Summary
- The UK DB pension risk transfer market has shifted from insurer capacity constraints to consistent oversupply, driving record transaction volumes.
- Increased insurer participation has boosted competition, innovation, and accessibility, particularly for smaller schemes.
- Trustees face more complex choices, balancing competitive pricing with a growing emphasis on member experience and post-transaction support.
- The market is being further reshaped by technology, superfunds, and upcoming regulatory reforms, including surplus access and consolidation options.

A wealth of choices

With the UK DB pension risk transfer market undergoing a substantial transformation, the market dynamic is changing, and trustees are increasingly facing more choices in a competitive environment. Paige Perrin explores this trend and what impact it is having on the UK DB pension sector

The UK DB pension risk transfer market is undergoing an unprecedented transformation reshaping the landscape for trustees and insurers alike.

After years of being a supply-constrained environment, the market is shifting to one where insurer capacity now consistently exceeds demand.

Recent research from Hymans Robertson confirms this, showing for the first time in several years that insurer supply exceeds scheme demand.

The consultancy also revealed that, in 2024, the UK bulk annuity market hit a record high, with nearly 300 buy-in transactions completed and over £47 billion in total premiums written.

This surge in capacity is occurring at the same time as increased funding levels, with The Pensions Regulator's (TPR) 2025 Annual Funding Statement highlighting that 54 per cent of schemes are now in surplus on a buyout basis.

This figure rises to 76 per cent on a low dependency basis and 85 per cent on a technical provision basis.

Together, these factors indicate a move towards a better-funded environment, marking the beginning of a new era for pension schemes filled with opportunities and potential complexities.

A shifting market

This shift can be attributed to several key drivers, including the influx of new entrants into the market, increased funding levels, and the ongoing transition from a DB environment to a DC landscape.

LCP partner, Imogen Cothay, says: "Trustees have never had so much choice when it comes to risk transfer. With 11 active insurers in the buy-in market, insurer innovations and an increasing array of alternative endgame solutions, the current market is empowering trustees to pursue strategies that are more tailored and ambitious than ever before."

The pension market is also witnessing a growing number of schemes actively considering their endgame options as a result of improved funding levels and a significant rise in the number of schemes now in surplus.

This shift has not only empowered trustees to explore a broader range of risk transfer solutions but has also intensified competition among insurers.

Increased insurer capacity, for example, has led to more favourable pricing, marking a major transformation in the market.

Aviva bulk purchase annuity (BPA) distribution director, Jamie Cole, highlights this trend: "The competition has also driven a long period of price improvements as insurers have developed increasingly sophisticated approaches to deliver value to trustees."

Beyond price

As competition intensifies and drives pricing improvements, trustees are also placing a growing emphasis on securing accurate and transparent buy-in pricing, allowing them to confidently assess whether the pricing received truly represents value.

This evolving market has also encouraged innovative deal structures, including deferred premiums for schemes with illiquid assets and in-specie asset transfers to reduce disinvestment friction, both of which are becoming increasingly considered in tailored deals.

At the same time, non-price factors, like member experience and post-transaction support, have also become important considerations.

Several industry experts highlight the consideration of non-price factors as a substantial difference in the new market.

Capital Cranfield professional trustee, Darren Masters, calls balancing price and non-price factors a "key challenge" in deciding where to place a risk-transfer transaction.

"While the new competitive environment may lead to better pricing, there is significant weight given to non-pricing factors such as administration capabilities, data management, member experience, insurer operational and financial risk, and contracting flexibility," he continues.

Cothay adds that this "growing need" to innovate across both pricing and non-pricing factors is fuelled by the rising number of insurers in the market.

However, BESTrustees professional trustee, Russell Baird, emphasises that although competitive pricing is important, what matters just as much, if not more, is "the long-term security behind that price."

"That means rigorous due diligence on insurer strength, governance, operational resilience, and their ability to deliver for members over decades – not just at the point of transaction," he continues.

Given this, Baird urges trustees to actively challenge the process, stating: "Time to completion is still too slow in many cases, and the transition from buy-in to buyout is still often more complex and lengthier than it should be.

"Trustees need to be confident in pushing for clarity, responsiveness, and innovation. That means having meaningful, constructive conversations with insurers – not just accepting what's offered, but exploring the art of the possible."

However, Hymans Robertson head of risk transfer, Lara Desay, believes there is a "stronger focus" on post-transaction activity and the ability to be able to progress this phase of a wind-up project more quickly.

"We are seeing insurers seek ways to develop their offering in that space including speeding up the work and creating efficiencies in that space as a way of enhancing their proposition," she says.

Member experience has also significantly benefited from these evolving market dynamics.

Cole highlights a "growing emphasis" on placing member experience at the "heart" of risk transfer strategies.

"From clearer communications to more personalised support post-buyout, schemes are recognising the importance of maintaining trust and transparency

throughout the process," he adds.

WTW de-risking team managing director, Shelly Beard, echoes this, highlighting that trustees are placing a "strong weighting" on insurers who they have confidence can offer a positive member experience post-buyout, and who are investing heavily in this area.

This trend is reflected in insurers' commitment to continuously improve and innovate their offerings.

Just Group director of commercial DB solutions, Rob Mechem, adds that for some trustees, the quality of member experience has surpassed price and is a "key decision-making" factor in decision-making processes.

In terms of the types of innovations in member experience, Cothay notes that some insurers are using "interactive online platforms, enhanced communication services and in-person engagement events", helping members understand benefits and engage with them directly.

Canada Life UK managing director for BPA, Shreyas Sridhar, doesn't see this trend of increased focus on enhancing member experience changing anytime soon, as he expects insurers to "continue to innovate, be creative and offer flexibility to provide solutions that meet the needs of pension schemes".

However, Beard warns that in terms of member experience offerings post-buyout, trustees need to make sure that they continue to undertake "detailed due diligence" on insurers.

Pension professionals also warn of potential administrative strain following transactions, particularly during the transition to buyout.

Several insurers have responded to this by investing in automated workflows and expanding post-transaction support teams to meet growing demand efficiently.

In addition, the market is increasingly valuing non-price factors, leading to greater choice, particularly for smaller schemes.

"Increasingly, we are seeing schemes of all sizes approach the market due to recent improvements in funding positions along with greater insurer focus on smaller transactions," Sridhar explains.

Smaller schemes (under £100 million) previously faced limited options, but the entry of new insurers into the market has proved beneficial.

"For smaller schemes, the most exciting development is the rise of streamlined, standardised transaction models. These are designed to reduce friction, cut advisory costs, and make execution faster and more accessible," Baird explains.

He adds that the "openness of insurers to dialogue and increased flexibility in structuring deals and willingness to tailor solutions to scheme-specific needs" is a "major step forward", particularly for smaller or more complex schemes that previously "struggled to get airtime".

However, Cothay says that despite new entrant insurers focussing on the medium and smaller end of the market as they "establish their footing", going forward they have "ambitious" growth plans.

Legal & General managing director of UK pension risk transfer, John Towner, also emphasises that even the new entrants are not all competing for the same size transactions.

He says that with increasing volumes of schemes coming to market, insurers all have "plenty" of opportunities and importantly, trustees and sponsoring companies have more choice than ever before.

"That we are seeing new entrants as well as increased capacity from long-standing providers, is a testament to a healthy and vibrant market," Towner says.

This competition, according to Baird, has influenced trustee transaction timing, enabling well-prepared schemes to act more quickly.

"But for others, particularly smaller schemes, the real benefit is the ability to pause, prepare, and engage more strategically. That's why early engagement and structured planning are essential," he says.

Emerging trustee priorities

Industry experts also indicate that the shift in the market has put other considerations higher up on trustees' agendas, including environmental, social and governance (ESG) and regulatory considerations.

ESG considerations are playing an increasingly influential role in decision making, with heightened awareness of insurers' investment practices and long-term stewardship as part of the selection criteria.

While the growth of the market offers clear advantages for smaller schemes it also introduces challenges.

Desay points out that by 2025, some insurers may not meet targets, leading to an excess supply of insurers relative to pension scheme demand.

Although competition is intensifying across both the mega (over £1 billion) and smaller scheme segments, Masters highlights concerns that aggressive pricing could raise questions about insurers' capital adequacy and the security of member benefits.

In practice, however, he says the risk is minimal due to the "strong" regulatory framework governing insurers, along with their comprehensive risk management strategies, such as stress testing, asset diversification and reinsurance.

"Trustees have never had so much choice when it comes to risk transfer"

Cole echoes this: "Regulation plays an important role in maintaining high standards in the industry and ensuring that all parties remain focused on the best outcomes for scheme members.

"Healthy competition is essential to drive innovation and broaden choice for members and trustees."

Future plans

The future of the UK DB pension risk transfer market is being shaped by significant developments around surplus funds and ongoing government reform.

Following improved funding levels, an increasing number of DB schemes are now in surplus, sparking fresh interest in unlocking these funds to support broader economic growth.

The UK government has recently concluded its consultation on options for DB pension schemes.

In its response, the government confirmed plans to introduce reforms that would make it easier for companies to access surplus funds in DB schemes.

These reforms are designed to provide clearer guidelines and greater flexibility, subject to trustee approval, enabling companies to unlock and reinvest these surplus assets more efficiently while maintaining strong protections for scheme members.

Alongside these plans, the rise of superfunds like Clara is expanding the risk transfer landscape beyond traditional insurance routes.

These types of transactions offer schemes with complex objectives or constrained sponsor situations with new, tailored endgame solutions.

While these developments create exciting opportunities, advisers caution trustees against complacency in this favourable environment.

Preparation, data quality, and governance remain critical, as timing missteps or lack of readiness could result in missed opportunities or weaker engagement from insurers.

Technology is also expected to drive meaningful improvements across the market.

Mechem notes that insurers are increasingly leveraging technology to boost capacity, refine pricing, speed up execution, and automate administrative processes after transactions.

He also suggested that these innovations can improve service delivery and member experience.

As the UK DB pension risk transfer market continues to evolve, trustees are increasingly empowered to make decisions that balance competitive pricing, member experience, and long-term resilience.

With a record number of schemes entering surplus, a growing pool of insurers, and wider reform on the horizon, the market is not only more accessible – but more sophisticated.

Trustees now have the ability to influence results in ways that were previously inconceivable just a few years ago.

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