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# You choose the endgame, we'll build the bridge

Buyout, run-on or both? Whatever your  
scheme's preferred destination, we'll  
help you construct the way forward.

Experts in endgame  
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► **Endgame insights – putting theory into practice:** Legal & General showcases the latest combined thinking from its Asset Management and Pension Risk Transfer (PRT) businesses, aiming to provide a comprehensive overview of the latest market conditions and evolving solutions-focus for DB pension schemes approaching their endgame **p44**

# Endgame focus: A shifting landscape



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# Endgame insights: Putting theory into practice

➤ **L&G showcases the latest combined thinking from its Asset Management and Pension Risk Transfer (PRT) businesses, aiming to provide a comprehensive overview of the latest market conditions and evolving solutions-focus for DB pension schemes approaching their endgame**

Together with the Pensions Management Institute (PMI), we have surveyed a range of trustee members of the PMI to seek their views on evolving endgame themes. The survey highlights high funding levels, interest in buyout, run-on or both, and a focus on surplus extraction.

## Buyout, run-on or both?

The UK's defined benefit (DB) landscape is entering a new phase of maturity. Over the past year, trustees and corporate sponsors have been navigating one of the most significant shifts in endgame planning for decades, shaped by stronger scheme funding, regulatory reform and a widening set of strategic options.

Much of this momentum has been driven by the publication of the draft

*Pension Schemes Bill*, which has acted as a catalyst for industry wide discussion – from the merits of run on versus buyout (or indeed run on until buyout), to the future treatment of scheme surplus, and the evolving role of superfunds, which will move to a permanent legislative regime under the Pension Schemes Bill with the aim of “consolidating DB schemes that cannot reach buyout, providing greater security to members and supporting economic growth”.

The signing of the Mansion House Accord has added further impetus, signalling renewed focus on UK investment and long-term value creation across the pensions system. Meanwhile, in its guidance note “*New models and options in defined benefit pensions schemes*”, The Pensions Regulator (TPR) has issued a call to action that “*Schemes*

*should have documented policies regarding their long-term objectives and endgame options, including surplus*”.

Drawing on joint research with the PMI, alongside insights from our Asset Management and Pension Risk Transfer (PRT) businesses, we explore how trustees are reshaping their long-term strategies and the practical steps schemes are taking as they approach endgame readiness. Our aim is to provide clear, actionable guidance for trustees, grounded in what we are seeing every day across our client base.

The PMI survey results underline just how quickly the landscape is shifting. Almost half of schemes surveyed (49 per cent) are now fully funded on a buyout basis, placing endgame planning firmly at the top of the agenda. These strong funding levels, combined with regulatory steps to make surplus extraction more accessible, are bringing to life the trend we highlighted in our last report: the emergence of three primary endgame routes – buyout, run on, or a combination of both.

While a clear majority of schemes expect insurance to play a central role in their de-risking journey, a meaningful proportion are planning to run on, whether as a long-term strategy or for a period before securing their members' benefits with an insurer. Reflecting this shift, 57 per cent of schemes surveyed are now actively considering surplus extraction – whether during run on,

## Endgame Insights – Trustee survey snapshot

Almost half of schemes are fully funded on a buyout basis



Yes 49%  
No 51%

Significant cohort of schemes pursuing each endgame option<sup>1</sup>



Buyout 43%  
Run-on 15%  
Both 42%

57% of respondents considering surplus extraction



Yes 28%  
Perhaps 29%  
No 43%

The Pensions Management Institute (PMI) was commissioned by L&G to conduct the survey. As part of this report, PMI and L&G jointly developed and approved all questions included in the survey and managing the data collection process, while L&G provided the survey link to potential participants. PMI surveyed 2385 trustees across 878 pension schemes. They received 76 responses. All responses to the survey were anonymised. The survey accepted responses between 20 October 2025 and 28 January 2026. (1) Survey respondents were asked: “Are you minded to pursue one or more buy-outs but not a full buyout?” 43% responded “yes”, 15% responded “run-on” and 42% responded “yes”. If schemes are considering buy-ins but not buyouts, they are likely to be considered a combination of run-on and PRT. If they are not considering buyouts but are also not looking to run on, they are likely to be targeting buyout. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

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at the point of buyout, or in the years leading up to it.

What is clear is that schemes now have more choice than ever. Our role at L&G is to support trustees whichever route they choose and move through their endgame journey with confidence.

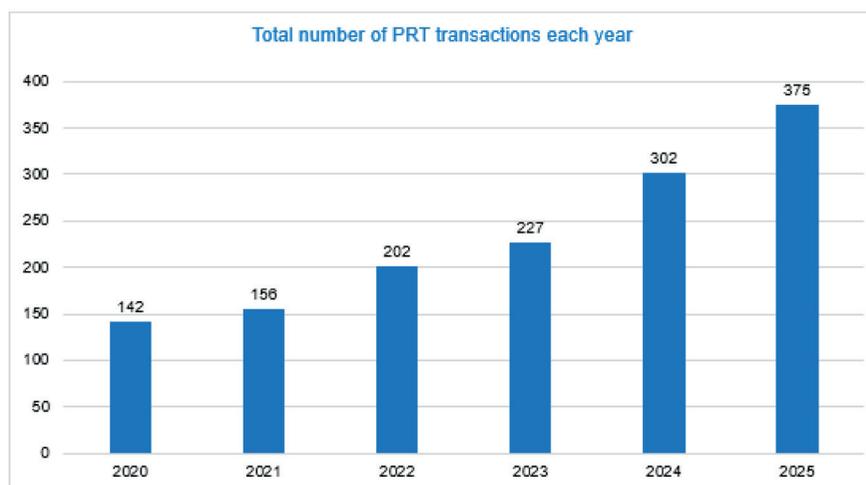
**Buyout in focus**

The UK PRT market has delivered a record number of transactions for the past two consecutive years, with insurers securing around £40 billion of members’ benefits in 2025. Based on our pipeline, we anticipate that total market volumes in 2026 are likely to be between £40-50 billion. With more than 350 transactions completing across the market last year, pension schemes of all sizes have been able to secure their members benefits for the long term underpinned by the security of the insurance regime.

L&G completed three of the five largest transactions of 2025, including a £1.6 billion buy-in with the BP Pension Fund and a £4.6 billion buy-in with pension schemes sponsored by Ford Motor Company Limited – the largest UK PRT transaction of the year. Other large transactions announced in 2025 included those for schemes sponsored by Rolls-Royce, MMC UK and National Grid.

**Pricing and partnerships underscore market momentum\***

Buy-in pricing continues to be highly attractive in our view, driven by strong insurer appetite and growing market capacity. The chart below shows how insurers are pricing full buy-ins for a typical pension scheme. The [blue] line compares the return a scheme might get from a buy-in with the return it would get from holding gilts. When the [blue] line is above zero, it means a scheme could potentially expect better long-term value by executing a buy-in, alongside the goal of added potential benefits of removing financial and longevity risks and securing members’ benefits for the



Source: XPS Group, Bulk Annuity Market Tracker, February 2026.

long term. These considerations, and how trustees can navigate the wider set of endgame decisions, are explored further in the section below.

We have increasingly seen a wider mix of insurers enter the PRT market, providing increased choice to trustees and sponsors. At the same time, we have announced long-term strategic partnerships with Meiji Yasuda and Blackstone to support our international growth ambitions and further strengthen our position in the UK PRT market.

**What is important beyond price?**

Across the market there is an increasing focus on operational efficiency: in the PMI survey, 34 per cent of respondents

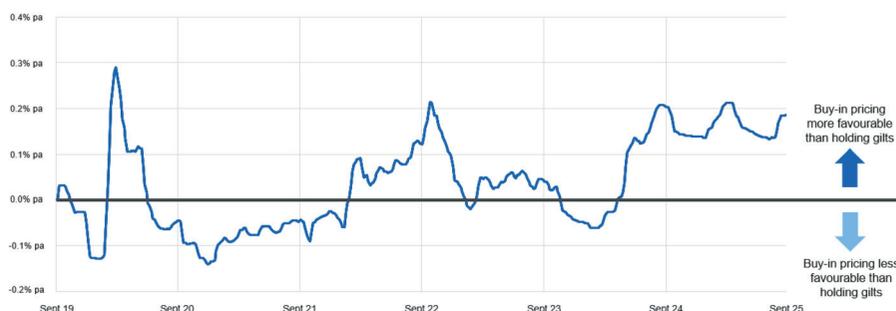
who had already completed a buy-in said they expect to move to buyout within the next two years, with a further 41 per cent planning to do so within three to five years – meaning around 75 per cent anticipate completing their buyout transition within the next five years. The PMI survey also explored trustees’ priorities beyond price, highlighting the importance of insurer financial strength, a high-quality member experience and the credibility of a recognised brand with a strong track record in the market.

**A vibrant market for smaller pension schemes**

The record number of transactions completed each year is being driven

**Pricing chart**

Implied return on buy-in relative to gilts



Source: LCP pension risk transfer report – November 2025  
<https://insights.lcp.com/rs/032-PAO-331/images/LCP-PRT-Report-2025.pdf>

largely by schemes with assets of under £100 million. Data from the PMI survey shows that 84 per cent of respondents (Source: L&G data, as at February 2026) do not believe that being a smaller scheme would inhibit their ability to transact, reflecting the strength and vitality of this part of the market. Insurers have innovated to deliver streamlined solutions for smaller pension schemes, including L&G Flow, aiming to provide price certainty, first-class member care and seamless integration with asset management capabilities.

### The PRT market's economic role

Bulk annuity providers are not only safeguarding the retirement income of millions of members, but are also acting as major, long-term investors in the real economy. Insurers are directing substantial and growing volumes of capital into UK infrastructure and productive finance – investments that help modernise national assets, stimulate job creation, and enhance regional prosperity. These commitments are being embedded into long-term business strategies, with insurers planning to deploy several more billions in the years ahead.

For trustees and sponsors evaluating endgame options, this reinforces the strength and resilience of the sector and its alignment with broader national priorities. Our Blueprint for Growth report, developed with Oxford Economics, shows how targeted policy reforms could unlock up to £220 billion of additional UK investment over the next decade, adding a permanent 0.7 per cent boost to GDP by 2035\*\*.

### Investing for run-on

When considering the recent industry discussions around 'run-on', many trustees may wonder what all the fuss is about. After all, most pension schemes have 'run on' for several decades, often while

maintaining a surplus on their technical provisions basis – is there really anything new to consider here?

Of course, the fundamentals of pension scheme investment haven't really changed – pension schemes are still long-term investors who must meet liabilities. So pension schemes will still need to agree their strategy, define their risk tolerance, and then invest in an efficient portfolio which they believe will generate the highest return while staying within that tolerance. They will still need to diversify rewarded risks, seek to protect against unrewarded risks, and carefully manage liquidity.

Full cashflow matching has undoubted appeal where possible, but it may be challenging for some pension schemes to achieve. Luckily there are a number of other levers that pension investors can pull to target returns within a cashflow-aware framework. A broad range of alternative credit assets such as emerging market debt and various forms of securitised debt can be incorporated into a cashflow-matching mandate alongside sovereign and corporate bonds. For schemes that can tolerate some illiquidity, this can be supplemented by additional exposure to various forms of cashflow-matching private credit.

So will a long-term run-on portfolio look very different to what pension schemes have seen before? Different tolerances for illiquidity, ability to achieve a true cashflow match, and investment beliefs will mean that there is no 'one-

size-fits-all' answer. Certainly some of the asset classes will look familiar, but trustees' investment frameworks will need to be refined, risk models made more robust, and investment considered through the lens of cashflow certainty.

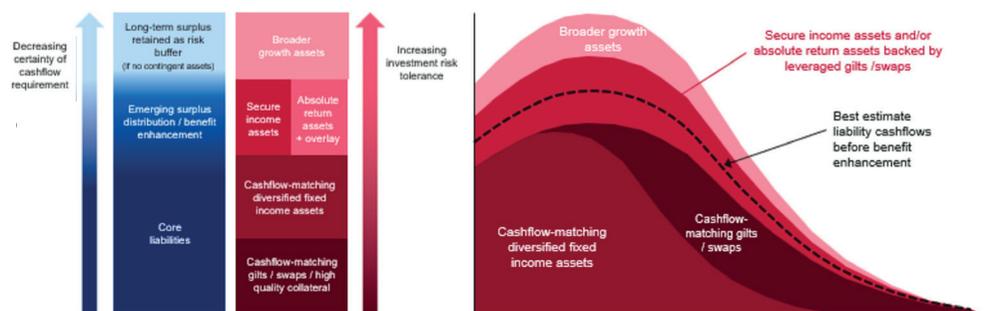
### Looking for the 'best of both' run-on and buyout?

With record numbers of well-funded pension schemes ultimately seeking to insure, one thing is certain – it will take several years for fully funded schemes to collectively achieve their buyout objectives. Whilst they are preparing for buyout, schemes will want to seek to preserve affordability, improve pricing and manage any residual asset surplus.

Trying to hedge buyout pricing is easier said than done for three main reasons:

- **Liability target:** Liability cashflows within LDI mandates are typically calculated on a technical provisions basis, from member data as at the latest actuarial valuation and rolled forward over time. By contrast, insurers will project a liability profile using up-to-date member data and by adopting their own views on demographic and other liability risks, resulting in a liability profile with a different shape
- **Discount rate:** A pension scheme may make a prudent assumption on a solvency discount rate – for example 'gilts-flat'. By contrast, live buyout pricing, expressed on a 'gilts+x%' basis is variable over time, primarily because investment

### Liability cashflow certainty and investment risk tolerance



Source: L&G, for illustration purposes only. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. It should be noted that diversification is no guarantee against a loss in a declining market. Assumptions, opinions, and estimates are provided for illustrative purposes only.

opportunities change

• **Differences between insurers:**

While all insurers are bound by the same Solvency UK framework, each will invest and price differently to seek to achieve the most competitive price to win business.

A pragmatic approach? We believe the best way to hedge buyout pricing is to transact, but before that, pragmatic steps include updating the liability cashflow target to better reflect solvency assumptions and hedging to a pragmatic prudent discount rate that evolves over time to reflect current pricing levels, including credit sensitivity.

**Surplus extraction**

The government is making it easier for well-funded DB schemes to release surplus, when ‘safe to do so’, and trustees will need to set out their proposed approach to surplus extraction as part of their statement of strategy.

**What has been announced so far?**

The government has set out its intention to amend the rules on surplus extraction, “to allow trustees of well-funded DB schemes to release money back to employers and their scheme members, when ‘safe to do so’, unlocking some of the £160 billion surplus funds to be reinvested across the UK economy and boost business productivity and deliver for members”. (Source: Pension Schemes Bill 2025)

TPR has issued guidance on new models and options in DB schemes to help trustees and employers to assess the range of new endgame models and options available across governance, financial and insurance. Once legislation is enacted, TPR will consult and publish further guidance on releasing surplus.

**A purpose for surplus – what are the options?**

While, as a long established norm, surplus after buyout has been deployed in accordance with the Scheme Rules (mostly in repayment to the sponsor), the evolving regulatory framework is expanding the options for the use of surplus – to extract it on an ongoing basis, and to consider sharing the surplus with members of the scheme or potentially members of other DB or DC pension schemes.

In the PMI survey, for those trustees that are considering surplus extraction, we asked them to rank their purpose for surplus in order of preference. The response was broadly equal across enhancing member benefits, returning to sponsor or supporting a DC scheme, with a small minority focusing on the ability to invest in UK assets.

**DB schemes: Have a plan for endgame and for surplus**

TPR has issued a call to action that “schemes should have documented policies regarding their long-term objectives and endgame options, including surplus”.

A key consideration for trustees considering surplus release will be this question of safety, balancing multiple objectives to:

1. **Manage scheme assets** to pay pensions and remain fully funded on a low-dependency basis
2. **Improve security for members** and prepare for contingent events
3. **Release surplus** under a framework agreement with the sponsor to, for example, enhance member benefits, make payments to a DC scheme or make payments to the employer

**Managing residual asset surplus – what’s your target?**

For schemes that **transact insurance**

there will be a pause between executing a buy-in and then executing a buyout, realising surplus and winding up the scheme. In this period, how might schemes best invest residual assets? This depends on the purpose of the surplus:

• **Augment member benefits:** Where the final benefits paid to members under the buyout policy can be augmented (increased) with any residual surplus assets, then these assets can be invested to hedge the buyout pricing basis that is defined in the augmentation provision. An investment strategy can be implemented to seek to hedge the augmentation pricing provisions specified by the insurance provider.

• **Transfer surplus to DC:** Where the surplus is to be transferred to an associated DC scheme, to be used to fund future contributions, then the associated DB assets could be invested in a similar way to the intended investment strategy to be applied in the DC strategy, preferably so that the assets are easily transferable (or capable of novation) to the DC scheme.

• **Release to the employer:** Finally, if assets are to be repaid to the employer, then these assets could be invested to seek to maintain or grow the expected value to the employer, for example by investing in a low volatility absolute return or short-dated credit investment approach.

**Whether you’re looking to buyout, run-on or both, and would like to discover more about how your choice of endgame could be combined with potential surplus extraction, please get in touch <https://am.landg.com/bridge>**

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