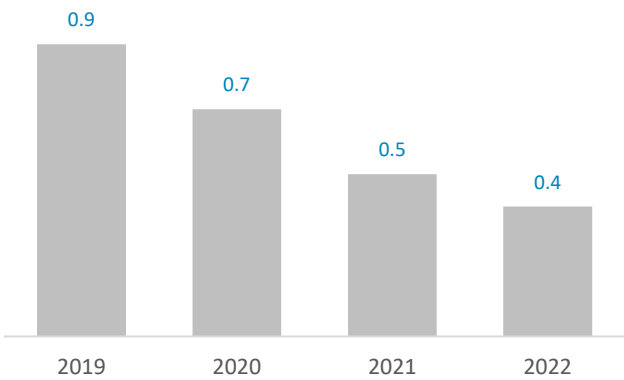
i) PIC's own scope 1 and scope 2 carbon dioxide emissions (tons)



ii) PIC's own scope 1 and scope 2 energy consumption (MW hours)



iii) PIC's own scope 1 and scope 2 emissions per full time equivalent employee



Source: New Financial, PIC



# SOME QUESTIONS FOR DISCUSSION

## The social and economic value of banking, insurance, and capital markets

This report drills behind the often big and abstract headline numbers to demonstrate the social and economic value of finance at a local and tangible level. Here are some questions for the wider industry on how to think about the value and impact of their business:

- In your corporate literature, how do you talk about what your firm does and what value it provides to the UK economy? Who is the target audience for this and how does your narrative change for different internal and external audiences? How much do you talk about what your firm does in terms of your customers and your customers' customers? What case studies do you have on how you have worked with different customers in different sectors and in different corners of the UK?
- Why should an MP in a constituency hundreds of miles from London care about what you do? And why should their constituents care? How can you make what you do more relevant to an MP in Barnsley, Grimsby, or Wolverhampton and to their constituents?
- How many UK companies do you work with across M&A, capital markets, and risk management, and how much capital have you helped them raise? What have they done with that money? How many jobs do your clients support in local communities across the UK, and where are they and their employees based? Which UK companies do you invest in and what is their economic footprint across the UK?
- How many individuals' pensions do you help manage in the UK across institutional and personal pension schemes? How many individuals have invested how much money through your investment funds or your wealth management business? Where do your customers and your customer's customers live and work?
- How many renewable energy projects have you invested in or helped finance? How much power do they generate and how many homes would they power? How many tons of CO<sub>2</sub> have these projects displaced? How many jobs do these projects support in local communities?
- How many infrastructure projects (housing, universities, transport and logistics, urban regeneration etc) have you helped finance or invested in? Where are these projects located and what is their social and economic impact in local communities across the UK?
- What role do you play in supporting inward investment into the UK by international companies and investors? And what role do you play in supporting outward investment by UK companies around the world?
- What is your total tax contribution to the UK economy (corporation tax + surcharge, bank levy, employer NI, irrecoverable VAT, employee NI and income tax, business rates etc)? And what do those tax receipts translate into in concrete terms?
- How many people do you employ across the UK? Where do they live and work and what is their local economic impact? Who are your key suppliers across the UK and how do you support the UK economy through your supply chain?
- How diverse is your workforce in the broadest sense? What progress have you made in developing a more diverse workforce and what policies do you have in place to improve it further?
- What charitable and philanthropic causes do you support? Where are those projects based, how many individuals have benefited from these projects and what have been the outcomes for them?



## The social and economic value of banking, insurance, and capital markets

This report has aimed to translate the day-to-day business of one specialist insurance company into its social and economic value at a regional level. This has involved converting the headline data on PIC's investments and policyholders into something more concrete. This estimate is inexact but gives a good indication of the regional footprint of PIC's activities. New Financial is entirely responsible for any errors.

### Private / direct investments

We used a sample of private / direct investments provided by PIC since its launch up to the end of calendar 2022. This included 224 investments with a combined value as of the date of the investment of £13.4bn. We removed 26 investments with a combined value of £1.54bn where the nationality of the investee was non-UK, leaving a sample of 198 identifiable investments in the UK with a combined value of £11.9bn as of the end of 2022. We divided the investments into three groups based on the location of the operations of the investee company / project and allocated the value of the investment to the 12 different regions of the UK accordingly:

- Companies that only operate in one region (eg. a university, local housing association, or specific development): allocate 100% of the investment to that region.
- Companies that operate in multiple identifiable regions (eg. a housing association or student accommodation provider operating in two or more regions): allocate the investment to the relevant regions based on the relative weight of their share of UK GDP and population.
- Companies that operate nationally (eg. a large port operator or national charity): allocate the investment to all regions based on the relative weight of their share of UK GDP and population.

### Public credit investments

We used a snapshot of PIC's public credit portfolio from August 2022 provided by PIC. It included 1,330 investments with a combined value at the time of £15.8bn. We identified 301 investments where the country of risk was the UK with a combined value at the time of £3.74bn. We divided the investments into three groups based on the location of the operations of the investee company / project and allocated the value of the investment to the 12 different regions of the UK on the same basis as with private / direct investments.

### Pension buy-ins / buy-outs

We used a list of transactions provided by PIC of the schemes it has insured from launch to the end of January 2023 which included 252 transactions with a combined value at the time of the deal of £50.5bn. We removed the one deal from January 2023 to give 251 transactions up to the end of calendar 2022 with a combined transaction value of £50.1bn.

### Distribution of policyholders and pensions payments

We used an anonymised dataset of PIC's direct policyholders provided by PIC as of June 2022 which included the postcode, annual pension payment, and former scheme name for 145,408 individuals. We stripped out individuals for whom no location data was available and those who live overseas, and mapped the postcodes against the 12 regions of the UK to provide an estimate of the number of policyholders and their pension payments in 2022. For previous years, we estimated the regional distribution of policyholders by removing the data from schemes that had not yet been insured by PIC (eg. the regional distribution for 2020 excludes policyholders from schemes that were insured in 2021 and 2022) and applied that distribution to the disclosed value of pensions paid to direct policyholders from 2013 to 2022 provided by PIC. We then adjusted payments from 2013 to 2021 for inflation to provide an estimate of the total pensions paid in 2022 over the past decade by region in real terms.

For the concentration of direct policyholders we converted the individual data by postcode into a location by county for each scheme as of June 2022 to show the regional distribution of policyholders in each scheme, and mapped it against the headquarters, main plants and operations of the original sponsor of the scheme.



## Lead authors



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William launched New Financial in 2014 to make the case for bigger and better capital markets in the UK and Europe. He previously spent 18 years as a financial journalist as the editor and member of the launch team at Financial News, which was acquired by the *Wall Street Journal* in 2007. He was educated at Oxford, London, and INSEAD.



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