AN FTI CONSULTING REPORT – PUBLISHEDJULY 2026

A New Era of Optionality: The Future of UK Defined Benefit Endgame Strategy

EXPERTS WITH IMPACT™

FTI™ CONSULTING

A New Era of Optionality: The Future of UK Defined Benefit Endgame Strategy

The UK DB market is undergoing a significant transformation. After years in which buyout represented the clear destination for most schemes, improving funding levels, regulatory developments under the Pension Schemes Act 2026 and the emergence of alternative solutions has created new optionality for trustees and sponsors alike.

This evolution is prompting schemes to revisit long-standing assumptions about what their endgame should look like and whether buy-in / buyout remains the optimum immediate objective.

To explore what this shift means in practice, FTI Consulting convened a panel of leading industry experts from across pensions advisory, investment consulting, legal, superfunds, and scheme management to debate the future outlook for DB schemes.

Our discussion spanned the growing appeal of run-on strategies, the development of superfunds and capital-backed journey plans, evolving dynamics within the bulk annuity market and the changing relationships between trustees and sponsors.

While caution remains, the overriding sentiment was one of optimism in how the expanding range of options can deliver stronger, more tailored outcomes for members than ever before.

Key Takeaways From Our Discussion Include:

- Optionality alone does not lead to adoption: despite the market offering schemes more routes forward than ever, many remain in ‘wait and see’ mode
- For newer solutions such as superfunds or capital-backed journey plans, the barriers holding back adoption are in many ways behavioural, rather than structural
- For providers in this new era, the defining challenge will therefore not be one of product viability, but of building the necessary trust and reputation
- Preparation is what will convert optionality into opportunity for schemes: data quality and benefits work done well in advance will allow schemes to move quickly when the right moment arrives
- Increased optionality, new entrants and attractive market pricing are changing the way trustees are viewing and assessing bulk annuity providers, reinforcing the need for impactful communication around broader offerings
- Power dynamics between schemes and sponsors may be shifting, but working collaboratively remains the strongest path to delivering good member outcomes
- Whatever route is chosen, member outcomes remains the only measure of success that ultimately matters

Thank you to all of our contributors:


Chris Threadgold
Brightwell


Henry Corrigan
Mayer Brown


Mathias Rasmussen
Gallagher


Matt Wilmington
Clara Pensions


Patrick Lloyd
XPS Group


Marc Loh
FTI Consulting
Forensic Litigation


Nirmalee Wanduragala
FTI Consulting
Strategic Communications


Sophie Mayall
FTI Consulting
Strategic Communications

Optionality Alone Does Not Drive Adoption

We are at a genuine turning point for the UK defined benefit pensions market. Improving funding levels, newly established regulation and a broadening range of endgame solutions have provided trustees and sponsors legitimate choice. But optionality alone does not drive adoption. Across the market, the defining challenge for providers in this new era is not product viability, but one of trust and reputation.

For less established routes such as capital-backed journey plans, superfunds or even surplus extraction within run-on, the need for social proof was the biggest identified barrier to growth. Cautious by nature, many trustees are reluctant to be first movers. Education around these structures, who they are suitable for, what they can deliver for members – coupled with clear communication around early transactions – will be crucial to building the necessary social proof and trustee confidence to move these structures further into the mainstream.

For the bulk annuity market, the impact of increased funding levels, broadening optionality and a number of new market entrants is fundamentally shifting the way providers are viewed and assessed. Narrowing pricing gaps mean trustees now weigh non-financial factors — service quality, member experience, ESG credentials, operational resilience — more heavily than ever. We are moving from an era dominated by price as a deciding factor, to one in which trustees are willing to pay a premium for areas they believe can deliver a demonstrably better outcome for their members. Providers who are able to show their investment and differentiators in these areas will be building the reputational capital to help define their competitive position for the decade ahead.

Regardless of route, the conclusion from our discussion was clear – in a market which is now defined by choice, reputation is the ultimate currency. Those who can demonstrate credible track records, invest in the necessary education and awareness building, and align their offering to what trustees and sponsors genuinely value for their members' futures, will be best placed to capture the significant opportunity the market represents.


Sophie Mayall
Managing Director, FTI Consulting

Optionality Is Reshaping the DB Endgame Landscape

The Pensions Regulator data shows around 60 per cent of DB schemes are now in surplus on a buyout basis, while around 80 per cent are in surplus on a low dependency basis.[1] Many schemes that were previously focused solely on reaching buyout funding are therefore finding themselves either in surplus or significantly closer to their long-term objectives than anticipated, with many now also starting to consider alternative options.

Matt Wilmington, Chief Transactions Officer at Clara Superfund, said that, two years on from their first superfund transaction, he believes the industry has moved from a period of intense dialogue about the efficacy of options, to one where trustees are looking at different scenarios, such as superfunds, as genuine and compelling routes.

However, while the range of endgame options available to DB schemes has expanded significantly, the reality is that widespread adoption of newer solutions remains at an early stage. Although run-on, superfunds and capital-backed journey plans are increasingly part of trustee and sponsor discussions, many schemes continue to take a cautious approach, seeking greater clarity on regulation, market developments and the experiences of early movers before making significant strategic decisions.

Patrick Lloyd, Risk Transfer Adviser at XPS Pensions, particularly noted this 'wait and see' mentality, citing XPS' own recent client polling data which showed that 40% of schemes with over £300 million in assets reported that they were pausing to reconsider their endgame strategy, with some smaller schemes similarly reassessing their options.

For such schemes, improved funding positions have removed some of the urgency traditionally associated with securing benefits through buyout, while ongoing discussions around surplus extraction, productive finance and regulatory reform have encouraged trustees and sponsors to pause before making definitive decisions.

As **Chris Threadgold, Manager, Unit X at Brightwell** says, "Run-on is emerging as a central endgame decision for the larger schemes whose funding levels have improved. Many are comfortable to be in run-on and see what surplus they may be able to extract". Threadgold also notes that many sponsors may be considering what value the pension scheme could hold for their own balance sheets.

At the same time, **Mathias Rasmussen, Managing Director, Investment Consulting at Gallagher** notes that many schemes are maintaining flexibility by continuing to run on, allowing them to evaluate how the market develops and whether alternative endgame solutions become more attractive over time. "They have loads of optionality. At some point they'll likely be thinking about going into buy-out. But why would they rush that choice if they don't need to?"

Rasmussen argues that the current attraction of run-on lies not only in the potential to generate additional value, but also in the flexibility it allows as conditions change for schemes.

"No one really wants to commit to one thing forever, right? Schemes want to have the flexibility to benefit from different endgame options as their circumstances may change."

Henry Corrigan, Senior Associate, Mayer Brown added, "schemes are pausing to make a long-term decision once they've taken into account what the options really are for their particular circumstances. TPR's guidance on options for DB schemes supports this approach."

This is already leading to innovation within the realms of run-on, with the late 2025 Stagecoach deal one example.

Lloyd notes how conversations around run-on are evolving both in regard to motivations, regulatory constraints and the investment strategy that sits behind it, with surplus extraction an increasing consideration. "The conversations we are having now are a very different way of thinking than perhaps has been done in the past."

It is clear that run-on is increasingly being used as a means of preserving optionality rather than signalling a definitive move away from buyout. For many larger schemes, it has become a pragmatic holding position – allowing trustees and sponsors to assess emerging opportunities while retaining the flexibility to pursue a range of endgame outcomes as circumstances evolve.

Corrigan even challenged the categorisation of run-on as an 'endgame', given it is not a final irreversible decision and schemes with a run-on strategy may still choose to enter an insurance transaction or some form of consolidation in the future, potentially following a period of value / surplus extraction. "It is being called an endgame, but it's not an endgame for trustees or employers until there are no members left in the scheme."

As **Lloyd** remarks, "choosing (or defaulting) to run-on now does not close off any other choices in the future."

Social Proof Remains Critical For Superfunds and Capital-Backed Journey Plans

Two emerging routes we discussed during our debate included:

— **Superfunds** – providing an alternative consolidation route that can improve member security while removing pension liabilities from sponsors in certain circumstances.

— **Capital-backed journey plans (CBJPs)** – introducing third-party capital to help schemes bridge the gap to buyout where sponsors may be unable or unwilling to provide the necessary funding.

Despite a clear use-case, adoption of capital-backed journey plans at present remains limited because precedent is scarce. As **Rasmussen** points out "The idea has been around for a long time and there's been a lot of conversations, but few schemes want to be amongst the first movers."

Wilmington agrees that trustee caution is entirely understandable given their responsibilities. "It's other people's money. There is a fear of doing new things. We believe CBJPs can offer a great solution; we have a similar solution we can offer if needed within Clara, but the big question remains, 'How many times have you written this?'"

Superfunds face similar challenges to capital-backed journey plans, in terms of the current low level of transactions and relatively low levels of awareness compared to traditional buy-in and buyout solutions.

Wilmington outlines that Clara's transaction history demonstrates the power of precedent: after completing its first transaction in 2023, Clara began to generate significant market interest, with "inquiries increasing from approximately one per week to about 20 questions a week". This social proof effect has been critical to market development, as trustees look at similar schemes to understand their available options: if they can see that "a scheme like mine has done it, I can think about it."

However, barriers to entry for superfund transactions still persist in the Pension Schemes Act. Gateway Test 1 outlines that if buyout or run-on options remain available to a scheme, it cannot consider entry into a superfund.

As **Wilmington** puts it, "I think we exist in the only market in the UK that says you can't buy X if you can afford Y."

Subsequent tests have taken steps to lower these barriers to entry, with the Pension Schemes Act demonstrating that both the government and the regulator are supportive of the role that superfunds can play. However, the remaining existence of Gateway Test 1 creates a paradox whereby regulators recognise the limitations of the test while encouraging schemes to look beyond it.

As **Wilmington** notes, adoption within these circumstances will likely still depend on social proof. "Trustees and sponsors could be very nervous about doing that until somebody else has done it."

The Impact of Optionality on the Buy-In and Buyout Market

Whether the market is structurally equipped to handle the volume of schemes approaching endgame remains an open question. Panellists pointed to both encouraging activity levels and innovative product development. Of the £1.2 trillion in UK private sector DB liabilities, about half is funded to insurance levels at the moment, with panellists agreeing that while some of that will run on, much will continue to go to insurance over the next ten years.

On the headline picture, activity has been strong. **Patrick Lloyd** reported record numbers of transactions, and anecdotal evidence that "when we're taking schemes to market, the insurers are very busy." Yet engagement is selective rather than universal: "the kind of feedback we're getting from the insurers is that they're still working hard to triage schemes. But they're not quoting on everything." This suggests that latent capacity still exists in the market but is being deployed strategically.

Ensuring Smaller Schemes Aren't Left Behind

Increases to insurer capacity are not only creating more opportunities for schemes but are also driving greater innovation and competition across the market.

Insurers are becoming increasingly willing to engage with smaller transactions, challenging the perception that only the largest schemes can attract meaningful insurer interest.

This has been supported by a more competitive market, with new entrants seeking to differentiate themselves and established providers becoming more flexible in their approach to transactions.

Panellists highlight "competition from insurers for smaller schemes," increasing in recent years, with **Corrigan** encouraged at "how engaged insurers have been and how competitive tenders have been. This has been seen both in terms of the number of insurers quoting on deals and their propositions."

Streamlined approaches for buy-in such as those developed by Just Group, L&G and Aviva were cited as widening access for sub-£10 million schemes, with other insurers looking to follow suit, but it remains challenging to get broad insurer engagement for schemes of this size.

Wilmington further emphasises that standardisation efforts are critical for small schemes, including the way data "is provided and stored, including contracts, structures and onboarding." Whilst there are challenges, "moves are being made in the right direction."

Trustees Are Looking Beyond Price When Selecting Insurers

While pricing remains a critical factor in insurer selection, trustee decision-making is becoming increasingly sophisticated. As insurer capacity has expanded and competition has intensified, particularly among newer market entrants, schemes are finding that pricing differences between providers are often narrower than in the past. As a result, trustees are placing greater emphasis on a broader range of qualitative factors when assessing potential insurance partners.

Factors influencing insurer selection range from approaches to ESG and productive finance to a greater focus on operational capabilities and the long-term experience members will receive after a transaction has completed.

The discussion suggested that administration standards, customer service, digital capabilities and member communications are becoming increasingly important differentiators between insurers.

Trustees are happy to pay a bit more for better administration, according to **Threadgold**, as they believe in the value it provides "for a better member experience", noting a demonstrable shift in the past few years where previously "price was the deciding factor for everything."

At the same time, trustees are showing greater interest in how insurers invest assets, including their approach to responsible investment and productive finance, particularly where these considerations align with broader scheme objectives.

As **Rasmussen** says "now, you're weighing up the member experience more than just price, including the investment proposition and insurer intentions and what they doing to help shape the world in the right way for members – are they creating a world that is worth retiring into."

As the market continues to mature and pricing becomes less of a distinguishing feature, insurers will need to demonstrate value across a wider range of areas. For schemes, this increased competition is creating opportunities to assess providers not only on cost, but on the overall quality of outcomes they can deliver for members over the long term.

Data Quality Remains Fundamental to Endgame Readiness

In an increasingly dynamic endgame landscape, data readiness is a key factor in preserving optionality and supporting timely decision-making. Whether a scheme is considering buyout, run-on, a superfund transaction or a capital-backed journey plan, data quality and benefit accuracy remain critical foundations for decision-making and execution.

Wilmington echoed this sentiment, encouraging schemes to have their house in order both to maintain optionality but also to ensure they "understand their starting point". "This is work that schemes have to do before they can even make a decision as to the best route for them."

As **Corrigan** emphasises, "carrying out benefits and data work well in advance is necessary for decision making, but it should also allow a scheme to move relatively quickly once it is ready to transact."

Corrigan also highlights the value of the preparation work regardless of the endgame option that may be pursued.

"Good data and a clear understanding of a scheme's benefit structure and admin practices are needed for a well-run scheme regardless of whether you are pursuing buy-out, a superfund or run-on. Having these foundations in place will mean you're able to take advantage of opportunities when they come up and you don't need to spend 12 months having to organise data."

In an environment where optionality is becoming increasingly valuable, high-quality data is not simply an administrative exercise but an important fundamental that enables schemes to move decisively when the right opportunity presents itself.

Balancing Sponsor Interests

While the DB endgame landscape is becoming more complex, decisions cannot be made by trustees or sponsors in isolation. Successful outcomes depend on both parties working together to balance their respective objectives and determine the most appropriate route for the scheme.

As **Lloyd** explains, "Both have got big stakes in the future of the scheme and it's very hard for either of them to get very far in terms of thinking down the line in isolation."

Do Buyouts Still Justify the "Gold Standard" Tag?

The insurance market has long been regarded as the "gold standard" for UK DB pension endgame solutions from the perspective of members' benefit security, underpinned by robust capital requirements, intense regulatory supervision and demanding governance standards.

As the UK bulk annuity market continues to break volume records and take on the lifetime pension promises made to millions of members, the stakes for getting the regulatory framework right have never been higher.

The Prudential Regulation Authority's (PRA) Solvency UK framework, the domestically tailored successor to the EU Solvency II Directive, took effect in 2024 and marked the culmination of a decade-long dialogue between the PRA, HM Treasury and the industry, aimed at boosting investment in UK productive assets such as infrastructure and energy transition projects. The resultant changes to the regulatory framework have led to some trustees asking whether the risk profile of insurers has structurally deteriorated in ways that may not be immediately visible, as insurers stretch into less liquid, more complex asset classes to back policyholder liabilities.

The biennial Life Insurance Stress Testing (LIST) conducted by the PRA in 2025 demonstrates the continued strength of active bulk annuity providers in the market. The results of the exercise (which is designed to test insurers' balance sheets against severe but plausible market stress scenarios) indicates that the assessed insurers are well positioned to withstand and manage such scenarios. For the first time, results for individual insurers have been published in the interest of greater transparency, with further improvements expected for future LIST exercises.

The regulatory regime will continue to evolve as the market evolves, as evidenced by the latest proposals by the PRA to reform the capital requirements associated with funded reinsurance (which are effectively a form of collateralised buy-ins with non-UK reinsurers) in order to address a perceived weakness in the Solvency UK framework.

For pension scheme members, the practical protections remain layered and meaningful. The Financial Services Compensation Scheme provides a crucial backstop, and the PRA's ongoing focus on the largest bulk annuity writers reflects an awareness that these are systemically significant books of long-dated liabilities.

Marc Loh
Senior Director, FTI Consulting

Marc is part of FTI's Global Insurance Services practice and leads the team specialising in performing insurer covenant monitoring and financial due diligence services in support of bulk annuity transactions.

How Professional Trustees Fit Into the Picture

The growing regulatory complexity and focus on scheme preparation and governance has intensified the involvement of professional trustees on boards. Within professional trustee firms, specialised de-risking teams have developed to address complex regulatory requirements. This structural innovation reflects recognition that navigating modern regulatory frameworks requires dedicated expertise beyond traditional trustee functions.

Threadgold observes that “there’s been a big increase in the number of professional trustees and more boards are recognising the value they bring,” reflecting recognition that “having individuals with relevant industry experience generally leads to stronger governance and more informed decision-making.”

Lloyd echoed this sentiment: “When we go to an insurer and say there’s a professional trustee involved, that gives them some confidence that things are going to be done in the right way and that there’s less likely to be barriers that come up from trustees who’ve never done this before.”

However, he also notes that member trustees, while sometimes less experienced, "often ask the most probing questions”, because of a greater need to understand. They are often the most focused on member outcomes, meaning a combination of member and professional trustees helps ensure member interests remain central to decision-making.

A Changing Balance of Power Between Sponsors and Trustees

Improved funding positions are beginning to reshape the traditional relationship between sponsors and trustees. Historically, many schemes relied heavily on sponsor contributions to address funding deficits, often giving employers significant influence over strategic decision-making. As funding levels have improved and more schemes move into surplus, trustees are increasingly operating from a position of greater strength.

As **Threadgold** says, “Now we have a lot of pension schemes that are in surplus and in those circumstances, trustees are naturally operating from a stronger position than in the past. The balance has shifted, although the most effective outcomes still come from strong trustee and sponsor alignment.”

All participants were clear on this importance of collaboration. While the dynamics may be changing, the most successful schemes continue to be those where trustees and sponsors work together to align their objectives and determine the most appropriate endgame strategy.

From Legislative Ambition to Practical Delivery: The Next Phase of UK Pension Reform

Pensions have dominated political thought under the Labour Government and indeed the previous Conservative Government for two reasons: to ensure pension adequacy in later life; and – more pressingly – to unlock capital to drive economic growth and domestic investment. With high tax burdens, stagnating growth and the need to invest in the infrastructure and innovation that this fast-changing world demands, unlocking patient capital has dominated policy development. UK policy makers have looked to the superfunds of Australia and Canada with envy, resulting in UK pensions reform which has sought to pave the way for consolidation and the creation of superfunds as a means by which to drive investment across the UK in productive assets. This has led to pensions being in the policy spotlight – leading to the Mansion House Compact, the Pension Schemes Act and the Pensions Commission – and this is unlikely to change in the near future.

The Pension Schemes Act 2026 has brought in the most significant changes in recent times. Only a couple of months old, the impact of those changes is yet to be measured. However, as our discussion raised, despite the ambitions of the Act, barriers remain in the way of DB schemes using superfunds as part of their endgame strategy. Government and TPR must look again at the Gateway / onboarding tests to help support this option. The planned consultation, which is expected to take place later in 2026 following the Government’s consultation on surplus flexibilities, should provide that opportunity, although the changes are not expected to come into play until 2028. The Government and regulator should make sure these consultations move ahead at pace so that trustees are able to fully explore a range of endgame solutions – and in so doing improve outcomes for savers.

Nirmalee Wanduragala
Director, FTI Consulting

As **Rasmussen** adds, "The better-run schemes are the ones where people work collaboratively, both on the trustee side and the corporate side."

The discussion suggested that rather than creating tension, stronger funding positions are enabling more balanced conversations, with both trustees and sponsors playing an active role in shaping the future direction of the scheme. As Rasmussen says, "however circumstances may have changed, schemes and sponsors still want to be acting in good faith"

Looking Ahead: The Next Decade of Endgame

Looking ahead, panellists expressed considerable optimism about the future of the DB market.

The next decade is likely to see continued innovation, greater consolidation and a more sophisticated range of endgame strategies. As alternative solutions mature and build longer track records, trustees will have access to an increasingly diverse toolkit to choose from. **Threadgold** believes that we will definitely continue to see consolidation, "whether through superfunds, the PPF or schemes going to insurers via buyout. The common theme is scale and efficiency becoming increasingly important to delivering good member outcomes."

Many were confident that superfunds and Capital Backed Journey Plans will gain the necessary social proof and act as strong options for schemes. It was also felt likely that schemes that actively choose to run-on with surplus extraction will develop new structures to robustly govern the arrangements.

Corrigan added that schemes will need to be satisfied with the structure of any option from a legal perspective, but the primary barriers to adopting more innovative solutions may be "familiarity and track record, rather than legal barriers in the underlying solutions".

Regardless of how the market evolves, panellists unanimously agreed that member interests remain at the centre of every decision.

As **Rasmussen** concludes, "member discretion committee meetings to decide outcomes for individual members, or their families, are probably where some of the most vocal and animated trustee discussions happen. That tells you that the member comes first, more than anything else."

All of our experts agreed that as the DB market enters this new era of optionality, success will ultimately be measured not by the route chosen, but by the security and outcomes delivered to members and the future world they retire into.

Endnotes

1 TPR Annual Funding Statement 2026, https://www.thepensionsregulator.gov.uk/en/document-library/statements/annual-funding-statement-2026

Sophie Mayall
Managing Director
Strategic Communications
sophie.mayall@fticonsulting.com

Gabriella Ruggiero
Director
Strategic Communications
gabriella.ruggiero@fticonsulting.com