

Buy-in pricing breaks new ground

Where will the market go from here?

LCP report on future demand and supply in the buy-in and buy-out market

November 2026

Welcome to LCP's 2026 report

Introduction

2026 has marked a year of exceptional buy-in pricing, with intense insurer competition being a key driver for pricing being 3% better than at the start of the year, improving buy-out affordability for many schemes. For trustees and sponsors of UK defined benefit pension schemes this is creating opportunities for those that are ready and keen to pursue a buy-in.

Key conclusions

- Affordability at record levels with **nearly two-thirds of schemes estimated to be fully funded on buy-out** and average buy-out funding levels reaching 104%, having improved by 5% over the past year.
- **Exceptional pricing set to continue through 2027**, but with the potential in the medium term beyond 2027 for a modest price increase – perhaps to unwind some of the improvements seen in 2026.
- **Projected demand for buy-ins/outs remains strong**, with £300bn to £520bn of buy-ins projected over the next decade. Other endgame options including superfunds and sponsor swaps are getting increasing traction.
- **Insurer capacity for buy-ins is at record levels,** stretching up to £80bn in 2027 at current pricing levels, comfortably supporting projected demand and ensuring a continuation of the highly competitive dynamics seen in 2026.
- **Continued expansion of the buy-out transition pipeline** to accommodate more schemes completing full buy-ins, making early preparation and negotiating clear commitments on timescales and resources all the more important.

This year we are celebrating the 20-year anniversary of our Pension Risk Transfer practice advising on the first modern buy-in. We have published this annual report on the pension risk transfer market every year since then.

We are also proud to have won the UK Pensions Award for Risk Reduction Adviser of the Year for both 2025 and 2026.

20+ YEARS OF PRT EXPERIENCE







Imogen Cothay
Partner



Ruth Ward
Partner



Charlie Finch
Partner

LCP's market-leading credentials:

We led **16** of the 42 **£1bn+** buy-ins since 2022

We led **£7.8bn** of buy-ins in 2025

23 smaller schemes completed buy-ins through our streamlined service in 2025

150 ongoing post transaction processes for schemes ranging from <£10m to £1bn+ of assets

2026: A remarkable year for insurer pricing

2026 has seen a step change in buy-in pricing to gilts plus 0.5% pa for a typical scheme and average buy-out funding improving by 5% over the past year.

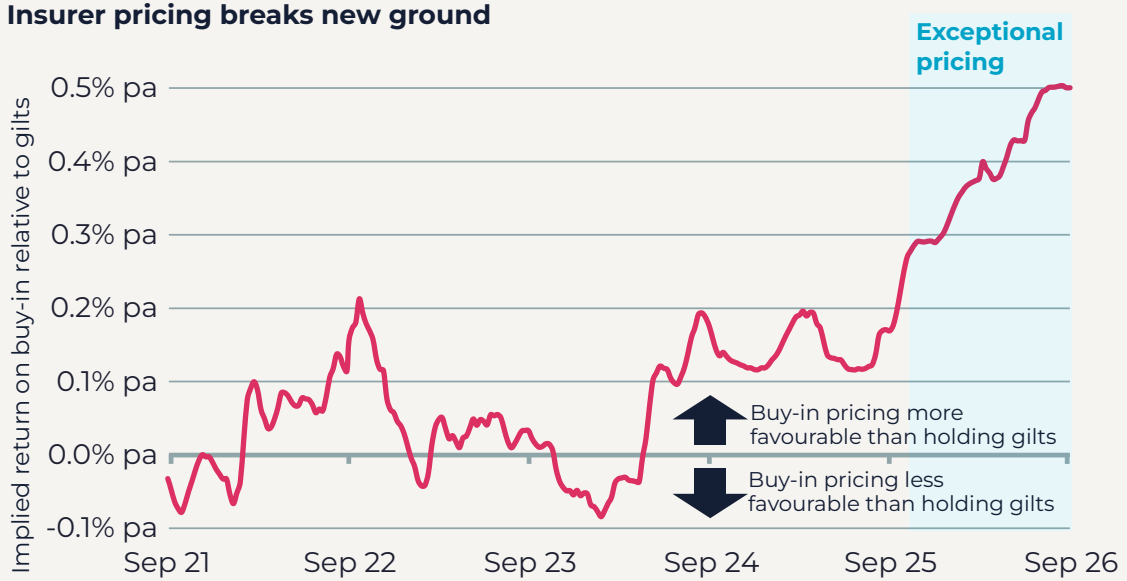
Why has 2026 been a record year for pricing?

In a nutshell: competition. We explore these dynamics throughout this report, but in summary we estimate that insurers have capacity to write more business than the total buy-in volumes of £35bn to £45bn estimated for 2026. This has created a dynamic where insurers have been willing to push pricing to levels not seen before.

So are the buy-in volumes in 2026 indicative of demand for buy-ins going forward? It is certainly the case that many large schemes have had cause to retest their endgame strategy in recent years. Flexibilities around surplus release due to be introduced in April 2027 make run-on more attractive and new competition from superfunds and third parties looking to replicate Stagecoach's "sponsor swap" with Aberdeen bring other options to the table. We explore the other endgame strategies available to pension schemes on pages 13 to 14.

That said, demand for buy-ins remains strong. Our **2026 DB pensions priorities survey** showed that 50% of £1bn+ schemes have full insurance as soon as affordable as their chosen endgame. Our analysis – as shown on page 6 – is that 2026 volumes are at the lower end of projected buy-in volumes over the next few years, with the upper end tracking at £55bn.

Insurer pricing breaks new ground



Source: LCP insurer pricing model for a full buy-in with a 50:50 split of non-pensioners and pensioners, which is calibrated against actual transaction pricing achieved by LCP clients. Given the volume of underlying transaction data, it therefore provides one of the most robust insurer pricing benchmarks available.

The chart shows insurer pricing for a typical pension scheme expressed as an implied return compared to the yield available from holding gilts. Where buy-in pricing is above the zero line, a pension scheme can typically increase its expected investment returns by exchanging gilts for a buy-in. As such, this is a key benchmark for assessing the value offered from a buy-in.

Attractive pricing expected to persist into 2027

We are in regular dialogue with the insurers to understand their evolving views on pricing. The overarching theme from insurers is that the current pricing environment is challenging with tighter margins. We expect upward pressure on pricing in the medium term but the same attractive pricing levels to be maintained in 2027.

Margins are under pressure, but with opportunities for future upside

Whilst buy-ins remain profitable, the insurers' financial results generally show a trend of declining reported profitability from new buy-in business over the last 2 years; with some reporting the profitability of new business for the first half of 2026 at half of what it was in 2024.

Insurers are long-term businesses and reporting profits is only one of the metrics they consider when setting pricing; some view now as a good time to build up gilts and lower risk assets to deploy into future investment opportunities to boost future reported profits when conditions change. However their willingness to continue to support lower profits is likely to have its limits and we explore the sustainability of current pricing below.

Pricing expected to remain attractive in 2027

Those at insurers looking into their crystal ball saw little reason to expect pricing to materially change in 2027 compared to 2026. This is a view shared by LCP.



We think that buy-in pricing will remain attractive in 2027 but in the medium term beyond 2027 that the central case is for a modest price increase – perhaps to unwind some of the improvements seen in 2026.

Insurer pricing innovation is varied and deal specific

When you look deeper into the insurers' different approaches to pricing, it is striking in that no two insurers are using the same set and combination of tools to support their approach. All insurers will continue to rely on their own particular expertise and innovations across:

- Using gilt based investment strategies efficiently
- Finding improved risk adjusted returns from their illiquid asset investments
- Transferring risk to reinsurers at competitive rates

As we look ahead, we can expect the strong competitive dynamics in the market to force insurers to continue to innovate and to compete strongly for attractive but secure long-term assets. The recent partnerships with large global investors announced by a number of insurers demonstrate the importance of having diverse expertise across a wide range of asset classes and territories.



Despite tighter margins at the current time we continue to see a range of global institutions investing their capital in the UK buy-in market – evidenced by JAB Pensions, Just, L&G, PIC and Standard Life all announcing in 2025/6 new ownership or partnerships with global investors.

What do the pricing dynamics mean for demand for buy-ins?

Exceptional pricing drives continued improvement in funding levels

The chart on the right shows that there has been a continued upward trajectory in full buy-out funding levels for DB pension schemes over the past decade, with the average scheme moving into a buy-out surplus for the first time over 2026.

We estimate that at 30 September 2026:

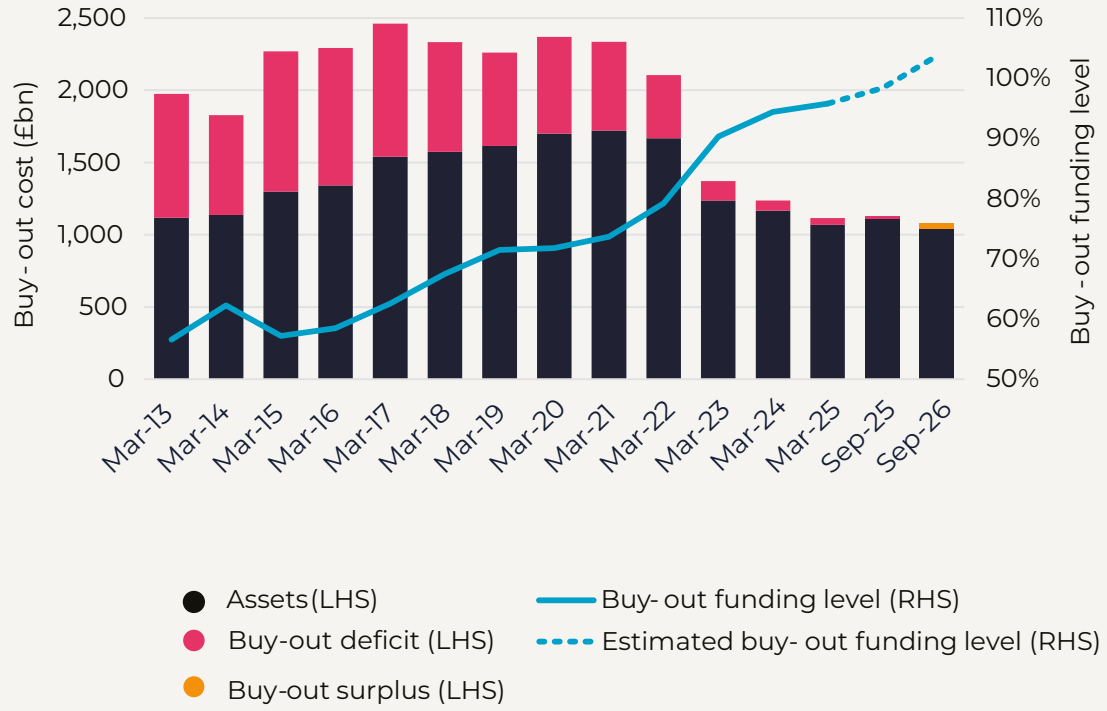
- the average buy-out funding level reached 104%;
- the aggregate buy-out surplus was c£40bn; and
- nearly two-thirds of schemes were fully funded on buy-out.

Improved funding levels have driven the higher buy-in volumes since 2022 (see next page), albeit total volumes have been dampened by increasing gilt yields over that period leading to lower liability values.

Over the past year we estimate that buy-out funding levels have improved by 5%, predominantly as a result of improved insurer pricing. With the backdrop of improving funding levels, on the next page we consider how demand for buy-ins/outs from DB schemes could develop over the next decade.

Affordability for full buy-out has improved by 5% over the past year, with nearly two-thirds of schemes now fully funded on buy-out – in large part driven by highly competitive insurer pricing.

Buy-out funding positions for UK DB pension schemes

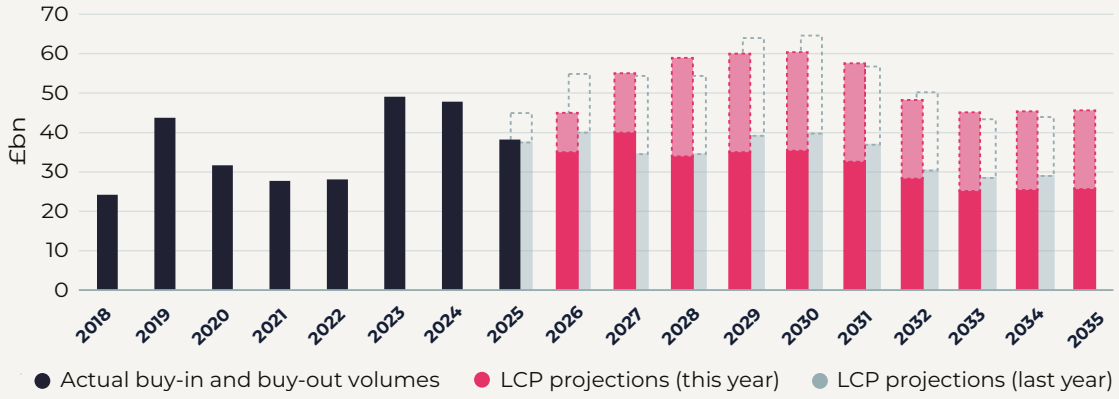


Source: Data up to March 2025: Purple Book 2025 data covering UK private sector DB pension schemes at March each year. Data after March 2025: Estimated by LCP, using LCP's insurer pricing model.

Funding levels are only part of the story – by combining our analysis of future buy-out funding levels with assumptions about schemes' endgame decision-making, we can project buy-in/out demand over the next decade. Three key factors drive our total projections over the next decade to be a touch lower compared to last year's projections:

- **Gilt yields:** have continued on an upward trend over the past year, which all else equal shrinks the size of buy-ins/outs and results in lower projected demand volumes.
- **Improved buy-out funding levels:** with buy-out affordability improving by 5% over the past year this has increased projected demand volumes.
- **Run-on strategies:** relative to our previous analysis we have made a modest increase to the proportion of schemes assumed to adopt a long-term run-on strategy which results in lower projected volumes, taking account of the sentiment across some schemes as the new surplus release flexibilities come into effect in April 2027.

Projected demand for buy-in and buy-out volumes over the next decade



Source: LCP analysis as at 30 September 2026.

Strong long-term demand underpinned by improved affordability

The analysis reflects the pipeline of transactions that we are aware of over 2026 and 2027:

- Estimated buy-in volumes in 2026 of £35bn to £45bn with a particularly strong second half to the year. 2026 has had fewer large transactions completing - with only three £1bn+ deals announced so far (compared to seven completing in 2025 and fourteen in 2024).
- Estimated buy-in volumes in 2027 of £40bn to £55bn reflecting strong pipelines for next year, but dependent on the timing of certain large transactions.

Over the medium-term, we expect strong funding levels to support consistent demand for buy-ins/outs, with our central estimate indicating annual transaction volumes of around £50bn pa into the turn of the decade. Our projections show that this will represent the peak of demand, with demand over the longer-term tapering as the proportion of fully-insured schemes increases.

Despite the growing range of endgame options available to schemes, we forecast demand for buy-ins/outs remaining strong, supported by highly competitive insurer pricing. However, should insurer pricing not be sufficiently attractive, demand could reduce as schemes see less of an incentive to insure compared to other endgame options.

LCP's central projection is for £300bn to £520bn of buy-ins over the next decade.

Insurers remain comfortably able to support pension scheme demand for 2027

Insurer capacity has been a key driver of strong pricing

Additional insurer capacity, resulting in intense competition between insurers, has been a fundamental driver of the exceptional pricing this year.

Our latest analysis and insurer survey indicates a further expansion in insurer capacity into 2027, with a baseline insurer appetite of £45bn. Furthermore, insurers have strong growth ambitions and we estimate that insurer capacity could stretch up to £80bn even at current pricing levels. Factors driving the increased capacity include Standard Life's recently announced partnership with a range of institutional investors, which we expect to add £5bn to £7bn of annual capacity alone, alongside continued growth from the newer market entrants.

As described on the previous page, against this LCP projects £40bn to £55bn of demand from pension schemes over 2027, with the midpoint, £47.5bn, slightly above baseline appetite of £45bn.

Insurers can comfortably support expected demand for 2027



Source: LCP insurer survey 2026 and LCP analysis.

Quotation capacity is substantial

Last year's report highlighted significant growth in insurers' pricing and post transaction teams to keep up with the growing number of transactions. While headcount growth at insurers has now largely plateaued, insurers have continued to invest heavily in systems and processes.

Our 2026 insurer survey reveals that this investment in their teams and process has given insurers capacity to provide over 1,000 guaranteed quotations per year, split broadly 50/50 between quotations via streamlined offerings for smaller schemes (see page 10) and for larger transactions ensuring a competitive field of insurer quotations.

Insurer quotation capacity

c1,000 quotations per year

- **c500 quotation slots available for larger schemes**
- **Dedicated streamlined offerings for smaller schemes**

Source: LCP insurer survey 2026.

How persistent excess capacity might impact the market

Whilst these dynamics suggest a positive outlook for schemes receiving pricing over the short term, is it sustainable for insurers to operate excess capacity over the medium to long term? If insurers are unable to meet their target volumes or deploy capital at sufficient scale for shareholders to make meaningful returns, we could start to see the market balance start to tip as it seeks to recalibrate. Over time this could lead to insurers withdrawing or consolidating.

You can find further detail on each of the 10 insurers in the market **here**.

Is price now less important in insurer selection?

With more schemes in surplus, the emphasis is changing in insurer selection. Achieving a competitive price remains just as important as ever, but greater affordability gives more flexibility for trustees and sponsors to focus on what else a successful transaction should deliver, and gives an ability to pay more for insurers who deliver a more favourable overall proposition. Below we consider how this is changing market dynamics and on the next page we highlight how the Wood Pension Plan successfully negotiated non-price factors with insurers.

We are advising our clients to address two important questions upfront, and use these to guide their insurer selection process.

1 What do you want from the insurers?

- **Overall objectives:** Upfront agreement enables trustees and sponsors to be clear on what insurers need to provide.
- **Clear selection criteria:** help you see the wood for the trees when insurer quotations arrive.

2 How do you achieve what you are looking for?

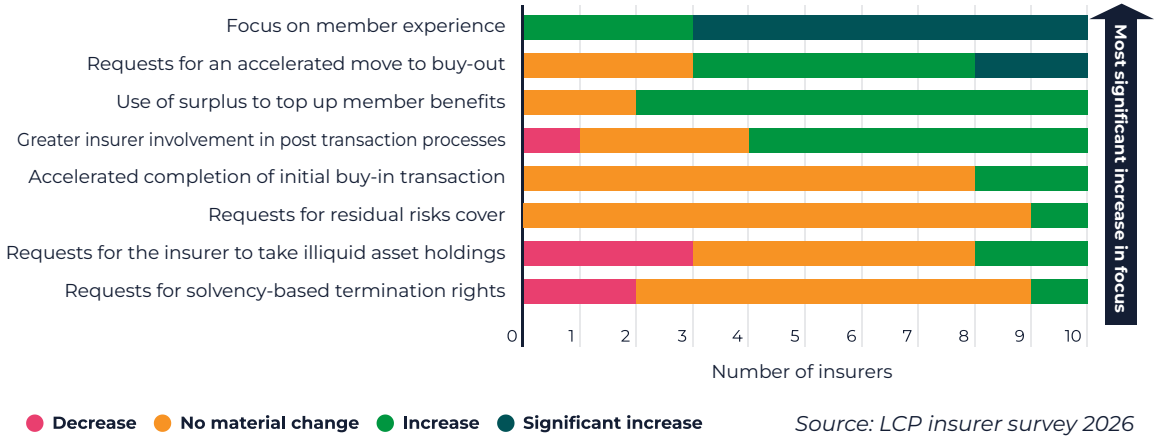
- Early clarity of priorities means insurers can tailor their proposals and allows negotiations to focus on key asks.
- We are starting to see clients focus on overall packages, where affordability is clearly met. In some instances, agreeing up front a price hurdle – for example based on affordability or linked to a pre-determined level of surplus. Once an insurer meets that hurdle, non-price factors then carry greater weight in the selection decision.
- The aim is not to weaken price competition. It is to understand the value of further price improvements relative to other outcomes, rather than automatically treating the lowest price as the best result.

What are pension schemes focusing on?

In our survey, we asked insurers how requests for non-pricing factors have changed over the past year.

The survey responses show an increased focus from pension schemes on certain non-pricing factors – with all insurers reporting an increase in schemes focusing on member experience, and the majority also reporting an increased trend for schemes to seek an accelerated move to buy-out (see page 16).

Focus in pension scheme quotation requests compared to a year ago



Source: LCP insurer survey 2026

A process engineered around member experience

CASE STUDY **Wood Pension Plan**

16,400 members

£1.7bn full buy-in

The objective

At the outset of the project, the Trustee agreed its priority objectives were to secure excellent value for money and to ensure that the outstanding service provided to members by the in-house Wood pensions team would continue over the long-term.

Key outcomes

The Trustee negotiated the following from the insurers:

Online modeller – replicating the Plan's market-leading web offering, ensuring members continue to access a full suite of online functionality

Member options – tailored factor format to support the existing online modeller and in-house administration team processes

Competitive pricing – buy-in executed at attractive pricing following highly competitive insurer quotation process

> *The advice, insight and support that LCP have given us have been of the highest quality and have helped us to achieve an outstanding result.*
>
> **Mervyn Walker**, Chair, Wood Pensions Trustee

How was this achieved?

We worked closely with the Trustee and insurers to deliver a bespoke outcome to meet the Plan's objectives. This involved:

Clear asks, backed by clear rationale – key Trustee objectives were clearly articulated at the start of the process. The requirements were then set out in detail to insurers, so they understood what was required and why, giving them confidence to invest resources. This allowed insurers to put forward tailored solutions to the member experience features that mattered most to the Trustee and members.

Early insurer engagement – focused on building principal-level relationships between the insurers, Trustee and Company to secure strong insurer engagement. This enabled the Trustee to test the Plan's bespoke requirements early, shortlist insurers able to meet them and refine the quotation request to get clarity needed ahead of insurer selection.

Detailed assessment of insurers' non-pricing offerings – a comprehensive due-diligence framework gave the Trustee a clear understanding of the relative strengths of each insurer's proposal. This enabled effective, evidence-led decision-making.

Consideration of operational aspects from the outset – post transaction considerations were integrated into the project from the outset. Member outcomes were prioritised at every stage, with a consistent focus on operational aspects to ensure a seamless transition from a member perspective.

Read more about the £1.7bn full buy-in by the Wood Pension Plan

What does this mean for small schemes?

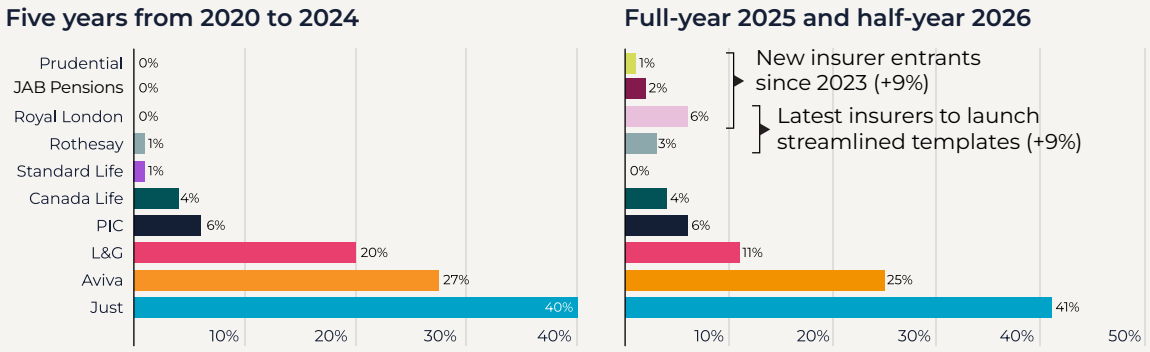
A highly competitive landscape...

Small schemes of under £100m account for a rapidly growing share of the buy-in market: 83% of transactions in 2025 (18% of volumes), compared to only 54% in 2020 (6% of volumes). With fewer resource intensive large transactions, insurers have given increasing focus to this once under-served market segment.

The charts below illustrate the sub-£100m market shares (based on number of transactions). Nine insurers wrote transactions below £100m in H1 2026. The two insurers that have most recently launched streamlined templates (Rothesay and Royal London) have rapidly increased their presence, with new market entrants (including Prudential and JAB Pensions) also increasing their market share.

As for larger schemes the intense competition is driving attractive pricing, with transaction pricing achieved in LCP-led processes showing **no material pricing differential on competitive processes between larger schemes and smaller ones**.

Sub £100m buy-ins: market share by number of transactions



Source: LCP analysis based on insurance company data to 30 June 2026. Excludes transactions written by Blumont, a 2025 market entrant that withdrew in 2026 following its parent's, Brookfield's, acquisition of Just.

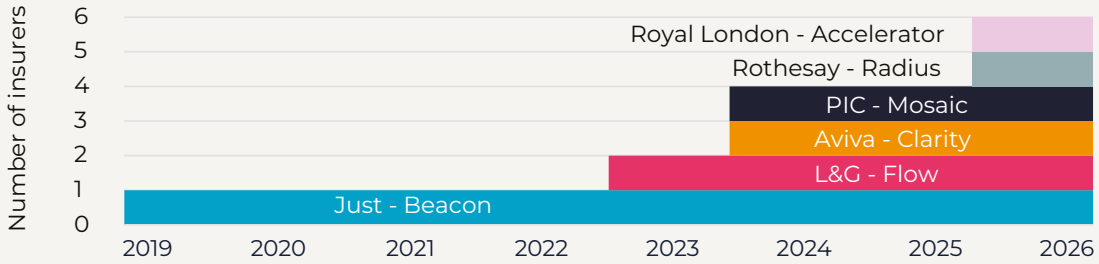
... but what are the challenges?

Increased insurer participation is welcome given the rapid growth in demand, but, with so many insurers potentially willing to quote, designing the optimum process requires careful consideration and specialist input – particularly in weighing up different streamlined templates.

Use of streamlined templates

To enable efficient participation in this sector, most insurers have built their own bespoke templates for capturing a scheme's data and benefit information in a format that they can easily price and transact on. In practice, these templates vary in complexity and hence cost to complete.

Evolution of insurer streamlined templates: 2019 - present



Source: LCP analysis

The challenge for the smallest schemes is deciding which insurers to approach, balancing each insurer's appetite for the scheme, the costs of completing relevant templates, and the expected competitiveness of each insurer's pricing. An experienced pension risk transfer adviser such as LCP that transacts regularly with all insurers and is close to current market pricing and dynamics can provide valuable guidance.

Standing out from the crowd

Given the high numbers of transactions under £100m (over 300 in 2025) it's more important than ever to prepare well for market. Insurers will take this into account when triaging your scheme against other opportunities and it will directly impact the number of insurers quoting and the competitiveness of your process. Read our **guide to beating the insurer triage**.

Achieving strong contractual terms

As a small scheme, there is less scope for bespoke negotiation on insurers' standard contractual terms, which can mean you end up with sub-optimal terms.

To help our small scheme clients get access to better terms, LCP has pre-negotiated contracts in place with all insurers under our **streamlined buy-in service**.

CASE STUDY

SEH Europe: £45m full buy-in Strong competition between eight insurers to hit key affordability metric

Objective: secure a competitive full buy-in meeting the sponsor's affordability criterion and delivering high-quality member experience.

Process:

- **Significant preparation phase,** including legal clarification of benefits, ahead of approaching the market.
- Putting in place a **professional trustee** in a consulting capacity to support the preparation phase and timely transaction decision making.
- Efficient **single-round broking process** using LCP's streamlined buy-in service and pre-negotiated contracts.

Outcome: Highly competitive process, with eight insurers quoting. PIC selected on the strength of its pricing and member service offering. Transacted at a price significantly better than the sponsor's requirement.

LCP guided us expertly through the process, helping us navigate some challenging issues. We were impressed by the level of competition for a scheme of our size and delighted with the price and member offering secured.

Martin Murray, Chair of Trustees

CASE STUDY

£90m full buy-in Accelerated timeline to hit key sponsor deadline

Objective: secure a competitive full buy-in within three months of initial planning, ahead of a key sponsor deadline, increasing security for members' benefits.

Process:

- **Focused data and benefit preparation** and **clear communication** of the trustees' **key priorities** for the transaction.
- Collaborative and tightly managed process, with **four-week window** for submission of final pricing and terms.
- Fully engaged trustee and sponsor, alongside expert PRT and legal advisers, gave **insurers confidence** that an accelerated transaction would proceed smoothly.

Outcome: Competitive process with three highly engaged insurers quoting, despite the tight process timings.

Thanks to LCP who drove this project through. Without your detailed planning and commitment to delivery we wouldn't have got over the line in time.

Ian Hodgson, Scheme sponsor

Preparing assets to capture a pricing window

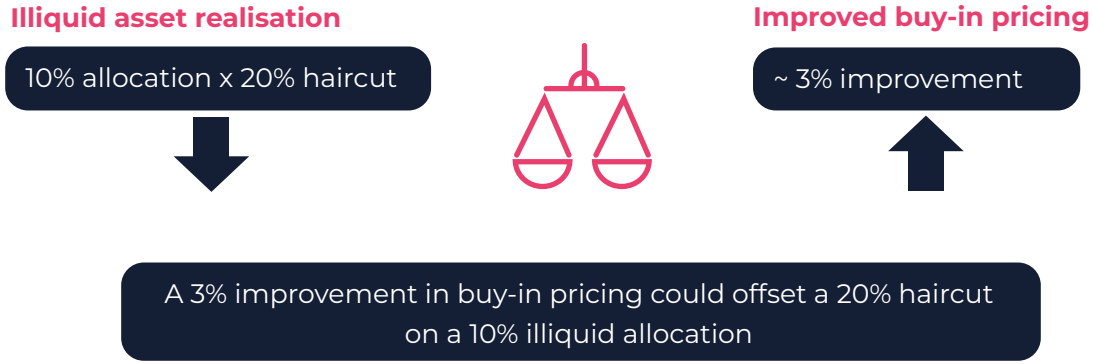
Attractive buy-in pricing creates opportunities – designing the investment strategy to support this

A consequence of improving buy-out affordability over the past few years has been many schemes reaching a position to fully insure earlier than planned. The implication is that schemes should be preparing their investment strategy early so that they can move quickly to capture a pricing window should one arise. Assets, liquidity and hedging should support a transaction when the opportunity arises – not determine its timing. Here we look at the key elements of a typical investment strategy that need alignment:

1 Consider full transaction economics for illiquid asset trading

Illiquid assets that are costly to sell should not automatically prevent a transaction. The cost of selling assets at a discount can be weighed against the value of locking into the currently attractive insurer pricing.

The key question relates to the overall economics of transacting now with an asset-sale discount, versus transacting later with less certainty over the economics. We note that recent improvements in insurer pricing may be sufficient to fully offset, or indeed, exceed loss of value that might be incurred through selling illiquid assets early.



Illustrative only. Actual outcomes will depend on scheme duration, asset mix and insurer pricing

2 Review investment grade credit exposure

Insurers are increasingly rotating out of public credit markets and instead supporting pricing through a mixture of government bonds and private market assets. As a result, current insurer pricing has very little link to public credit and most insurers do not want to receive credit assets.

Schemes should review their credit exposure and consider actions to better align with insurer strategies.

3 Align interest rate and inflation hedging

Hedging insurer pricing can be a real challenge for schemes as, across the 10 active insurers, there is a wide dispersion in hedging approaches, meaning a close hedge for one insurer's price may be a poor match to another's.

Schemes should monitor their hedging levels versus insurers, leveraging expertise from an experienced adviser, and take steps to better align their hedging as a transaction approaches and they have a clearer view on which insurers they may transact with.

How is exceptional buy-in pricing interacting with other endgame strategies?

Insurers have responded to the developing range of endgame options, including schemes running on for longer, through innovation – improving pricing and investing in their wider propositions. This is setting a high bar for other endgame providers seeking to establish themselves.

These dynamics provide additional dimensions for trustees and sponsors considering their preferred endgame. We have set out on the next two pages what the implications for potential superfund transactions, run-on strategies and sponsor swaps might be.

Superfunds

Superfunds can offer a solution for schemes seeking to improve member security and remove reliance on their existing sponsor, particularly where buy-out remains out of reach.

A key question for superfunds is whether they can offer both pricing and other differentiators to meaningfully expand their target market. Growing transaction activity demonstrates that superfunds are becoming a more established part of the endgame landscape (see chart opposite). Further market development could strengthen their appeal through:

- **Greater competition:** With TPT having successfully completed the TPR assessment process, plus two further superfunds aiming to join the market in the coming months, we'll see a more competitive superfund market.
- **Revised capital regime:** The draft superfund regulations are due in Q1 2027 which could lead to immediate pricing benefits if they ease elements of the current capital regime, as superfunds anticipate their introduction in 2028.
- **Greater execution experience:** Completed transactions provide practical experience for trustees and sponsors considering this route.

Summary of Clara Pensions superfund transfers



Source: Clara Pensions public announcements.

What is a superfund?	
Overview	Scheme liabilities (and member benefits) are transferred to a new "superfund" pension scheme. External capital supports the superfund as a substitute for employer covenant.
Recent themes / potential future developments	Continued support from Government to make this market a success. New entrants to the market over late 2026 and early 2027. Potential softening of the superfund eligibility criteria, widening the pool of schemes that can consider using this route.
Why schemes would typically choose this option	Improve member benefit security, particularly where there is a weak sponsor. Insurance is currently unaffordable and may be unaffordable for the foreseeable future. Sponsor desire for a potentially swift "off balance sheet" solution.
Current providers	Clara (completed TPR assessment in 2021) and TPT (completed TPR assessment in October 2026). Two further superfunds aiming to join the market in the coming months.

Run-on

A run-on strategy offers trustees and sponsors of larger schemes the opportunity to generate surplus over time for the benefit of members and the sponsor. It also gives trustees control and flexibility over administration, discretions, member options and how benefits are delivered to members.

Attractive buy-in pricing can strengthen a run-on strategy. A lower insurance cost can increase the funding buffer relative to buy-out, giving schemes greater flexibility to run-on whilst keeping an insurance exit within reach. For schemes currently running on, the favourable pricing may make buy-out and crystallising a surplus a more attractive alternative, particularly if there are covenant concerns.

Partial buy-ins also continue to be an effective way for larger schemes in run-on to manage risks. Improved buy-in pricing could lead to more partial buy-ins in the future as larger schemes seek to lock in attractive pricing whilst it persists.

Sponsor swaps

A number of financial institutions have been selectively offering "sponsor swap" solutions since Aberdeen's £1.2bn sponsor swap with Stagecoach in December 2025. A sponsor swap provides the existing sponsor with a clean break whilst the scheme continues in long-term run-on with the new financial sponsor.

This activity led to a Ministerial Statement in June 2026 which explicitly supported new innovation but announced a consultation into how the rules for sponsor swaps can be strengthened. The consultation will therefore be important in shaping how this emerging market develops, balancing innovation with appropriate protections for scheme members.

CASE STUDY

Dynamic endgame monitoring delivers the first-ever "BPA plus" buy-in, giving members discretionary bonuses linked to investment outperformance

Trinity Retirement Benefit Scheme (read more here)



Background

- Trustee objective of fully insuring members' benefits, removing reliance on sponsor covenant.
- Strong sponsor and Trustee focus on minimising risks through buy-in and post buy-out.
- At the outset, the scheme was expected to be fully funded on buy-out by end of 2027.

Strategy

- Completed extensive and detailed data, benefit and legal due diligence, to establish a clear understanding of the benefits and identify areas of risk/uncertainty.
- Used LCP's insurer pricing model to assess viability of a transaction, identifying materially improved affordability over H1 2025.
- Initiated a competitive buy-in broking process in July 2025 to secure a full buy-in that met the Trustee's and sponsor's requirements.

Outcome

- Full buy-in with Prudential in February 2026, almost two years ahead of initial expectation.
- Competitive price and terms, meeting key requirements.
- First-ever "BPA plus" buy-in, where Prudential may pay a discretionary bonus each year linked to investment outperformance on the underlying credit assets.

Note: Prudential is now writing all its buy-ins as "BPA plus" buy-ins.

How to optimise buy-in processes to take account of surpluses

With improved pricing meaning that two thirds of schemes are estimated to be in surplus on buy-out, a common question we are being asked is who does the surplus belong to?

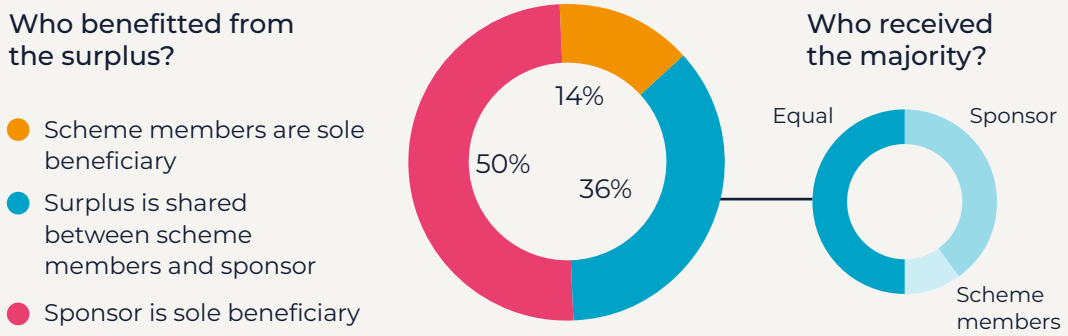
Agreeing the answer to this question is rarely straightforward. The sums involved can be significant and, whilst some scheme rules are prescriptive, others leave significant discretion to one or both parties, and trustees and sponsors can have different views on the most appropriate outcome.

The chart on the right, which draws on LCP's experience across our clients, demonstrates how other schemes have answered this question, taking into account their scheme-specific circumstances.

Where there is a material surplus, early planning and dialogue between trustee and sponsor on surplus distribution as part of the wider package is key. Increasingly we help our clients document upfront the agreed approach on surplus distribution and protections for trustees and members against post transaction risks, giving clarity to all parties.

We asked the insurers what advice they would give to schemes considering surplus management – their top tips are set out below:

Surplus sharing: LCP's experience across our clients (under the current surplus regime)



Source: LCP analysis

You can read more about LCP's experience with surplus distribution, drawing on our experience of supporting 150+ schemes through the post transaction phase here:

LCP blog: a question of surplus

Top tips from the insurers regarding benefit uplifts in buy-ins:

1. **Plan early.** If benefit uplifts are to be provided to members from surplus then securing them upfront in the initial buy-in provides maximum price certainty.
2. Alternatively, if benefit uplifts are to be provided post transaction, then **negotiate this with the insurers ahead of selection** to ensure the terms are favourable, particularly where the uplifts are material.
3. The new rules coming into force in April 2027 will permit much wider use of **lump sum payments** but are subject to certain restrictions and tax considerations.
4. **More complex changes** to the benefit structure (such as changing retirement ages) **are best to be avoided** – they create administrative challenges and can have unintended consequences eg knock-on impacts on GMP equalisation.

Post transaction pipeline continues to grow

1 Anticipate your plan going off course

Around **160 schemes** completed their **move to buy-out in 2025, a 40% increase on 2024**. That is a significant step up in activity, but the total was **still around 10% below expectations**, highlighting the importance of realistic timetables and careful post transaction planning. For trustees and sponsors, the message is clear: securing a buy-in is a major milestone, but maintaining momentum through to buy-out requires continued focus.

2 Further increases to buy-out transition pipeline

The number of schemes completing the move from buy-in to buy-out is expected to increase again in 2026 and 2027, continuing the strong growth seen in recent years. This is no surprise as schemes that bought in over recent years work through their post transaction processes.

These insurer estimates are mirrored by the pipeline of schemes that LCP's post transaction team is supporting through buy-out and wind-up.

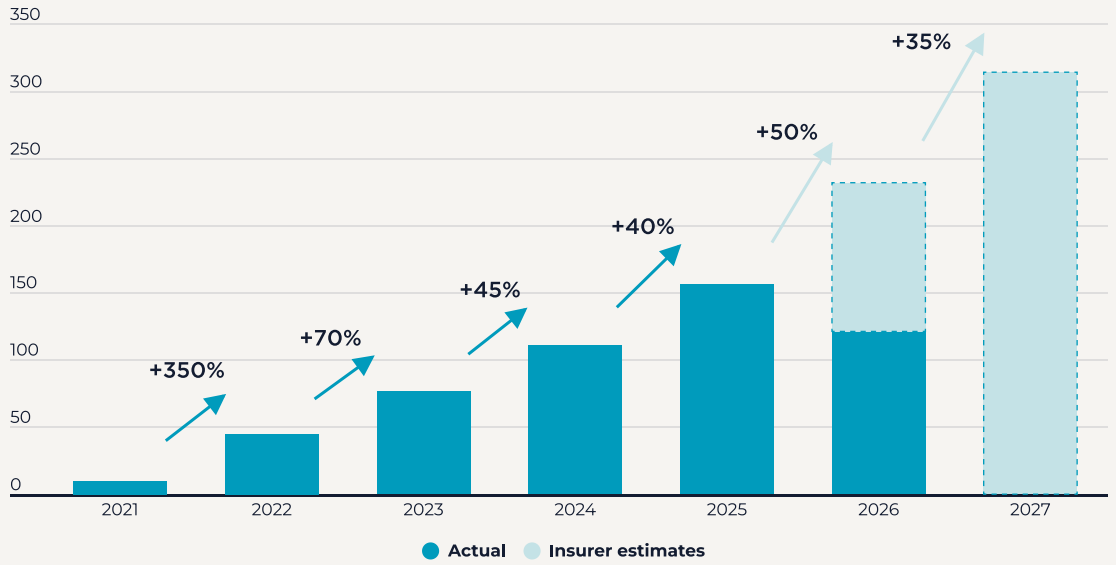
3 Looking further ahead

With projections for buy-in volumes remaining consistently high over the coming years, post transaction pipelines are set to remain strong.

Furthermore, as more schemes head into these processes with GMP equalisation completed, they are increasingly seeking smoother progress through the post transaction journey.

Insurers are continuing to invest heavily, reporting further increases to come in their capacity to manage buy-out transitions, and we continue to see investment in improved tools and streamlined processes.

Number of schemes being moved to buy-out



Source: LCP insurer survey 2026. Figures for 2021-2024 are lower than in prior years' reports, due to past overstatement of figures by one insurer

There is now a sharper focus on post transaction experience when selecting an insurer. We continue to push insurers to build on efforts to boost capacity for buy-out transitions to keep pace with the growing demand from schemes.

Achieving a smooth transition to buy-out in practice

As demand for post transaction work continues to grow, administrator and insurer capacity to complete data cleansing and manage administration handovers is likely to remain under pressure in the coming years. The time taken to move from buy-in to buy-out has always varied considerably between schemes. As shown on page 8, insurers are seeing an increase in requests for accelerated transitions to buy-out, making early preparation and negotiating clear commitments on timescales and resources all the more important.

CASE STUDIES **Different routes to successful and accelerated buy-outs**

West Bromwich Building Society Staff Retirement Scheme

1,000 members | **£100m** scheme

Two bulk annuity insurers and an in-house payroll team.

Setting the right plan...
Robust up-front planning for the post transaction stage, with the desire for an accelerated transition tempered by expert input based on experience of similar processes.
Guided by our team a plan was set to reach buy-out two years from buy-in.

...and dealing with the unexpected to deliver as planned.

- Focused project management throughout the process
- Effective decision-making structure involving all key stakeholders
- Expertise and experience of post transaction processes allowed a solution-focused response to mitigate potential delays when issues arose.

This ensured delivery with a nimble team able to react fast and mitigate any delay to the project.

...one of the best experiences I have had in my 50 years of working in financial services.
Chair of Trustees

Read more about the West Bromwich Building Society transition here

Rolls Royce UK Pension Fund

36,000 members | **£4.3bn** scheme

Continuity and quality of member experience was a key focus.
Transition to buy-out in just one year was a key objective.

Up front commitments...
This project involved an enormous focus on agreeing objectives and commitments upfront.

The importance of the post transaction phase was made clear at the outset to all parties. Contractual commitments to meeting these objectives were incorporated at the buy-in stage.

....and doing the hard work early.
To make the accelerated buy-out transition possible, it was vital that the scope of the post transaction data cleanse was limited.

This meant ensuring a comprehensive data and benefit review was done before the buy-in, and that all the significant data work was completed before the transaction, leaving only limited work to be done afterwards.

Read more about the Rolls Royce transition here

Insurers tell us that expert support starting before the buy-in transaction is the key factor to a smooth process

PRT in 2036: the future in our clients' words

Our clients don't see one future for pension risk transfer. They see several, with member experience increasingly important in all of them.

We asked attendees at LCP's DB Pensions Conference in September 2026 for their views on how the market might develop over the next 10 years. Here's what they said.

The destination	The market	The experience
"Nearly all schemes now looking to insure"	*"More insurers, more volume"*	*"Increasing voice and influence of member experience shaping the market"*
"Full buy-out still the go-to solution for schemes"	*"Growth in the insurer market – spread the risk"*	*"Member experience being an ever-important factor"*
"More alternative endgames like run-on consolidation"	*"Insurer market continues to grow, greater opportunities identified. As DB schemes convert, market diminishes"*	*"Value for members and experience is a priority and of the highest standard"*
"A wider range of endgame options than ever before"	*"Fewer insurers, after mass consolidation"*	*"Service will be the major differentiator. The winners in insurance / superfunds will be those that treat members as customers – not a financial liability"*
"A full and thriving superfund market, offering different models"	*"Fewer, larger insurers with more balance sheet capacity"*	*"More member offerings, AI used to the max, unlocking value"*
"Consolidation is a realistic option for a significant proportion of the market and the first bridge-to-buy-out deals reaching buy-out"	*"By 2036 the market will reduce and innovation reduce"*	*"AI might help in the process, but human oversight / relations hopefully still key"*
"New master trust fully established realising significant surplus extraction"	*"Insurer numbers reduce, as demand for buy-ins/outs reduces, stabilises"*	*"AI helps to improve efficiencies"*
"More schemes running on than we are expecting"	*"Very low level of PRT. Low in value – perhaps still (many) small transactions"*	*"Buy-in to buy-out in < 6 months as standard"*
	"Growth of superfund and other consolidator market for those not ready to buy-out"	
	"Pace of DC and DB consolidation will diverge"	

What could knock these futures off course?

"Concern of private equity (USA) entering the market"

"Triple volume of regulation"

"Risks of failure / disruption and a large-scale systemic risk – AI, other?"

"Capacity to service the schemes"

"Geopolitics and economic crisis cause return to deficits and so much smaller PRT market"

Conclusion: recap of key takeaways

Our analysis reveals that **buy-in pricing has been exceptional** over 2026, improving 3% since the start of the year, driven by **fierce competition** in a market where, for the second year running, insurer capacity has comfortably exceeded demand with fewer large transactions.

In practical terms, this has:

- Given **schemes weighing up their endgame options additional food for thought**, with insurer pricing looking favourable in some cases relative to both low dependency funding measures and superfund pricing.
- Meant that **schemes targeting insurance** have:
  - Been able to transact a buy-in **sooner than expected**
  - Focused more attention on the **non-price factors** that matter to them and their members (eg insurers' member experience offerings) in selection exercises
  - Given early consideration to their **surplus sharing powers** and contractual terms for applying surplus during buy-in.

Looking ahead to 2027 and beyond, we expect **attractive buy-in pricing to persist** with perhaps a **modest uptick** in pricing over the **medium-term**.

In this context, we expect:

- Continued **innovation in endgame options** with further **new superfund entrants** completing TPR assessment and activity with sponsor swaps
- An **uptick in buy-in volumes** in late 2026 and over 2027 given the pipeline of large scheme transactions alongside continued high demand from sub-£1bn schemes
- Buy-in volumes of **£300bn to £520bn** over the next decade
- Streamlined template developments to help the **small scheme segment continue to thrive**
- Continued **expansion of the buy-out transition pipeline**, making **early preparation** and **negotiating clear commitments** on timescales and resources all the more important.

We look forward to helping our current and future clients **successfully plan and navigate** their own scheme journeys.



LCP's PRT Forum 2027: The inside track

4 February 2027

Join us for a closer look at what is really happening in the Pension Risk Transfer market and what these dynamics could mean for your scheme. We will share the very latest in what we're seeing, hearing, and learning from inside the market – insights that you won't find in usual market updates.

Sign-up to the PRT Forum

Our latest insights



20 years of PRT experience

This year marks the 20th anniversary of the first modern buy-in – a concept LCP helped design and execute shortly after establishing our PRT practice in 2006. To mark this milestone, we've brought together a collection of insights drawing on our experience advising on over 300 transactions and focusing on what comes next.

Explore the insights

Some recent LCP-led transactions

FirstGroup:
£90m buy-in with Aviva

Samworth Brothers:
£400m buy-in with Canada Life

Wood Pension Plan:
£1.7bn buy-in with L&G

The Royal Society of Chemistry:
£83m buy-in with PIC

Rolls-Royce:
£4.3bn buy-out transition completed in under 12 months for 36,000 members with PIC

Six Marelli schemes transferred to Clara Pensions superfund, involving 3,300 members and £250m of assets

Royal Schools of Music:
£35m buy-in with PIC

Panasonic:
£140m buy-in with Prudential (formerly known as M&G)



Corporate pensions: more options, new opportunities, what next?

How can your pension arrangements best support your business and your employees?

Read more



Beat the insurer triage: How to get your scheme prioritised in insurer triage processes over 2026 and beyond

Despite expanding insurer capacity, schemes still need to work hard to make themselves attractive

Read more

Our latest insights

Resources for smaller schemes

How to maximise insurer engagement to access better pricing and terms:

A guide to our streamlined buy in/out service

Helping trustees and sponsors prioritise what really matters, so you can focus your resource in the right way:

LCP Assure: A streamlined and joined-up strategic journey all the way to wind-up, with fee certainty

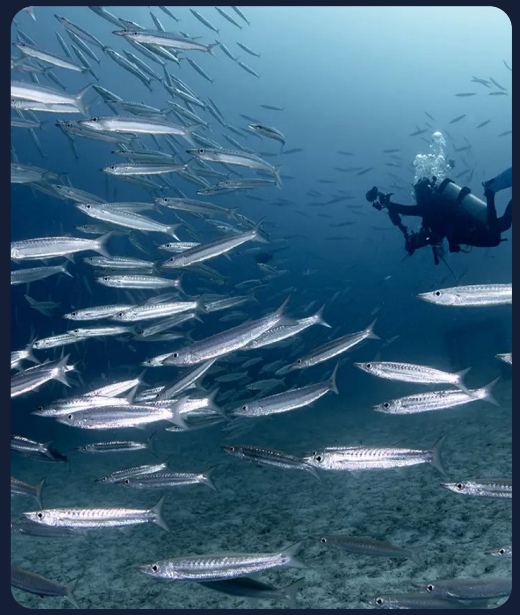
How to engage multiple insurers to deliver competitive pricing for smaller schemes in the current market:

The key to unlocking competitive buy-in pricing for smaller schemes

What should trustees and sponsors be aware of to execute smaller transactions well:

How to best approach the insurance market for smaller schemes

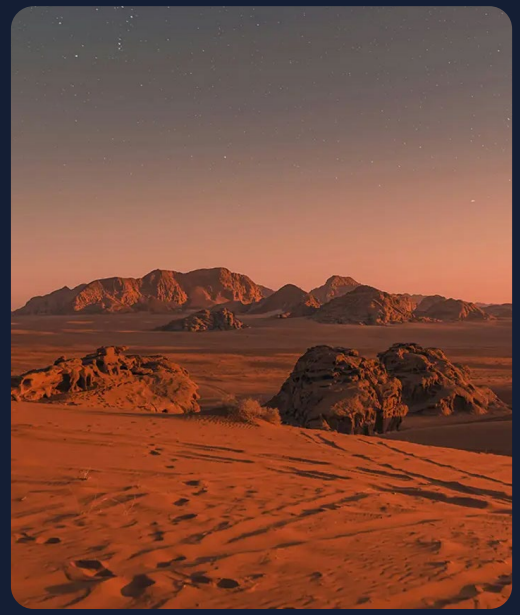
Recent blogs



03 September 2026

A question of surplus

DB surpluses are moving up the agenda.



04 November 2026

Superfund transfers: insights for trustees from our experience so far

Lessons from the building momentum in the superfund market.



16 February 2026

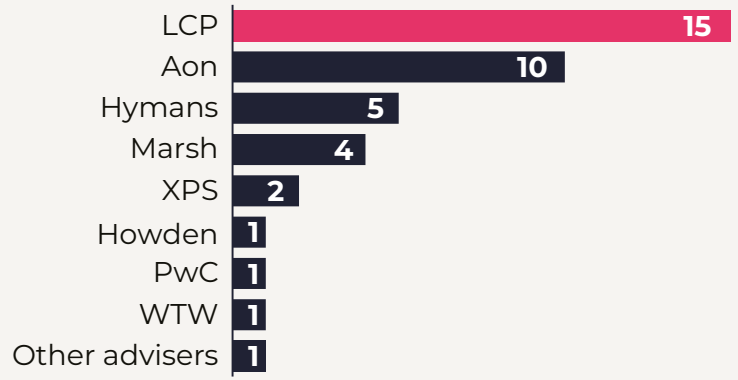
Safeguarding member experience after pension buy-out

What are the challenges faced by trustees?

LCP has market-leading experience and resources to help clients achieve success in all segments of the buy-in market

Over £1bn

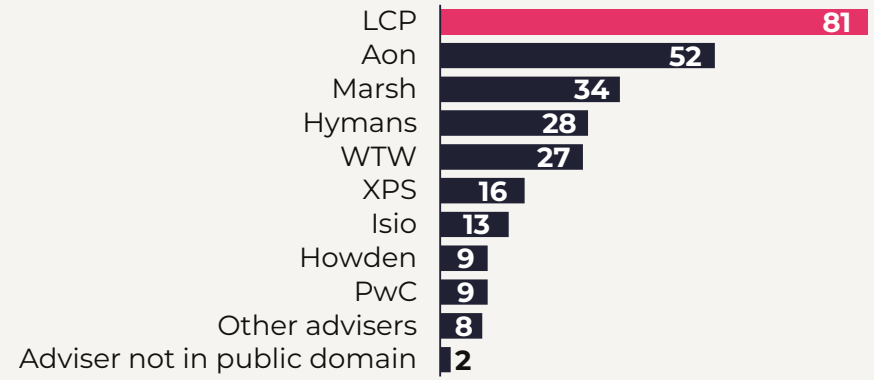
Lead adviser on buy-ins/outs over £1bn since 2022



Source: Insurance company data to 30 June 2026

Over £100m

Lead adviser on buy-ins/outs over £100m since 2022



Source: Insurance company data to 30 June 2026

Investment transactions solutions team

LCP investment specialists supporting buy-ins, superfunds and secondary market transactions, with

£6bn+

of secondary market transactions completed

Under £100m

LCP has been the lead adviser on **180+** buy-ins and buy-outs under £100m since 2014

Including **140+ transactions** and **over £6.5bn through our streamlined buy-in and buy-out service.**

Post transaction

LCP's post transaction team has managed **40+** completed buy-outs/wind-ups since 2021 and is currently managing

150+ ongoing processes for schemes ranging from <£10m to £1bn+ of assets

Read more about the LCP pension risk transfer team's market leading credentials here.

Our team

The following individuals contributed to the preparation and development of this report.



Imogen Cothay
Partner
+44 (0) 20 7432 0653
imogen.cothay@lcp.com



Ruth Ward
Partner
+44 (0)20 3824 7436
ruth.ward@lcp.com



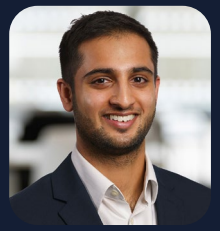
Charlie Finch
Partner
+44 (0)20 7432 0625
charlie.finch@lcp.com



Clive Wellsteed
Partner and Head of Practice
+44 (0)20 7432 6651
clive.wellsteed@lcp.com



Gavin Smith
Partner
+44 (0)20 7432 6679
gavin.smith@lcp.com



Jamie Naik
Principal
+44 (0)1962 672927
jamie.naik@lcp.com



Alex Saul
Consultant
+44 (0)20 3824 7302
alex.saul@lcp.com



Rachel Banham
Partner and Head of Practice
+44 (0)20 7432 0624
rachel.banham@lcp.com



David Lucas
Principal
+44 (0)20 7432 6702
david.lucas@lcp.com



Alex Stobbart
Senior Consultant
+44 (0)20 4603 3753
alex.stobbart@lcp.com



James Fermont
Partner
+44 (0)20 7432 6762
james.fermont@lcp.com



Katherine McLoughlin
Principal
+44 (0)20 3824 7294
katherine.mcloughlin@lcp.com

At LCP, our experts help to power possibility by navigating you through complexity to make decisions that matter to your business and to our wider society. We are powered by our desire to solve important problems to shape a more positive future. We have market leading capabilities across pensions and financial services, insurance, energy, health and analytics.

All rights to this document are reserved to Lane Clark & Peacock LLP ('LCP'). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given. We accept no liability to anyone to whom this document has been provided (with or without our consent).

About Lane Clark & Peacock LLP. We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office. Lane Clark & Peacock LLP is authorised and regulated by the Financial Conduct Authority for some insurance mediation activities only and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

© Lane Clark & Peacock LLP 2026

https://www.lcp.com/en/important-information-about-us-and-the-use-of-our-work contains important information about LCP (including our regulatory status and complaints procedure), and about this communication (including limitations as to its use).