

8.1 A Pension Crisis 50 Years in the Making

Patient Zero: An Unprecedented Repricing of UK Gilts

The BlackRock story, in my opinion, begins on September 23, 2022, when a government on a little island in the Atlantic Ocean released a “mini-budget” announcement⁴

“A steep increase in British sovereign yields and swap rates and an equally steep drop in the value of the British pound (GBP) in September 2022 put substantial liquidity pressures on United Kingdom pension funds. This repricing in risk assets was triggered by the UK chancellor’s mini-budget announcement on September 23, 2022, which led to reactions from market participants. The structure and investment strategies of pension funds made them particularly ill-prepared to deal with market turmoil.”⁵

A mini-budget announcement on an innocent September day led to a developed market repricing one of the most integral and important components of the global price of money, the UK Gilt. The episode would culminate in a \$60

⁴<https://www.chicagofed.org/publications/chicago-fed-letter/2023/480>

⁵This analysis is from the Chicago Fed Letter, “UK Pension Market Stress in 2022—Why It Happened and Implications for the U.S.,” by Ketan B. Patel and Santiago I. Sordo Palacios, published in June 2023. <https://www.chicagofed.org/publications/chicago-fed-letter/2023/480>