

# LCP's predictions for the pension risk transfer market in 2025

January 2025

For each of the last five years we have consulted our crystal ball and made predictions for what we believe might lie ahead for the UK pension risk transfer market. This report sets out our five top predictions for 2025 and discusses how they might impact schemes that are considering insurance through a buy-in or buy-out, or a wider risk transfer option such as a superfund transfer.

## But first, how did we fare in our predictions for 2024?

Looking back at our [five top predictions for 2024](#), we would give ourselves 3.5 out of 5. This included the successful prediction of two new entrant insurers (Royal London and Utmost) which each entered the market and wrote their first external transactions in 2024. We also saw two further superfund transfers to Clara including the [first such transfer for a scheme with a non-distressed sponsor](#). The one prediction which happily did not come to pass was that insurer pricing might harden over 2024, with LCP clients in practice achieving the best full buy-in pricing we have seen for years in the second half of 2024. Finally, the jury's still out on our prediction of record buy-in volumes in 2024 – our latest estimate is that it may fall just short of the record £49.1bn written in 2024 but the final figures will not be confirmed until insurers' full-year results in March 2025 – so we have given ourselves half a mark for now!

## Our five top predictions for the UK pension risk transfer market in 2025

1. Another bumper year with £40bn to £50bn of buy-ins for the third year running and over 300 transactions for the first time
2. There will be at least one new DB superfund and one new entrant insurer
3. We will see continued favourable buy-in pricing in 2025 as new entrants make their mark
4. There will be an increased focus on non-pricing factors when selecting insurers
5. There will be over a 33% increase in the number of schemes issuing individual member policies and winding up in 2025

For further insights, please see our [annual report on the pension risk transfer market](#) published in October 2024 which analysed how buy-in market dynamics have stabilised as market volumes reach 'cruising altitude', and what the changing supply and demand dynamics mean for pension schemes carrying out transactions. We also took a closer look at the 'big endgame debate' and whether insurance will remain the ultimate goal for the majority of pension schemes.



*Charlie Finch*  
Partner

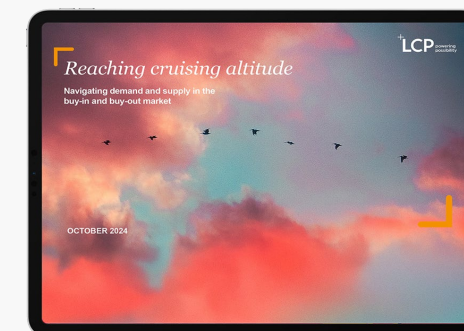


*Imogen Cothay*  
Partner



*Ruth Ward*  
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Our latest pension risk transfer report:

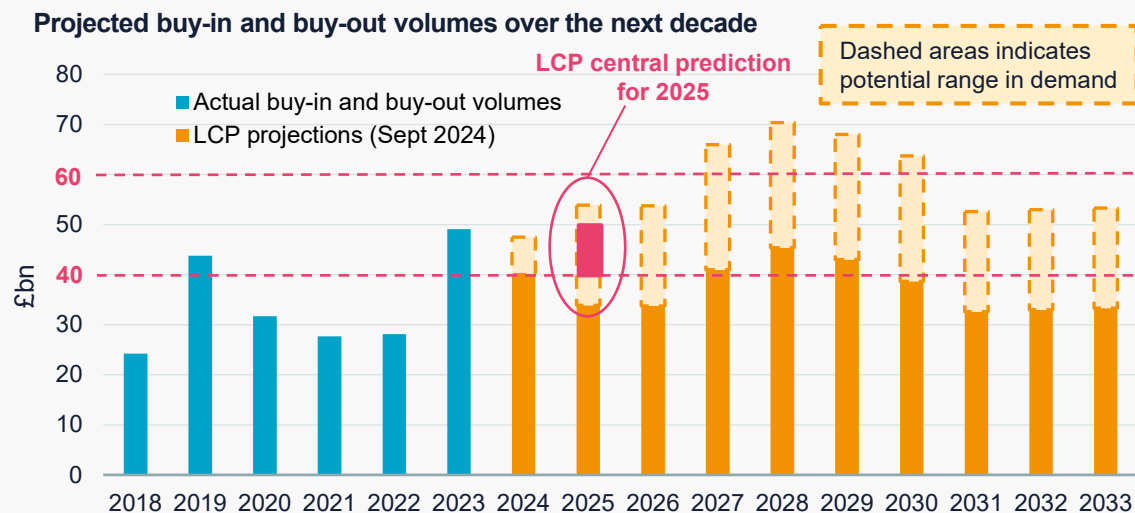


# 1 Another bumper year with £40bn to £50bn of buy-ins for the third year running and over 300 transactions for the first time

As described in our [October 2024 report](#), our projections of the current dynamics of insurance and run-on lead to buy-in and buy-out volumes averaging out at £40bn to £60bn pa over the next decade broadly in line with 2023 and 2024 levels (£49.1bn and expected c£45bn respectively) with some upside driven by the endgame decisions of the largest schemes.

For 2025 we predict that buy-in volumes will be £40bn to £50bn for the third year in a row. Our October report described a shift in mindset for some well-funded schemes who find themselves in a position of real choice between insurance, run-on, or a combination of the two. We expect insurance to remain the ultimate endgame for the majority of schemes but we are projecting a more orderly market progression over the next decade as an increased number of schemes consider whether to run on for a period beyond the point of full buy-out funding, whether that's to complete preparations for market or to seek to generate surplus in a controlled way.

The timing of these decisions for larger schemes and whether they choose to pursue phased buy-in strategies (eg the buy-ins by NatWest reported to total c£11bn) or 'big bang' single transactions (eg RSA's £6.5bn 2023 transaction) will continue to influence annual volumes.



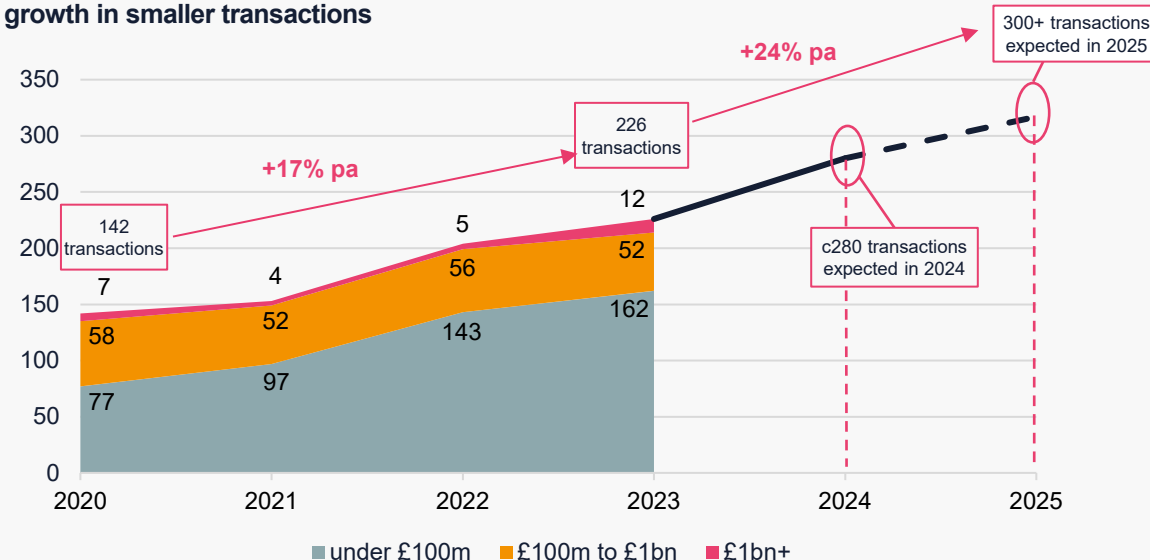
Source: Insurance company data up to 2023. LCP analysis from 2024. Only covers UK buy-ins and buy-outs so excludes back-book transfers.

Whilst buy-in volumes have stabilised over recent years, transaction numbers increased by c17% per year in the three years 2020-2023. We expect this increasing trend to continue, with H1 2024 the busiest half-year on record (133 buy-ins written) and the market on course to reach c280 transactions for full-year 2024 – a 24% growth rate year-on-year.

The growth rate has been driven in large part by the expansion in sub-£100m transactions. These smaller transactions had a two-fold increase over 2020-2023 and made up over 80% of all transactions completed in the first half of 2024. This growth has been led to date by two insurers, Just and Aviva, which have the most established streamlined propositions.

Looking ahead, we expect total transaction numbers to exceed 300 for the first time in 2025. With new market entrants and increasing interest in smaller transactions from those insurers historically more focussed on mid-sized and larger transactions, we expect to see a wider roll-out of streamlined pricing processes over 2025 – which should continue to support a higher number of completed transactions.

## Buy-in transaction numbers since 2020, with significant increases driven by the rapid growth in smaller transactions



Source: Insurance company data up to 2023. LCP analysis from 2024.

## 2

## There will be at least one new DB superfund and one new entrant insurer

### Expansion of the DB superfund market

We believe 2025 could mark the start of an expansion in the UK DB superfund market, after a challenging first few years.

Clara-Pensions, the only DB superfund to date to have completed the Pensions Regulator's assessment process, completed its [first transfer for a non-distressed sponsor \(Wates Group\)](#) in December 2024, taking it to c£1.4bn assets under management and c21,500 members. This potentially opens the door for a much wider range of sponsors and trustees to look at superfunds as a credible option. LCP had a central role in the transaction including breaking new ground with the assessment of the Pension Regulator's 'gateway tests' and in the detailed commercial negotiations with Clara-Pensions.

In addition, the superfund regulatory framework will be put on a much stronger footing when it is formalised this year in the Pensions Bill 2025. This will build on the updated guidance issued last year which now permits capital release to investors, in a similar way to insurers.

We believe these two developments will give investors the confidence to back fledgling superfunds and at least one organisation will confirm its planned entry this year, but with formal assessment more likely to follow in 2026. This is a positive step for DB pension schemes which are considering a superfund transfer as a potential endgame option.

Clara-Pensions reports a £5bn pipeline of future transfers. Alongside growing interest from superfund entrants and investors, we believe the market has potential for steady growth in the coming years.

*We predict that 2025 will see a further expansion of the pension risk transfer market, with at least one new UK DB superfund and new insurer entrants stepping up their activities.*

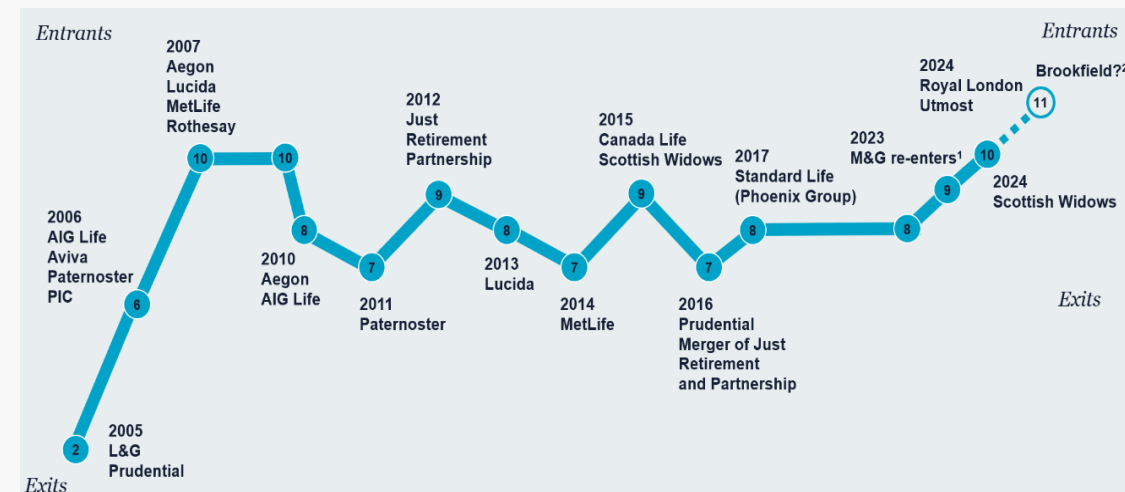
### New insurer entrants to the buy-in market set to make their mark

Given the strong demand for buy-ins, it's no surprise that there's been a surge of new insurer entrants over the past 18 months, with M&G, Royal London and Utmost swelling the ranks of the buy-in market to 10 active insurers (after Scottish Widows' exit from the market).

We expect at least one further new insurer entrant in 2025 taking the market to a record 11+ insurers. Brookfield, a global investment firm, was reported last year as having plans to enter the UK market through a newly established insurance company, and we continue to have discussions with a range of potential entrants and investors.

While the new insurer entrants' market share (c2% since 2023) is currently small, we expect they will start to step up their market presence over 2025 and write more meaningful volumes.

### Pension buy-in market participants set to reach a record 11 active insurers



<sup>1</sup> M&G was formed from the de-merger of Prudential plc in 2019 with the UK insurance business becoming part of M&G plc

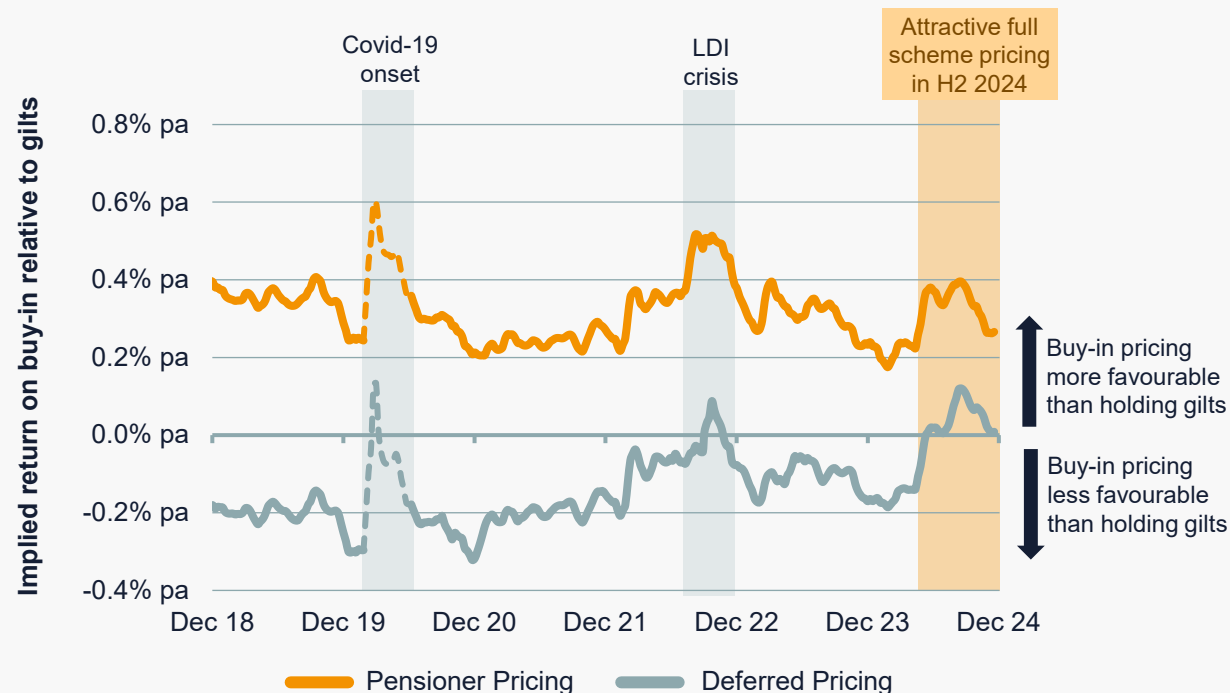
<sup>2</sup> In July 2024 it was reported that Brookfield plans to enter the UK bulk annuity market later in the year



### 3

## We will see continued favourable buy-in pricing in 2025 as new entrants make their mark

### 2024 saw full buy-in pricing reach its best level in years outside of a crisis period



Despite continued high volumes, a further step-up in transaction numbers and the additional yield on credit at historically low levels, 2024 saw full buy-in pricing reach its best level in years outside of a crisis period. We observed strong competition between insurers all year – with more insurers competing on average in each process – and innovation from insurers on the investment strategy side as outlined below. Looking ahead over 2025, we expect buy-in pricing to remain favourable as capacity is buoyed by new insurers entering the market, further increasing competition.

The biggest uncertainty is financial markets. Over 2024 insurers dealt with historically low yields on credit by investing more in lower-risk investments (such as gilts). This can mean they need lower up-front risk capital; however, to the extent that insurers have baked-in an expectation that the gilts could be switched into higher yielding assets over time this may create pricing headwinds in future if yields on credit do not rise. However, given the insurers' ability to source a wide range of assets across both the UK and overseas markets and their appetite to innovate, we remain optimistic that pricing will continue to be favourable. 2025 also looks set to have a volatile geopolitical backdrop which historically has been beneficial for buy-in pricing, as it can create opportunities for insurers to pick up attractive assets at favourable valuations.

*We remain positive about the buy-in market's ability to support increasing transaction numbers and continued significant volumes at competitive pricing levels.*

Pensioner pricing:  
gilts + 0.4% pa

Non-pensioner pricing:  
Equivalent to gilts

Typical full scheme pricing:  
gilts + 0.2% pa

Source: LCP insurer pricing model, which is calibrated against actual transaction pricing. The gilts benchmark is illustrative only and intended to capture movements in insurer pricing over time relative to gilts (and is adjusted to remove the impact of changing views on longevity). In practice, insurer pricing depends on a wide range of factors such as transaction size, benefit structure, membership profile and insurer appetite and can differ materially from that shown above for any given scheme.

## *There will be an increased focus on non-pricing factors when selecting insurers*

Our [October 2024 report](#) described how increasingly well-funded schemes with strong sponsors have real choice over their endgame options. For those who are working towards insurance, many are taking the time to prepare thoroughly and fully articulate their key requirements / 'asks' from an insurance transaction.

Whilst price will always be important, with around 20% of schemes already in surplus on buy-out we believe non-price factors will have a more influential role in insurer selection decisions over 2025. We expect to see wider bespoke of mid-sized and larger transactions focussing on areas such as those set out on the right-hand side of the page.

Whilst most schemes will continue to opt for a full market approach, we see the sole insurer route being successfully used in 2025 in certain scheme-specific circumstances such as follow-on buy-ins (where there can be benefits in working with the same insurer) or in situations where the scheme has particular bespoke timescales or requirements that can be better met on a sole insurer basis. The most notable 'strategic partnership' approach over 2024 was [the £1.1bn buy-in by SCA UK Pension Plan with L&G](#). But with insurer participation rates bouncing back over 2024 and the expected continued competitiveness of the market we expect most schemes to opt for full market broking processes.

### Key non-price factors that will drive insurer selection decisions in 2025



#### Member service

With the majority (95%+) of transactions now full buy-ins, there is increasing focus on insurers' administration capabilities and service levels. LCP's specialist administration due diligence team has seen a threefold increase in the number of reports commissioned in 2023 and 2024 versus the preceding 5-year average.



#### Web functionality

In a poll at LCP's 2024 DB pensions conference, when asked if they would pay more for an insurer that can provide web functionality for their members, 25% of respondents said there was a value they would place on this in the insurer selection process, whilst 55% indicated they wouldn't transact with an insurer unless members would receive an equivalent service after the transaction.



#### Illiquid asset solutions

Whilst a range of cost-effective solutions exist for dealing with illiquid asset holdings by schemes seeking to insure, the haircuts incurred can be significant for some asset classes (eg 30%+). An insurers' ability to work collaboratively with a scheme to solve their specific illiquid asset challenges can be extremely valuable as in [British Steel Pension Scheme's](#) £7.5bn full insurance with L&G and [Coats UK Pension Scheme's](#) £1.3bn buy-in with PIC.



#### Environmental Social and Governance factors

Responsible investment and ESG considerations will take higher priority given increasing trustee focus in this area and the importance of robust management of climate-change related risks. The [Sustainability Principles Charter for the Bulk Annuity Process](#) is a positive initiative here that has brought together schemes, insurers and advisers.



#### Insurer financial reviews

With three new insurer entrants in the last 18 months, another expected in 2025, and a wide range of more established insurers, schemes are looking to understand the differences across the market in important areas such as capital resilience, asset portfolio and approach to funded reinsurance when [assessing insurer financial strength](#) and risk exposure as part of insurer selection. LCP's insurer financial risk team has seen a marked increase in schemes undertaking initial reviews at the insurer short-listing stage as well as seeking in-depth analyses as part of the overall diligence approach.

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# *There will be over a 33% increase in the number of schemes issuing individual member policies and winding up in 2025*

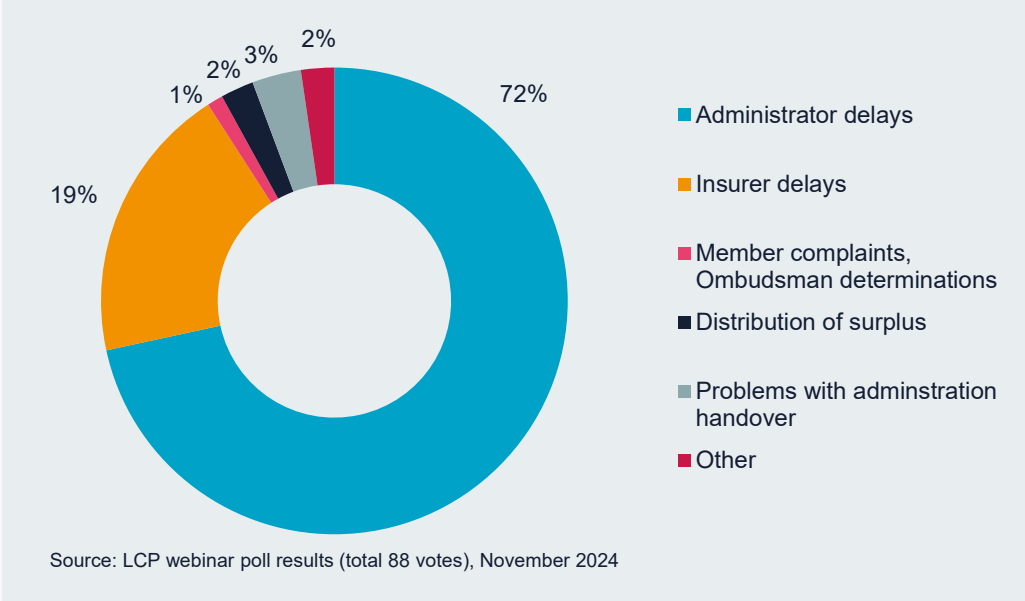
We expect over 150 schemes to issue individual policies and wind-up in 2025, up over 33% from around 110 in 2024. Whilst that is a big increase it is worth noting that it is still significantly less than the number of transactions being written (we estimate c280 last year) and so, if the number of schemes issuing individual policies and winding up remains at c150 a year, it will take over 30 years to wind-up all c5,000 DB pension schemes.

This push to buy-out and wind-up more schemes will place huge resource demands on the industry – for insurers, pension schemes and administrators. It’s very easy to underestimate the detailed work required with it often being no exaggeration that ‘the hard work starts post transaction...’

A key limiting factor is currently capacity at scheme administrators. In our [November 2024 webinar](#), over 70% of poll participants listed administrator capacity as the biggest risk to their post-transaction timetable. If data cleanse processes become increasingly protracted this would mean schemes spending longer in buy-in and fewer being ready to issue individual policies. Careful management by experienced post-transaction specialists can help to avoid bottlenecks, control cost escalation and provide a better experience for trustees as well as members.

The insurers have been investing heavily to keep pace with post-transaction growth, expanding teams and streamlining processes to move more schemes to buy-out in future years. However, in the short term at least some of the recruitment is coming from current pension administrators further compounding the challenges many of them are facing. This is a challenge that the industry will need to grapple with over the next few years. One possibility is that we start to see insurers seeking to take more direct control of data cleanse work to help keep this stage of the scheme’s journey on track.

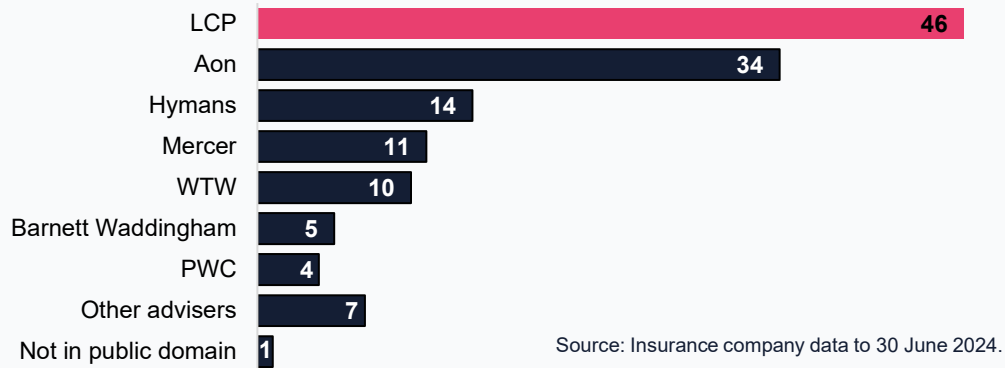
What is the biggest risk to your post-transaction timetable?



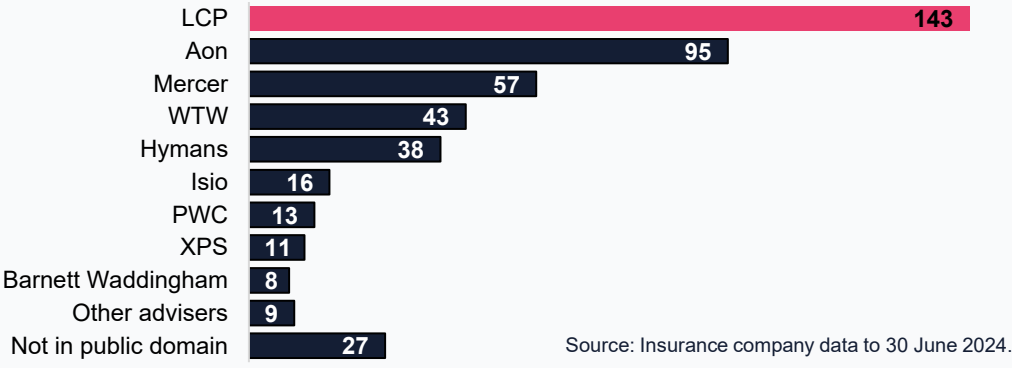
*A key challenge the pension industry needs to grapple with is the rapidly growing numbers of schemes moving from buy-in to buy-out and wind-up – we would encourage schemes to continue to invest in the right specialist support for their post-transaction processes to help manage administrator workloads and keep control of project timelines and costs.*

LCP is a market-leader in all segments of the buy-in and buy-out market – read more about our [pension risk transfer credentials](#)

**Over £500m:** Lead adviser on buy-ins/outs over £500m since 2014



**Over £100m:** Lead adviser on buy-ins/outs over £100m since 2014



**Under £100m:** Lead adviser on over 140 buy-ins/outs under £100m since 2014

LCP has been the lead adviser on **over 140 buy-ins and buy-outs under £100m** between 2014 and 2024. It's not possible to produce adviser comparisons like the above for smaller transactions as insurers do not publish granular data on lead adviser for transactions under £100m.

LCP has now completed **over 100 transactions** through our [streamlined buy-in and buy-out service](#) for smaller schemes, bringing the total liabilities insured through this service to **over £4.3bn**.



LCP has been the lead adviser on  
**140+**  
buy-ins and buy-outs  
under £100m since 2014

**LCP highlights from 2024**

We're proud of the work we do for our clients in the pension risk transfer market. 2024 has been our busiest year to date, acting as lead adviser on **over 40 transactions** ranging from **£1m to almost £2bn** and covering **over £13bn of buy-ins**. This included:

- Acting as lead adviser on **seven transactions over £1bn** – the most led by any adviser in a single year. These include full buy-ins for [SCA](#) and [G4S](#), securing all their liabilities in a single 'big bang' transaction, and final transactions leading to the successful completion of phased buy-in strategies for [TotalEnergies UK](#), [Coats](#) and [Deutsche Bank](#).
- Completing **17 transactions totalling £0.8bn** through our [streamlined buy-in and buy-out service](#) for smaller schemes.

# Contact us



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