Making moves

Many, perhaps most, pension scheme memberships or other retirement savings vehicles will be transferred in some way before an individual retires. David Adams looks at how the popularity and efficacy of different types of transfer are being influenced by improving practices and by regulatory and market conditions

Summary

- The most common form of pension transfer is still via BPA de-risking transactions for DB schemes, despite administrator capacity issues. Insurers continue to increase capacity, while transition practices and services are also improving.
- Numbers of DB to DC transfers have fallen, as transfer values are much lower than three or more years ago. Regulatory changes are reducing scamming risks, but they remain very dangerous.
- DC to DC transfer activity is low, but surely set to increase in future, as more people seek to consolidate multiple pots, and more smaller DC schemes and vehicles are consolidated.

Many pensions end up being transferred in some way. Most active or deferred members of private sector DB schemes will have their pension transferred to an insurance company through a buyout bulk purchase annuity (BPA) transaction. Others will choose to transfer from a DB scheme into a DC arrangement, in order to use retirement savings in another way – hopefully not because they have been scammed. And many will either have DC pension pots transferred for them into master trusts or will themselves choose to consolidate some or all of their DC pots.

Any transfer can enhance retirement incomes and help trustees discharge their fiduciary duties. The collective economic impact of large numbers of transfers could also be very positive, by enabling insurers or large pension vehicles to invest at scale in productive UK assets. But completing transfers is not always easy, for practical, regulatory and other reasons. How effectively is the pensions industry facilitating these transfers and enabling the positive outcomes they can deliver?

BPA de-risking: Buy-in and buyout

The market has had some ups and downs in recent years, but the long-term trend for more DB schemes to use buy-in and then buyout transactions has continued, thanks in part to improvements in scheme funding, but also to an expansion in insurer capacity. In August, Aon predicted a "very busy" second half of 2025 for the market, noting that despite a fall in overall volumes H1 2024, the number of transactions has increased, driven by deals involving more sub £100 million schemes. It expects the final total for 2025 to be close to the record of 293 set in 2024.

The problem is, as more schemes complete a buy-in they join a queue of schemes that will need to complete data cleansing and other data and benefit administration processes before they can complete a buyout.

"There's often a misconception from sponsors about how easy it's going to be," says LCP senior consultant, Alex Stobbart. He points out that every scheme has its own unique history and idiosyncrasies in terms of data or benefits, which may create additional complications and delays.

Analysis published by Hymans Robertson in July 2025 found that three-quarters (76 per cent) of professional trustees were reporting delays in buyout and wind-up processes. The average delay was six months, but some stretched to two years. Delays were blamed on data issues, on administrator capacity being strained by GMP equalisation projects; and on delays linked to insurers' processes.

One major problem is a lack of capacity among administration providers. This is not very surprising when one considers the amount of work that GMP equalisation is creating, alongside additional pressure on resources imposed by preparations for the roll-out of pensions dashboards.

Meanwhile, the speed at which an insurer can enable the transition from buy-in to buyout is becoming a more important factor in insurer selection, says PwC managing director and leader of the risk transfer business, Matt Cooper.

"I've advised on transactions where it wasn't the insurer who was leading on price that was selected, but one able to demonstrate they had a swift transition process," he says, noting that the amount of money saved by completing the transition faster often equalled or exceeded any additional premium the trustees and sponsor had chosen to pay.

Cooper points out that insurer selection also needs to take into account the fact that most insurers use their own working methods and have set preferences for the format in which data is supplied. PwC has developed a buy-in to buyout formula consisting of nine phases to take schemes through the transition and beyond to wind-up and helping them to engage with a chosen insurer. The first six phases are designed to take the scheme to a complete buyout within 12 to 15 months, including a buy-in to buyout transition lasting six to 12 months.

In July, a report published by the Society of Pension Professionals (SPP) found that the insurance market was responding to increased demand, bolstering its capacity to process BPA transactions, particularly those involving sub-£100 million schemes. Aviva has developed a proposition to help process BPA transactions for smaller schemes, Aviva Clarity. It offers standard data and benefit templates and can produce benefit specification, member data and reconciliation cashflows before offering a quotation.

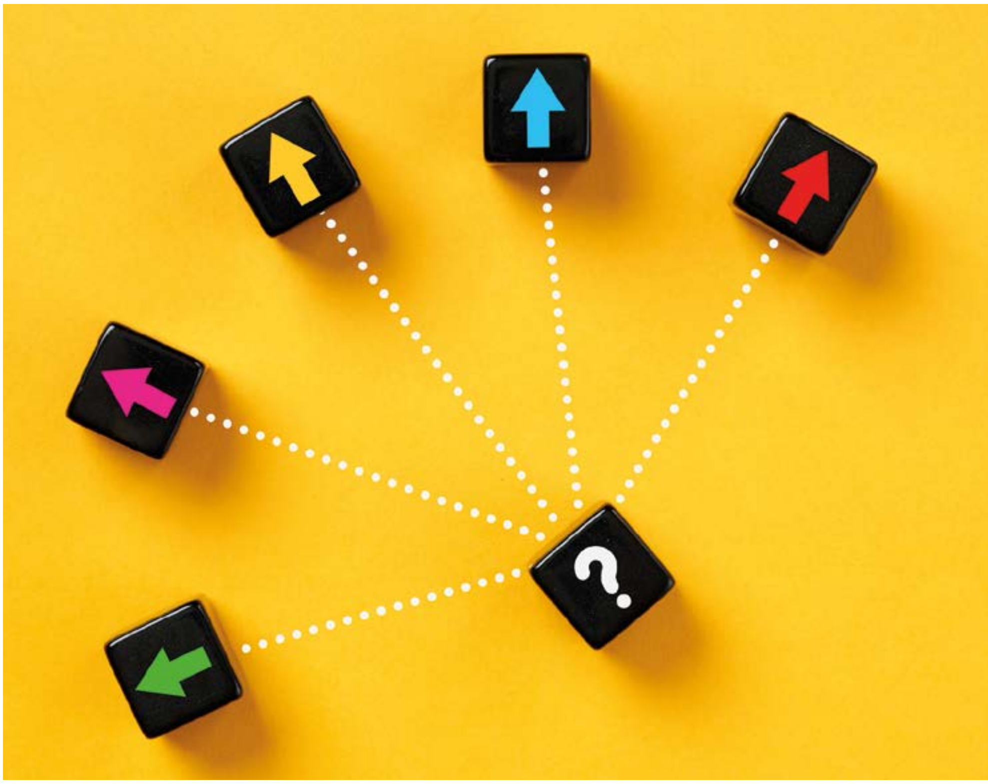
But Cooper believes the most important step any scheme can take is to start preparations for the BPA process as early as possible.

"Do more of the data and benefit work up front," he advises. "Having a properly legally signed-off benefits specification will typically flush out any skeletons in the closet."

Barnett Waddingham head of bulk annuities, Nikhil Patel, says some schemes are slowing their strategy to ensure completion of these preparations before buy-in. "That might mean you can save time as you move towards buyout," he says, citing one scheme that was able to move from buy-in to buyout in the space of five months by using this strategy.

Some external factors could influence the BPA market too. In the longer term, DB superfunds will offer an alternative endgame. Before then, measures contained in the Pension Schemes Bill that would allow DB schemes to release surplus funds may lead to some schemes choosing to run on for longer than previously planned.

Cooper says some larger schemes have taken "a bit of a pause" as they consider the potential attractions of running on versus buyout, in the light of the proposed changes on surplus extraction. "It might just mean that they defer some of these transactions – and



that might be helpful in that it gives schemes more time to work on cleansing their data," he says.

DB to DC transfers

Since the introduction of the freedom and choice reforms more than a decade ago, almost all DB scheme members have had the option to transfer the cash equivalent of DB benefits into a DC scheme. There was a spike in popularity for this type of transfer a few years ago, when cash-equivalent transfer values (CETVs) quoted to members reached record levels, but in recent years transfer numbers have fallen: From 18,080 in 2022/2023 to 7,181 in 2023/2024, according to the most recent Financial Conduct Authority (FCA) figures.

"The key reason is because transfer values are lower," says Barnett Waddingham principal and senior consulting actuary, Mark Tinsley. "That's especially the case if they received the transfer value five years ago."

By mid-2025 the XPS Group Transfer Value Index was about 10 per cent lower than a year earlier, despite the first month-end increase seen during 2025; up to £141,000 in June, from £137,000 in May – which had been a third record monthly low in as many months. Indeed, transfer values have effectively fallen by more than 40 per cent during the past three years, due in large part to increased gilt yields.

"Yield increases mean the cash equivalent value is lower than previously – in particular before the mini-Budget," says Hymans Robertson head of DC corporate, Hannah English. "This will be a large factor in someone's decision making. They will want to be confident that the cash value they receive in the DC scheme reflects the loss of the guaranteed income being given up."

"Another reason is that pension schemes are now much less likely to run bulk transfer exercises," says Tinsley. "From the employer side, the key reason for running those exercises was to manage scheme deficits. With funding improving so much, that drive isn't really there."

But another factor is scamming activity targeting people considering DB to DC transfers, inflicting terrible financial damage on some victims. The introduction of regulatory warning signs – amber or red flags, which delay or prevent transfers – has prevented some of this criminal activity.

"That's been a very positive development," says SPP DC Committee deputy chair, and Travers Smith partner, David James. "The stakes are so high for members – potentially losing their life savings – that the extra steps someone needs to take are worth it. But there have been some teething problems: The flags can go up a bit lightly. The receiving scheme having any overseas investments is an amber flag – and you would expect the receiving scheme to have overseas investments."

The DWP has said it will seek to continue improving the effectiveness and accuracy of the system. James also suggests that the growing use by providers and schemes of 'clean lists' of schemes and vehicles to which it is safe to complete a transfer, is a promising development.

Individuals are likely to be better protected if they have access to either regulated financial advice or effective guidance. Problems created by the price of the former and the limitations of the latter have been exacerbated in recent years by the arrival of both generative AI solutions and online influencers as alternative potential sources of questionable "guidance". James is pleased that the government and the FCA are going to enable authorised firms to offer targeted, tailored support to groups of consumers who have similar characteristics and circumstances and are seeking to use pension and investment products.

DC to DC – and the future of pension transfers

The fact that in future many more people are likely to have multiple pension pots, held in different types of schemes and other vehicles makes it more likely that we will see larger numbers of DC to DC transfers in future. But this is not yet happening on a large scale.

"The ease with which all of these types of transfer can be completed is set to become an ever-more important issue in future"

"DC to DC activity is not particularly high," says English. "Fear of scams is likely to one element, but not the key reason. More likely it's the lack of engagement with pensions that has the biggest impact on activity. Many savers have limited knowledge of the options available to them."

Advice/guidance availability is a factor here, but so is inconsistency in the ways schemes and providers approach transfers. In June, Penny Pensions published research that suggested practical barriers were impeding transfers, including providers producing excessive and time-consuming paperwork – or failing to provide any paperwork.

The pensions consolidation service provider PensionBee has launched a petition demanding a 10-day pension switch guarantee. Its research suggests that under the current system some transfers may take months to complete and that this is causing disillusionment and disengagement among consumers, as well as frustration. However, a recent FCA review found that most transfers it studied are completed within 20 days. The FCA also found that use of digital processes tended to accelerate transfers.

The changing profile of PensionBee's customer base may indicate future transfer trends: It is seeing increases in numbers of customers aged under 30 (20 per cent of new customers joining in H1 2025 were in their 20s, compared to 17 per cent a year earlier); and the number of pensions held per customer is rising.

Both trends may reflect the growing tendency for younger people to move more quickly from one job to the next than did older workers – and perhaps also some increased engagement with pensions among younger people. But the company also has some customers in their 50s who are seeking to combine more than 10 different pension pots.

James has also encountered some individuals facing what might be termed extreme transfer challenges as they plan for retirement: He cites someone he met recently who had almost every kind of pension possible, including public sector, DB, DC, and master trust memberships.

"We've moved a long way away from a world of DB, where it was simple for people," he says. "Now, if people are deciding whether or not to consolidate pots or transfer, is that decision so complicated that it leads to paralysis?"

This question is likely to become ever more pressing for the pensions system. As James says: "There's quite a lot to think about, as an industry, and a lot to try to improve."

Written by David Adams, a freelance journalist