



Maria Busca

retirees as the population ages. That includes improving outcomes in DC – building on auto enrolment, strengthening adequacy, and supporting a coherent decumulation framework.

Second, unlocking more long-term, productive investment. We want to help mobilise pension and insurance capital into areas that support UK growth – resilient infrastructure, innovative technology and energy security, whilst ensuring that the interests of savers remain at the forefront of legislative and regulatory changes.

Unlocking pension potential

➤ The Association of British Insurers (ABI) manager of long-term savings policy, Maria Busca, talks with Paige Perrin to discuss the association's ambitions for the next three years, the future of defined benefit schemes, and progress on the Mansion House Compact

The Association of British Insurers (ABI) has recently set out its new three-year strategy, with pension reform as a key priority. Can you outline the main objectives of this strategy and what the ABI is aiming to deliver over the next three years?

Our new three year strategy is built around three overarching objectives: A trusted sector, a sector invested in people and the planet, and an effective market.

Across long-term savings, this translates into a clear set of priorities for the next three years. First, shaping the next phase of pensions reform. We'll work with government, regulators and liaise with the Pension Commission to ensure policy, legislation and regulation support better savings adequacy and provide clarity and stability for future

Third, promoting a stable and proportionate regulatory and tax environment. A system that is predictable and well designed gives firms the confidence to innovate and invest, and helps savers navigate their pensions more easily.

➤ You have launched a new pensions board focused on DB pensions and the bulk purchase annuity (BPA) market. Why is now the right time to establish this board, and what do you want it to achieve?

We've created the new Pensions Insurance and Investment Board to bring together senior executives of BPA providers and give them a stronger voice in shaping the priorities that matter most to them, and give appropriate weight to this growing market. The DB pensions and BPA markets are central to the UK's

long-term financial security and UK economic growth, and this new board strengthens our policy focus at exactly the moment when these issues are rising up the agenda. The PIIB will also take on oversight of facilitating and tracking the delivery of the sector's pledge to invest £100 billion in productive finance over the next decade.

➤ The ABI's recent update shows signatories are making 'good progress' on the Mansion House Compact's 5 per cent unlisted equity target, with investments in unlisted equities held through DC default funds doubling between 2024 and 2025. How would you assess the pace of progress, and what more needs to happen – both from industry and policymakers – to sustain momentum?

Signatories have doubled the value of unlisted equity investments in DC default funds – from around £0.8 billion to £1.6 billion – and increased average allocations from roughly 0.36 per cent to 0.6 per cent, with the ambition of allocating at least 5 per cent in unlisted equities by 2030. The progress has also been evident with signatories establishing new partnerships with asset managers, launching new long-term asset funds or similar vehicles with exposure to unlisted equities, launching new propositions, and addressing operational challenges.

But we're very clear that this is only the beginning. Sustaining and accelerating progress will require continued policy support and a shift across the whole value chain towards judging investments on long-term value, not cost alone. That's why the successful design and implementation of the value for money (VFM) framework is so important. We're working closely with the government and regulators to ensure it creates the right incentives for schemes to invest in a broader range of assets where it is in members' interests, and we expect this to be a key driver of further progress in the years ahead.



➤ **How should policymakers think about the balance between protecting DB members and enabling schemes to use surplus more flexibly, particularly as insurer solutions become more prevalent?**

Policyholders should start from a clear principle that ensuring the security of DB members' benefits remain at the forefront of whichever endgame route a scheme takes. Any greater flexibility over extracting surplus has to sit on top of robust funding standards, strong governance and clear safeguards, so that members' promised pensions are never put at risk.

To do that, policymakers should work towards setting out a robust regime for superfunds, including a gateway test that prioritises security of members, and retaining the threshold for surplus extraction at buyout level. There is value in clearer and more support and guidance to help trustees weigh the trade-offs between the different endgame solutions, so trustees and sponsors can make long-term decisions with confidence. Insurers are constantly innovating to help specific scheme requirements, smoothing the buyout process, catering to smaller schemes,

offering illiquid asset solutions and residual risk cover to protect sponsors from unforeseen liabilities after the scheme has been formally wound up and value-sharing propositions.

➤ **Is the current regulatory framework for DB endgame solutions fit for purpose, or does it need to evolve as consolidation and insurer-led solutions grow?**

Insurers are the biggest DB consolidators, and their scale, expertise, track record of resilience, and key role in supporting the UK economy should not be underestimated, as the framework for endgame solutions is evolving. For instance, in 2025 alone, bulk annuity providers secured £38.3 billion to provide security to over 300,000 people, and roughly 65 per cent of their assets are invested in the UK. The regulatory frameworks governing different endgame solutions are fragmented, and therefore, coherence is crucial to ensuring member security and an efficient market. Fragmented frameworks mean that it is ever more difficult for trustees to compare the security of member benefits across different endgame solutions.

The safeguards to surplus extraction

and the robustness of the gateway are key to ensuring the framework is fit for purpose, as is collaboration and shared understanding between the different regulators. The priority should be to maintain strong, consistent standards on member security and governance, while ensuring the different regimes work smoothly together so trustees and sponsors can make long-term decisions with confidence and clarity.

➤ **What further reforms or policy developments would the ABI like to see from the government to support a sustainable, well-functioning pensions system?**

Looking ahead, we want a stable pensions system that is sustainable for the long term, delivers better outcomes for savers, and supports UK growth. The Pension Schemes Bill is an important step towards that, particularly on consolidation and the VFM framework.

Savers must always be at the heart of pensions policy. We fully support the ambition to channel more long-term capital into productive assets, but it's important that any policy tools used to achieve this must reflect what is right for savers. Mandating pension investments can have detrimental impacts on consumers and is unnecessary.

If the government chooses to retain reserve powers on pension mandation, they should be limited in scope and time, subject to appropriate scrutiny, and used only where there is strong evidence that the market is not delivering good outcomes on its own.

Above all, any approach to mandation needs to sit comfortably within the VFM framework, which is designed to focus on long-term net outcomes rather than allocation targets. That alignment is essential to ensure schemes are not pushed into assets that don't match their risk profile or members' needs.

➤ **Written by Paige Perrin**