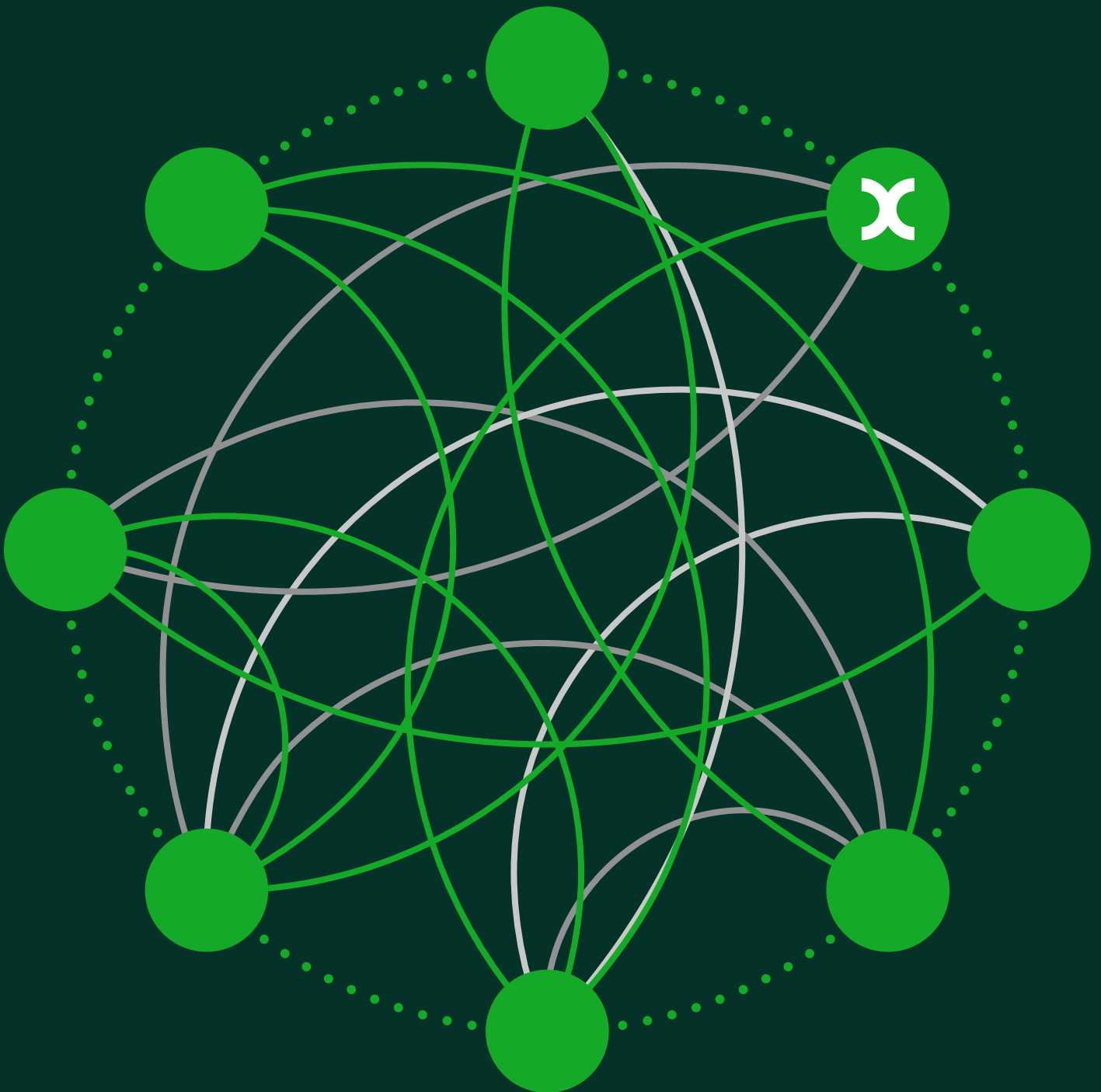


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Independent economic analysis - Prepared
for the ABI

August 2025



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Oxera Consulting LLP is a limited liability partnership registered in England no. OC392464, registered office: Park Central, 40/41 Park End Street, Oxford OX1 1JD, UK with an additional office in London located at 200 Aldersgate, 14th Floor, London EC1A 4HD, UK; in Belgium, no. 0651 990 151, branch office: Spectrum, Boulevard Bischoffsheim 12-21, 1000 Brussels, Belgium; and in Italy, REA no. RM - 1530473, branch office: Rome located at Via delle Quattro Fontane 15, 00184 Rome, Italy with an additional office in Milan located at Piazzale Biancamano, 8 20121 Milan, Italy. Oxera Consulting (France) LLP, a French branch, registered in Nanterre RCS no. 844 900 407 00025, registered office: 60 Avenue Charles de Gaulle, CS 60016, 92573 Neuilly-sur-Seine, France with an additional office located at 25 Rue du 4 Septembre, 75002 Paris, France. Oxera Consulting (Netherlands) LLP, a Dutch branch, registered in Amsterdam, KvK no. 72446218, registered office: Strawinskylaan 3051, 1077 ZX Amsterdam, The Netherlands. Oxera Consulting GmbH is registered in Germany, no. HRB 148781 B (Local Court of Charlottenburg), registered office: Rahel-Hirsch-Straße 10, Berlin 10557, Germany, with an additional office in Hamburg located at Alter Wall 32, Hamburg 20457, Germany.

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1 Introduction and main findings

A large number of Defined Benefit (DB) schemes are now in surplus, particularly following interest rate rises in recent years. As DB schemes look for 'endgame planning' options, there are several options available for schemes to de-risk—often in the form of bulk purchase annuities (BPAs). The BPA market has grown significantly over the last decade, while alternative 'superfund' consolidation vehicles have also begun to emerge.

In February 2024 the UK Department for Work and Pensions (DWP), under the previous government, published a consultation with proposals to intervene in the BPA market. In the consultation, DWP suggested that not all of the market (particularly smaller schemes and those that are less than fully funded) are likely to have a practical option for consolidation.¹ DWP has considered interventions to provide an alternative solution for DB schemes currently not served by commercial consolidation providers, and to channel investment towards more 'productive finance'—ensuring that UK pension assets are leveraged to expand productive capacity, support growth and contribute to the real economy,² consistent with the wider government growth agenda.³

DWP put forward a number of proposals for intervention, namely:⁴

- The establishment of a public sector consolidator by 2026, to be operated by the Pension Protection Fund (PPF) which would act as an alternative de-risking solution, aimed at schemes that are unattractive to commercial consolidators.
- Making it easier for trustees to make payments from surplus to sponsoring employers and scheme members.

In its most recent consultation response,⁵ the current government has proposed to take forward plans on DB surplus sharing in the Pension

¹ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

² DWP notes that while productive finance does not have a formal legal definition, it is often described as 'investment that expands productive capacity, furthers growth and can make an important contribution to the real economy'. See Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

³ Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, p. 386.

⁴ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

⁵ Ibid. See also Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June.

Schemes Bill, and to conduct further work on the costs and benefits of a government consolidator. In relation to the latter, the government has suggested that some schemes (including well-funded schemes) have 'faced challenges in buying out benefits with the commercial market' but that the market has been adapting, with new entrants and innovations in serving smaller schemes.⁶

1.1 Scope of this report

In this context, the Association of British Insurers (the ABI) has commissioned Oxera to provide an independent economic analysis of the functioning of the market for BPA products/services.⁷

In preparing this report, we conducted an independent analysis of the market, informed by the approach taken as part of market reviews, our experience in analysing market functioning, and publicly available information and data. We have also had conversations with ABI members active in the BPA market including eight insurers and three advisers.

Where a significant intervention in a market is proposed, it is good practice to put forward a robust case for change, supported by analysis of how the market functions. The starting point for our work therefore is to set out a framework for our analysis. The framework we have adopted for this assessment is based on those commonly used by the Competition and Markets Authority (CMA), Financial Conduct Authority (FCA) and other regulatory authorities in their market reviews and market studies. Our framework consists of three elements: (i) key economic characteristics and the structure of the BPA market; (ii) the competitive process and dynamics; (iii) market outcomes.⁸

Due to time constraints, we have not sought to replicate the level of detail that a market review can contain. This can include detailed financial and market data analysis, informed by data from market participants (using regulators' information discovery powers). We have instead adopted the broad approach, sufficient for the objective of reviewing and commenting on DWP's proposal.

⁶ Department for Work and Pensions (2025), '[Government response: Options for Defined Benefit schemes](#)', consultation outcome, para. 28.

⁷ For this report, we have not undertaken a formal market definition assessment to inform the scope of our analysis. Therefore, where we refer to the BPA market we mean the market for all BPA transactions.

⁸ In some cases, market reviews and market investigations can last for several years and include a large amount of detailed analysis. For practical reasons we have not sought to replicate the level of detail seen in these processes, but we do draw heavily on the framework they adopt.

1.2 Summary of our conclusions

The evidence indicates that the market for BPA transactions is working well. The market has been developing in recent years with new propositions and entrants, resulting in insurer participation reaching a record high of 11 insurers active in the market (including four new entrants since 2023).⁹ In particular, a greater number of smaller schemes are being served as the market has been moving to develop new propositions to address demand from this market segment. This includes the introduction of streamlined, template-based quotation processes, which enable smaller schemes to access quotations from a wider group of insurers. While a limited number of schemes which remain significantly underfunded may inevitably struggle to transfer DB pension scheme risk through BPA transactions, there are other options available to schemes in this position such as commercial superfunds or, ultimately, being bought into the PPF.¹⁰

1.2.1 Need for a public sector consolidator

Our analysis suggests that a public sector consolidator is not a necessary or, indeed, useful intervention to enable growth in transactions for smaller schemes given the market-based solutions that have evolved to address challenges such as quotation costs (since the costs to quote for an insurer may be disproportionately high for smaller schemes), which has enabled growth in the volume growth of smaller transactions (as well as the market as a whole).

Moreover, where market frictions have been identified, our analysis suggests that a public sector consolidator is unlikely to resolve these. The market frictions that we have identified *could* be dealt with through market-based solutions. If market-based solutions do not emerge, there may be value in exploring targeted interventions aimed at addressing them directly. Conversely, a public sector consolidator competing with market providers would risk introducing distortions in a market which is currently adapting well to the increased demand seen in recent years.

⁹ This includes the re-entry of M&G in 2023. See M&G (2024), '[M&G completes the market's first Bulk Purchase Annuity transaction that shares value with a Corporate Sponsor](#)', 25 November, accessed 12 June 2025.

¹⁰ We note that the question of whether underfunded schemes would be segregated under the public sector consolidator has not been fully resolved. Under a segregated scheme, the funding position of underfunded schemes is not immediately improved by entering into the consolidated regime (conversely, a pooled scheme would effectively result in cross subsidy between underfunded schemes and schemes in surplus).

1.2.2 Surplus extraction proposals

While the proposals for surplus extraction are not intended to address issues in the BPA market, any changes to flexibility in the sharing of scheme surplus may interact with the demand-side of the market (for example, if it results in some schemes choosing to run-on).

DWP considers the risk posed to the security of member benefits by surplus extraction to be low. In this context, we would emphasise that the funding position of schemes can deteriorate, eroding the existing surplus position outside of deliberate surplus extraction. In any case, creating an incentive for schemes to run-on while extracting surplus may disrupt and reduce demand for BPA services. In its Impact Assessment, DWP explains that the magnitude of surplus extraction is highly uncertain. Moreover, no analysis of the effect on the BPA market has been carried out.

2 Why this report?

2.1 Brief overview of the BPA market

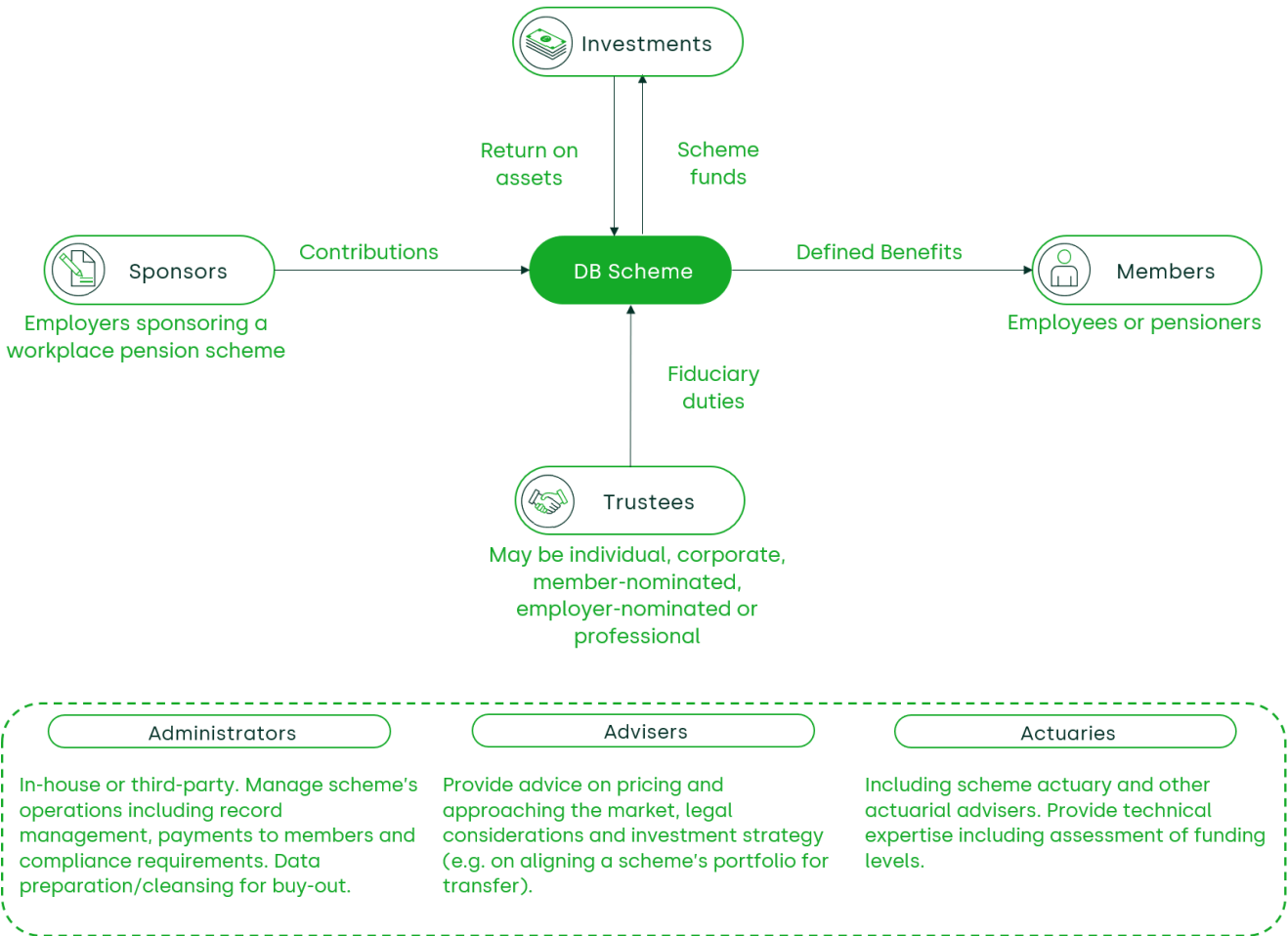
A large number of Defined Benefit (DB) pension schemes are seeking 'endgame planning' solutions, and there are several options available for them to de-risk—often in the form of bulk purchase annuities (BPAs) (either buy-in or buy-out). The BPA market enables the sponsoring employer ('sponsor') to transfer the risks associated with meeting a DB scheme's liabilities to an insurance firm, in exchange for a premium. Insurance-based solutions can be attractive for trustees and scheme members due to the enhanced protections provided under the regulated insurance market.¹¹ Trustees work with the sponsor, supported by advisers, to determine whether a BPA is affordable and appropriate.¹²

Figure 2.1 below provides a stylised illustration of the functioning of a DB scheme prior to buy-in/buy-out. Employers sponsoring a workplace pension scheme contribute funds that are invested to generate returns, which must meet the future benefits due to members. Trustees have a fiduciary duty to support the governance of a scheme and act in the best interests of the scheme and ensure that members' benefits are secure. Third party administrators, advisers and actuaries support the scheme and any potential consideration of de-risking solutions.

¹¹ See, for example, Legal & General (2025), '[Demystifying pension buyouts](#)', accessed 19 June 2025.

¹² Trustees hold a fiduciary duty to act in the best interests of the scheme and ensure that members' benefits are secure.

Figure 2.1 Stylised illustration of a defined benefit scheme prior to a potential risk transfer



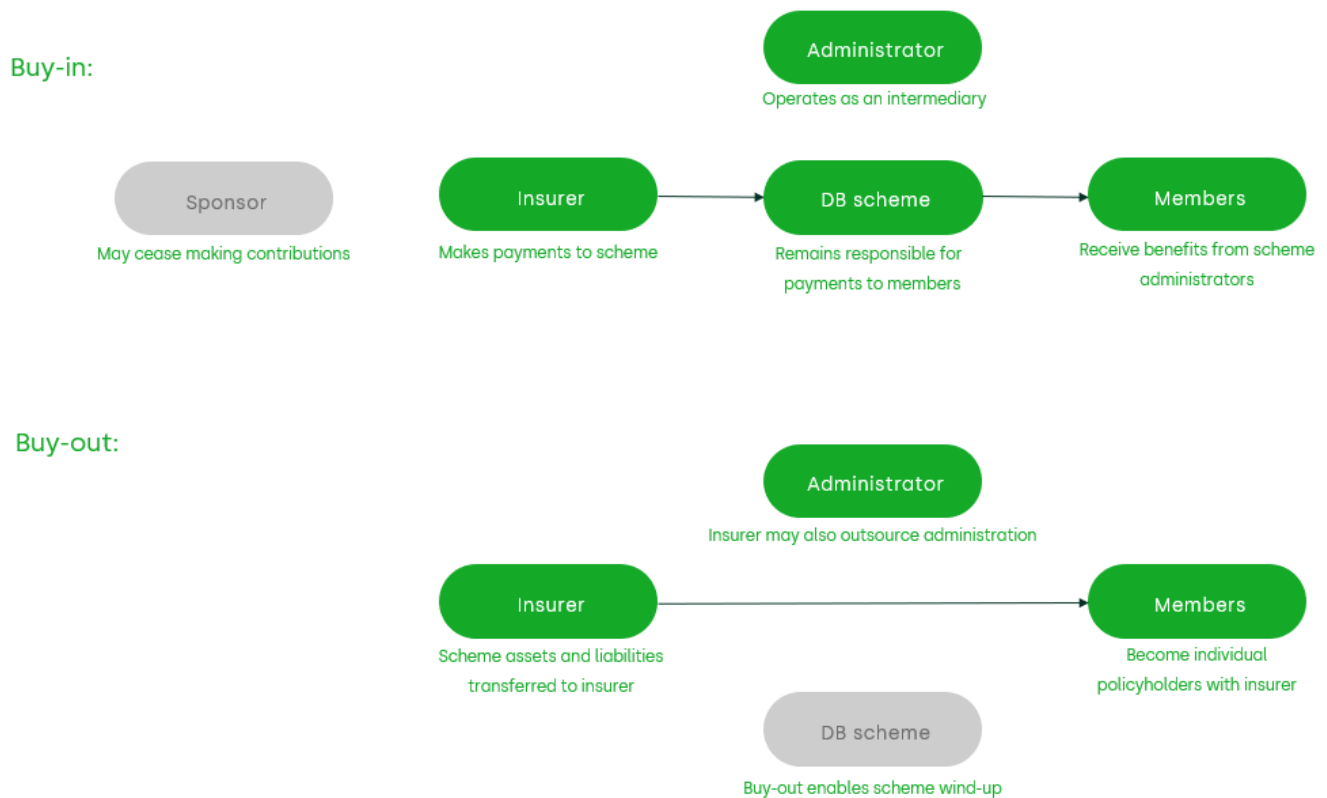
Source: Oxera. For additional detail on roles, see The Pensions Regulator (2025), '[Roles and responsibilities](#)', accessed 20 June 2025; The Pensions Regulator (2025), '[Trustee guidance](#)', accessed 20 June 2025; and The Pensions Regulator (2025), '[Valuing your scheme](#)', accessed 20 June 2025.

Following a 'buy-in' process, the insurer becomes responsible for all future payments to scheme members, which continue to be paid via the trustees and scheme administrators.¹³ The insurance policy is held as an asset of the scheme and trustees remain responsible for its governance. Following a 'buy-out' process, the insurer issues individual policies to scheme members and assumes full responsibility for member benefits, enabling the scheme to be wound up—removing any responsibilities

¹³ A 'partial' buy-in refers to an insurance policy that covers only a proportion of member benefits, while a 'full' buy-in covers all of the liabilities of a scheme.

from trustees. Pension liabilities are then removed from the balance sheet of the sponsor, who is no longer liable for funding any potential shortfalls. In practice, a 'buy-in' may serve as an interim step, to support a longer-term 'buy-out' where this is not immediately affordable. This risk transfer is also accompanied by a transition in regulatory regime from pensions to insurance.

Figure 2.2 Stylised illustration of buy-in and buy-out



Source: Oxera. A buy-in may be used as an 'interim step if the ultimate goal is buy-out', and may be 'partial' or 'full'. See Financial Times (2024), '[What's the difference between a pension buy-in and buyout?](#)', 10 April, accessed 24 June 2025; PIC (2025), '[What's the difference between a buy-in and a buyout?](#)', accessed 30 June 2025, and Professional Pensions (2018), '[Bulk annuity administration - considerations for trustees](#)', 3 December, accessed 30 June 2025.

2.2 Government consultation and proposals

In February 2024 the UK Department for Work and Pensions (DWP) published a consultation to intervene in the BPA market (under the previous government). It considers that not all of the market (particularly smaller schemes and those less than fully funded) are

likely to have a practical option for consolidation.¹⁴ DWP has considered interventions to provide an alternative solution for DB schemes currently not served by commercial consolidation providers, and to channel investment towards more 'productive finance'—ensuring that UK pension assets are leveraged to expand productive capacity, support growth and contribute to the real economy.¹⁵ Indeed, this legislation 'also aligns with the wider Government growth agenda'.¹⁶

DWP has put forward a number of proposals for intervention, namely:¹⁷

- The establishment of a public sector consolidator aimed at schemes that are unattractive for commercial consolidation providers, to be operated by the Pension Protection Fund (PPF).
- Making it easier for trustees to make payments from surplus to sponsoring employers and scheme members.

DWP stated that it was exploring options for the establishment of a public consolidator 'aimed at schemes unattractive to commercial endgame providers'.¹⁸ In addition, the consolidator would aim to '[e]nable greater investment in high-growth UK assets than would be achievable by eligible schemes in the absence of a public sector consolidator'. In the most recent consultation response published in May 2025, the government maintained that a 'consolidator could provide an option for underfunded schemes', but also recognised that there is 'evidence that the market is rapidly changing with new market entrants and innovation in serving smaller schemes'. In light of this, DWP intends to consider the possibility of a consolidator being 'additive to complement rather than compete with existing options in the DB market', but will 'not be legislating for the consolidator in the forthcoming Pension Schemes Bill'.¹⁹

DWP has also consulted on enabling greater flexibility for scheme surpluses to be extracted 'to benefit both employers and members'. The consultation considered the introduction of a statutory override to

¹⁴ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

¹⁵ DWP notes that while productive finance does not have a formal legal definition, it is often described as 'investment that expands productive capacity, furthers growth and can make an important contribution to the real economy'. See Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

¹⁶ Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, p. 386.

¹⁷ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

¹⁸ Ibid.

¹⁹ Department for Work and Pensions (2024), '[Government response: Options for Defined Benefit schemes](#)', Consultation outcome, 23 February 2024, updated 29 May 2025.

permit all schemes to allow for payments from surplus funding,²⁰ and in the consultation response, stated that it 'will introduce a statutory resolution power for trustees of schemes to modify their scheme rules'. DWP also signalled an intention to set out draft regulations on amending the threshold at which trustees are entitled to share surplus with the sponsoring employer from the current buyout threshold to a threshold set at full funding on the low dependency funding basis.²¹ These draft regulations will be subject to further consultation.²²

This comes in the context of various other broader proposals for reforming the pensions sector, including measures intended to encourage UK investment by pension funds.²³ The focus of this report is primarily on the BPA market. However, the overall impact of multiple policy measures must be assessed in the round. For example, the UK government has reduced the tax rate due to authorised surplus payments from 35% to 25% effective from 6 April 2024, which may impact surplus extraction incentives.²⁴

2.3 Approach and organisation of this report

The Association of British Insurers (ABI) has commissioned Oxera to provide an economic analysis of the functioning of the BPA market. In preparing this report, we conducted an independent analysis of the market, informed by good practice on the analysis of market functioning and publicly available information and data, as well as conversations with market participants (including insurers and advisor firms).

The remainder of this report is structured as follows.

- Section 3 sets out the framework for our analysis.
- Section 4 applies this framework to the context of the BPA market.
- Section 5 sets out our conclusions.

²⁰ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

²¹ Low dependency basis is one common measure of liabilities and funding levels, which sets out 'how much a scheme will need to hold in order to minimise ongoing reliance on financial support from the sponsoring employer by the time they are significantly mature. This is generally lower than the level required to buy-out'. Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, p. 375.

²² Department for Work and Pensions (2025), '[Government response: Options for Defined Benefit schemes](#)', Consultation outcome, 29 May.

²³ UK Parliament (2025), '[Pension Schemes Bill](#)', 6 June; UK Parliament (2023), '[King's Speech 2023: Pensions](#)', 1 November; Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June.

²⁴ HM Revenue & Customs (2024) '[The Authorised Surplus Payments Charge \(Variation of Rate\) Order 2024](#)', Policy Paper, 12 March.

3 How to assess market functioning?

3.1 Analytical framework

Where a significant intervention in a market is proposed, it is good practice to put forward a robust case for change based on a robust understanding of market functioning, with the identification of one or more market failures that justify such an intervention. A market intervention of the nature proposed by DWP should be supported by analysis of how the market functions,²⁵ using an analytical framework that aligns closely with the approach used in market investigations or market reviews.²⁶

We have adopted a framework for our analysis based on those commonly used by the Competition and Markets Authority (CMA) and Financial Conduct Authority (FCA) and other regulatory authorities in their market reviews and studies.²⁷ Market reviews can be extensive exercises, in some cases lasting several years. Due to time constraints, we have not sought to replicate the level of detail that some market reviews can contain (such as detailed financial and market data analysis, informed by data from market participants), but have instead adopted the broad approach, sufficient for the objective of reviewing and commenting on DWP's proposal.

An important aspect of our analytical framework is to identify the characteristics that impact the dynamics and competitive process within a market, as well as the ultimate effect on end-users.

²⁵ The Green Book sets out guidance issued by HM Treasury on best practice for appraising policies, programmes and projects. The Green Book explains that the appraisal process involves providing a rationale for intervention, consideration of a longlist of option choices, and subsequent shortlist analysis using social cost benefit analysis or social cost effectiveness analysis. See HM Treasury (2022) ['The Green Book'](#), updated 16 May 2024, accessed 18 June 2025.

²⁶ See, for example, CMA (2017), ['Market Studies and Market Investigations: Supplemental guidance on the CMA's approach'](#), July, accessed 18 June 2025, and CMA (2017), ['CMA market investigations'](#), Energy market investigation note, July, accessed 18 June 2025.

²⁷ See, for example, CMA reports on its market studies and investigations and papers published by the FCA, such as Financial Conduct Authority (2013), ['Applying behavioural economics at the Financial Conduct Authority'](#), April, p. 38.

The CMA has set out their framework for analysis in some of their guidance documents.²⁸ For example, in the context of a recent market study, the CMA explains that as part of its assessment it seeks to:²⁹

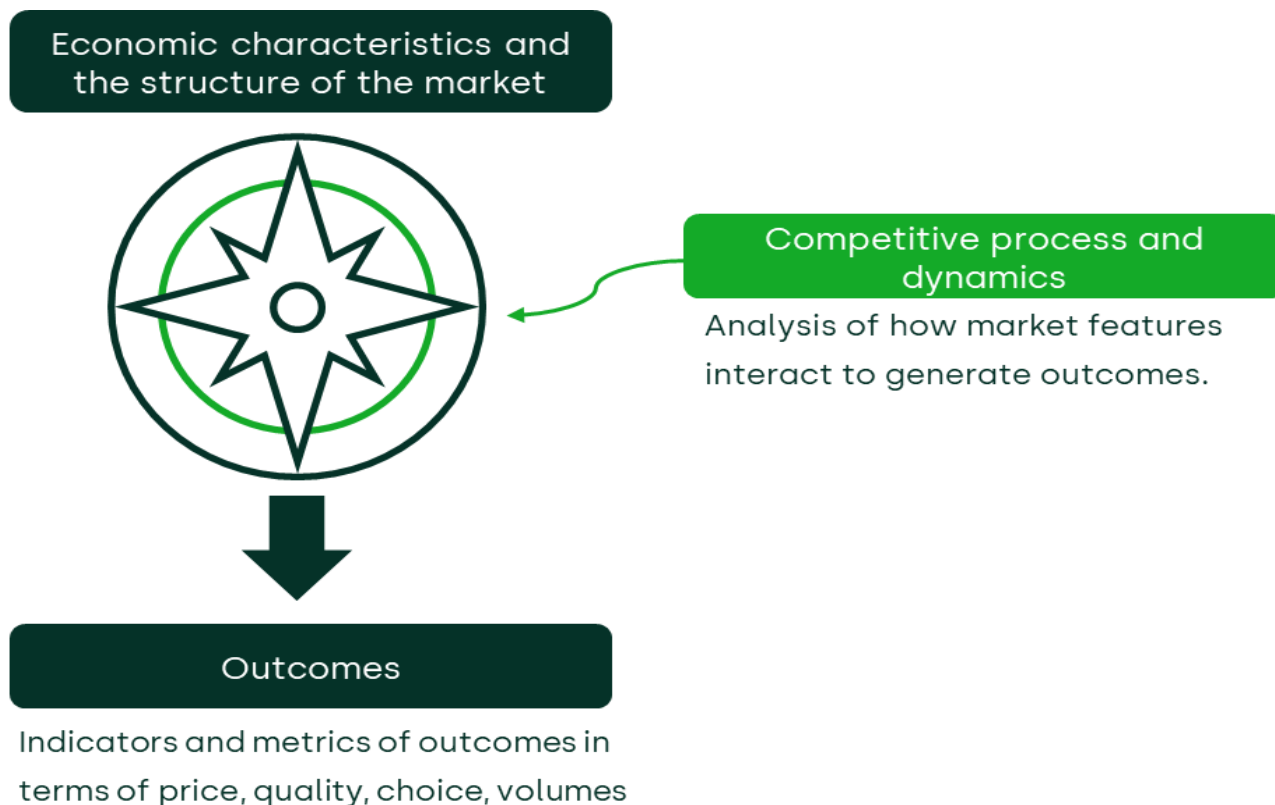
'[...] understand the main **characteristics of the market** being studied, including the number and sizes of market participants, their business models, and roles within the market. This helps the CMA **to frame the analysis of competition issues**, [...] [and the CMA] will **also analyse the outcomes of the competitive process** for consumers in this market.'
[Emphasis added.]

Our framework (see Figure 3.1 below) consists of three elements: (i) key economic characteristics and the structure of the BPA market; (ii) the competitive process and dynamics; (iii) market outcomes.

²⁸ See CMA (2017), '[Market Studies and Market Investigations: Supplemental guidance on the CMA's approach](#)', paras 3.46 and 3.50. Guidance on CMA market studies also explains how '[M]arket studies consider the relationship between consumer behaviour in a market, the behaviour of firms in that market, and the market's structure'. See OFT (2010), '[Market studies – Guidance on the OFT approach](#)', para. 2.16.

²⁹ CMA (2023), '[Housebuilding market study statement of scope](#)', para. 2.6. The framework is also set out in the following way: '(a) understand how the market is structured, the relationships between key participants, and other aspects of the way the industry operates, at each key stage [...]; (b) establish whether there may be market distortions [...]; and (c) explore and seek to measure, where possible, whether and to what extent any of the competition issues that we may identify, as described above, may lead to consumer harm, by looking at prices, profitability, quality, and innovation in the sector' (para. 1.11).

Figure 3.1 Framework for market analysis



Source: Oxera, adapted from FCA (2013), [‘Applying behavioural economics at the Financial Conduct Authority’](#), April, p. 38, and FCA (2016) [‘Economics for Effective Regulation’](#), March.

3.1.1 Economic characteristics and market structure

The structure and composition of the BPA market is important for understanding competitive dynamics. In section 2.1 above, we set out the different segments and players in the industry, explaining their roles across the value chain, which we explore in further detail in section 4.

3.1.2 Competitive process and dynamics

Economic characteristics of the industry will shape the dynamic process of firm strategy and consumer choice. These dynamics are key to understanding how new competitors and products can enter the BPA market. For example, are there potential barriers to entry, and how may these be overcome? What do new players need in order to credibly threaten entry into this market?

The sources of competitive pressure faced by market participants are also important to highlight. Specifically:

- What is the role of competition between established incumbent players?
- Which new entrants can we observe, and how have they entered the market?
- Does the threat of new players entering the market influence current incumbents?
- How can others in the value chain (including advisers, sponsors and trustees) influence behaviour and outcomes?

3.1.3 Market outcomes

The functioning of a market can be assessed by the outcomes it delivers for end-users; in this context, these outcomes relate to the scheme members. When assessing the functioning of markets, economists, policy-makers and regulatory authorities typically consider four high-level market outcomes:

- **Volumes.** Which part of the market is served? Which services are used by different segments and is this changing over time?
- **Innovation.** Have new products, services and/or more efficient processes been introduced?
- **Choice and quality.** To what extent are the needs of (different types of) users met by the variety of services that are being offered? Are end-customers satisfied with the levels of service?
- **Prices.** In this case, the total costs incurred by schemes in purchasing insurance offerings in the BPA market.

A useful concept in this context is the idea of workable competition—i.e. where a market delivers socially desirable outcomes without a clear need for policy or regulatory intervention without necessarily conforming to the theoretical idea of perfect competition.

3.1.4 Rationale of intervention

Where poor market outcomes as a result of market failures are identified, there can be justification for public sector intervention (such as regulation, competition policy and/or consumer protection remedies and measures). However, intervention—when not well-designed or justified—in a market may risk a distortion of healthy market forces, and can result in unintended consequences. This is why, where substantial market intervention is proposed, a careful and robust analysis of the case for change is required, as well as analysis of how the intervention would address any identified market failures. If this shows that an intervention is required, it is good practice to consider a range of policy options, and to choose the option that least distorts the competitive process while meeting the policy objectives. The analysis should also consider the extent to which any potential market frictions may be

addressed by market forces over time. For example, are new firms entering, or existing firms expanding, in response to potential capacity constraints within a market?

A crucial issue here is the degree to which a market may fail in the absence of intervention, and what degree and form of intervention may be appropriate to remedy the situation. In this context, several relevant questions to inform the assessment are:

- In what ways could the market fail?
- Do we observe a market failure in practice?
- Is intervention into the market warranted and proportionate?
- Where intervention is needed, what form of intervention would be the most effective?

To inform this assessment, economists identify a number of different categories of 'market failure' (see Box 3.1 below).³⁰

³⁰ Previous Oxera work for the FSA has discussed the role of market failure in financial services regulation. See Oxera (2006), 'A framework for assessing the benefits of financial regulation', September.



Box 3.1 Market failure

Market failures can be defined as an inefficient allocation of resources (e.g. of products and services), given market forces. Market failures can broadly be categorised under one of the following groupings.

- Externalities (when an agent does not price in the wider impact of their behaviour on others). This could include principal-agent problems of incentive alignment.
- Market power (i.e. a lack of competition, or barriers to entry).
- Information asymmetry (or insufficient information).
- Public goods (e.g. under-provision of a non-excludable, non-rival good).

Market failures, where identified, can be addressed through market-led solutions, government intervention, or collective agreements.

Source: Oxera (2018), '[Market failures](#)', *Agenda*, March.

Where there are clear market failures, some public sector intervention can improve outcomes and welfare for society. There are examples of such cases across financial services. For instance:

- 'Flood Re' was introduced in 2019 as a not-for-profit reinsurance company, owned and operated by the insurance sector, to support the availability and affordability of flood insurance for individuals who own properties located in high flood risk areas. The pool of funds enables insurers to insure themselves against liabilities associated with flooding.³¹ In the absence of intervention, the characteristics associated with flood risk

³¹ The economic framework for this was developed by Oxera, working with the ABI and UK insurers. See Oxera (2015), '[Why does it always rain on me? A proposed framework for flood insurance](#)', *Agenda*, April; Oxera (2019) '[A flood of interest: Flood Re makes its mark](#)', *Agenda*, May; and ABI (2025), '[Flood Re explained](#)', accessed 17 June 2025.

would mean that very-high-risk properties may receive relatively high premiums, which could raise affordability issues.³²

- 'Pool Reinsurance Company' is Britain's government-backed company providing terrorism reinsurance to insurers. The pool was introduced to address the market failure that commercial insurers would otherwise be unwilling and unable to offer insurance for terrorism-related events due to the costs associated with, and difficulties modelling, terrorism risks.³³
- More generally, the UK CMA and FCA are able to intervene in markets through remedies in cases where they find that the market is not functioning well—for instance, due to market power or information asymmetry (e.g. the competition authority's ban on the sale of PPI at point of sale,³⁴ or the FCA's cap on the price of payday lending³⁵).

However, with any intervention into a market, there will exist a risk of unintended consequences, including distortions to the market. For example, foreclosure of private sector operators or reducing incentives to invest in market-based solutions to problems in the market.

This is why a careful and robust analysis of the case for change is required. If this shows that an intervention is required, it would generally be best practice to consider a range of policy options to ensure that any market failure is addressed in a way that is least burdensome (in terms of compliance, cost to government, and risk of distortions or other unintended consequences).

In the rest of this report, we provide an independent analysis of the market for BPA transactions informed by this framework.

³² For example, flood risk is more strongly correlated across insured parties and the payout profile is less smooth than other insured events, such as burglary. A flood event may occur infrequently but have a substantial impact where it arises. Therefore, the costs of assessing flood risks are relatively high compared to measuring risks associated with other events covered by general insurance, which means pricing flood risk may be more challenging for insurers with high-volume, low-transaction cost frameworks. See Oxera (2015), '[Why does it always rain on me? A proposed framework for flood insurance](#)', *Agenda*, April, and ABI (2025), '[Flood Re explained](#)', accessed 17 June 2025.

³³ See Pool Re (2025), '[The UK's Leading Terrorism Reinsurer](#)', accessed 19 June 2025, and HM Treasury (2020), '[Terms of Reference: Review of Pool Reinsurance Company Limited \("Pool Re"\)](#)', 3 September, accessed 19 June 2025.

³⁴ CMA (2010) '[Payment protection insurance \(PPI\) market investigation \(CC\)](#)'.

³⁵ FCA (2014). '[FCA confirms price cap rules for payday lenders](#)'.

4 Analysis of current market dynamics for BPA products and services

In this section, we apply the analytical framework set out above with an evidence-based assessment of the existing functioning of the BPA market.³⁶ Our assessment is informed by publicly available sources of evidence and data alongside discussions with insurance firms and advisory firms.

4.1 Market structure: trends and new entry

Currently there is an estimated £1.2trn total invested in DB schemes³⁷ and many of these schemes are likely to seek endgame solutions (including through insurance). Indeed, the flow of BPA transactions is at near record levels and is generally expected to remain high.³⁸ At the same time, given that the majority of DB schemes are closed to new entrants, there is an upper limit to the total volume of transactions, with estimates suggesting that demand for BPAs will be largely addressed over the next 20–30 years, depending on the rate of transactions (which in turn will also be affected by various factors such as interest rates).³⁹

Schemes aim to manage risk, and this can include through the insurance market via BPAs. Over the last few years, there has been a significant shift in the funding positions of DB schemes across the market, which means a pension risk transfer is now affordable to more schemes. Around 75% of schemes are now estimated to be in surplus on a low-dependency basis.⁴⁰ Insurer participation in the UK buy-in/buy-out market has grown reaching a record high of 11 insurers active in the

³⁶ For this report, we have not undertaken a market definition assessment to inform the scope of our analysis. Therefore, where we refer to the BPA market, we mean the market for all BPA transactions. For further discussion on the role of market definition in a competition context, see Oxera (2023), '[Taking notice and looking ahead: a new draft market definition notice for the EU](#)', *Agenda*, February. For a discussion of the economics literature on assessing profitability (in the context of a competition policy analysis), see Oxera (2003), '[Assessing profitability in competition policy analysis](#)', prepared for the OFT. This paper has informed the approach taken by competition authorities and regulators.

³⁷ See Pension Protection Fund (2024), '[The Purple Book 2024](#)', accessed 12 June 2025.

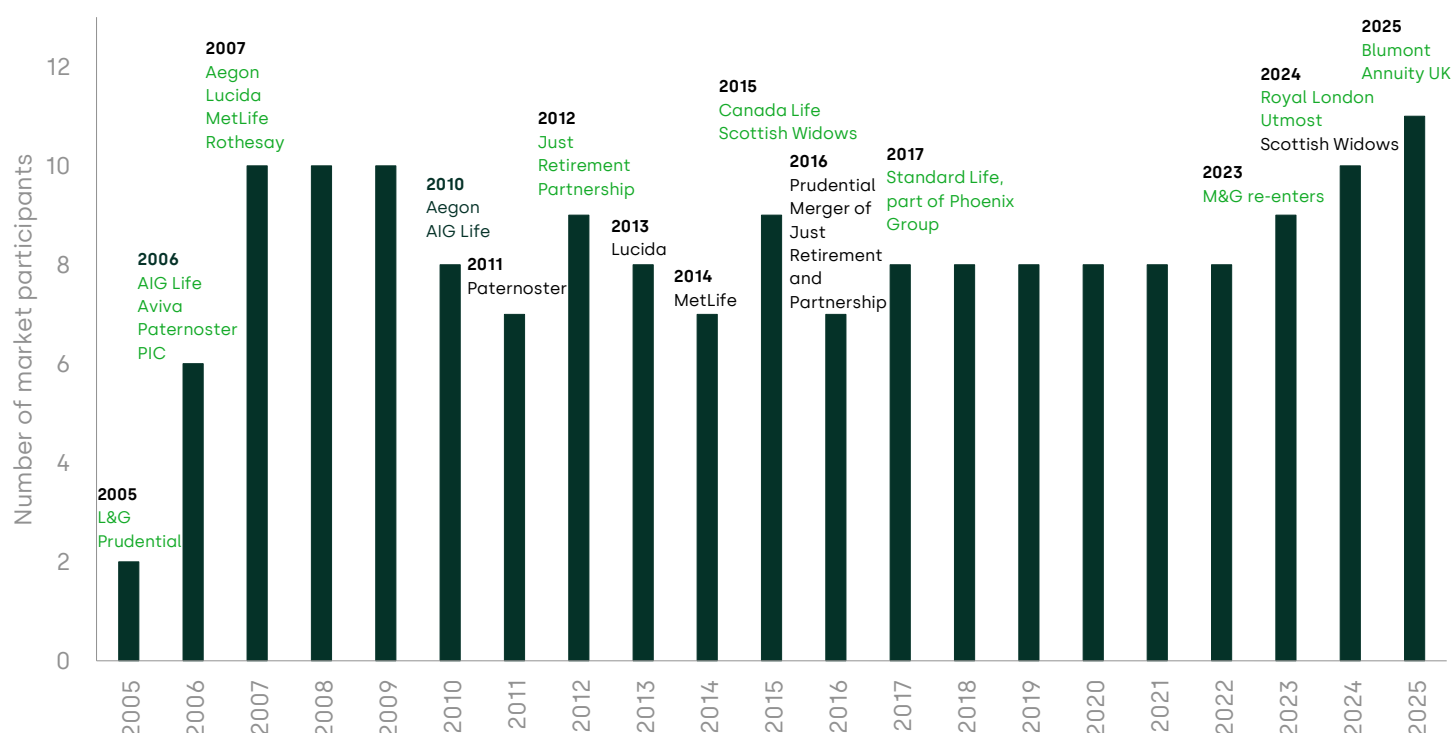
³⁸ Bank of England (2025), '[Overseeing BPA growth safely – Speech by Gareth Truran \(Executive Director, Insurance Supervision\)](#)', 30 April, accessed 16 June 2025.

³⁹ For example, see Hymans Robertson (2020), '[Future demand outlook for the bulk annuity market](#)'.

⁴⁰ See The Pensions Regulator (2025), '[Annual Funding Statement 2025](#)', 29 April, accessed 15 July 2025. According to this data, 54% of schemes are funded on buyout level, 85% were in surplus on a Technical Provisions basis, and 76% on a TPR-derived low dependency basis. See also Department for Work and Pensions (2025), '[Government response: Options for Defined Benefit schemes](#)', Consultation outcome, 29 May.

market (including four new entrants since 2023), as illustrated in Figure 4.1 below.⁴¹

Figure 4.1 Number of BPA market participants over time



Sources: Oxera, based on LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May.

Note: entrants (and incumbents in 2005) are indicated in green, while insurers consolidating or exiting the BPA market are indicated in black. M&G was formed in 2019 from the de-merger with Prudential plc, where the UK insurance business became part of M&G plc.

Market participants noted that different insurers would focus their attention on different sized transactions, though the number of participants across the different sized transactions has increased. Notwithstanding DWP's observation that smaller schemes are less-well served, several providers have entered the market with a proposition that concentrates on meeting the needs of schemes with transaction values below £100m. Market participants suggested that while price has always been an important factor for determining whether a buy-in/buy-

⁴¹ This includes the re-entry of M&G in 2023. See M&G (2024), '[M&G completes the market's first Bulk Purchase Annuity transaction that shares value with a Corporate Sponsor](#)', 25 November, accessed 12 June 2025.

out solution is feasible and attractive for a scheme for reasons of affordability, the stronger financial position of schemes, means that trustees/schemes are now able to assess insurers on a wider range of (non-price) dimensions.

Indeed, Gareth Truran, Bank of England Executive Director, recently set out:⁴²

'The BPA sector is competitive and continuing to grow fast [...] Over the last year we have continued to see growth in BPA transaction volumes, given high demand for corporate defined benefit scheme risk transfer. Notably, there have been a larger number of smaller transactions, while new entrants have helped provide additional capacity. So it's not surprising that market forecasts anticipate that the number of buy-in transactions might exceed 300 for the first time this year, and that the combined annual value of buy-ins and buy-outs might now exceed £60bn by 2027.'

4.2 Competitive process

As with most markets, the competitive process in the BPA market is driven by supply- and demand-side dynamics.

On the demand-side, scheme trustees have a duty towards the scheme members and therefore prioritise security for members' benefits. This incentive alignment is important in avoiding potential principal-agent problems between trustees and scheme members. Where schemes are in surplus, some schemes may choose to run-on and manage the risk themselves (and we note that in some cases scheme rules allow for the possibility of extraction of scheme surplus by the sponsoring company⁴³). Other schemes will look to reduce or transfer the risk to another party such as an insurer, including through a BPA transaction.⁴⁴ As part of this process, trustees source quotes from insurers before selecting their preferred provider. To receive a quote, scheme-specific data and information must be provided, which can require time, resources and expertise—trustees engage advisers and draw on their

⁴² Gareth Truran (2025), '[Overseeing BPA growth safely - Speech by Gareth Truran](#)', Bank of England, 30 April.

⁴³ A minority (estimated between 15% and 25%) of schemes currently permit a surplus to be withdrawn. This applies to schemes that passed a resolution before 2016 setting out the process that would be followed for returning any surplus to a sponsoring employer. For schemes that do not currently permit surplus-extraction, the surplus may only be withdrawn when a scheme is winding up. See Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June; Department for Work and Pensions (2025), '[Government response: Options for Defined Benefit schemes](#)', Consultation outcome, 29 May.

⁴⁴ Survey evidence from 2024 suggests that the majority of schemes have a long-term objective of transferring risk to an insurer through buy-out. See The Pensions Regulator (2025), '[Defined Benefit trust-based pension schemes research 2024](#)', March.

administration providers as part of this. Schemes that are not able to afford a buy-out (either given their funding position or with further sponsor support) may consider alternatives⁴⁵ which can include buy-in, longevity swaps, transferring to a commercial pension consolidator vehicle such as a superfund,⁴⁶ or scheme run-on.⁴⁷

On the supply side, insurers compete for a transaction based on price and non-price factors. In exchange for the premium, the insurer becomes responsible for the liabilities of the pension scheme. The ability and incentive of an insurer to quote for a transaction will be driven by its business strategy, existing (or current) investment and pricing capacity of the insurer, regulatory requirements, as well as its administration and operational transition's resource capacity. Existing providers may be able to expand capacity over the medium term in response to increased market demand. Insurers and intermediaries may also be able to expand and address market demand by investing in new technological solutions.⁴⁸ New entrants need to consider various entry requirements such as regulatory/prudential regulations, building their internal capability/skills, brand awareness among trustees, developing a strong member experience and administration offering, and initial capital and their capacity to exploit economies of scale.

Notwithstanding the challenges involved in entering the BPA market, we have observed substantive entry in recent years—alongside a competitive repositioning of the business strategies of some existing insurers seeking to move into the BPA market. Indeed, several insurers that introduced BPA products operate as part of a large established brand (including Utmost and Standard Life, part of Phoenix Group),⁴⁹ which market participants suggested can be helpful for a firm to acquire new business and means that many of the prerequisites for a

⁴⁵ The Pensions Regulator (2025), '[New models and options in defined benefit pensions schemes](#)', 3 June, accessed 12 June 2025.

⁴⁶ For example, Clara Pensions (2025), '[Our solutions](#)', accessed 9 June 2025.

⁴⁷ To run-on means that the sponsoring employer continues to be liable for any changes in the funding position of the scheme. For further details, see Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, pp. 375–377. For schemes that are unable to meet their liabilities and where the employer becomes insolvent, the Pension Protection Fund can provide compensation to members of eligible schemes.

⁴⁸ For example, AI can be used in the processing of liability information, which requires extensive data sets to be assembled. See Heywood (2025), '[How technology is setting the pace for pension risk transfers](#)', 28 April, accessed 14 July 2025 and Heywood (2025), '[How AI is transforming pension risk transfers](#)', 18 February, accessed 14 July 2025.

⁴⁹ Utmost Life and Pensions confirmed its entry into the BPA market in 2025, 'building on its existing annuity business'. Utmost Group also includes Utmost International, an international life assurance business. See Utmost (2025), '[Utmost Life and Pensions Enters Bulk Purchase Annuity Market](#)', 9 January, accessed 23 June 2025. Standard Life (part of Phoenix Group), recognising it possessed 'both the skills and financial resources' to 'compete selectively on accretive transactions', entered the bulk annuity market in 2017. See Pensions Age (2017), '[Phoenix Group to 'compete selectively' in bulk annuity market](#)', 24 August, accessed 23 June 2025.

firm to offer BPA services may already be in place.⁵⁰ The observed recent market entry suggests that the requirements that firms need to fulfil to participate in this market do not represent hard entry-barriers.⁵¹

Overall, the BPA market is relatively complex, and requires sufficient capacity and expertise on both sides to complete a transaction. The insurers, alongside intermediaries such as advisers and other third parties are able to facilitate transactions to meet the growing demand.

4.3 Market outcomes

In this section we consider the outcomes that the BPA market is delivering in terms of transaction volumes; choice, quality and innovation; and pricing.

As noted above, a scheme buy-out will also involve a change to the regulatory regime governing the assets held to generate income for member benefits. While this could, in principle, affect scheme members, we have not conducted a comparison of the potential effect as part of this study.

4.3.1 Volumes

Market data suggests that the volume of BPA transactions has been increasing in recent years—both in terms of the total value of transactions and the number of transactions. Over the last five years, the number of completed transactions within the BPA market has more than doubled, from 142 in 2020 to 298 in 2024, as illustrated in Figure 4.2 below.⁵² This has led to over 2 million individuals whose benefits have been secured through bulk annuity insurers to date.⁵³

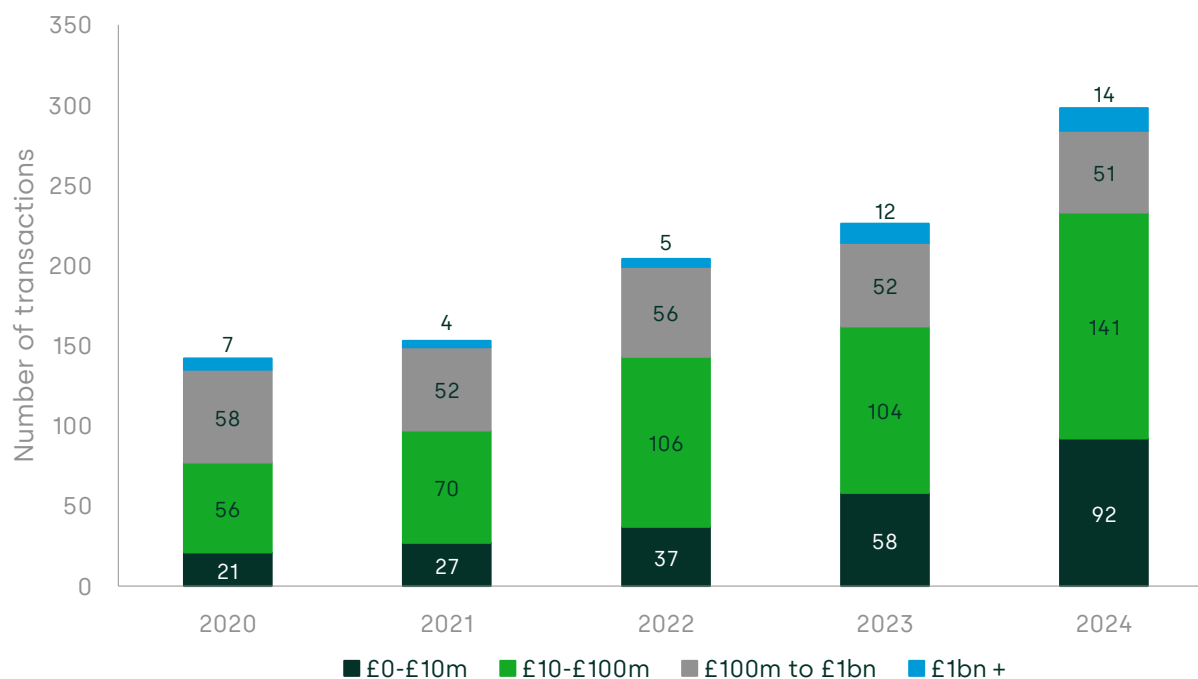
⁵⁰ Potential entrants to the BPA market that come from an established group structure may therefore benefit from initial capital and existing balance sheets, regulator approval processes and expertise.

⁵¹ As discussed in section 4.1, market development in recent years has seen several new entrants join the BPA market.

⁵² LCP (2025), '[A new era of choice](#)' (LCP pension risk transfer update), May, p. 3.

⁵³ ABI (2025), '[Scale of annuity providers' investment in UK revealed](#)', 13 February, accessed 15 July 2025. According to the ABI data, BPA transactions covered 341,000 people in 2024, adding to the more than 1.7 million individuals whose benefits had already been secured through these transactions before the start of 2024.

Figure 4.2 Number of transactions by transaction size



Source: Oxera, based on LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May.

While the number of larger transactions (between £100m and £1bn) has remained relatively stable since 2020, the growth in BPA transactions has been particularly significant among smaller schemes. In 2020, 21 transactions were completed for DB pension schemes with a value below £10m, while in 2024 this number had increased to 92. Notably, transactions under £100m accounted for nearly 80% of all 2024 buy-ins/outs by number of transactions, and schemes valued below £10m—which previously have been considered to potentially receive less market provision—accounted for almost a third of transactions.⁵⁴

The total value of transactions has also been increasing, with record buy-in and buy-out volumes over the last two years, totalling an estimated £49.1bn in 2023 and £47.8bn in 2024 (see Figure 4.3 below).⁵⁵ It is worth noting that while the general trend has been increasing, buy-in and buy-out volumes are subject to year-on-year variation due to

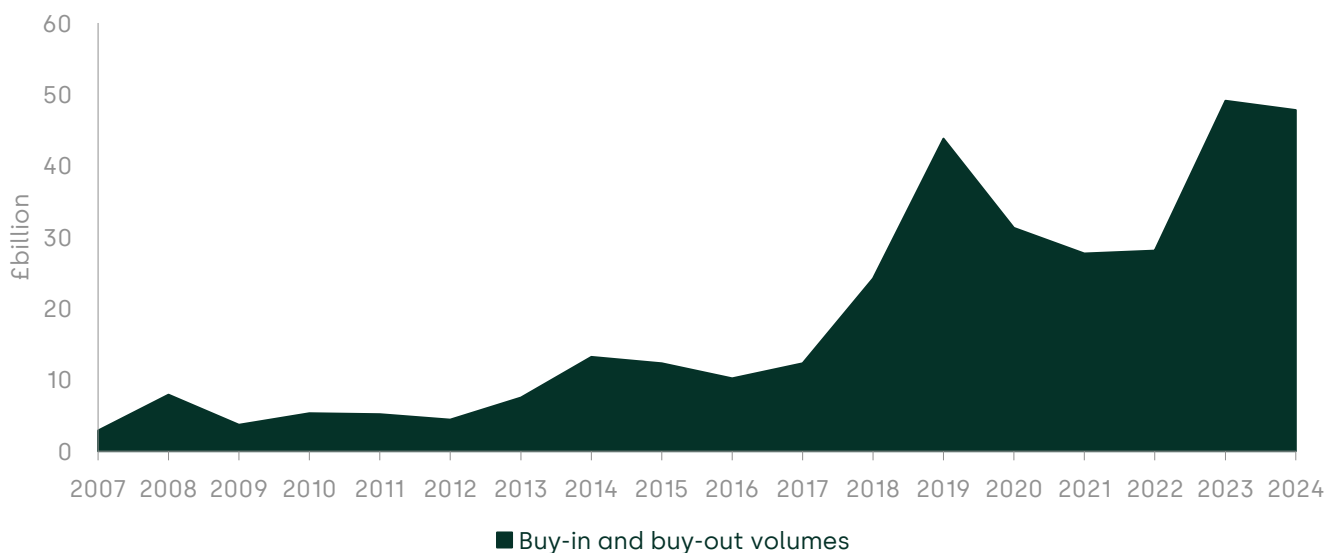
⁵⁴ LCP (2025), '[A new era of choice](#)' (LCP pension risk transfer update), May, p. 3.

⁵⁵ LCP (2025), '[Most competitive year ever in the BPA market as six insurers each write over £5bn for the first time](#)', 27 March, accessed 9 June 2025; Spence (2024), '[Bulk Annuity Innovations for Smaller Pension Schemes](#)', 28 August, accessed 16 June 2025.

various factors including market conditions (such as interest rate changes driving changes in the value of liabilities), and large transactions occurring in certain years, as seen in the figure below.

Following entry of new firms into the BPA market, the share of transactions accounted for by the largest firms (by volume) has also decreased. For instance, in 2019, the three largest insurers (by volume) had a combined market share of 78% of transactions (volume). In 2024, the six largest providers (by volume) had a combined market share of 84%. The increase in the number of transactions and volumes—combined with entry into the BPA market—has therefore resulted in a more even distribution of market shares.⁵⁶

Figure 4.3 Growth of UK BPA volumes (buy-ins/buy-outs), £ billions



Source: Oxera, based on LCP (2025), '[Most competitive year ever in the BPA market as six insurers each write over £5bn for the first time](#)', 27 March, accessed 4 May 2025.

Note: Includes buy-ins and buy-outs with a UK pension scheme. Volumes reflect gross premiums before allowance for any liabilities being reinsured.

The observed growth in transaction volumes reflects increased demand as a result of the stronger funding position of many schemes, which means risk transfers are affordable. In 2018, approximately 8% of

⁵⁶ Market commentators note that a 'significant shift in the competitive landscape' in 2024, with 'six insurers writing over £5bn each for the first time'. See LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May, accessed 16 June 2025; Pensions Age (2025) '[BPA market competition heats up as six insurers each write over £5bn for the first time](#)', 27 March, accessed 18 June 2025.

schemes were estimated to be funded above 100% on an estimated full buy-out measure, which increased to 37% in 2024⁵⁷ —with some variation according to scheme size. Notably, the smallest schemes with less than 100 members are most likely to be able to afford a buy-out, with 48% funded above 100% on a buy-out basis in 2024, increasing from 15% in 2018,⁵⁸ which means fewer schemes are unable to buy-out. Furthermore, the estimated proportion of schemes funded below 75% buy-out level has decreased from around 60% in 2018 to 22% in 2024.⁵⁹ However, for these schemes, there are alternative options available (as discussed in section 4.2) including a sponsor addressing a deficit over time, buy-in solutions and transferring to a commercial consolidator vehicle.

While there has been an increase in the number of pension schemes seeking risk transfer solutions, schemes that have previously completed a buy-in may also now intend to move to buy-out. This may increase demand for post-transaction processes and administration capacity further, in the context of increased overall volumes.

In a well-functioning market, we would expect that over time the supply-side of the market would respond to meet increases in demand. This process can take time, with parts of the value chain experiencing capacity constraints at times. In the short term, one may expect insurers to focus on serving larger transactions and/or schemes that do not involve complex assets, to benefit from economies of scale. Indeed, some market participants suggested that serving a larger scheme has been more commercially attractive for an insurer than completing several smaller transactions of the same total value because the insurer's total cost is lower. Though as we note below (section 4.3.2) some insurers have begun to increasingly focus on addressing market demand from smaller schemes. Over time, in a dynamic and competitive market, firms would be expected to increase capacity and/or new firms would enter the market to meet demand.

⁵⁷ Calculations performed using data from the PPF. See Pension Protection Fund (2018), '[The Purple Book](#)', December, p. 27, and Pension Protection Fund (2024), '[The Purple Book 2024](#)', December, p. 13. More recent data from The Pensions Regulator, as of 31 December 2024, estimates that 54% of schemes were in surplus on a buyout basis, 85% were in surplus on a Technical Provisions basis, and 76% on a TPR-derived low dependency basis. See The Pensions Regulator (2025), '[Annual Funding Statement 2025](#)', 29 April, accessed 15 July 2025.

⁵⁸ In 2024, the proportion of schemes estimated to be funded above 100% on a full buy-out measure were as follows: 2 to 99 members: 48% (2018: 15%); 100 to 999 members: 31% (2018: 5%); 1,000 to 4,999 members: 28% (2018: 4%); 5,000 to 9,999 members: 30% (2018: 5%); and 10,000 and over members: 39% (2018: 5%). See Pension Protection Fund (2018), '[The Purple Book](#)', December, p. 27, and Pension Protection Fund (2024), '[The Purple Book 2024](#)', December, p. 13.

⁵⁹ Calculations performed using data from the PPF. See Pension Protection Fund (2018), '[The Purple Book](#)', December, p. 27, and Pension Protection Fund (2024), '[The Purple Book 2024](#)', December, p. 13. Note that these figures are approximate as source data is subject to rounding.

In this context, one relevant consideration is the capacity of insurers,⁶⁰ which will be influenced by factors such as:

- operational capacity—the capacity of insurers to process, underwrite and administer new transactions, and deliver post-transaction services including customer service capacity;
- availability of capital—insurers must hold sufficient capital to meet any annuity obligations they underwrite;
- capacity of third-party administrators, which support the buy-in/buy-out process;
- changes in regulatory requirements, including any impacts of Solvency UK.⁶¹

Market participants suggested that there may have been capacity constraints for third party administration services, which slowed down the quotation process and progression from buy-in to buy-out. A 2024 Lane Clark & Peacock (LCP) poll found that 'over 70% of schemes believe pension administrator capacity is the biggest roadblock to buy-out'. In particular, this included delays to completing data cleansing work. LCP noted that administrators are responsible for delivering a number of complex and often overlapping projects including buy-ins, Pensions Dashboards and Guaranteed Minimum Pensions (GMP) equalisation.⁶² This was echoed in the industry engagement conducted as part of this study.

Notwithstanding the challenges, the significant growth in value and volume of transactions suggests that the BPA market is indeed adapting to the higher levels of demand.

Surplus extraction/sharing proposals

While the stated rationale for DWP's proposal to enable surplus extraction is not primarily to address issues in the BPA market, providing the option for trustees to withdraw surplus without winding up a scheme may affect the incentives of trustees/sponsors to run-on and impact demand in the BPA market.

⁶⁰ Insurer capacity refers to the total number and/or value of pension scheme liabilities that insurers within the BPA market are collectively willing and able to transact on (per year).

⁶¹ Solvency UK refers to the Prudential Regulation Authority rules that will replace Solvency II assimilated law. Bank of England (2024), '[Conclusion of the Solvency II Review](#)', November 2024.

⁶² See LCP (2024), '[LCP poll: Over 70% of schemes believe pension administrator capacity is the biggest roadblock to buy-out](#)', 17 December, accessed 25 June 2025.

As we note above the number of insurers offering BPAs has increased in recent years, reflecting increasing demand by schemes with both volume and value of transactions increasing across the market. This has brought with it an increase in choice of provider for schemes with market-based solutions to serving smaller schemes. These are signs that the market is working well, and any intervention that may impact the demand side must be carefully considered in this context. Indeed, DWP's surplus extraction proposal may—at least in principle—affect future entry and/or ongoing market participation by existing insurers.

In its Impact Assessment, DWP estimates the take-up rate for surplus extraction or the impact on BPA transaction volumes. According to this analysis, around £11.2bn of surplus will be extracted over ten years by permitted schemes—in a central case where 20% of permitted schemes choose to extract surplus.⁶³ However, the take-up rate is highly uncertain, with DWP estimating between 4% and 46% of permitted schemes will extract surplus.⁶⁴ While the effect of this is not reported in the Impact Assessment, we estimate that the upper end of this range would mean £20.6bn of extracted surplus.⁶⁵ However, the impact on the BPA market would likely be larger as extracting surplus would mean that fewer schemes would be funded to buy-out under DWP's proposals.

The Impact Assessment developed by DWP does not appear to have considered the impact of surplus extraction on the wider BPA market, including the functioning of the market and competition. These impacts should be carefully assessed in line with good practice.

4.3.2 Choice, quality and innovation

The increased number of insurers active in the market following entry means that, in general, trustees/schemes are able to choose from a wider range of providers when requesting and receiving quotes. For many types of schemes, they are now likely to receive quotes from a greater number of insurers compared with previous years—and smaller schemes are routinely able to secure multiple quotes. Other things equal, we would expect this to increase both price and non-price competition. Market players reported that the non-price factors have

⁶³ Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, p. 382.

⁶⁴ Department for Work and Pensions (2025), '[Pension Schemes Bill Impact Assessment. Summary of Impacts](#)', June, p. 382.

⁶⁵ Extracting £20bn in surplus would have a leveraged impact on the BPA, and may impact the ability of funds with large amounts of liability/asset to buy-out. By way of context, there were some £920bn of assets among schemes with a funding level above 100% on a buy-out basis in 2023. Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 23 February 2024, updated 29 May 2025.

become more prominent for trustees/schemes selecting insurers in recent years. As the funding position of schemes has improved, trustees have been able to shift their focus from simply whether an insurance solution is affordable or not to consideration of price alongside non-price factors.⁶⁶ These non-price factors include enhanced member experience and services, administration and service capability, expertise, brand and reputation, Environmental, Social and Governance (ESG) credentials, approach to illiquid assets, and financial strength.⁶⁷

Competition for smaller scheme transactions

Several market participants noted that the costs to provide a quote did not vary in direct proportion to the size of the scheme, and that smaller schemes were proportionally more expensive to provide a quote for. This form of economies of scale might, on its face, be a challenge for the market for smaller transactions. As such, insurers' development of new propositions and features to better address demand from smaller schemes and deliver the required capacity is encouraging. Indeed, several providers have entered the BPA market with a specific proposition to support smaller scheme de-risking. This includes developing streamlined, template-based quotation processes, which complement established adviser-led streamlined processes.⁶⁸ Market participants explained that by completing an insurer's data template, more small schemes become commercially viable for an insurer to serve, which enables smaller schemes to access quotations from a wider group of insurers.⁶⁹

To date, four insurers have developed streamlined propositions for smaller schemes, two of which rolled these out in the last two years (see Box 4.1 below).

⁶⁶ Corporate adviser (2024), '[Isio forecasts continued bulk annuity growth and strong pricing](#)', 20 December, accessed 16 June 2025.

⁶⁷ Web functionality appears to be one area of focus for providers seeking to innovate and differentiate their product offering. In May 2025, three insurers offered websites for scheme members to view live transfer values and retirement quotes, compared to one provider a year earlier. While web functionality provides additional efficiency and accessibility benefits to members, such innovations also release an insurer's customer service capacity to provide additional member support where needed (e.g. telephone support). LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May, accessed 11 June 2025.

⁶⁸ LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May, accessed 11 June 2025.

⁶⁹ LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May, accessed 11 June 2025.



Box 4.1 Streamlined propositions for smaller schemes

The following streamlined offerings have been introduced in the BPA market to make the quotation and transaction process more cost-effective and accessible to smaller pension schemes.

- Just—introduced 'Beacon' in 2019.¹
- Legal & General (L&G)—introduced 'Flow' in 2022.²
- Aviva—introduced 'Clarity' in 2024.³
- PIC—introduced 'Mosaic' in 2024.⁴

In addition to these four streamlined propositions, other insurers are reported to be in the process of developing their business case for introducing similar solutions.⁵

Source: Oxera. See also Hymans Robertson (2025), '[Risk Transfer Report 2025](#)'.

Note: ¹Just (2024), '[Just group beacon brochure](#)', accessed 16 July 2025.

²L&G (2025), '[Over £800m secured for smaller pension schemes using L&G Flow](#)', accessed 16 June 2025. ³Aviva (2024), '[Aviva launches streamlined service for BPA schemes](#)', April, accessed 28 May 2025. See also Aviva

(2025), '[Aviva Clarity](#)', accessed 19 June 2025. ⁴PIC (2024), '[PIC completes](#)

[first Mosaic buy-in with General Council of the Bar Fund](#)', December, accessed 16 June 2025. ⁵Spence (2024), '[Bulk Annuity Rise for Small Pension Schemes](#)', August, accessed 16 June 2025.

These new propositions are likely to be contributing to the increased volume of activity in smaller scheme transactions in recent years. In practice, some small schemes may also choose to engage with the market outside of the streamlined propositions, and the time and cost required to complete each template may mean that it can be more efficient for trustees to seek only a limited number of quotes. Market participants suggested that a unified template has been considered within the industry but, as in many markets, there are various practical challenges to standardisation. These include variation in the information, data and format required across insurers. In this context, advisers support trustees to select the most appropriate insurer for a quotation. Moreover, the additional choice that is available to trustees

is likely to increase overall competition for small scheme transactions, which would be expected to benefit schemes and members.

We would also note that the public sector consolidator would not necessarily have addressed the issue of quotation costs for smaller schemes directly.⁷⁰ Relatedly, DWP's consultation suggested that the public sector consolidator would employ a 'small number of standardised benefit structures'.⁷¹ Harmonisation of benefit structures was raised as a cause for concern following the consultation—for instance, the Pensions and Lifetime Savings Association noted the creation of 'winners and losers' while acknowledging potential advantages resulting from simplification and reduction of costs. Moreover, it is not clear why benefit harmonisation would be necessarily linked to the public sector consolidator. Indeed, such provisions risk creating an unequal playing field for commercial consolidators such as superfunds and BPA providers.⁷²

During our conversations, market participants suggested that the difficulties associated with quoting on potentially complex benefit structures are unlikely to be alleviated by the introduction of a public sector consolidator, and that across the DB landscape, complexities relating to scheme benefits are not unique to small schemes. Rather, large schemes may be more likely to comprise numerous benefit structures, either due to being long-running (and therefore more likely to encompass benefit structures from different periods of varying scheme rules), or from the amalgamation of smaller, pre-existing schemes with different benefits, due to a sponsoring employer making acquisitions.

4.3.3 Price

Pricing in the BPA market will depend on many factors including movements in market conditions (such as interest rates), reinsurance capacity and premiums, the profile of a scheme's liabilities (including the complexity of any benefits to be insured and the rights of scheme members), the size of the scheme, and regulatory requirements—including reforms to Solvency II/Solvency UK (SUK).⁷³ Therefore, price movements may not necessarily reflect changes in competitive

⁷⁰ Other players such as commercial superfunds are likely to also face similar limitations in respect of quotation costs for smaller schemes.

⁷¹ Department for Work and Pensions (2024), '[Options for Defined Benefit schemes](#)', Public consultation, 7 March.

⁷² Pensions and Lifetime Savings Association (2024), '[Options for Defined Benefit Schemes: DWP consultation \(PLSA Response\)](#)', p. 19.

⁷³ LCP (2024), '[Pension risk transfer report 2024](#)', October, accessed 23 June 2025. Bank of England (2024), '[PS2/24 – Review of Solvency II: Adapting to the UK insurance market](#)', Policy statement 2/24, 28 February; Bank of England (2024), '[Review of Solvency II: Reporting and disclosure phase 2 near-final](#)', Policy statement 3/24, 29 February.

pressure. Indeed, market commentators suggest that 'the biggest uncertainty to future insurer pricing is the unusual dynamics in financial markets'.⁷⁴ The extent to which a scheme is able to afford risk transfer solutions (such as a buy-out) largely depends on the funding position of the scheme, rather than the price.

While we have not undertaken our own analysis of insurer's profitability as part of this study, market commentators suggest that pricing has become more favourable from a scheme's perspective in recent years.

For instance, in June 2025, Aon noted that a range of factors were driving attractive insurer pricing, including increased competition as a significant driver. The analysis highlighted that new entrants to the market, along with established players expanding their addressable markets, had contributed to increasingly competitive pricing across both large and small transactions.⁷⁵

Similarly, LCP's pricing model, for example, provides a benchmark for the pricing of a typical pension scheme based on actual transaction prices, expressed as an implied return compared to the yield available from holding gilts. In October 2024, LCP set out that 'pensioner pricing has continued to be favourable over the last few years, providing a significant yield pick-up compared to holding gilts'.⁷⁶ Prices were predicted to continue to be favourable for schemes in 2025,⁷⁷ with more recent analysis in May 2025 concluding that 'full buy-in pricing is at the most attractive levels we have ever seen outside of a crisis period. This is being driven by the strong competition between insurers, buoyed by the new entrants to the market, and innovative investment approaches in a low credit spread environment'.⁷⁸

Indeed, as illustrated in section 4.1, the number of insurers in the BPA market reached its highest level in 2025.

⁷⁴ LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May.

⁷⁵ Aon (2025), '[Aon says bulk annuity pricing for UK pension schemes is at the best level for two years](#)', 30 June, accessed 15 July 2025.

⁷⁶ See LCP (2024), '[Pension risk transfer report 2024](#)', October, p. 19.

⁷⁷ LCP (2025), '[LCP's predictions for the pension risk transfer market in 2025](#)', January, p. 4.

⁷⁸ LCP (2025), '[LCP pension risk transfer update \(A new era of choice\)](#)', May, p. 4.

5 Conclusions

The DB pension scheme landscape has seen significant developments in the last few years. Scheme funding positions have improved significantly, and many trustees and schemes have been looking to transfer DB pension risk while securing member benefits, through BPA transactions.

Overall, the evidence indicates that the market is working well. The market has been developing in recent years, with new entrants and propositions resulting in growing volumes and value of BPA transactions. This includes a greater number of smaller schemes being served as the market has been moving to develop new propositions to better address demand from this market segment.

While a limited number of schemes which remain significantly underfunded will inevitably struggle to transfer DB pension scheme risk through BPA transactions, there are other options available to schemes in this position. As with any market, there will exist some frictions in the BPA market (such as short-term capacity constraints on the administration and data preparation, or labour resource constraints). The total addressable market for BPA transactions also has natural limits (in terms of size and duration), and market entry for new players requires a degree of time and resource investment in order to be successful.

5.1 Need for a public sector consolidator

A public sector consolidator therefore does not appear to be a necessary or, indeed, useful remedy to enable growth in transactions for smaller schemes. While the non-linear cost function for quotations may have led firms to focus on larger transactions in the past, the market appears to have developed to solve this challenge with new propositions and market players specifically targeting smaller scheme transactions.

Our analysis suggests that a public sector consolidator is unlikely to address the market frictions that we have identified (and indeed would be subject to many of the same frictions). Moreover, a public sector consolidator competing with market providers would risk introducing distortions in a market which is currently addressing market demand (including market-based solutions for smaller schemes from insurers and other market players, and superfund development for schemes in significant deficit). Notwithstanding DWP's suggestion that a public

sector consolidator would not compete with commercial insurers, given that schemes would have a choice of whether to use the public sector or private sector options, it is difficult to see how a degree of competition would not occur in practice.

The market frictions that we have identified *could* be dealt with through market-based solutions. If market-based solutions do not emerge, there may be value in exploring targeted interventions aimed at addressing them directly. These could include:

- The potential for standardisation of pricing templates for smaller schemes—noting that this has been considered by the industry in the past, with no clear way forward identified.
- Monitoring of capacity in administration services and consideration of potential bottlenecks created by industry-wide initiatives (such as Pension Dashboards).

In any case, a careful assessment of the effectiveness of any intervention, as well as the analysis of potential unintended consequences, would be needed to justify further action.

5.2 Surplus extraction proposals

In relation to proposals for the extraction of DB scheme surplus, we note that the main stated rationale is not to address issues in the BPA market. Nevertheless, changes to flexibility in the sharing of scheme surplus may interact with the demand-side of the BPA market—for example, if it results in some schemes choosing to run-on. In practice, many schemes may have an objective to achieve buy-out, and the impact of the proposals will depend on the incentives of trustees and sponsors.

From a market perspective, the creation of a mechanism that facilitates or incentivises scheme run-on rather than risk transfer could be disruptive and ultimately reduce demand in the BPA market. DWP's Impact Assessment suggests that the extent to which this will occur is highly uncertain. We would note that the overall impact on transactions is likely to be significantly greater than the level of surplus extraction since a buy-in/buy-out for schemes that withdraw sufficient surplus will become unaffordable. In this context, DWP does not appear to have made an assessment of this or any adverse consequences for competition or market functioning in the BPA market.

From the trustees' perspective, any surplus extraction that reduces a scheme's resilience to absorb unexpected costs or investment losses, and meet its obligations to members, comes with a degree of risk. In its

Impact Assessment, DWP has assumed this increase in likelihood of members not receiving their benefits in full to be low. This is based on the assumption that trustees will play a key role in overseeing any decision.⁷⁹

⁷⁹ Department for Work and Pensions (2025), ['Pension Schemes Bill Impact Assessment. Summary of Impacts'](#), June, p. 391.



Contact

Reinder Van Dijk

Partner

+44 (0) 20 7776 6614

reinder@oxera.com

oxera.com



A large, stylized "oxera" logo is visible through a window. The letters are white with a glowing effect, set against a background of green foliage. The logo is partially obscured by three modern, white, teardrop-shaped pendant lights hanging from the ceiling. The scene is viewed through a glass partition with a vertical wooden slat on the right side.