



# Which way to turn



▶ **As the number of endgame paths increases, Gill Wadsworth explores how those managing DB schemes are deciding which route to take**

## Summary

- Large surpluses in UK defined benefit schemes have created more endgame options for trustees.
- Picking the optimum route depends not only on size but appetite for risk, opportunities to buyout, and enthusiasm for running the scheme on.
- Legislative reform and wider geopolitical and economic factors are increasingly influential in informing DB's future.

The dark days of defined benefit (DB) pension deficits left an indelible scar on many trustees, corporate sponsors and members. So destructive were the holes in final salary scheme funding that swathes of legislation, reform and major investment rethinking swept across the landscape transforming it into one that boasts a £258.5 billion surplus today.

While this is cause for celebration, sitting on great piles of assets has presented those at the coalface of pension fund decision making with something of a quandary, especially since the government is making it easier for well-funded DB schemes to release surplus when 'safe to do so'.

Rather than simply moving to buyout with an insurer, the possibility of accessing a potential £170 billion DB surplus over the next decade is driving boards to consider keeping the scheme on the books.

A March 2026 survey from XPS

Group covering medium to large DB schemes reveals 41 per cent are exploring running on as a potential endgame strategy, compared with 38 per cent targeting buyout as soon as practicable.

And there is a third option on the table: consolidation. The Pensions Schemes Act 2026 establishes a permanent framework for superfunds, which are commercial entities designed to take on, manage and consolidate DB schemes.

In its May Annual Funding Statement, The Pension Regulator (TPR) made clear expectations that trustees "maintain their focus on long-term planning and ensure their scheme has a clear and well-evidenced endgame strategy", with executive director of market oversight, Ben Gunnee, noting that whether schemes opt for run-on, superfund consolidation or buyout "the decisions [trustees] make now will shape members' futures".

Barnett Waddingham partner and head of DB endgame strategy, Ian Mills, says: "Until recently, most DB pension schemes had a clear goal to buyout and wind-up as soon as it became affordable. Most corporates viewed their schemes simply as liabilities to be risk-managed and then transferred away. However, the new surplus flexibilities and the current strong position are changing this mindset for many. A DB surplus is now often viewed as an asset and the question becomes more about getting value from it in the most efficient way rather than offloading it, so some are instead looking

to run on. This is a complex, multi-faceted decision, so a detailed financial analysis is the place to start."

## Size matters

Clearly in a universe comprising 5,000 schemes, ranging from many billions in assets under management to just a few million, choosing the right path is dependent on a myriad of factors.

Cartwright Pension Trust head of investment, Yona Chesner, says: "Not every option is open to every trustee or every scheme. The larger funds with bigger surpluses have more options. Consolidation is only really viable for £20 million schemes and above."

And when considering whether to buy out or run on, size remains relevant.

Aon's 2026 *Endgame Survey* finds that 54 per cent of schemes over £500 million intend to insure, with 46 per cent intending to run on. In contrast, among sub-£100 million schemes, 85 per cent intend to buy out once it is achievable.

Aon partner in the consultancy's UK endgame strategy team, James Patten, says: "When comparing buyout with running-on, we often find some scheme stakeholders have strong views – sometimes with the aim to remove the DB headache through a buyout, or showing a desire to put the scheme to work, generating a surplus via a run-on."

Patten continues: "In other situations, the position is more nuanced. While they are not the only factors influencing the decision, there will often be a balance to be struck between the potential

reward of run-on to generate additional surplus, along with the governance costs, management time and risk involved, and how this compares with buying out.”

### Timing is key

If choosing the right endgame was not complex enough, trustees and sponsors must also contend with the vagaries of the political and economic environment.

Standard Life managing director for pensions risk transfer and individual retirement, Claire Altman, says: “Timing has become increasingly important. While improved funding positions have created new opportunities, the regulatory pathway for surplus extraction is still evolving, with further detail expected from TPR in the coming months. This leaves trustees balancing the benefits of waiting for greater clarity against the option of acting now to secure member benefits.”

Altman notes that recent gilt volatility is a reminder that today’s conditions are markedly different from those on which many long-term strategies were built, with higher interest rates and more persistent inflation.

“Uncertainty comes in many forms, not least from markets, politics – both local and international – and technological developments. Against this backdrop, trustees will need to weigh the potential upside of delay against the risk of market shifts eroding funding gains and of potential for negative impacts to the sponsor covenant leading many to be focused on securing gains and ensuring long-term protection for members,” Altman says.

The Association of Consulting Actuaries’ chair [*at time of writing*], Stewart Hastie, says that while DB investment strategies are “significantly more robust than they have been over the past few decades”, those schemes that are less resilient and with weaker covenants should consider reviewing their investment strategy at the same time as considering endgame options.

“Fundamentally these are long-term strategy decisions and trustees with their sponsors need to consider the options properly and completely, particularly before making irreversible decisions,” Hastie says.

### Under pressure

Where schemes choose to run on with a view to extracting – or as Minister for Pensions, Torsten Bell, says “releasing” – surplus from a DB scheme, those on the frontline can expect to navigate a minefield of complexities on how to access the money and to whom it belongs.

The surplus provisions in the Act are not due into force until late 2027 and TPR is yet to issue a statement outlining its position.

## **“With the new world of high funding, there is not just one endgame in town, and the trustees and sponsor need to decide which is the right one for them”**

Sackers’ partner, Janet Brown, says this uncertainty is not preventing boards from already planning endgames, but she urges caution.

“Acting in members’ interests is the issue of how surplus release is going to be decided in any given scheme. It has to be scheme-specific on the facts of how that surplus arose, the size of the scheme and materiality of the surplus, whether members contributed, the long-term security of members’ benefits, the covenant backing the scheme, and whether the legislation has been amended to allow those one-off lump sum payments to members over normal minimum pension age,” Brown says.

Trustees may also find they are under pressure to return any surplus to sponsors that, in many cases, were obliged to shore up members’ benefits to

the tune of millions of pounds in extra contributions often during times of significant financial stress.

Chesner says: “Should the upside go back to the members? The scheme rules will have something to say about that but so will the sponsors. When schemes were underwater, sponsors put in a lot of cash, which was the right thing to do, but they may be asking that now the schemes don’t need it, can they have it back?”

Patten says he has seen no evidence of sponsors coercing trustees to hand over surpluses, adding: “Practice to date has been consistent with TPR’s endgame guidance, encouraging collaboration between trustees and sponsors but seeking to ensure that undue pressure is not placed on trustees. We expect this will remain an area on which TPR keeps a watchful eye once the new surplus flexibilities are introduced.”

### Early engagement


With so many endgames to choose from and multiple factors informing those choices, trustees might be forgiven for falling into a state of inertia.

However, as Gunnee says, “staying still won’t keep you ahead”, and decisions must be made.

Zedra client director, Dan Walsh, recommends trustees action early engagement with sponsors to establish alignment around long-term objectives and support more effective decision-making as schemes assess potential endgame strategies.

“In addition, the development of a Statement of Strategy under TPR’s Funding Code can help formalise a scheme’s objectives and provide a clearer framework for assessing future options,” he says.

Ultimately deciding on the right endgame will come down to open channels of communication and a willingness to collaborate.

 **Written by Gill Wadsworth, a freelance journalist**