XPS Group

July 2025

Risk Settlement Watch

Bulk annuity market
Q3 2025 trustee update

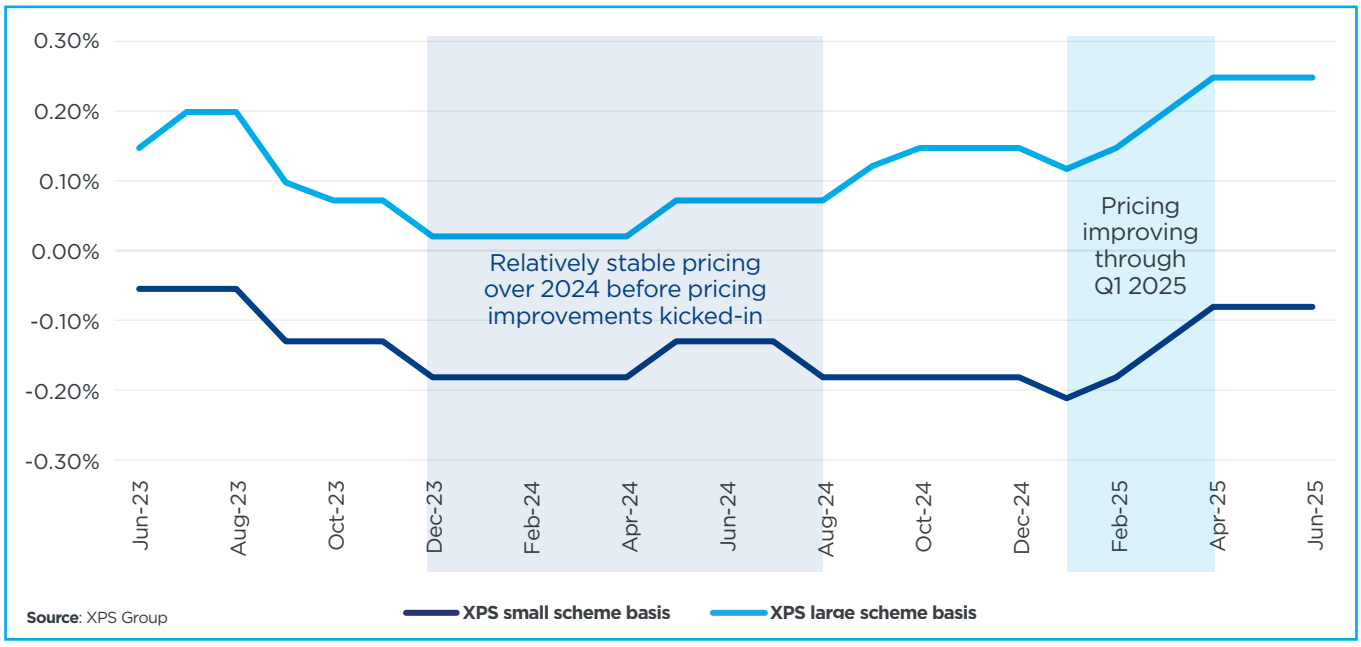
Market commentary

- H1 volumes in the market have been lower than expected (XPS estimates £10bn - £15bn) although momentum continues at the small and mid-end of the market (XPS estimates 150+ transactions written).
- This is leading to continued opportunities for small to mid-sized schemes as more insurers seek to utilise capacity with XPS experiencing an increase in the average number of bidders across transactions of all sizes in the market during 2025.

The XPS Bulk Annuity Watch tracker tracks the bulk annuity transaction completed by each provider, by number of deals and volume of premium.

Pricing levels

XPS closely tracks pricing through pricing fees from insurers and real-life transaction pricing across deals of all sizes. **Average pricing over the past 24 months (relative to gilt yields) is illustrated below:**



Source: XPS Group

Note: The pricing is based on observed market pricing and model points from bulk annuity insurers. Actual bulk annuity pricing is specific to a particular scheme's demographic and benefit profile, and other wider factors influencing appetite for a transaction.

Industry news

Athora Holding Limited has agreed to acquire the parent company of Pension Insurance Corporation for £5.7bn. PIC is a well-established bulk annuity provider and last year accounted for around 17% of the market by volume. On completion, PIC will become the UK insurance business of Athora. There is not anticipated to be any impact on business written to date and going forward Athora's intention is to continue to grow the PIC business using Athora's backing to provide more options to Trustees and to invest more in UK housing and infrastructure.

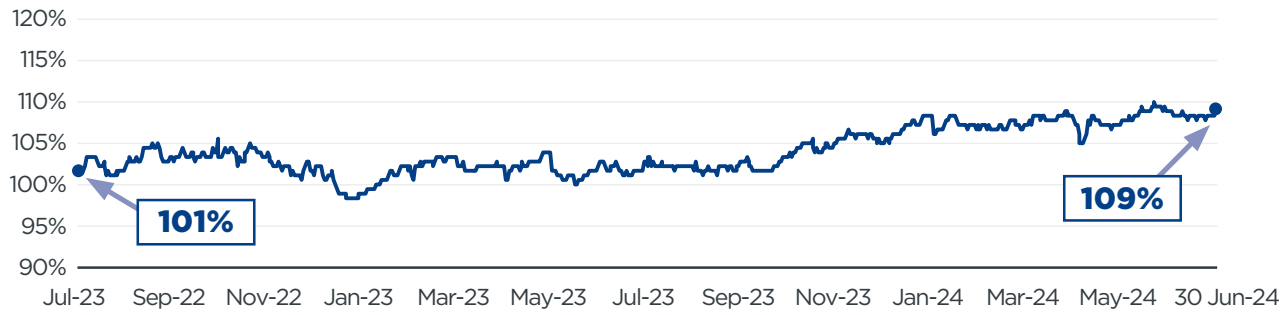
Market volatility

Following a period of significant market volatility after tariff announcements in the US in Q1,2025, credit spreads have settled and markets appear more stable – particularly with regard to those pension schemes that are looking at bulk annuities and typically hold a higher proportion of gilts and credit than the wider DB pensions market. See **XPS DB:UK Funding Tracker** below.

XPS DB:UK FUNDING WATCH

XPS DB:UK – Buyout Funding Level

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Source: XPS Group. The data in the charts above incorporate data from The Pensions Regulator, the PPF 7800 Index and the XPS data pool.

Regulatory and Legal

Virgin Media Limited v NTL Pension Trustees Limited – There has been uncertainty around scheme liabilities and member benefit levels following last year's Court of Appeal judgment, with some schemes waiting for clarity before insuring. The Government issued a statement on 5 June 2025 confirming that it will introduce legislation to give affected pension schemes the ability to retrospectively obtain the relevant actuarial confirmation. This is particularly welcome news for pension schemes, unblocking potential barriers to their wider, strategic, de-risking objectives.

Surplus reform – On 29 May 2025, the Government published its response to the Department for Work and Pensions ('DWP') February 2024 consultation on 'Options for Defined Benefit schemes'. Key points are an intention to provide a statutory override to give trustees the discretion to change their scheme rules to allow surplus to be paid on an ongoing basis, and a change in the minimum threshold for surplus extraction from buyout to low dependency (subject to further consultation). XPS anticipates that many schemes will review their longer-term objectives and consider run-on, however, most small to medium size schemes will continue on their journey to buyout.

Outlook for 2025

XPS market intelligence – Current indications suggest that the recent record volume years of £50bn are unlikely to be replicated in 2025 with volumes expected to be closer to the £40bn level. However, demand remains strong at the small and mid-sized end of the market and the overall number of deals could break the record set in 2024.

Find out more

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