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# Exploring the key risks

**▶ Laura Blows speaks to Aon head of UK retirement policy, Matthew Arends, and Aon investment consultant, Rupert Kotowski, about some of the key risks facing UK DB and DC schemes, as noted in Aon's latest global pension risk survey**

**▶ What have been the notable results in Aon's latest global pension risk survey and have there been any changes from previous years?**

**Matthew Arends:** We conduct the global pension risk survey every two years across multiple countries around the world, but today we'll talk about the UK results.

The survey itself covers the risks within DB and DC pension schemes, looking at the asset risk, liability risks, and also operational risks. So, with all of those lenses, there have been some quite interesting results that we have found in this iteration.

Let me call out two. We asked respondents to prioritise their risk areas, and number two on that list,

second only to investment returns, was regulatory risk. Stakeholders of pension schemes will instantly recognise that result from the pace and volume of change in our industry today.

The second finding was that data and benefits risk ranked fourth, so it was really quite high in the concerns of pension scheme stakeholders.

**▶ A big topic of conversation within the sector, because of recent developments, is DB endgames. For instance, whether to continue with original plans or to change from run-on to buyout, or vice versa. What did the survey find on that topic?**

**Arends:** That's a really interesting

area where we've seen quite a bit of change over the past two years. The endgame decision has become quite nuanced for DB pension schemes.

If we go back in the past, aside from the minority of open schemes, it was largely a choice between buying out and a self-sufficient run-on situation. But in 2026, what we're finding is a proliferation of different endgames.

While there are other possible DB endgames, we now see three broad alternatives: buying out at the first opportunity, which remains the majority response; a temporary run-on before buyout; or a permanent run-on.

**▶ When embarking upon one of those three routes, I assume the asset**

**allocation of DB schemes would be quite important and may well change – particularly with investment returns ranking so highly in the survey findings. Rupert [Kotowski], what have you found in terms of pension schemes' asset allocations and how they may change as they embark upon their endgame journey?**

**Rupert Kotowski:** Yes, absolutely, we have seen change. About 20 per cent of DB respondents have indicated they would like to buy some annuities in the next couple of years, which is relatively short term.

We have also seen about 25 per cent of DB respondents indicating they would also like to buy more gilts, more credit and more corporate bonds. What we've seen our clients asking for is not only a desire to buy more corporate bonds, but on buying bonds with higher focus on climate change, either taking advantage of the opportunities presented or mitigating those risks.

Broadly, the general trend is one of significant de-risking into bonds, whether government or corporate. That has been across the board and has arisen from the high funding levels we have seen, the closeness to endgame, and wanting to achieve better cashflow matching against liabilities.

**Does this influence attitudes towards illiquid investments, which have also been a key topic of industry conversation lately? What trends are you seeing?**

**Kotowski:** Around 42 per cent of DB respondents said they wanted to reduce their allocation to illiquid growth assets. This is not just due to higher funding levels and lower target returns, but also because many of these illiquid allocations were put in place a few years ago when interest rates were much lower. Now that rates are higher, these allocations can be too high so

a number of schemes are looking to cut their allocation, even if they are planning to run on. That said, it isn't all one-way traffic; around 5 per cent of DB schemes are looking to increase their illiquid allocation, likely seeking value opportunities.

In DC, however, the trend is the opposite. With developments such as the Mansion House Accord, we have seen DC master trusts pledge more money towards UK productive finance, which is typically illiquid. We believe there is value to be found there above public equity returns, but it requires careful management, such as specialist managers, appropriate sizing of positions, and sufficient liquidity for when DC members need access to cash.

**With risk being such a dominant theme, one of the biggest areas of risk is arguably the member itself, in terms of their knowledge and understanding when making retirement income decisions. How can the industry help minimise the risk of members making bad decisions?**

**Arends:** Let me call out three points. However, before that, the critical finding from the survey this time around was just how important this issue is for stakeholders. Surprisingly, the responses were very similar between DB and DC stakeholders.

The first area was a focus on scam prevention, which is understandable. The second was greater use of technology, such as modellers, to help members understand their pension decisions, particularly as they approach retirement.

The third area, common to both DB and DC, was the use of independent financial advisers for individual schemes to support members at retirement. Between 40 and 50 per cent of survey respondents said they either had, or intended to have, an IFA in place.

**Kotowski:** We have also seen about 39 per cent of DC respondents with their own DC trust looking to switch into a DC master trust.

They are doing that to drive better member outcomes and reduce the risk of members making bad decisions, through better returns, improved default funds, greater investment choice, better communications, and potentially lower costs.

This trend isn't new but what we are seeing now is that those DC trusts with additional complexity, or where stakeholders want to retain some control, are increasingly now coming to the marketplace, as the DC master trust market has evolved to meet those needs.

**Aon has been conducting this survey for around 20 years now; are there any notable long-term trends it had noted that have played out in practice?**

**Arends:** If I look back to 2006, when we started the first iteration of the survey, life seemed complicated then. But with retrospect now in 2026, I can't imagine how simple life was back then compared to today.

What's really come through in the survey is the breadth of risks that pension stakeholders now have to manage across multiple areas and often simultaneously. The survey results provide a useful way for schemes to benchmark themselves against peers and understand how others are addressing this growing range of risks.

**This is an edited summary. To watch the full video, please visit [pensionsage.com](https://pensionsage.com)**

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