

What's shaping pension risk strategy in 2025/26?

➤ **Aon's latest *Global Pension Risk Survey* shows that trustees are navigating increasingly complex risks. Strategic planning remains crucial**

This year's survey marks two decades of tracking UK pension schemes risk. Defined benefit (DB) schemes are better funded than ever, and defined contribution (DC) schemes are growing and evolving rapidly. But the landscape remains dynamic, driven by regulatory change.

So, what's important now – and what's urgent?

Regulatory risk moves up the agenda

Regulatory risk has climbed from fourth to second place in the ranking of concerns for DB schemes since the previous survey in 2023, overtaking longevity and inflation risks. This shift reflects the cumulative impact of new rules such as the implementation of the General Code, pensions dashboards and the new DB Funding Code. This risk could now rank even higher, as responses were collected before the June 2025 Pension Schemes Bill announcement, which will drive further change.

DB endgame planning: Buyout still leads, but run-on gains ground

Buyout remains the most popular DB long-term target, with 52 per cent of schemes aiming to secure benefits with an insurer as soon as affordable. However, flexible and long-term run-on strategies are gaining traction – particularly among larger schemes. These approaches help trustees and sponsors retain control, manage surplus, and optimise timing for insurance transactions.

Investment strategy: DB de-risking continues, DC schemes focus on return

DB de-risking remains a dominant theme, with 35 per cent of respondents expecting to reduce equity allocations in the next 12 months. By contrast, 13 per cent of DC schemes expect to increase equity allocations in their default funds in the next 12 months as they focus on returns. There was also a noticeable proportion of DC schemes planning to invest in illiquid growth assets, with 12 per cent expecting to increase allocations. The picture is reversed for DB schemes, with 42 per cent expecting to reduce allocations, likely as part of buyout preparation.

DB surplus management: Policy needed

With new legislation expected by 2027 to facilitate payments of surplus to sponsors ahead of wind-up, many DB schemes are beginning to consider how surplus should be used. Meeting scheme expenses is the most common approach (53 per cent) but only a quarter of schemes plan to make ongoing payments to sponsors. The Pensions Regulator has emphasised the need for a surplus extraction policy, so the one-fifth of schemes without one may be lower in future surveys.

Member support: Digital acceleration

Technology is playing a bigger role in member support – 49 per cent of DB schemes and 68 per cent of DC schemes reported that they already provide such support to members. Schemes increasingly offer independent financial advice with 41 per cent of DB schemes

and 47 per cent of DC schemes already providing or planning this support. With pensions dashboards on the horizon, schemes are reviewing communication strategies to ensure members receive clear information. A significant 80 per cent of all schemes indicated this as a completed or planned action.

Progress towards schemes' first Own Risk Assessments (ORAs)

The implementation of TPR's General Code of Practice in March 2024 signalled a sea change in its expectations for pension scheme governance. One key new aspect was the requirement for all schemes to evaluate and report on their system of governance via an ORA. Most schemes will need to complete their first ORAs by 2026, so we were encouraged that three-quarters of schemes either have started or have planned their ORA. However, nearly 10 per cent have not begun planning, making this a key activity in the coming months.

Final thought

The survey shows a sector that is taking a focussed, more strategic approach, with schemes actively shaping their endgame, investment, and governance approaches. While regulatory change remains a pressing concern, the tools available to manage risk are more sophisticated than ever. The challenge is to stay ahead – balancing compliance, member outcomes, and long-term sustainability. *Aon's Global Pension Risk Survey can be downloaded here: <https://bit.ly/aon-gprs2025>.*



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