How can pension schemes better navigate the evolving endgame landscape?

Across the pension risk transfer market, there is one consistent theme that emerges - clarity of objectives is everything. Regardless of whether a scheme is small, midsized, or among the UK's largest, the ability to articulate priorities early - speed, price, stakeholder alignment, or structural complexity – will ultimately determine the success of its endgame.

For smaller schemes, the focus is often on the speed of the transaction and achieving an affordable premium. However, these are not without challenges. Smaller schemes can often face restricted access to insurers due to the completion of extensive insurer templates, and this can place significant pressure on already stretched administration teams. Midsized and large schemes by comparison often contend with more complex governance demands to ensure that stakeholders are aligned before entering the market. For the larger schemes, successful preparation also involves resolving issues such as illiquid asset treatment, agreeing approaches for difficult or uninsurable assets, and clearly articulating expectations around matters like TUPE for existing pensions administration staff.

One of the more time consuming issues for schemes approaching their endgame is illiquid assets. While the secondary market for these continues to develop, in practice most schemes turn to deferred premiums - accepting the risk that realised values may fall short of the agreed premium. The more complicated routes of transferring or selling illiquid assets to scheme sponsors bring their own challenges - especially around fund domicile and the administrative complexity such transfers entail.

Beyond illiquids, schemes also face constraints around data quality, insurer engagement, and administrator workloads. Larger schemes will always command more engagement from the market. However, mid sized schemes may need to articulate the trade ready actions completed to ensure good engagement from the market. But what about the smaller schemes – are things getting easier? Well yes and no.

Despite insurers making huge strides in creating streamlined, templated processes which are designed to help smaller schemes access the market with greater ease, the differences between these templates means that administrative teams still face a significant burden when populating them. The differences in data requirements, complexity, and structure create inefficiencies, precisely at the point that schemes need clarity.

Once transactions complete, these templates do help accelerate the journey from buy-in to buyout, but challenges remain: most templates do not yet accommodate GMP equalisation, meaning this critical step still needs to be handled separately.

As the industry evolves, member experience is also becoming a far more prominent consideration in endgame strategies. Smaller schemes frequently offer a personal touch – for example members speaking directly to individuals handling their benefits - but they can lack sophisticated online tools. However, after moving to an insured environment, members typically gain access to the full suite of digital services, alongside customer service teams trained to support vulnerable customers. As expectations rise across the pensions landscape, insurers are increasingly recognising that member experience is a differentiator.

My top tips for Sponsors and Trustees that are preparing for buy-in or buyout are as follows:

Clear objectives should be defined from the outset, supported by full stakeholder alignment.

Data and benefits must be in order - schemes either need clean data or a credible, timebound plan to resolve outstanding queries.

Your investment strategy must be endgame ready – more specifically illiquid assets, should be evaluated and addressed early.

Recognise that market dynamics are shifting and with more schemes now in surplus, the reference point for decision making for all stakeholders may increasingly be the surplus available to complete the transaction - rather than purely the premium cost.

Image
insight UK



View PDF
Insights
Author
Stuart Heatley, Consulting Lead, Aptia
Author photography
Image
Stuart Heatley, Consulting Lead, Aptia