

Risk transfer briefing, Quarter 3 2025

In this briefing, we discuss member experience considerations for risk transfer projects.

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

The member experience

Member experience is a crucial consideration for any risk transfer project. Its scope is broad, covering issues such as:

- Administration changes and handovers
- Communications with members
- Benefit continuity
- Member options and flexibilities
- Security and peace of mind.

With this in mind, we discuss five questions you should ask when shortlisting insurers (or consolidators) in preparation for a risk transfer project.

Question 1: *What is your administration model?*

Insurers use different administration models and will typically either have an internal administration team or a contractual agreement with one or more third-party administrators.

Trustees will have differing views on the benefits and drawbacks of each administration model, and it will be important to understand the quality controls in place.

Question 2: *Will member communications be clear and reassuring?*

For members, this may be one of the most significant changes to their pension arrangements. Trustees should ask to see sample insurer letters and consider any communication accreditations obtained by insurers (such as the Crystal Mark). Members may require additional reassurance where the insurer is not a household name.

Question 3: *What systems and processes do you have in place to maintain and enhance the administration function?*

Historically, analysis of headline statistics such as number of complaints and adherence to service level agreements has formed a key part of the administration due diligence process.

However, it is also possible to complete a more thorough analysis of insurers' distinctive offerings by considering factors such as training practices and online platforms.

Question 4: *What member options will you make available?*

With recent industry-wide focus on the member experience, insurers are increasingly making additional flexibilities available – particularly ones that have historically only been possible for larger schemes, such as bridging pensions and pension increase exchanges.

Not all insurers' offerings are the same. When comparing insurers, the flexibilities offered may be a key consideration – particularly if trustees have already made these options available to members.

Question 5: *How will members be supported throughout their retirement?*

As the custodian of members' future pension benefits, trustees want to be reassured that insurers will look after their members. Trustees should enquire about the support members receive throughout the retirement journey, for example:

- Before retirement – Retirement illustrations; self-service portals
- At retirement – Support from independent financial advisers; flexibilities (see Question 4)
- During retirement – Communication formats; support for vulnerable policyholders.

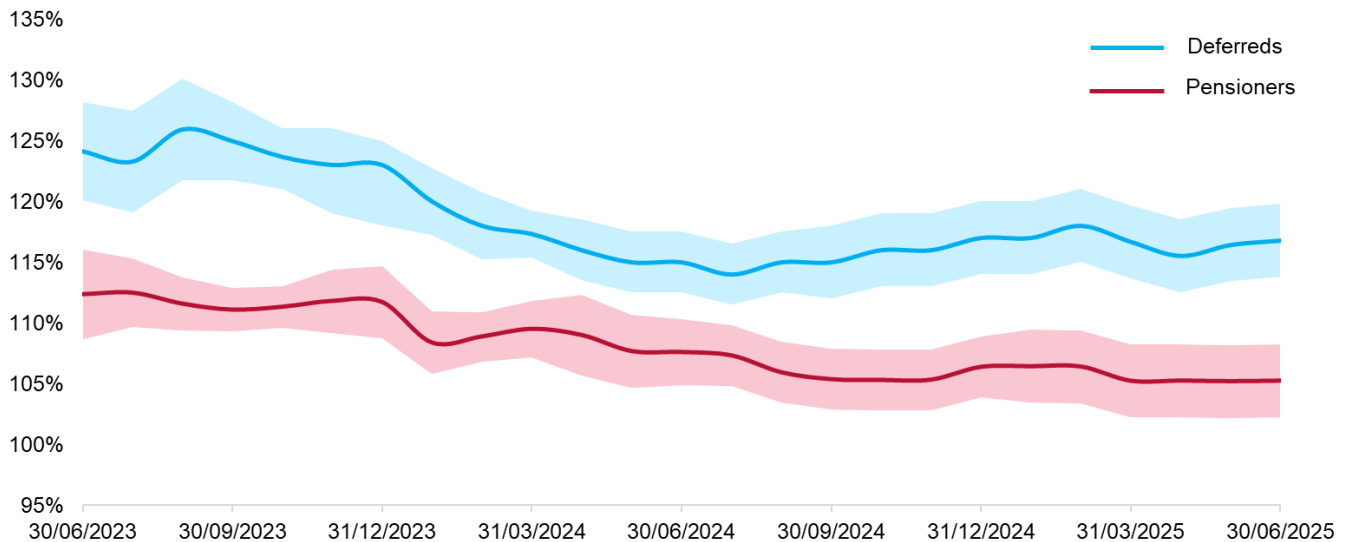
Our Risk Transfer team can guide you through these questions – and others – as part of the insurer due diligence process.

First Actuarial Bulk Annuity Index

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

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

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



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

The increase in gilt yields has materially reduced the cost of buy-out and increased demand. However, buy-out pricing is also affected by other variables such as credit spreads, competition, insurer capacity and reinsurance pricing. In recent years, we've seen the cost of buy-out increase relative to gilt-based liabilities, peaking around summer 2023 and then falling back again. An increased appetite for schemes at the smaller end of the market has also led to a gradual weakening of insurer pricing relative to low-dependency liabilities.

As at 30 June 2025, we estimate that the average price of a bulk annuity covering pensioners will be 5% higher than the equivalent low-dependency liabilities. In other words, for a scheme that is 100% funded on a typical low-dependency basis, we estimate that for every £10m of pensioner liabilities, an additional £0.5m of funding will be required. However, for every £10m of deferred liabilities, we estimate an additional £1.7m of funding will be required.

Further information

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

Find out more about [First Actuarial's risk transfer services](#).

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