THE SOCIETY OF PENSION PROFESSIONALS
*making pensions work*

# Less friction, better transfers:

## creating a more agile risk transfer process

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### Foreword

UK pension schemes considering their risk management strategies have arguably never had it so good. With new capital backed consolidation models, longevity swaps for those that may wish to run on, and increased regulatory flexibility for surplus release expected from 2027, there are a wide range of options to choose from.

The UK bulk annuity market continues to go from strength-to-strength, and targeting an insurance transaction continues to be an attractive option for many.

There have been many developments in the risk transfer process in recent years, but there remains more that could be done in terms of both efficiency and effectiveness. Members of the Society of Pension Professionals (SPP) recently held a roundtable to explore these issues, and this paper is the result of those discussions.

We hope that the following will help to stimulate debate amongst all those involved in the risk transfer process, and that an even more efficient and effective process is achieved as a result.

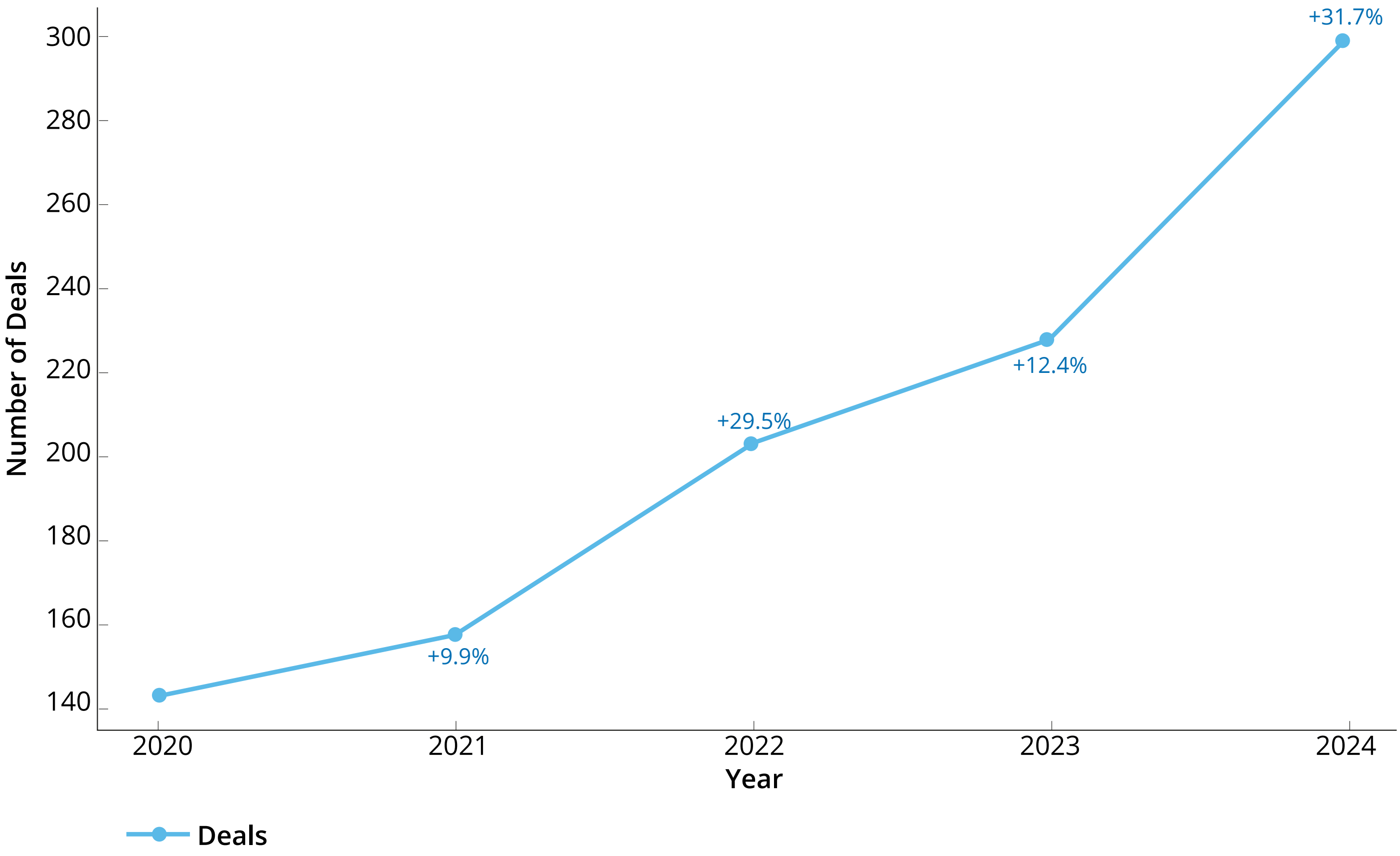
Steve Hitchiner,
Chair, SPP Risk Transfer Group

## The UK Bulk Annuity Market

The UK Defined Benefit (DB) pensions derisking market saw transactions of a little under £48bn in 2024 and more than £49bn in 2023. It is widely expected to again reach around £50bn of transactions in 2025[1].

Consistency in the overall size of these transactions masks a significant increase in the number of transactions that are taking place, demonstrating that significantly more smaller transactions are taking place. SPP member XPS provides a Bulk Annuity Watch tracker[2] which tracks the transactions completed by each provider, by number of deals and volume of premium. This reveals that the number of deals has more than doubled from 142 in 2020 to 299 in 2024.

**Number of Deals Per Year with Year on Year Growth (2020-2024)**




1 WTW, January 2025
https://www.wtwco.com/en-gb/insights/2025/01/de-risking-report-2025

2 XPS Bulk Annuity Tracker, 2007-2024:
https://www.xpsgroup.com/what-we-do/technology-and-trackers/xps-bulk-annuity-tracker/

## Insurer challenges

In the February 2024 DWP consultation "Options for DB Pensions", it was said that there were difficulties for smaller schemes in obtaining quotations from insurers:

*"On the one hand, some transactions for small schemes occur. On the other, the number may be too limited to meet the needs of all those that would like to secure their scheme – and successful schemes often have to offer exclusivity to obtain a quote rather than seek competing offers."* [3]

In our response to the above consultation, SPP highlighted that *"In our experience, difficulties for smaller schemes in obtaining insurance quotes are generally solvable. Where problems have arisen, e.g. difficulties in obtaining quotes, these have been resolved by better preparation before approaching the market; waiting for an available slot in the insurer's pipeline or accepting exclusivity. It is also noted that recent new entrants to the insurance market are likely to target such schemes."* [4]

The improving availability of quotations to smaller schemes was largely proven by the fact that sub-£10 million schemes saw a 60% year-on-year increase in transaction numbers last year – making up nearly a third (31%) of all transactions[5]. More broadly, transactions under £100 million represented nearly 80% of all buy-ins and buyouts[6]. In both cases, this would appear to be more representative of the number of such schemes in the DB universe suggesting that any historic market imbalances are being addressed.

## Insurer response

It is clear that insurers have responded well to increased demand for quotes, providing greater capacity, particularly for smaller schemes.

Streamlined processes from insurers such as PIC, Aviva and L&G are working well in allowing greater volumes of activity, and well prepared schemes rarely fail to obtain a quote. This has allowed schemes of all sizes to access competitive quotes in the market.

New insurers have also entered the market – 2024 saw two new insurers complete their first transactions (Utmost and Royal London), with a third new insurer (Blumont) expected to do so in 2025. This will help to provide additional capacity, along with new ideas and innovations that comes through increased competition.

A majority of insurers now offer solutions for small schemes, and multi-insurer processes are increasingly feasible.

## Remaining challenges

Despite this thriving market, differences in data and information requirements between insurers can be a challenge, as can differing approaches between trustees for reviewing insurer proposals. This is putting pressure on schemes and their advisers.

### Templates

The templates used by insurers for smaller schemes are very different, particularly for benefit definitions as opposed to data, and alignment with the benefits provided by the scheme can be a challenge. As well as reducing efficiency for trustees and their advisers, differences in templates for streamlined processes can also increase the risk of inconsistencies between the scheme data and benefits and those that are insured.

From a contractual perspective, the format of standard terms can also differ, including the extent to which features are included in the terms, rather than the accompanying data and benefit files.

The requirement from some trustees for schemes to use a pre-determined legal adviser for the standard terms in the contract, with the scheme's regular adviser covering the individual features of the benefit specification, i.e. there being two separate legal advisers, can lead to a disconnect, and a risk of issues slipping between the different sets of advisers.

### Administration capacity constraints

Fast paced growth in the bulk annuity market has exacerbated already stretched administrative capabilities, making administration capacity constraints a key issue. Delays during the data cleanse period (on either the insurer and/or existing provider side) are at risk of creating a bottleneck of schemes that are unable to move to buyout. This has implications for schemes and employers in terms of additional running costs through a lengthier buy-in period.

3 DWP, Options for DB schemes, February 2024: https://www.gov.uk/government/consultations/options-for-defined-benefit-schemes/options-for-defined-benefit-schemes

4 SPP response to the DWP consultation, "Options for DB Schemes", 12 April 2024: https://the-spp.co.uk/wp-content/uploads/SPP-response-DB-Options-Consultation-12.4.24-1.pdf?v=7225

5 A new era of choice, LCP, May 2025: https://insights.lcp.com/rs/032-PAO-331/images/LCP-PRT-update-05-2025.pdf?utm_campaign=prt_update_2025&utm_medium=bitly&utm_source=website

6 Ibid

## Solutions

### Standardisation of insurer processes

A more standardised approach to streamlined processes would be a significant, but not impossible, step. A single standard template is unlikely to be achievable, but greater consistency in the structure and approach taken could be possible, with cross-industry collaboration.

However, the industry needs to be clear on its priorities where capacity is constrained. Streamlined processes are a response to a call for more capacity for quotes, but is the priority now moving towards greater efficiency in the process for trustees and their advisers instead? The priorities will often depend on scheme specifics, so can vary.

### Pension schemes and their advisers

Schemes and their advisers can also improve their processes and develop innovative solutions to improve efficiency.

Adviser streamlined processes can play an important role here. Well established and clearly structured broking processes with pre-negotiated contracts may give insurers additional confidence that transactions will go ahead efficiently and with minimal costs. Rapidly improving technology could allow the completion of different insurer templates more easily.

Schemes, especially smaller schemes, need to carefully consider the costs and benefits of having to populate different streamlined formats for a multi-insurer process. Where they have complex benefits that may not easily fit into a streamlined format, an alternative approach to market may be required. The solution might be for a scheme to choose a single insurer to work with exclusively, or for data and benefits to be simplified.

Either way, it is essential that schemes ensure they are well-prepared, and not rush to approaching the market. Poorly prepared schemes are more likely to experience issues during the process, both pre- and post- transaction, and will not be an attractive proposition for insurers, who are understandably concerned about delays and unexpected post-transaction costs.

### Administration capacity constraints

Members of the SPP's Risk Transfer Group uniformly agreed on the importance of involving administrators early in the process as being key to minimising problems.

Another solution is for some data exercises e.g. GMP equalisation, to be carried out using specialist data advisers or providers. It helps that some, although not all, insurers allow GMP equalisation to be implemented directly onto their administration systems, avoiding the need for revised calculation processes to be set-up on the scheme's existing administration system first.

Technology is another vital factor to improving efficiencies and experience. There is substantial room for increased automation and use of Artificial Intelligence (AI) in the administration process. A recent SPP survey found that although AI is being widely used across the pensions industry, with 87% of the industry making use of such technology, it appears to be substantially underutilised, with the same survey revealing AI is currently used in only 1%-5% of pension services[7].

## Conclusions

There is scope to increase efficiency in different parts of the risk transfer process, but it is also very important to consider the whole process, including the post-transaction phase and the journey to buy-out. There are capacity and resource constraints throughout the different stages, particularly for administration, but also for insurers and consultants.

Discussions amongst the SPP's diverse membership reveal that, overall, there is no single party holding up the process, but rather a combination of issues and challenges that impact insurers, trustees, schemes, and administrators differently.

For the risk transfer process to improve, all interested parties need to work on their particular issues, whilst simultaneously working collaboratively with other associated partners in the process.

7 SPP response to the Treasury Select Committee Call for Evidence on the use of AI in banking, pensions and other financial services, 2025: https://the-spp.co.uk/wp-content/uploads/SPP-Response-to-TSC-Inquiry-into-AI-11-April-2025.pdf?v=1894

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### About The Society of Pension Professionals

Founded in 1958 as the Society of Pension Consultants, today SPP is the representative body for a wide range of providers of pensions advice and services to schemes, trustees and employers. These include actuaries, accountants, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and pension specialists.

Thousands of individuals and pension funds use the services of one or more of the SPP's members, including the overwhelming majority of the 500 largest UK pension funds.

The SPP seeks to harness the expertise of its 85 corporate members - who collectively employ over 15,000 pension professionals - to deliver a positive impact for savers, the pensions industry and its stakeholders including policymakers and regulators.

### Further information

If you have any queries or require any further information about this discussion paper, please contact SPP Head of Policy & PR, Phil Hall phil.hall@the-spp.co.uk or telephone 07392 310264

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