Unlocking DB Pension Scheme Surplus

Report on the ACA 2025 DB Surplus Survey

Survey conducted by the Association of Consulting Actuaries

July 2025

Survey results at a glance…

- The survey was sent to ACA members on 25 April 2025 with responses collated in early May before the Government's response to the DB Options Consultation and release of the Pensions Schemes Bill 2025
- The response rate was 363 (just over 20% of ACA membership) and 65% identified themselves with being primarily trustee actuarial advisers
- Responses were anonymous
- Below we have identified some of the key results in the report which are explained in further detail in the following pages.

37%
believe that there should be a level at which Trustees are obliged to release surplus.

61%
believe that surplus could be released at Trustees' discretion at or a margin above Low Dependency.

68% **£100m**
believe that to make run-on viable, there is a minimum scheme size. £100m was by far the most common minimum

Most important factors for surplus release
Over 80% of respondents felt that the top 5 most important factors Trustees should consider when considering surplus release should include:

1. **Probability full benefits provided**
2. **Prudence in the liabilities**
3. **Covenant strength**

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Forward

Report on the ACA 2025 DB Surplus Survey

We are pleased to present the results of the ACA 2025 DB Surplus Survey, conducted by the Association of Consulting Actuaries at the beginning of May 2025. This survey aimed to gather insights on the release and run-on of DB pension scheme surplus, and we are grateful for the valuable contributions from our members.

The survey received responses from 363 ACA members, representing just over 20% of our membership and includes some valuable insights. This follows our paper "Unlocking DB Pension Scheme Surplus" released in February 2025. Encouragingly the responses largely support many of the principles suggested in that paper and are consistent with the government's intentions announced in June. In particular, the responses largely support Trustees being at the heart of any surplus release decisions and the majority supported surplus release to be permitted at (or marginally above) low dependency compared to the current solvency-based level.

Another interesting area is the assessment of the key factors that trustees should take into account before releasing surplus which could be relevant to new guidance from the Pensions Regulator that is anticipated to follow once the Pensions Schemes Bill receives Royal Assent and the secondary legislation is put in place. The range of answers in this area support the thinking behind our February paper that like cash funding, the decision to release surplus will be specific to circumstances of each scheme (and the sponsor covenant supporting it).

We extend our thanks to all respondents for their participation and thoughtful input. I would also like to thank fellow consulting actuaries James Allinson, Richard Gibson, Chintan Gandhi, Steven Taylor and Debbie Webb, who all contributed to these papers.

We would be happy to discuss further and provide technical input into potential changes. Please contact me at Stewart.Hastie@isio.com

Yours sincerely

Stewart Hastie

Chair

On behalf of the Association of Consulting Actuaries Limited

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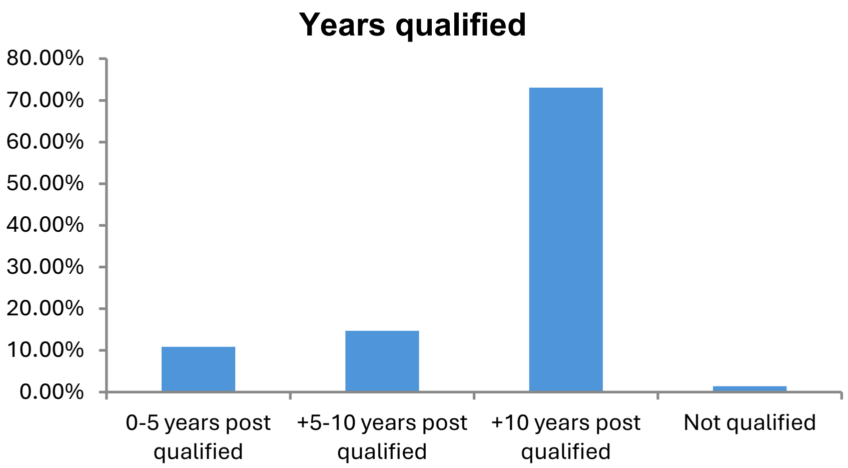
Survey Respondents: Background Information

- Our DB Surplus survey report received responses from 363 ACA members (approximately 21% of total membership) from across the UK with over half of respondents located in the London and South West region.

- Over 70% of the responses to this survey came from members that are 10 or more years post qualified with over 65% of respondents mainly having a trustee advisory role/focus.

- Having interrogated the data, responses were largely consistent by years qualified and location, we have therefore not used this distinction any further. Perhaps unsurprisingly there was a divergence of views between those with a Trustee and Corporate focus, and so we have included this split throughout.



Area of Focus	Mainly trustee advisor	Mainly corporate advisor	Roughly equal split
Percentage of responses	66.5%	17.9%	15.6%

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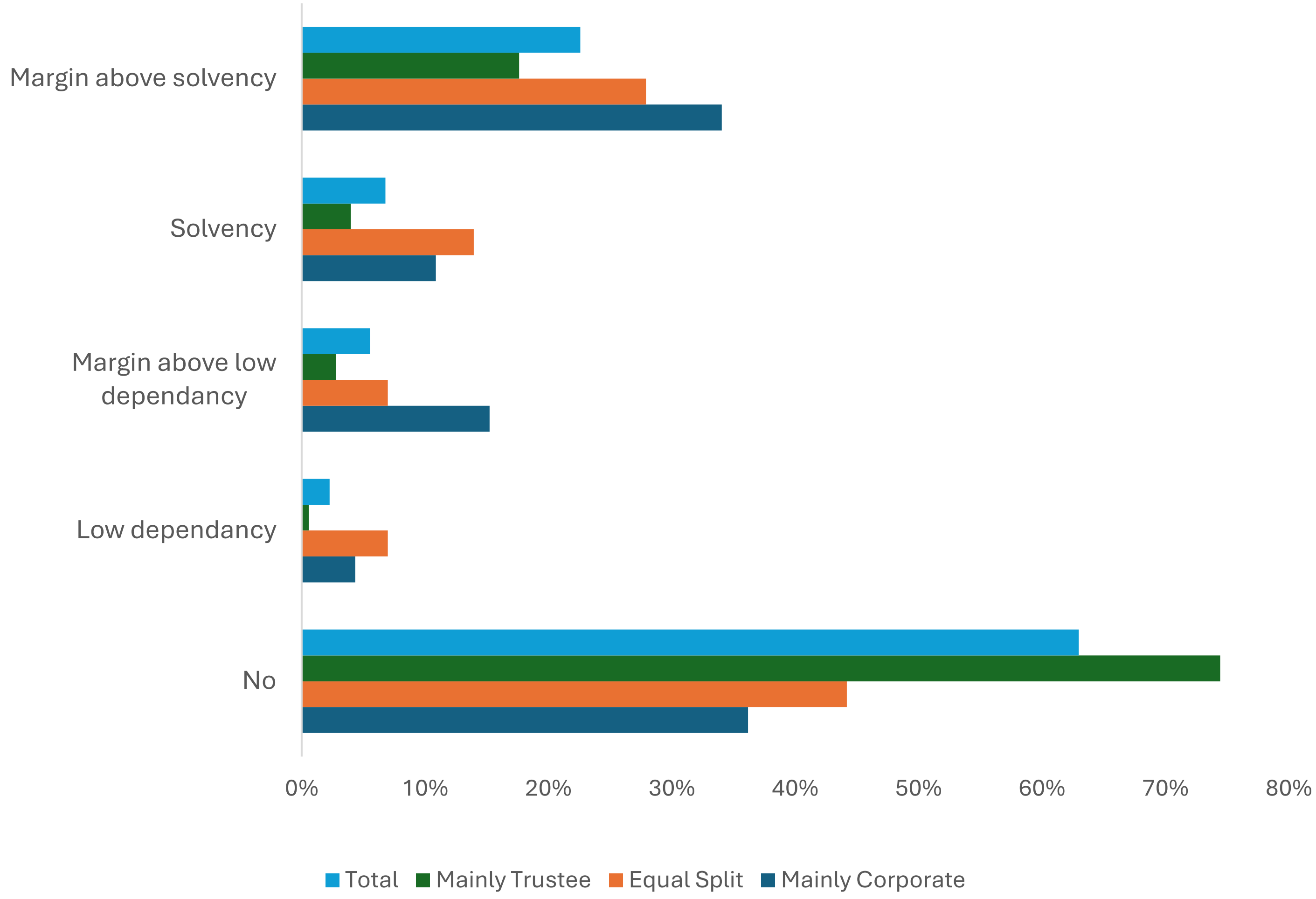
Should there be a level at which Trustees are obliged to release surplus?

Based on 270 completed answers



- Participants were asked “Should there be a level at which Trustees are obliged to release surplus”
- Some 63% of respondents agreed with ACA paper that there should not be a level at which Trustees are obliged to release surplus
- However, this was quite varied by area of focus, with 74% of Trustee advisors taking this view but only 36% of corporate advisors (and around 44% for those advising both).
- The majority of respondents who thought that there should be an obligation on Trustees, thought that this should be set relative to solvency or some margin above solvency.
- **ACA view**: In the 2025 Pensions Bill there is no level of obligation for surplus release, which is consistent with the majority response from the survey and supports the view from the ACA’s February paper that trustees should be at the heart of decisions.

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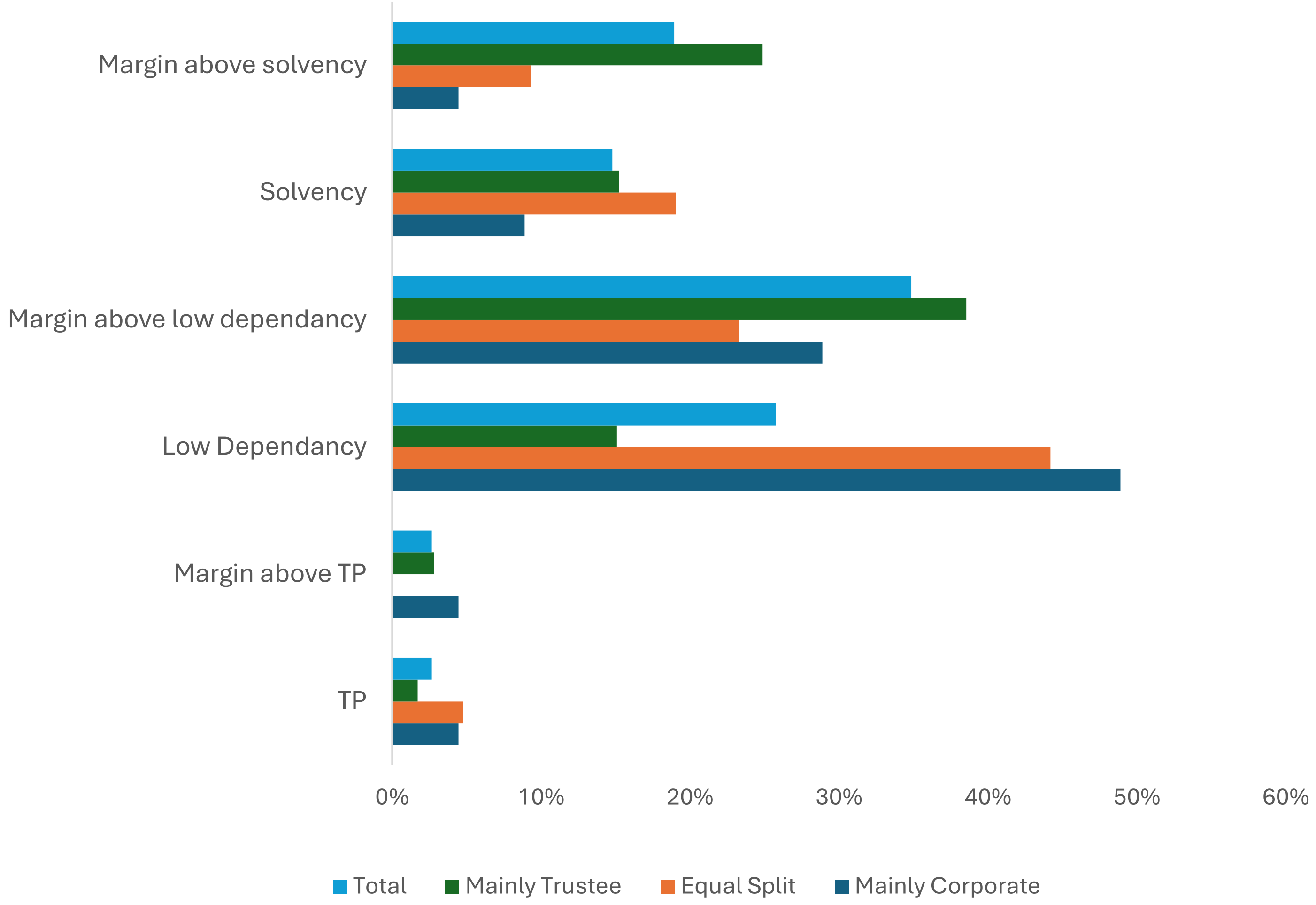
What should be the minimum level at which surplus can be released at Trustees' discretion under legislation?

Based on 264 completed answers



- Participants were asked "What should be the minimum level at which surplus can be released at Trustee discretion"
- The responses to this question were more varied across respondents with 61% overall favouring low dependency or a margin above low dependency.
- Those respondents that were mainly corporate advisers tended to favour low dependency as the minimum level, whereas mainly trustee advisers favoured a margin above low dependency with many also favouring a solvency based measure
- Many of the additional text comments received were in relation to the importance of scheme specific factors (e.g. sponsor covenant strength, level of investment risk and existence of contingent assets) in determining an appropriate level of surplus release rather a fixed level for all.
- **ACA view**: The government has set the minimum level at low dependency which appears to be broadly supported by the ACA member view

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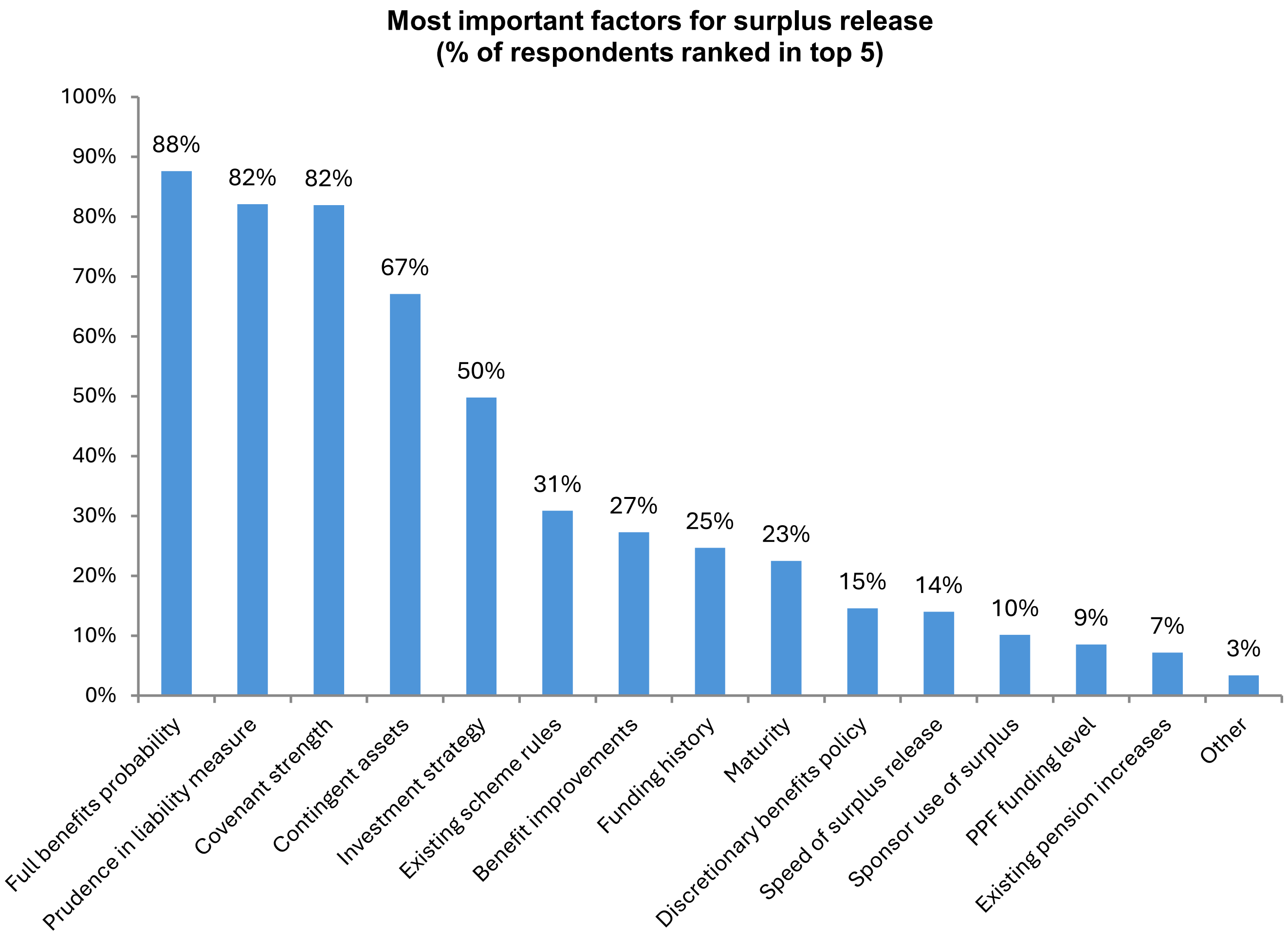
What factors should trustees (and advisors) take into account in agreeing to release surplus?

Based on 266 completed answers



- Participants were asked “What factors should trustees (and advisors) take into account in agreeing to release surplus”. All the factors included are listed on the chart on the right-hand side.
- The most common response (in the top 5) was the probability that benefits would be met in full. Closely followed by the level of prudence in the liabilities, and the covenant strength.
- Existing pension increases featured the lowest, alongside PPF funding level and sponsor use of surplus. This could be seen as consistent the view in our February paper, that it would be very difficult for trustees to police the sponsor’s use of surplus.
- Answers were fairly similar across all areas of focus.
- **ACA view**: Our February policy paper suggested that ensuring benefits have a very high probability of being paid in full should remain at the centre of any surplus release regime which is consistent with the survey results. Other key factors like the covenant strategy, contingent assets and investment strategy should all feature as part of the decision making.

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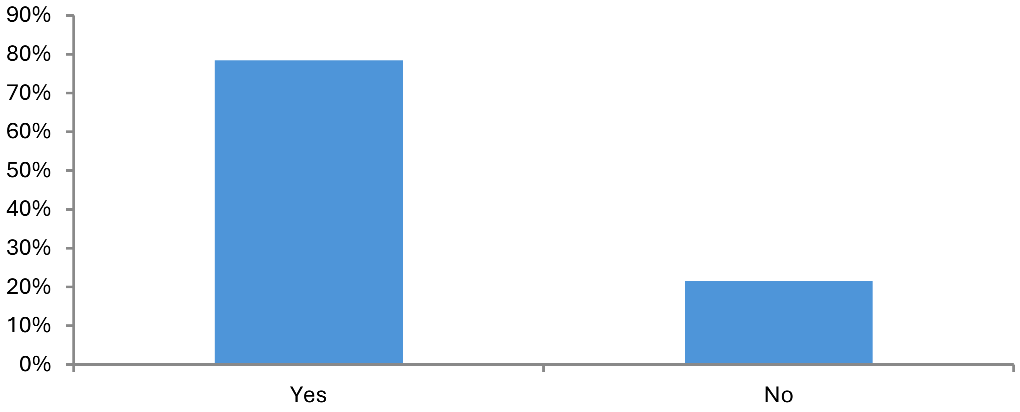
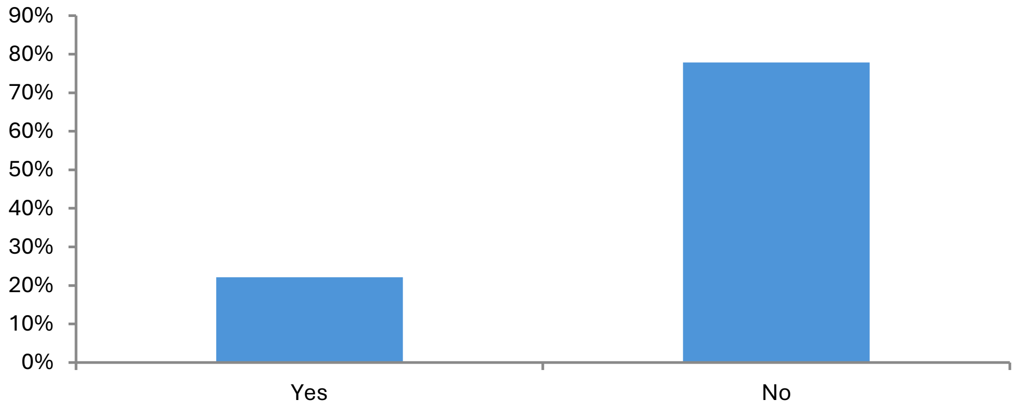
Do you think trustees would be more inclined to consider release of surplus if PPF compensation was increased to broadly 100% of benefits?

Based on 269 completed answers



Do you think schemes/employers would be willing to pay a material premium to the PPF for this?

Based on 235 completed answers



- Over 75% of respondents think that if PPF compensation was increased to broadly 100% of benefits, trustees would be more inclined to consider release of surplus.
- However less than 25% of respondents thought that trustees and sponsors would be willing to pay a material premium to pay for this.
- The results for these questions were largely the same across Trustee and Corporate focussed advisors.
- Some comments suggested that the levels of additional premium required quoted in the market could be overstated, but this might also depend on the approach adopted.
- **ACA view**: Given the answers to the previous question about the importance of the probability of members receiving full benefits and covenant strength, it is not surprising that increasing PPF compensation levels to broadly 100% of benefits makes it easier for trustees to agree to release surplus to sponsors. However, there are concerns about the potential cost and risks of increasing PPF compensation levels to 100% and the government has indicated it is unlikely to proceed with such a measure.

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Are there any other safeguards you think are important for the release of surplus?

Based on 69 completed answers

Common safeguards suggested:

- Ongoing monitoring with ability to course correct quickly as position changes.
- TPR guidance for trustees to better protect members including guidance on the factors they would expect Trustees to consider
- Access to other contingent assets to protect against downside risk.
- A stable long-term framework for operation of pension schemes.

- Respondents were given the opportunity to comment on "Are there any other safeguards you think are important for the release of surplus?"
- Less than 20% of respondents elected to respond and the majority of those were mainly trustee advisors. There were a range of responses with the most frequent listed on the left-hand side.
- **ACA view**: In our February paper we suggested a "surplus recovery plan" mechanism whereby surplus is released gradually and could be regularly re-assessed, much in the same way as deficit contributions are regularly re-assessed in the current funding regime. A number of the comments supported this approach, with comments relating to a need for ongoing monitoring. Our understanding of the proposed legislative framework is that it should be possible for sponsors and trustees to agree such a mechanism.

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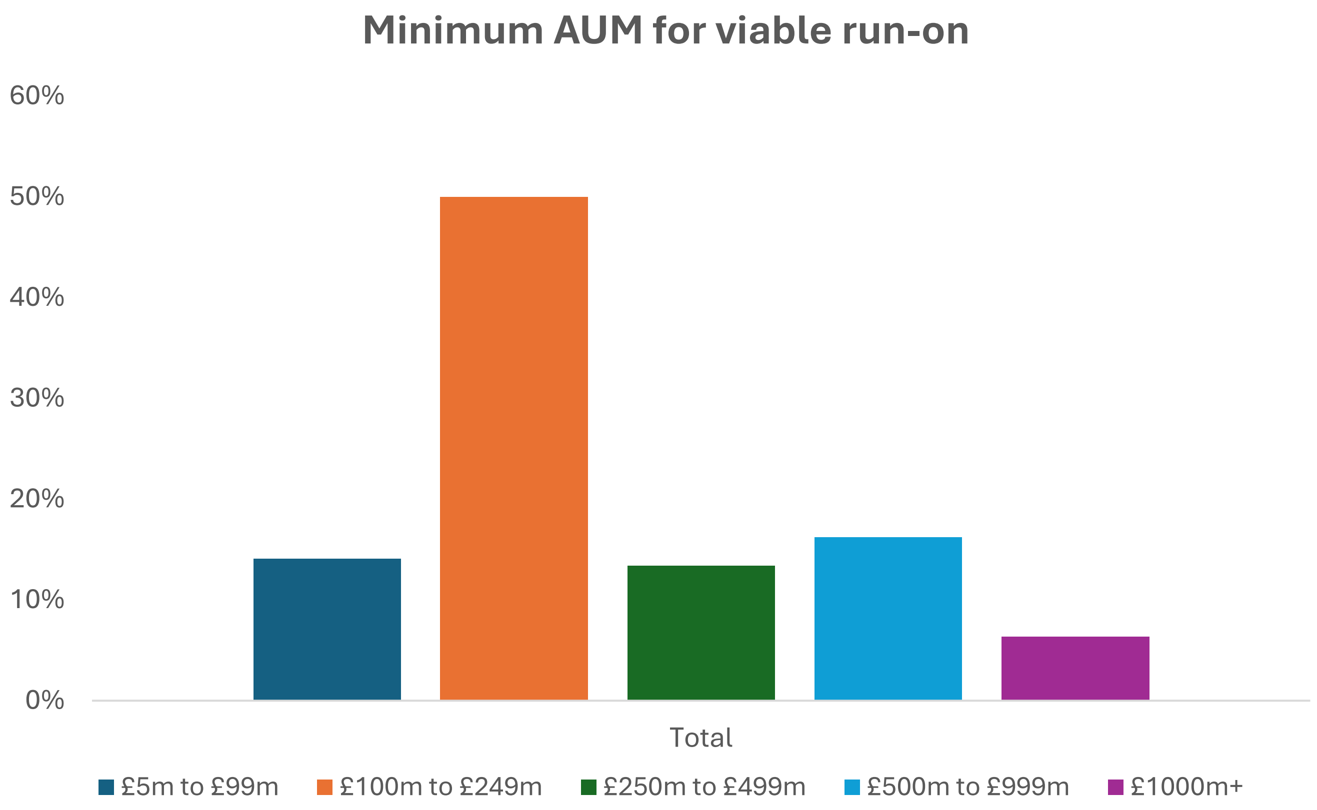
Do you think there is a minimum scheme size to make run-on viable?

Based on 266 completed answers



	Yes	No	Average (mean)	Average (median)
Total	182	84	£250m	£125m

- Participants were asked "Do you think there is a minimum scheme size to make run-on viable?"
- There was relatively little divergence by type of advisor so we have shown consolidated results here
- 68% of respondents do believe there is a minimum scheme size. As a follow up were then asked to provide an approximate minimum size that a scheme should be in order to be viable for run-on.
- Responses on the amount were very wide ranging with 142 responses ranging from £5m to £1bn+!
- £100m was by far the most common response with around one-third of all respondents suggesting this level.
- The average (mean) level was around £250m but this was potentially skewed by a few very large responses which explains why the median response was £125m
- Some comments flagged that minimum scheme size will vary based on scheme circumstances.
- **ACA view**: We do think that run-on will be most viable for the medium and large schemes, and less viable for smaller schemes. How "smaller schemes" is defined is up for debate and will potentially depend on scheme circumstances. We do think these responses support our view that any legislation doesn't necessarily need to be fit for purpose for the full universe of smallest schemes

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Is there anything else you would like to raise in relation to run-on and/or surplus release?

Based on 47 completed answers

- There is a need for a legislation or law that gives trustees clear "permission" to release meaningful amounts of surplus
- Clear rules and guidelines are needed otherwise too much risk aversion will set in.
- Taxation of excess surpluses if retained in schemes might encourage more active use of surpluses.
- The system needs plenty of flexibility to enable trustees and sponsors to come to sensible solutions.
- It would be helpful if surplus could be transferred to other DC arrangements tax efficiently, i.e. outside the current trust
- Historic scheme rules lottery shouldn't determine whether or not surplus is able to be released

- Respondents were given the opportunity to comment on "Is there anything else you would like to raise in relation to run-on and/or surplus release?"
- Just over 10% of members offered additional comments, and these were varied in content. The most common ones are listed.
- **ACA view**: There is potentially a bit of a juggling act to ensure that the legislation and regulatory regime provides sufficient clarity of when it is appropriate for trustees to agree to release surplus to sponsors maintaining a flexible approach that can take account of the various scheme specific circumstances.
- A number of features would be helpful to maximise the benefit and appropriate take-up of run-on, such as transfers to other DC schemes and enabling modest lump sum payments to members as well as enabling overriding updates to scheme rules.
- For the time being, the government appears to be addressing the potential constraints in scheme rules but reluctant to move on other measures that could incentivise the way in which surplus is used.

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