HOWDEN

DB endgame update Q3 2026

This is our quarterly briefing discussing emerging issues and market activity in the DB endgame space.



Inside, you'll find:

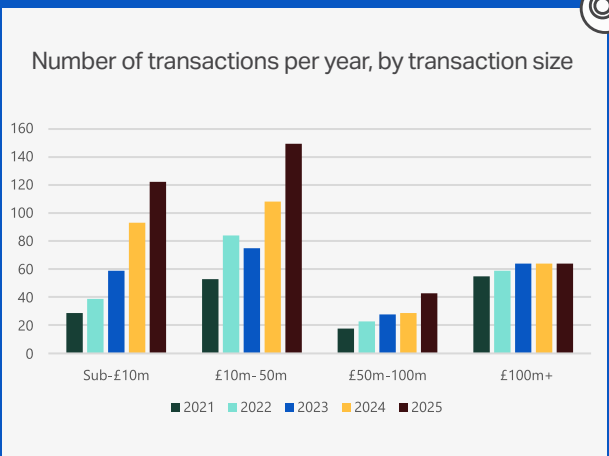
- An update on insurer small scheme (sub-£50m) propositions
- The latest innovations insurers are offering members
- Our view on the current competitiveness of the risk transfer market pricing levels
- The latest regulatory developments from the PRA
- An update on the superfund market
- How we can streamline your post-transaction data projects

Bulk annuity market update

Small scheme propositions

The market for small schemes has become increasingly active in recent years, with a sharp acceleration in transaction activity. In the last four years:

- The number of sub-£10m transactions has quadrupled
- The number of £10m-50m transactions has trebled



This growth reflects both improved affordability and a greater willingness from insurers to quote on smaller transactions.

As insurers have become more interested in smaller schemes, they have had to find resource-efficient ways to quote on a larger number of transactions. One response has been the development of streamlined propositions for smaller schemes.

There are now four offerings actively operating in the market: Aviva's "Clarity", Just's "Beacon", L&G's "Flow" and, as of July 2026, Rothesay's "Radius". These propositions are all built around standardised data and benefit templates and standard contractual terms, allowing these insurers to quote on a greater number of deals.

The impact on competition has been significant. Smaller schemes have historically struggled to attract interest from multiple insurers. Today, schemes as small as £10m can often run a competitive process, with up to three insurers quoting. This has improved market access and helped smaller schemes secure better outcomes.

Just remains the leading player in this part of the market. Almost half of all sub-£50m transactions completed in the last three years have been with Just. Since launching in 2019, Beacon has supported almost 400 transactions, helping transform the market for smaller schemes.

Rothesay's launch of Radius in July is the latest sign of this growing competition. We advised on the first transaction completed using the full process. Rothesay have stated that "there will be no requirement for exclusivity and, if it fits into our data and benefits template – and the timescales and capacity permit – we will provide a guaranteed quotation." This adds to the range of options available and further increases competition for smaller schemes.

The growing range of options has also changed how smaller scheme transactions are run. Schemes that continue to follow traditional approaches may miss opportunities to maximise competition and market access.

Getting the best deal for you

We are proud of the range of insurers our small schemes transact with – over the last three years no insurer has completed more than 30% of our sub-£50m transactions.

Our approach to small scheme transactions helps schemes at the smaller end of the market achieve the best possible outcome.



Innovations for members

As the bulk annuity market has become more competitive, insurers have invested heavily in member experience to stand out on more than just price. Recent developments include:

- Canada Life's WeCare: Provides members and their immediate families with access to wellbeing services such as virtual GP appointments, second medical opinions and mental health support.

- Prudential's BPA Plus: Allows policyholders to share in surplus generated through favourable credit experience via discretionary annual cash bonuses. Prudential has indicated these bonuses could amount to 0% - 4% of the total premium over the life of the contract.

- Enhanced digital services: Improved online member portals, online retirement processing and wider access to retirement guidance and support tools.

Innovation in member experience shows no signs of slowing. As funding levels improve and pricing differences between insurers remain relatively narrow, factors such as member support, digital capabilities, communications and retirement guidance are playing a greater role in trustee and sponsor decision-making.



Competitive pricing continues

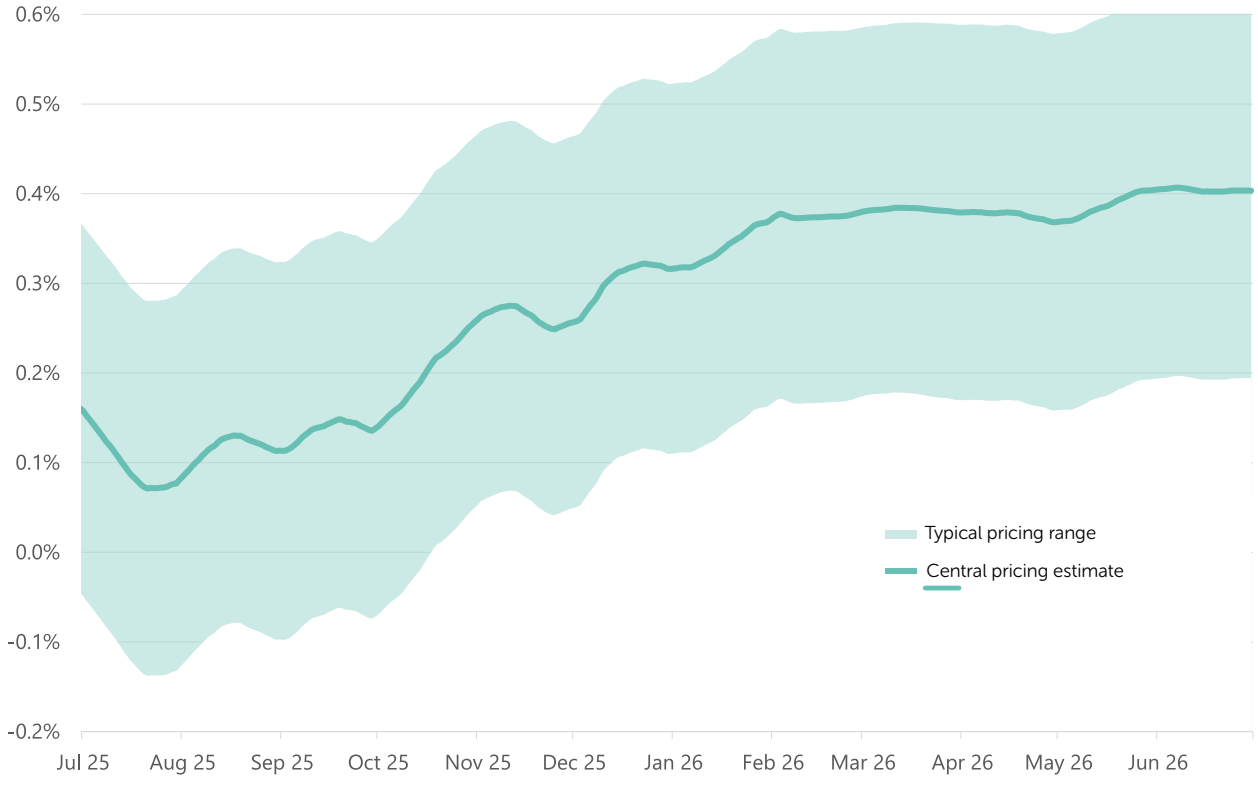
Expectations at the start of 2026 were that bulk annuity insurers would write c.£50bn of business, prompting a number of insurers to set ambitious targets in anticipation of this level of market activity.

Early indications suggest volumes will fall well short of this level, perhaps by as much as £10bn-15bn. This reflects a continuation of the trend seen in 2025 for reduced levels of activity amongst larger schemes.

As a result of these supply/demand dynamics, pricing levels have continued improving in 2026, offering schemes the opportunity to lock into insurer pricing at historically attractive levels.

These attractive pricing levels are shown on the chart below, which approximately tracks the implied margin above gilts for a typical full-scheme buyout transaction. Since the end of 2023, the implied margin on a full scheme transaction has increased by almost 0.5% per annum. This equates to a reduction in insurer pricing relative to gilt-based liability metrics of around 5%-10%, depending on scheme maturity.

Indicative full scheme insurer pricing relative to gilts



Source: Insurers and Howden research

Notes: This is for a typical transaction covering liabilities of £100m, with the liabilities split broadly equally between deferred and pensioner members. It assumes the demographic assumptions used to project future benefit payments are consistent with our understanding of those an insurer might be expected to adopt. The pricing is based on both observed market pricing and indicative pricing information provided by bulk annuity insurers. The pricing actually achieved will depend on a particular scheme's circumstances and insurer appetite for a particular transaction.

Regulatory developments

In April 2026, the Prudential Regulation Authority (PRA) proposed tougher capital requirements for funded reinsurance - the practice of a bulk annuity insurer sharing some of its pension liabilities and backing assets with another insurer (often offshore) in return for future reimbursement of pension payments.

The PRA is concerned that funded reinsurance has grown rapidly. UK insurers estimated to have around £40bn of exposure, and the PRA believes the current regulatory framework understates the risks involved. Under the proposal, the capital required for a typical funded reinsurance arrangement would increase from around 2%-4% of liabilities today to around 10%, bringing it closer to the treatment of comparable directly held assets.

The changes are expected to apply to new funded reinsurance transactions from October 2026. While this could create some pricing headwinds for insurers that rely more heavily on funded reinsurance, it typically supports only a portion of a bulk annuity transaction. Insurers also have a range of other pricing and risk-management tools available to remain competitive.

Recent risk transfer activity

In June we led on seven bulk annuity transactions, totalling over half a billion pound of premiums.

Wider endgame updates

Superfund market update

Activity continues to build in the superfund market.

In July, the Department for Work and Pensions (DWP) updated its pensions roadmap, setting out a clearer timetable for the legislation and regulatory guidance needed to establish a permanent superfund regime. The update also reinforces the Government's commitment to superfunds as a long-term endgame option for DB schemes.

Although the new regime will not take effect until late 2028, the market remains active under The Pensions Regulator's interim guidance. In particular:

- Clara-Pensions have now completed five transactions and report a healthy pipeline for the remainder of 2026. We are also actively working on several new Clara cases, building on the two transactions we have already advised on.
- The other publicly announced superfund, TPT, expects to complete its regulatory assessment process and begin transacting in late 2026/early 2027.
- We expect further entrants to come to market in the coming years, subject to regulatory approval.

Capital-backed investment

Innovation in the endgame market continues beyond superfunds.

In June 2026, Portunes Pension Capital completed a capital-backed investment (CBI) transaction with the James Neill Pension Plan. This is only the second capital-backed funding deal in the market, following "Project Nova" in 2020.

Streamlining your post-transaction data projects

Data issues remain one of the biggest causes of delays in the buyout process. But with the right approach, trustees can keep projects moving and avoid unnecessary hold-ups.

Once a transaction has completed, trustees have a final opportunity to improve the quality and accuracy of their scheme data. This can include updating contingent spouse pensions, completing guaranteed minimum pension (GMP) projects and removing existing salary links, all within a relatively short timescale.

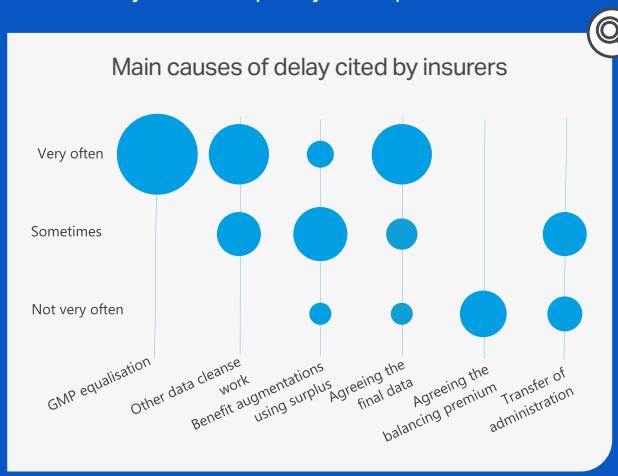
Without a clear plan, schemes can experience delays while data queries are resolved, putting pressure on agreed timelines. However, there is a way forward for trustees looking to conclude these projects quickly and efficiently.

Why data holds up buyouts

Our 2026 insurer survey found that data-related issues are both the most common and most significant cause of delays to buyout transactions. Challenges range from GMP equalisation to agreeing the final data.

This complexity is increased by the fact that each insurer has its own data requirements.

Actuarial and administrative advisers need to understand each insurer's processes and data requirements. Each insurer has its own mandatory data cleanse requirements and standards, which may include regular existence checks and address tracing. Data cleanse periods will also differ in length between insurers, and each insurer will prefer to receive data in different formats, adding additional layers of complexity to the process.



Source: Howden 2026 Insurer survey
Bubble size reflects number of responses and weighting given

Dealing with data challenges

Delays can arise due to capacity constraints with your advisers, which has intensified in recent years as more schemes complete GMP projects and an approach the insurance market. Data rectification projects can also prove to be a roadblock, particularly where parallel workstreams rely on cleansed data before further data cleansing activities can be completed. Major data issues may also come into emerge post-transaction, putting the brakes on the buyout project as a whole.

Therefore, careful planning is needed to make sure data cleansing is carried out in a structured and efficient way.

Managing your project well

To keep your buyout project on track, you need a collaborator who understands each insurers' needs and can help deliver the right data first time. Our Post-Transaction team includes specialists for all major insurers in the market. We understand how each insurer operates and their approach to data cleansing.

We believe that the best way to ensure a smooth buyout transaction is to frontload the data work, meaning your data is already in a good state before approaching the market. This provides more certainty on pricing, reduces the risk of breaching materiality clauses and – by removing barriers from the post-transaction phase – increases engagement from insurers.

There is also a way forward for schemes who have already started their buy-in journey while data projects remain ongoing.

Data done right

You need a steady hand at the wheel to make sure your data projects are completed quickly and efficiently. DataSure is our standalone service designed to get your data ready for transaction and wind-up. It has been designed by data and risk transfer experts, specifically for trustees who aren't getting enough support from their existing administrators.

DataSure is provided by our Transaction Data Readiness team, who have been supporting hundreds of schemes with data cleansing projects for over 20 years. We provide a full range of data audit and cleanse services, including tracing, benefit rectification and GMP projects, working with trustees to find pragmatic solutions to their data issues.

DataSure will:

- Give you confidence in your data and help you proceed with certainty
- Speed up your path to buyout and wind-up
- Reduce the risk of your project being de-railed or a future member complaint
- Free up your administration team to focus on business-as-usual work
- Provide an independent view on the quality of your data

Due to our excellent data preparation, we have had 100% success rate for market transactions over the last 5 years.

Click here to find out more about DataSure

To find out more

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