



Pension Risk Transfer Quarterly Insights

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Recent regulatory developments deter larger schemes whilst small scheme market booms



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Regulatory and market developments

Q2 2025 has seen a number of major developments, both in regulations and the provider space, that are significantly impacting the UK pensions landscape. We are already seeing these developments having an immediate knock-on implications for the Pension Risk Transfer (PRT) market, reducing transaction volumes, specifically of larger schemes coming to market.

On the regulatory front we have had two key developments:

- The Pensions Regulator (TPR) published new guidance on endgame options. This guidance emphasises the importance for trustees and employers to evaluate all endgame options, including alternative risk transfer solutions, rather than primarily focusing on buy-out solutions.
- The government published its long-awaited Pensions Bill that, amongst other things, sets out a framework for a future run-on and surplus extraction along with a proposed legislative regime for DB Superfunds.

On the provider front we have also seen the following:

- Blumont Annuity is the latest insurer to enter the buy-in market bringing the number of insurers quoting on transactions to 11.
- Clara announced its 4th transaction with the Church Mission Society. This was Clara's first 'connected covenant' transaction where, unlike the previous three Clara transactions, the liabilities transferring to Clara retain a link to the ceding employer's covenant.

How the PRT market has been impacted to date

The first half of 2025 has predominantly seen smaller transactions, with fewer mid and larger sized schemes in the market than in previous periods. The drivers for this appear to be:

- New entrants and existing providers increasing their focus on the smaller end of the market.
- Some larger and mid sized schemes pausing to reconsider their strategy in light of the changing surplus extraction regime.
- The continued challenge schemes of all sizes are facing in relation to data quality and needing to undertake data cleansing and rectification before going to market.

Specifically, we are seeing heightened demand for the smaller sub-£100 million schemes where arguably the market is the most competitive and attractive it has ever been. We are seeing larger fields of insurers quoting on individual transactions compared to prior periods, providing trustees with greater price competition but also choice when it comes to the different insurers' transition and administration capabilities.

Outlook for remainder of 2025

We expect the trends seen in the first half of the year to continue for the remainder of 2025, with the market being dominated by smaller scheme transactions. We also expect the 2025 market outturn to be much lower than the £49bn of transactions we saw written in 2024, but the total number of schemes to be comparable to the c. 300 schemes we saw transact last year.

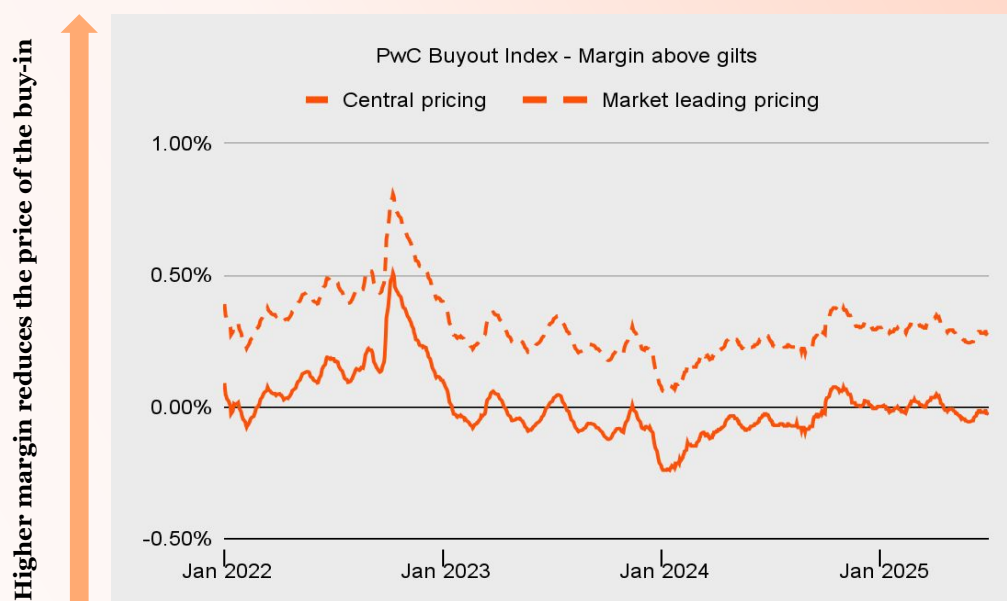
We are starting to see some insurers choosing not to participate in processes where they regard the field of insurers quoting as overly large but it will be interesting to see whether insurers continue with this approach where volumes are lower. This could lead to pricing opportunities later in the year if price discipline gives way to a need to boost transaction volumes by the year end.

Finally, the proposed changes to the DB Superfund entry requirements and innovations such as the connected covenant model will, in our view, increase the number of schemes that could access these solutions. With new DB Superfund providers expected to enter the market over the next 12 months, we expect significant growth in this market.

What next?

There is much here for sponsors and trustees to reflect on and we would recommend that now is a good time to review endgame strategies in light of the recent developments in regulations and changing market dynamics.

Pricing



The chart above assumes a pension scheme with 60% pensioner members and 40% deferred members.

Insurer pricing stayed broadly level over Q2 2025. This was despite volatility in credit spreads and market uncertainty from US tariff announcements.

Overall pricing remains attractive - we're seeing some of the best pricing we've seen in 2 years, driven by a lot of competition, particularly for sub-£100m schemes.

We continue to see well run processes deliver market leading pricing which can be 3% to 5% lower than our central pricing estimate.

Insurer appetite

Our heat map below gives our view of the Q2 2025 appetite across the 11 bulk annuity providers based on appetite for different sizes of pension scheme. Currently, there are multiple insurers quoting for schemes of all sizes. Our expectation is that for any size of scheme, 3 or more insurers may be willing to provide a quotation, except for sub £20m schemes which may potentially require upfront exclusivity or be limited to 2 insurers.

	Number of insurers quoting on deals of this size (£)					
	< 50m	50 – 100m	100 – 500m	500m – 1bn	1bn – 2bn	2bn+
Strong appetite	3	6	7	6	6	3
Mixed appetite	6	4	3	3	3	5
No appetite	2	1	1	2	2	3

*Please note 'appetite' refers to an insurer's typical willingness to provide a quotation, although this could be further impacted by their capacity and availability of their pricing resource at the time of going to market.

Strong appetite – Insurer is quoting for schemes of this size (note this does not guarantee they will quote on every case of this size).

Mixed appetite – Insurer may/may not quote depending on capacity, or will quote under exclusivity only.

No appetite – Insurer is not currently quoting for or highly unlikely to quote for schemes of this size.

The move from buy-in to buyout



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The bulk annuity market has never been busier, with a record number of transactions taking place in 2024. The vast majority of these transactions were for full scheme buy-ins that are ultimately expected to be converted to a buyout and this therefore raises concerns that capacity constraints will result in a longer buy-in to buyout journey. Our 'Buy-in to Buyout Formula' ensures that schemes have a comprehensive plan in place to manage the transition and not get sidetracked by any avoidable delays, meaning that schemes reach their end destination as quickly as possible.

The Buy-in to Buyout Formula

Applying the same level of strategic advice and focus during the transition from buy-in to buyout to that used to agree the buy-in transaction can significantly reduce the timeframe to buyout and wind-up for many schemes. This in turn leads to enhanced outcomes for the benefit of sponsors, trustees and members. Key actions include:

- **Don't let success slow you down** - many schemes pause for breath in the immediate aftermath of a buy-in transaction. Establishing a clear transition plan with the insurer pre buy-in will mean that you don't lose momentum.
- **Address data issues upfront** - poor quality member data can cause long delays. Our independent pensions data offering provides expertise that significantly accelerates typical timescales for completion of the data cleanse exercise.
- **Plan for buyout during data cleansing** - progressing buyout and wind-up activities during the data cleanse can help to further streamline the process.
- **Bring your stakeholders with you** - building and maintaining consensus across all key stakeholders will align objectives and facilitate smoother decision making.

There are 9 key phases that schemes must work through on the journey to buyout and wind-up. The table below shows how our approach can deliver a much smoother and quicker journey compared to typical timescales.

		Typical timescales	Our approach	Our timescales*
01	Insurer onboarding	3 months	Early engagement with insurer (i.e. pre completion of buy-in)	3 months
02	Post buy-in data cleanse (often including GMP equalisation)	Can be 6-9 months to several years	Our market leading specialised data team can quickly deliver fully cleansed and equalised data	3-6 months
03	True-up premium	6-12 months	Tackle strategic decisions during data cleanse and complete tasks in tandem	6 months
04	Transfer of administration			
05	Use of surplus			
06	Convert to buyout			
Total time to complete buyout		2+ years		12-15 months
07	Scheme wind-up	3-6 months	Our covenant team can provide specialist input and advice on the level of indemnity or residual risk cover	2-4 months
08	Residual Risks			
09	Member communications	Ongoing throughout	Tailored communications and a best in class member experience	Ongoing throughout

*These are average timescales, in well-run processes these tasks can be completed even quicker.

Risk transfer at PwC

PwC's pensions risk transfer team is a group of 35 dedicated specialists and sits within a 300 strong national pensions practice with a wider team of subject matter experts specializing in asset solutions covering illiquid and alternative assets, data and administration solutions, pensions and insurer covenant and regulation, DC pensions, longevity solutions and tax structuring.

We focus on ensuring member benefits are secured optimally, while meeting overall trustee and sponsor objectives. In doing so, we advise on the full range of endgame solutions from traditional buy-ins to innovative alternative risk transfer solutions and run-on solutions.

We advise trustees and sponsors of schemes ranging from small (less than £10m in size) to multi-billion in size.



Through a clear strategy and collaborative approach with the company through the joint working group, advised by PwC UK, we have managed to secure the buy-in much earlier and at a much lower cost than expected. I would like to put on record as well, how impressed I have been with the PwC team. The team have done a brilliant job of making sure that everything is kept on track and that we were in the position to be able to do a deal."

Professional independent trustee



I wanted to express my thanks to the whole PwC team, who have not only been critical in achieving the almost impossible, in terms of complexity and timeline, but also with an outcome making this key transaction a success for Thales."

Paul Durrant
Director, Compensation and Benefits,
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Relating to a £2.7bn full scheme buy-in late 2023, including residual risk cover.

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