Risk transfer briefing, Quarter 3 2026

This briefing explores what sponsoring employers should consider when their pension scheme is assessing the business case for a risk transfer transaction. Potential options can include purchasing a buy-in and transfer to a superfund.

We also look at the latest update to the First Actuarial Bulk Annuity Index, which monitors pricing trends in bulk annuity transactions relative to low-dependency liabilities.

The market

The bulk annuity market remains highly active, supported by strong insurer appetite, particularly for well-prepared schemes under £100m. Improved funding positions – driven by higher gilt yields, maturing liabilities and intense competition (from insurers and increasingly from superfunds) – have made transactions affordable for many schemes.

For employers, this presents both opportunity and urgency. A risk transfer transaction can provide a clear and credible route to transferring significant pension risks from the balance sheet. Exposure to risks – including changes in interest rates and inflation, as well as future ongoing operating expenses – would be reduced.

Early engagement with advisers ensures that such a transaction is well-managed, affordable and cost effective. With experienced advisers in place, informed decisions can be made considering all relevant factors – such as the range of risk transfer options available, use of surplus and the impact on company accounting disclosures.

Preparing for success

A successful transaction begins with a clear, shared understanding of key stakeholders' objectives.

Trustee priorities often focus on benefit security and the member outcomes, whereas employers typically place additional emphasis on cost certainty, timing and reputational considerations.

Establishing a joint working group enables trustees, employers and their advisers to collaborate efficiently. It also supports informed decision-making and helps to keep objectives aligned throughout the process.

Transactions can have significant accounting implications for sponsoring employers. Employers should understand the potential impact of any risk transfer activity. Early engagement with advisers and auditors is essential to avoid any unintended or unexpected outcomes.

Employers should also consider the financial implications of any de-risking activity, including the potential requirement for additional contributions if a funding shortfall emerges.

Where a surplus is expected, employers and trustees will need to agree how this is managed, taking account of the scheme's rules and tax implications.

Evaluation of options

Sponsoring employers will want to make sure that any quotations received represent good value for money. This includes assurance that pricing is competitive and that contractual terms deliver the best achievable outcome.

Looking after members

Clear member communications are critical to ensuring confidence and minimising uncertainty for members. A clear communication strategy will provide a consistent message to members (some of whom may still be employed).

How First Actuarial can support sponsors

First Actuarial's risk transfer team supports employers throughout the process, with our risk transfer services for employers. We help employers make informed decisions and achieve good outcomes for both sponsors and members. We provide practical, proportionate support tailored to each scheme's circumstances, while remaining competitively priced.

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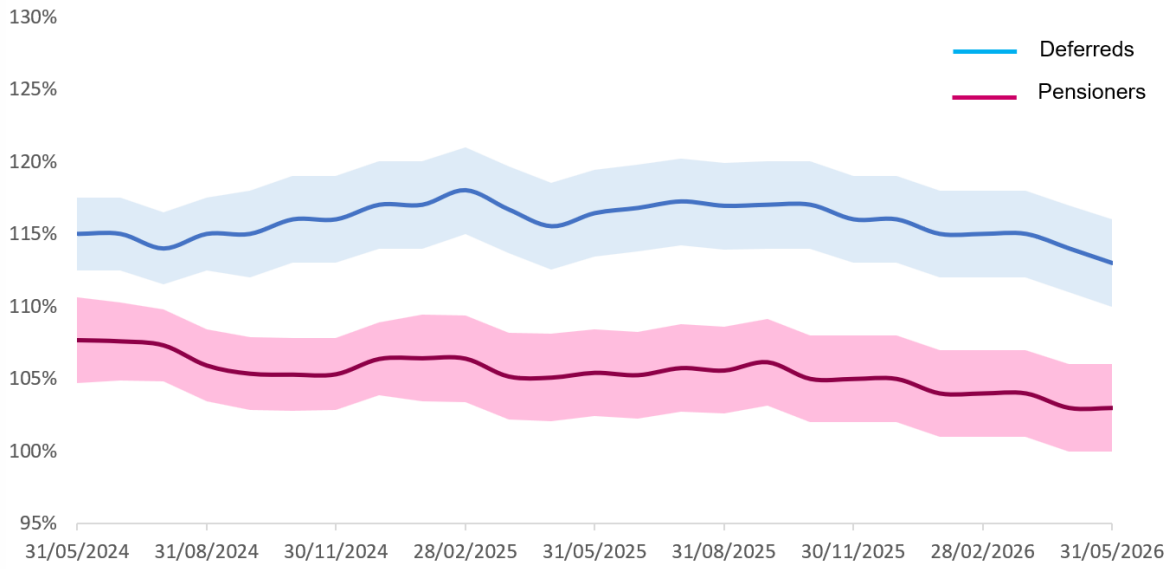
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First Actuarial Bulk Annuity Index

The chart below shows the average price of a £50 million bulk annuity transaction (with a mixture of fixed and inflation-linked liabilities) as a percentage of the liabilities measured on a low-dependency basis, using a discount rate of 0.5% pa above gilt yields.

The solid lines represent our estimate of the average price relative to low-dependency liabilities. The shaded area shows the range of sample pricing received from different insurers. Our analysis is based on sample annuities and other pricing information provided by insurers.

First Actuarial Bulk Annuity Index (£50 million transaction) – Pricing relative to low-dependency liabilities



Insurers charge a higher premium for deferred members than for pensioners of the same age, because it's harder to predict the benefit outlay. Deferred members are entitled to exercise options around when to retire and whether to take part of their benefits as a tax-free cash lump sum. For many schemes, the cost of a full buy-out can be prohibitive. But generally, as schemes mature and approach a low-dependency target, the extra funding required to reach buy-out decreases.

The increase in gilt yields has materially reduced the cost of buy-out and increased demand. However, buy-out pricing is also affected by other variables such as credit spreads, competition, insurer capacity and reinsurance pricing. In recent years, we've seen the cost of buy-out, relative to gilt-based liabilities, steadily decrease. An increased appetite for schemes at the smaller end of the market has meant we have seen considerable improvements in pricing throughout the first half of 2026.

As at 31 May 2026, we estimate that the average price of a bulk annuity covering pensioners will be 3% higher than the equivalent low-dependency liabilities. So, for a scheme that is 100% funded on a typical low-dependency basis, we estimate that for every £10m of pensioner liabilities, an additional £0.3m of funding will be required. However, for every £10m of deferred liabilities, we estimate an additional £1.3m of funding will be required.

First Actuarial's risk transfer team in the news

Pensions Expert | Keep on running: How will endgame options affect the bulk annuity market?

Further information

First Actuarial is ideally placed to help schemes under £100m navigate the bulk annuity market, having helped schemes secure bulk annuities with the majority of the insurers operating in the sub-£100m market.

To discuss how we can help your scheme with a potential bulk annuity, please contact your usual consultant or email our risk transfer team.