De-risking Guide 2025:

Choosing the right path

Featuring:

- The highlights, milestones and movements that defined the 2025 BPA space
- The growing complexity of pension scheme endgames
- How trustees can best prepare for the year ahead
- The growth of superfunds
- Company profiles

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STATE STREET INVESTMENT MANAGEMENT

Clara PENSIONS

BPAs under the spotlight

It has been another standout year for the bulk purchase annuity (BPA) market, with several new entrants, strong insurer appetite and a flow of schemes coming to market. Paige Perrin looks back at some of the highlights, milestones and movements that defined the 2025 BPA space

Overall state of the bulk purchase annuity (BPA) market this year

It has been another busy year in the BPA market, marked by strong activity levels, increased focus on member support, and continued financial resilience across insurers.

Market activity has continued to grow this year, with transaction volumes on track to exceed £40 billion for the third consecutive year and around 350 BPA deals expected to transact this year. This increase was driven by a record number of buy-ins and buyouts in the first half of the year (155+).

In June, Barnett Waddingham's defined benefit (DB) End Gauge Index showed that the average time to buyout for FTSE 350 DB schemes reached a record all-time low of 3.6 years. It credited this to improved funding positions.

Meanwhile, in July, Just Group predicted that momentum would accelerate further in the second half of 2025. Its predictions suggested that there would be strong demand across schemes of all sizes, with particular growth being seen in the amount of larger transactions.

Also, Aon research in July found the majority of bulk annuity insurers would quote to offer bridging pension options (BPO) at retirement for transactions of any size, with all willing to offer BPO at retirement on transactions over £750 million. There were also opportunities to retain pension increase exchange at retirement, although this was only true for a smaller pool of insurers, as five out of 10 insurers said they would offer this for transactions over £750 million.

In November, the Prudential Regulation Authority's 2025 life insurance stress test revealed the resilience of the BPA market, particularly that leading BPA insurers remain well-capitalised and able to withstand major shocks, despite significant simulated stresses.

In October, two Ford pension schemes, the Ford Hourly Paid Contributory Pension Fund and the Ford Salaried Contributory Pension Fund, completed buy-ins totalling £4.6bn with Legal & General (L&G). This transaction secured the benefits of more than 35,000 retirees. The buy-ins were completed as part of one combined transaction and represented the largest UK pension risk transfer announced in 2025 and L&G's second-largest buy-in by premium size to date. Ahead of the transaction, the trustees worked with Aon and Ford's in-house investment management team to align the schemes' investment strategies with insurer portfolios. The trustees were advised by Aon as lead transaction adviser and Mayer Brown as lead legal adviser. Additional legal advice was provided to the trustees by Hogan Lovells, while Aptia provided administration support. Slaughter and May provided legal advice to L&G.

In August, the Rolls-Royce UK Pension Fund completed a £4.3 billion buy-in with Pension Insurance Corporation (PIC), securing all of the fund's total remaining liabilities. The transaction covered 36,000 individuals, including 15,000 pensioners and 21,000 deferred members. LCP acted as lead transaction adviser to the trustees, while Mercer acted as scheme actuary and investment adviser. Legal advice was also provided to the fund by Linklaters. PIC, meanwhile, received legal advice from Addleshaw Goddard as their main adviser, with additional support from Herbert Smith Freehills Kramer on aspects of the transaction. PIC said that following the announcement of its acquisition by Athora, which is subject to regulatory approval, it expects to have a strong appetite to complete many more 'ground-breaking' transactions like this one in the future.

Small schemes

This year has seen increased activity for smaller-sized schemes.

In August, Aon noted that the BPA deals completed in H1 were dominated by smaller transactions (typically considered £100 million or below of liabilities).

This has prompted market changes, as Aon pointed out that whilst in the past a smaller transaction may have expected a small number of bidders, or even insurers to require exclusivity up front, there is a growing appetite across the market to participate in competitive auctions for smaller schemes.

According to Aon, this has been partly driven by new entrants, but is also a result of other insurers looking to claim market share where there are fewer £billion+ opportunities.

Despite this greater choice, Aon found that Aviva and Just have remained as the dominant players in this segment of the market, writing 37 and 57 transactions respectively in the sub-£100 million range during first half of 2025.

In addition to this, L&G reported it has insured more than £800 million of pension liabilities using L&G Flow, its tailored solution for smaller schemes. However, it is not only the insurers that have been tailoring solutions to smaller schemes, as consultancy Hymans Robertson launched an end-to-end service, TRUST, designed to address the needs of smaller schemes against a backdrop of surging demand in the sub-£150 million transfer market.

In August, the Sedgwick Section of the MMC UK Pension Fund completed a £1.9 billion buy-in with Standard Life and secured retirement benefits for around 6,500 members. The deal included novation of the section's three existing longevity swaps with Canada Life Re, Munich Re, and The Prudential Insurance Company of America from the Guernsey-based insurance captive vehicle, Mercer ICC Limited. Mercer, a business of Marsh McLennan, acted as lead broker on the transaction, although separate teams advised the trustee and Marsh McLennanan. This included risk transfer, actuarial, investment, insurer financial strength, and post-transaction management advice. Meanwhile, legal advice was provided to the trustee by Linklaters and to Marsh McLennan by Herbert Smith Freehills Kramer, while Eversheds Sutherland LLP advised Standard Life.

In September, the BP Pension Fund secured a £1.6 billion buy-in with Legal & General (L&G), marking the first de-risking transaction for the £18 billion fund. The deal required close collaboration between the two parties, including an agreement on terms to support the security of members' benefits. The trustee received advice from Aon, the lead transaction adviser, while Linklaters provided legal advice and Cardano provided insurer covenant advice. Mercer acted as scheme actuary, and Redington provided strategic investment advice to the trustee. Macfarlanes and DLA Piper provided legal advice to L&G. However, BP Pensioner Group expressed disappointment over the news, given that concerns around past pension increases are still ongoing. The dispute between BP Pensioner Group and the company centred around decisions made by BP and the Pension Fund Trustee in 2022 and 2023, which, according to the BP Pensioner Group, led to an 11 per cent fall in the value of the pension in real terms in two years.

Notable developments

Several firms announced their intention to enter the UK BPA market, including Brookfield Wealth Solutions doing so in March, which will operate under the Blumont Annuity UK brand, and Utmost Life and Pensions doing so in September. Several major acquisitions also reshaped the landscape. A couple of months after announcing its intention to enter the UK insurance market, Brookfield Wealth Solutions revealed in July that it would acquire Just Group, with plans for Just and Blumont to operate as a single consolidated insurance group under the Just brand. Also in July, Athora Holding Limited, the Pan-European savings and retirement services group, announced its acquisition of Pension Insurance Corporation (PIC) Group, the parent company of PIC. Meanwhile, Broadstone acquired ExactVAL in June to further strengthen its life insurance and BPA capabilities. Looking ahead, M&G announced in September its plans to launch a with-profits BPA offering early next year. In the same month, Phoenix Group confirmed it will rebrand to Standard Life in March 2026, returning to the name of the business it acquired in 2018.

Written by Paige Perrin

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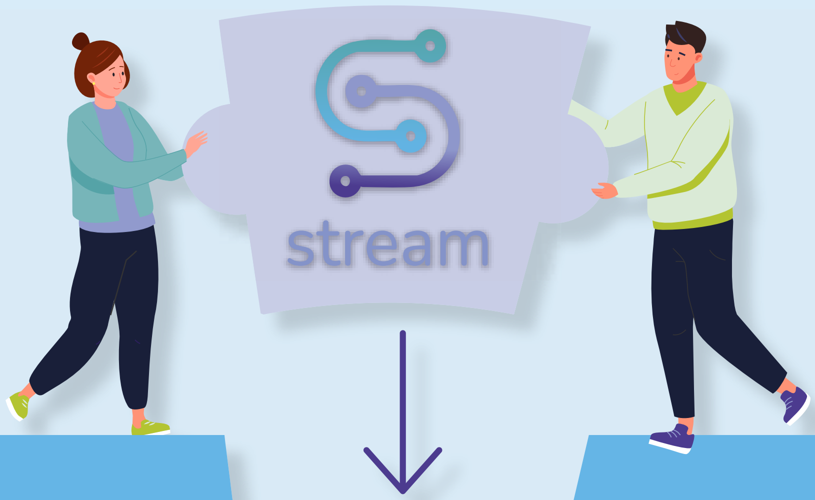

Stream is Vidett's programme coordination service, developed specifically to help clients manage their scheme's journey from buy-in to buy-out and wind-up.

Ensure your scheme's **endgame journey** flows smoothly, on time and on budget!

Stream removes the inefficiencies that slow endgame projects. It eliminates duplicated management, keeps progress moving between buy-in and buy-out, and ensures deadlines are met to avoid costly delays.

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Trustees at a crossroads: Navigating the new endgame landscape

Rebecca Wood looks into the growing complexity of pension scheme endgames, discussing how trustees can meet regulatory expectations and create the best possible outcomes for members

For decades, the trustee's role was defined by a single, clear objective: secure members' benefits and steer the scheme toward buyout. But now, that clarity is gone. Today, The Pensions Regulator (TPR) has shifted its stance, with success no longer being measured solely by security, but by delivering the best possible outcomes for members. This evolution sounds empowering, but it introduces complexity that trustees will have to navigate alongside their advisers.

From certainty to choice

The endgame used to be a straight road; now it's a network of paths. Buyout remains an option, but it's joined by run-on strategies, consolidators, and superfunds. Each route carries different implications for risk, cost, and member experience. The amount of options and companies competing for business in each of these areas are only increasing too. Trustees must weigh up not just financial security, but also questions like: will members enjoy better returns? Will administration deliver a positive retirement experience?

For lay trustees, this is daunting. A scheme only reaches its endgame once and decisions must be made in real time, often under scrutiny, and with consequences that last decades. Those who only work on one scheme face the prospect of making these decisions without any kind of rehearsal.

Superfunds and the stakes ahead

The arrival of multiple superfunds illustrates the challenge. Clara's model offers a bridge to buyout, prioritising security. TPT's forthcoming solution promises a run-on approach, potentially enhancing returns but demanding confidence in governance and service quality. More entrants will follow, each with unique propositions.

"The endgame is no longer a destination; it's a journey"

Trustees must interrogate these models: scalability, capacity, long-term sustainability. As superfunds grow, regulation will need to evolve from initial checks to ongoing oversight. This is not a box-ticking exercise, it's about safeguarding member outcomes in a dynamic and changing market.

Why alignment matters

TPR's call for 'best outcomes' is not prescriptive. What's best for one scheme may differ for another. That flexibility is welcome, but it requires trustees to define success upfront. Is it absolute security? Higher returns? A seamless member experience? Without a shared vision, decision-making risks fragmentation and member outcomes could suffer.

This is where stakeholder engagement becomes critical. Sponsors, advisers and administrators all need to be part of the conversation. Agreeing a clear set of objectives early ensures every decision is anchored in what matters most: the members.

The case for expertise

The complexity of today's choices demands more than good intentions. Trustees need access to deep market knowledge, rigorous analysis, and practical experience. Professional trustees and specialist advisers bring that perspective to lay trustees. Importantly, their role is not to dominate decisions, but to guide them. They help frame the right questions, challenge assumptions, and ensure governance keeps pace with innovation.

Leading through change

The trustee role is evolving from passive stewardship to active strategy. It's about navigating uncertainty, balancing competing priorities, and making decisions that will define members' futures. That requires collaboration, clarity, and confidence.

The endgame is no longer a destination; it's a journey. Trustees who embrace this shift by aligning stakeholders, setting clear objectives, and leveraging expertise, will not only meet regulatory expectations but deliver outcomes that truly serve their members.

Written by Vidett client director, Rebecca Wood

STATE STREET INVESTMENT MANAGEMENT

getting there starts here

Five questions every scheme should ask in 2026

Mitul Patel considers how trustees can best prepare for the year ahead

After two exceptional years, UK DB schemes are entering 2026 from a position of strength — but into a landscape of uneven rate cuts, sticky inflation pockets, heavy gilt issuance and ongoing geopolitical risk. The most resilient schemes will be those that ask themselves the right questions early. Here's our concise guide to five that will matter most in 2026:

1) Are our interest-rate and inflation hedges ready for a 'lower but lumpier' path?

Markets have shifted from how high to how uneven. Yields may drift lower in 2026, but swings will be driven by inflation data, growth concerns and gilt supply. This argues for solid hedge ratios with flexibility to adapt.

Today's yields still justify increasing hedges, ideally through frameworks enabling quick rebalancing. Under-hedged schemes may revisit inflation exposure as breakevens look cheaper than recent norms. Well-funded schemes should refine curve matching.

2026 actions: Refresh liability cashflows and key-rate exposures. Adopt a documented hedging policy with pre-agreed triggers.

2) Is our liquidity and collateral framework fit for Quantitative-Tightening (QT)-era gilt and repo markets?

With high gilt issuance and QT, collateral needs can spike precisely when return assets fall. Repo access and funding diversity matter.

QT can push up repo rates, raising leverage costs. Schemes reliant on repo should diversify funding sources, potentially leveraging the benefits of peer-to-peer repo. Collateral waterfalls and eligible-asset lists must handle sharp gilt moves. Avoid dependence on growth assets for collateral, and maintain cash-like sleeves and high-quality bonds. Review the trade-offs between cleared and bilateral derivatives.

2026 actions: Run liquidity fire-drills. Review repo counterparties. Stress-test collateral for higher repo rates, reduced liquidity and wider spreads.

3) How should we deploy surplus and capture credit opportunities as endgame decisions accelerate?

Stronger funding enables faster de-risking, buy-ins/buyouts, or run-on strategies aiming to harvest carry and potentially benefit from future buyout-cost reductions. Tight spreads may still offer opportunities during volatility, making surplus policy and agile governance essential.

Insurer selectivity means portfolio simplicity helps execution. For run-on schemes, volatility increasingly comes from fixed income, not equities. Surplus can be deployed into credit when matching is maintained. Governance designed for calmer markets may now be too slow.

2026 actions: Complete an endgame review. Define surplus uses. Set credit deployment triggers. Update delegated authorities for timely execution.

4) How do we embed sustainability into LDI without compromising precision or liquidity?

Trustees increasingly seek to include sustainability alignment in their

portfolios without compromising matching quality or increasing complexity. The UK's green gilt programme and rising sustainable corporate issuance offer additional instruments in the trustees' toolkit to pursue their sustainable objectives. We believe that, in general, sustainability metrics are improving and trustees can gain greater transparency into their portfolios' sustainability credentials. Disclosures must align with regulation.

2026 actions: Review sustainability objectives and factor integration. Consider green gilts or sustainability-aware credit. Consider adding clear climate-related metrics to reporting aligned with your sustainability aims and objectives.

5) What are the hidden costs of not reviewing our LDI manager in 2026?

In fast-moving markets, inertia can be costly: Leading to missed opportunities, outdated processes and uncompetitive fees. Daily transparency, strong analytics and responsive governance are now the baseline expectations.

2026 actions: Benchmark service standards and technology. Assess governance responsiveness. Take a deep dive on potential efficiency and fee gains.

Get the details right

A focused approach on hedging, liquidity, surplus, sustainability and manager effectiveness will help schemes preserve hard-won funding gains through 2026 and beyond.

Visit statestreet.com/im/ldi to explore our LDI insights.

Written by State Street Investment Management senior LDI strategist, Mitul Patel

In association with State Street Investment Management

A new era for pension de-risking

Matt Wilmington explores the growth of superfunds and the role they have to play in the DB de-risking market

For many years, the UK pensions industry has searched for new, reliable ways to help schemes reduce risk while securing members' benefits. As schemes mature but with insurance not being accessible to all, trustees and sponsors have looked for additional, credible routes to long-term security.

Enter the superfund: A solution designed to bridge the gap between ongoing scheme management and full insurance buyout. Once viewed as an ambitious idea, superfunds have now become a mainstream part of the UK's de-risking toolkit, now proven through regulation, real transactions and demonstrable member benefits.

What are superfunds?

The idea of a superfund first emerged in 2018, when the Department for Work and Pensions (DWP) began exploring ways to consolidate DB schemes that lacked access to the insurance market. The aim was to create a safe, well-capitalised vehicle that could take on pension liabilities and manage them efficiently under the oversight of The Pensions Regulator (TPR).

In 2020, TPR introduced an interim regulatory framework, enabling superfunds to operate under rigorous supervision. Clara was established in 2017 and successfully completed TPR's assessment process in 2021, the first, and so far only, consolidator to reach this milestone.

For Clara, these early years have been about proving the concept through transparent capital structures and a member-first operating model, to match the high bar set by the insurance sector.

Five years on, the Pension Schemes Bill is now putting superfunds on a statutory footing; a signal of permanence. The market is entering a new phase, providing trustees and sponsors with the certainty they need to engage with confidence.

A core component of the UK's de-risking landscape

Superfunds are no longer a theoretical alternative but a vital component of the UK's de-risking landscape. We share the same objective as an insurance buyout: To remove sponsor risk and secure members' benefits in a well-capitalised, professionally managed vehicle. The route to get there is different – sitting between run-on and full insurance – but fundamentally complementary.

Where insurers naturally prioritise well-funded schemes, superfunds can support solutions for a broader range of circumstances: Those with weaker funding, schemes in PPF assessment, or those seeking faster wind-up. The result is more choice for trustees and a stronger, more resilient pensions system overall.

Proof in practice

Clara has now completed four transactions, each testing the model under different real-world conditions. Each transaction has featured a different scenario and together they demonstrate the flexibility and reliability of the model in practice. Each deal has strengthened the argument that superfunds provide a practical, secure route to de-risking.

In 2023 we agreed with trustees of the Sears Retail Pension Scheme to transfer members to Clara in the UK's first superfund transaction. Scheme members benefited from an additional £30 million of ring-fenced funding to support the scheme, demonstrably improving member security and providing increased certainty on their journey to an insured buyout in five to 10 years' time.

Six months later, 10,400 members of the Debenhams Scheme joined Clara from PPF assessment, with the restoration and back payments of 100 per cent of their promised pensions in retirement. Under the terms of the transaction, Clara provided an additional £34 million of dedicated funding to support members.

Last year, we completed our third and potentially most groundbreaking transaction. The Wates Group and the trustee of the Wates Pension Fund transferred all 1,500 members and the scheme's £210 million in assets into Clara's management in a landmark deal that was the first superfund transaction conducted with a scheme with an active sponsor, paving the way for many more companies to successfully transfer their pension liabilities while enhancing member security.

Members of the Church Mission Society Pension Scheme became the fourth section to join Clara earlier this year. This marked another milestone, as both the first transaction to make use of a 'connected covenant' structure and the first involving a not-for-profit employer, further demonstrating the broad appeal of consolidation.

The 'connected covenant' feature allows a continuing contingent guarantee from the original sponsor, alongside Clara's capital commitment. This provides an additional layer of long-term security for members, strengthening the financial safeguards in place as the scheme progresses towards an insured buyout – a model with the potential for up to £50 billion of schemes in the UK to increase their security.

Collectively, these transactions demonstrate how the superfund model works across a spectrum of scenarios; solvent or insolvent sponsors, large or mid-sized schemes, and always with member benefits at the heart.

Clara-Pensions at a glance
- 22,000 members
- £1.4 billion AUM and £172 million of regulatory capital over and above technical provisions
- 4 transactions safely onboarded
- Multi-billion pipeline across over 30 pension schemes

The growing market

The emergence of a superfund market is reshaping how the UK manages defined benefit liabilities. Alongside insurers, master trusts and capital-backed journey plans, superfunds are building capacity within the system to support the UK's long-term savings promise.

The pace of activity is accelerating and advisers are increasingly including superfunds in their de-risking discussions with trustees. Earlier this year Clara held the first ever Superfund Summit where more than 70 advisers and partners joined us to analyse the superfund story so far, and what comes next. How the sector is innovating – and how the market will grow and diversify.

With the news that TPT intend to launch a run-on superfund and others new participants also expected enter the market the future is looking good for the sector. The forthcoming statutory regime will certainly give trustees greater confidence. With a strong pipeline of potential transactions, we should expect to see larger, more complex and potentially multi-scheme transactions happening in a competitive superfund market.

This growth will also ease pressure on the insurance sector by broadening the range of risk-transfer options available, particularly for schemes that want to move quickly or for those where sponsor affordability remains a challenge. The ultimate beneficiary is the member, with more routes to long-term security and stronger institutions managing their benefits.

The next stage will be about scale and confidence. As more transactions complete the market will deepen, capital will diversify, and the UK will have a fully-fledged consolidation market capable of handling billions in liabilities.

The road ahead

With four transactions completed and a strong pipeline ahead, Clara continues to demonstrate what a safe, sustainable superfund market looks like in practice. The team is now engaging on opportunities that range from mid-sized schemes to multi-billion-pound liabilities, reflecting the widening scope of consolidation.

The journey from 2018's early consultation to the 2025 statutory regime shows how far the superfund concept has come. It took persistence, collaboration and rigorous regulatory design, but the outcome is a stronger, more flexible pensions system.

Superfunds are now a proven, mainstream de-risking option. For trustees and sponsors navigating the final stages of their schemes' lifecycles, they offer a practical and secure path to endgame.

And with Clara at the forefront – delivering transactions, building trust, and supporting members – the sector can look ahead with confidence. The UK's superfund story is no longer about what might happen; it's about what already is.

Written by Clara-Pensions chief transactions officer, Matt Wilmington

In association with Clara Pensions

Company Profiles

Vidett

Vidett was formed in 2023 to facilitate a true merger of equals: Punter Southall Governance Services Limited (PSGS) and 20-20 Trustees Limited (20-20). With a team of over 140, we're now the UK's largest professional trustee and pension governance firm by number of clients.

One of our greatest strengths is the people we employ. Our team of professional trustee and governance experts come from a range of backgrounds, in pensions, wider financial services and beyond.

This diversity and depth of experience is what places our team so well to support our clients by embracing market-leading technology and innovation to deliver a new kind of trusteeship and governance. This allows us to transform challenges into solutions and make the right things happen, providing solutions that are adaptable (yet repeatable) and not a product.

We believe advice is for advisers. We work as 'one team' with them – seeking independent advice to ensure we all deliver the best outcomes for clients. We have an open culture – so together we can succeed and get things done.

Whilst we're now one of the UK's largest professional trustee and governance firms, we ensure each and every one of our clients get the dedication and personal service they deserve.

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State Street Investment Management

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**This figure is presented as of September 30, 2025 and includes ETF AUM of $1,848.02 billion USD of which approximately$144.95 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.*

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Company Profiles

Clara-Pensions

Clara-Pensions is the UK's first and, so far, only operational defined benefit (DB) superfund, providing a safer home for schemes on their journey to insured buyout.

Founded in 2017, Clara was created to give trustees and sponsors a new, regulated option beyond the traditional binary choice of buyout or ongoing run-off. Completing the required assessment process from The Pensions Regular in 2021 was a major milestone – demonstrating excellence across people, governance, systems and processes, and financial sustainability.

Since completing the UK's first superfund transaction in November 2023, Clara has built a track record of delivery across four landmark deals. Around 22,000 members and more than £1.4 billion of assets have now transferred into the Clara Pension Trust. These include the first-ever UK superfund deal (Sears), the first scheme to exit PPF assessment with full benefits restored (Debenhams), the first solvent sponsor transaction (Wates), and the first connected covenant transaction with a not-for-profit employer (Church Mission Society).

Each scheme benefits from Clara's 'bridge to buyout' model, combining capital injections, strong governance, robust risk management, and efficiencies of scale to enhance member security. Clara is committed to deliver each of its sections safely to the insurance market – only then will it be able to realise a return on the capital it has provided. In the meantime, Clara's 'Member First' philosophy means members who have transferred will benefit from the high service standards we have established and continue to maintain.

Pensions Age

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We also publish *European Pensions*, which targets pensions funds across Europe, as well as running the European Pensions Awards and Irish Pensions Awards.