HYMANS ROBERTSON

2026 Outlook for charity DB pension funding

September 2026

Summary

Defined benefit (DB) pension schemes are entering a period of significant change, driven by improved funding levels, evolving regulation and increasing innovation in endgame solutions. Many schemes are now in surplus or approaching full funding with charity DB schemes (across the top 40 charities we consider) approaching an aggregate 110% funding level. This is shifting the focus from deficit recovery to long-term strategic decision-making, including how best to secure benefits while optimising outcomes for members and sponsors.

All charity DB schemes, well-funded or not, should be actively considering the growing range of alternative endgame options. The recent "sponsor swap" for the Stagecoach pension scheme provides a leading example of innovation, demonstrating how schemes can move beyond the traditional buy-out model. By adopting a run-on strategy with a new sponsor, the scheme secured a clean break for the original sponsor while retaining upside potential for members through future surplus sharing. This reflects a broader market shift towards solutions that balance security with value creation, and shows that alternatives such as run-on, superfunds and capital-backed structures are becoming increasingly credible for charities.

At the same time, the traditional risk transfer market remains highly active and competitive, with strong insurer capacity and improved access for smaller schemes. This presents charities with an opportunity to secure benefits on attractive terms, particularly where they are well prepared and able to access competitive tension.

Alongside this, trustees must navigate heightened legal and regulatory risk. Cases such as Verity Trustees v Wood and the implications of the Virgin Media ruling illustrate how historic uncertainties around scheme amendments can crystallise into material financial risks, potentially affecting liabilities and funding strategies. These developments reinforce the importance of robust governance, data and documentation, and proactive engagement with advisers. Charities with DB pensions liabilities in The Pensions Trust (TPT) should be paying particular attention to the outcome of the Verity Trustees v Wood case.

Trustee focus is shifting towards integrated decision-making, where funding, legal risk and endgame strategy are considered together. In this context, understanding the full range of options and risks is essential to achieving the best long-term outcomes for members. We would be happy to discuss your endgame options via a free workshop with a specific charity lens, tailored to your core values.

We've analysed the DB pension exposures of the largest 40 charities in England & Wales (by income) over the last 8 years. We consider how charity income and reserves have changed as well as movements in the pension scheme deficit and asset strategy.

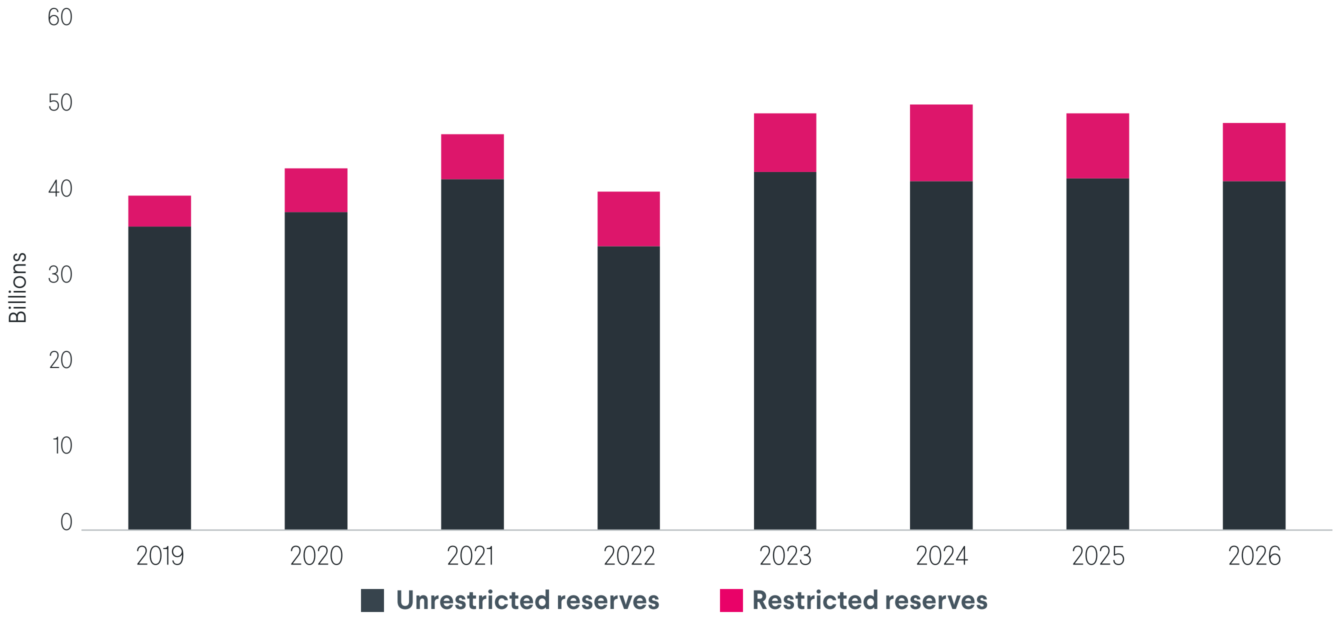
Charities now have combined reserves of **£47bn** – a decrease of **£1bn** over the previous year but an increase of **£8bn since 2019**

We have also seen a rise in funding level from **81%** in 2019 to **109%** in 2026, a further increase on last year's **104%**

Aggregate DB liabilities decreased to **£5.8bn** from **£6.4bn** since the previous year

This year's aggregate charity income is **£15bn**, which has increased from **£13bn** in 2019

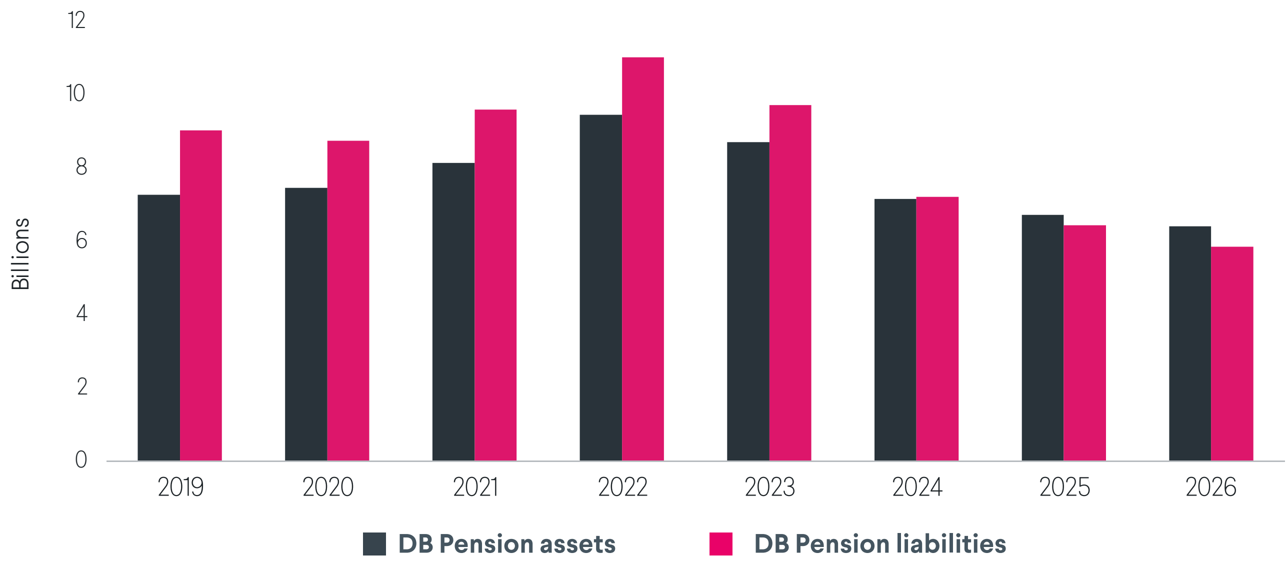
Progression in charity reserves over time, split between restricted and unrestricted reserves



Source: Charity Commission for England and Wales, Register of Charities.

Restricted reserves have dropped slightly to £7bn with unrestricted reserves maintaining their strength in recent years at over £40bn. This has led to unrestricted reserves as a proportion of the total reserves increasing slightly to 86%. Aggregate total reserves appear to have plateaued in the post-covid era and are now c£47bn, down slightly from the peak in 2024 of £50bn. Due to the increased inflation in the post-covid era, this plateau in reserves actually results in a real value decrease of around 10%.

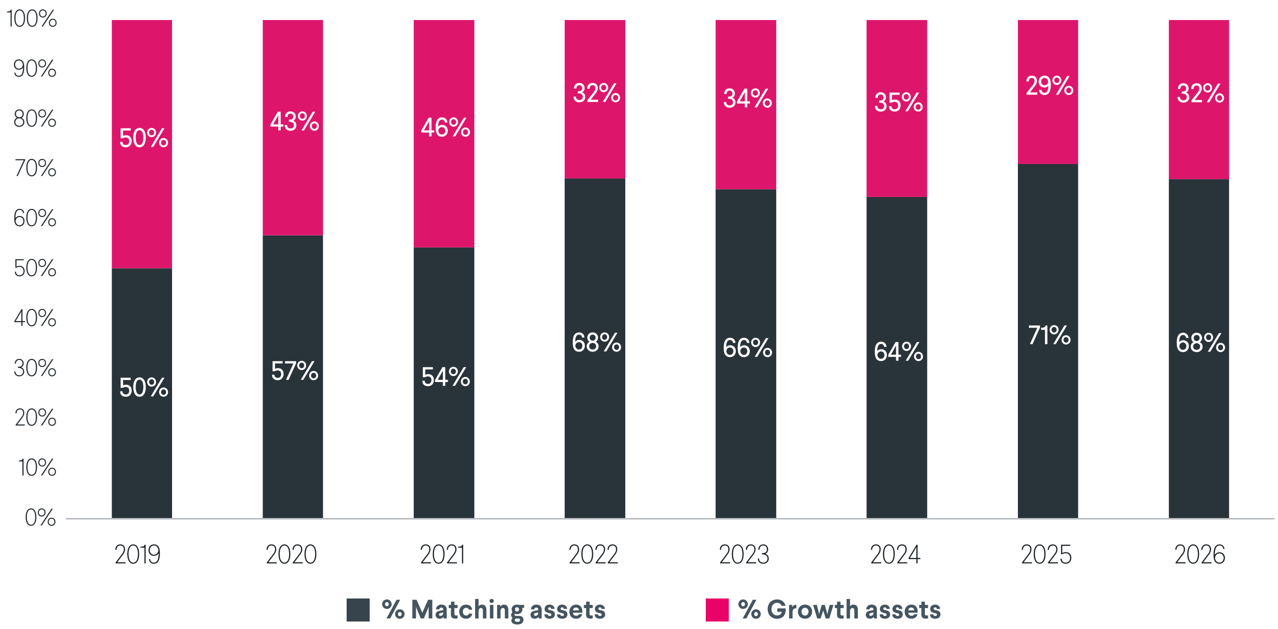
Progression in aggregate DB pension scheme assets and liabilities over time



Source: Charity Commission for England and Wales, Register of Charities.

Both assets and liabilities of the DB pension schemes have continued to drop, with a larger drop on the liability side. Liabilities are measured on the charities' accounting basis. The Aggregate funding level has increased by over 5% over the past year and is up nearly 30% since 2019. As discussed later in this report, Trustees of charity pension schemes and the charities themselves should consider their long-term objectives in light of the improved funding levels, and discuss practical issues like data readiness which can cause unexpected delays to implementing end-game options if not adequately identified and proactively managed.

Progression in split between growth and matching assets over time



Source: Charity Commission for England and Wales, Register of Charities.

Charity DB Schemes have (on average) retained more growth assets in their investment strategy than the "average" UK DB scheme. However, growth assets are down nearly 20% since 2019, but with a slight increase compared with 2025. This may reflect recent examples of surplus sharing, where charities that are seeking returns to offer better outcomes for their members may feel their improved funding levels provide an adequate funding buffer, increasing their appetite for growth assets. However, with the funding level improvements, some schemes may be in a position to reduce risk and lock in recent gains. Whatever your situation, charity schemes should be considering if the risk in their asset strategies remains appropriate and consider how to manage this in relation to their end-game objectives.

Progression in charity income split between restricted and unrestricted income

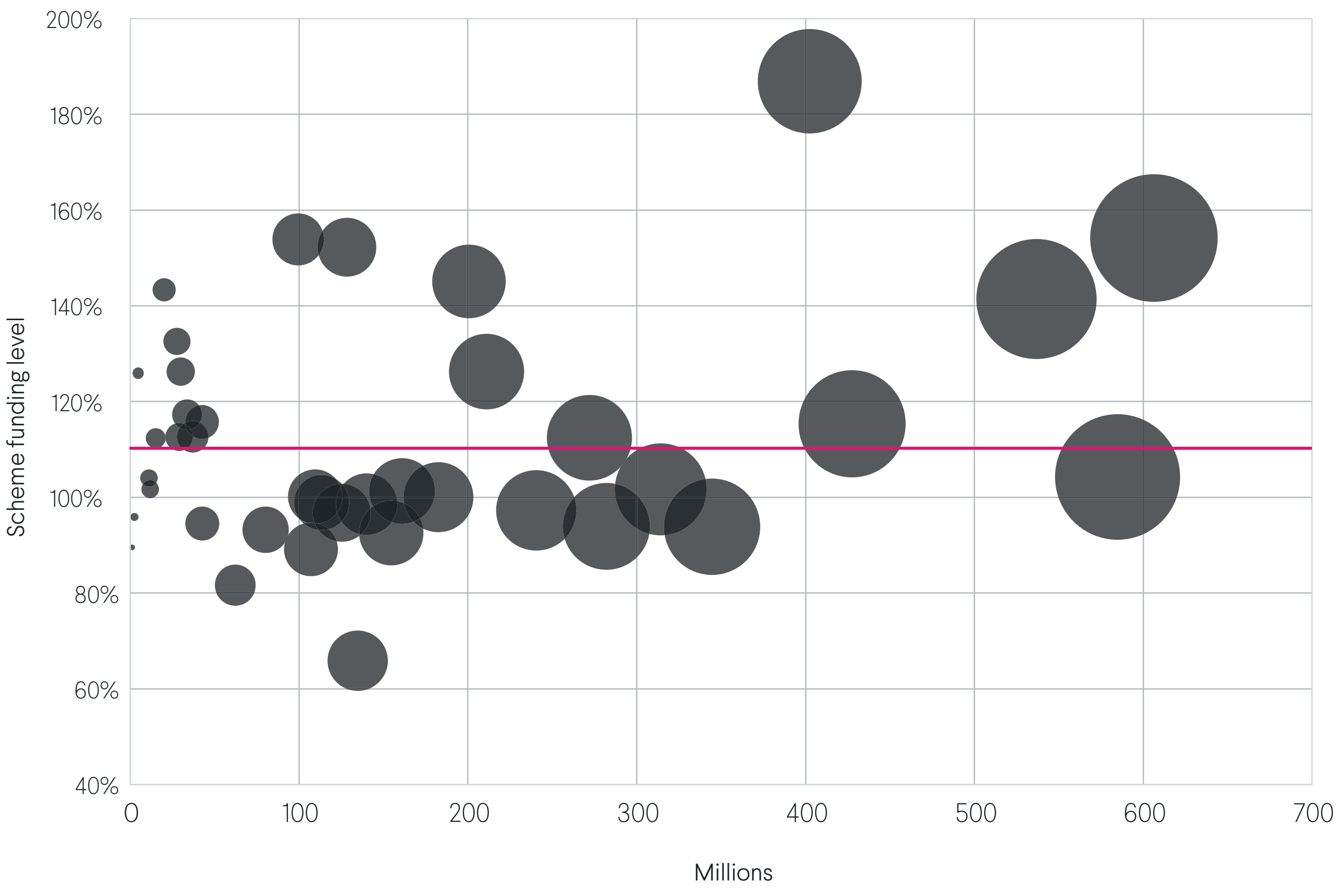
Source: Charity Commission for England and Wales, Register of Charities.

Underlying income from fundraising and charitable activities (black) has increased to £11bn. Even though weaker restricted income has decreased to £4bn, total charity income has remained at all-time highs of £15bn pa (over the last 8 years).

Scheme size

Historically, smaller DB pension schemes (typically under £100m) have faced limited access to the risk transfer market, with fewer insurers willing to quote and less competitive pricing available. However, this landscape has evolved significantly in recent years. Increased insurer capacity, new entrants and more streamlined transaction processes mean that many smaller charity schemes can now attract multiple competitive quotes and transact efficiently. As a result, buy-ins and buy-outs are no longer the preserve of large and medium-sized schemes. Smaller schemes are now able to transact on markedly improved terms, with current supply and demand dynamics driving highly competitive pricing. This shift means that full insurance is now a more realistic, achievable and financially efficient endgame, even for the smallest schemes. Hymans' Core Transaction offering is specifically designed to support smaller schemes in accessing the risk transfer market for a fixed fee, and has successfully helped schemes as small as £1m secure excellent outcomes.

DB Pension Liabilities



Source: Charity Commission for England and Wales, Register of Charities.

Of the 40 charities we have analysed, nearly half had DB scheme liabilities of less than £100m along with nearly 70% of them having funding levels above 100%.

Topical Issues

Stagecoach - an alternative end-game solution?

The recent Stagecoach-Aberdeen transaction highlights a leading example of innovation within the evolving DB endgame market, demonstrating how schemes can move beyond the traditional buy-out approach to deliver improved outcomes for all stakeholders.

The transaction involved a run-on strategy with a new sponsor, with Aberdeen replacing Stagecoach as the sponsoring employer and taking on responsibility for the scheme's assets under management. This structure allowed the scheme to continue operating rather than transferring liabilities to an insurer, creating the potential for ongoing investment returns and surplus generation.

A key feature of the deal was that it delivered a clean break for Stagecoach within a short timeframe while still preserving upside for members. Instead of locking into an insurance premium, the scheme could run on and share future surpluses with members, improving expected benefit outcomes over time.

Importantly, the transaction was trustee-led, challenging the assumption that innovation must be driven by sponsors. The trustees undertook a comprehensive review of the full range of endgame options before selecting this approach.

From Aberdeen's perspective, the strategy also reflects a broader market shift: utilising a run-on model to generate value for stakeholders, including members and to support other corporate objectives.

This transaction has demonstrated that run-on with a new sponsor is a credible and increasingly scalable alternative endgame for well-funded charities, combining elements of security, flexibility and value creation, and is likely to be replicated as market interest grows.

Contact Richard Wellard or Jitin Tahiliani for more information.

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TPT - is your scheme prepared?

The Verity Trustees v Wood case is a major High Court case involving TPT Retirement Solutions' DB pension schemes, which are widely used by charities and other not-for-profit organisations. It centres on uncertainty over whether certain historical rule changes were implemented validly, particularly where those changes affect member benefits and employer liabilities.

In light of this uncertainty, the trustee (Verity Trustees) sought legal clarification on how benefits should be calculated. The outcome, expected in 2026, could require schemes to revisit past amendments and recalculate members' benefits.

For charities participating in these schemes, the key implication is financial. If the Court finds that some amendments were invalid, benefits may need to be increased relative to current assumptions, resulting in higher scheme liabilities. These additional costs would need to be funded, meaning charities could face increased deficit contributions, potentially on a material scale depending on the outcome and their specific exposure.

The impact is particularly significant given the scale of TPT's operations, with around 2,500 not-for-profit employers involved, including charities, housing associations and independent schools.

Charities should act proactively, ensuring boards understand the potential exposure, assessing how increased pension costs could affect budgets and long-term financial planning, and engaging with advisers to evaluate scheme-specific risks and scenarios.

The case highlights a broader issue across the pensions industry: historic legal and administrative uncertainties can crystallise into significant financial risks. For charities with DB plans operated by TPT, the ruling could materially influence funding strategies and affordability, reinforcing the need for robust governance and contingency planning. We'd be happy to discuss your options and support you to build a charity specific tailored plan.

Contact Heather Allingham or Aimee Leese for more information.

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What should be on your pension scheme meeting agenda?

Evolving regulation

UK pension schemes are currently exposed to several material legal risks, primarily relating to historical rule changes and evolving regulation. The Virgin Media ruling has created widespread uncertainty by establishing that certain past scheme amendments may be void if required actuarial certification was not obtained, potentially leading to recalculation of benefits and increased liabilities.

Similarly, cases such as Verity Trustees v Wood highlight risks that historic administrative or legal ambiguities could require revisiting benefit calculations, with additional funding demands on employers if benefits increase.

Trustees should treat legal risk as a core strategic issue, ensuring it's fully integrated into funding, risk management and endgame planning decisions.

Alternative endgame options

Pension schemes now have a broad range of endgame options that should be actively considered by trustees. Alongside traditional buy-in and buy-out, alternatives include run-on strategies (with either the existing or a new sponsor), superfund transfers (either as a bridge to buy-out or with value-sharing), captive insurance, and capital-backed journey plans.

These options involve different trade-offs between security, cost, flexibility, and potential for surplus sharing or member benefit improvements. Trustees should discuss which objectives matter most (eg clean break vs value creation) and ensure a full comparison of all options is undertaken before committing to a strategy.

Traditional insurance solutions

Traditional risk transfer markets (buy-ins and buy-outs) are currently highly active and competitive, with strong insurer capacity and attractive pricing expected to continue through 2026. For charities, this creates a valuable opportunity to secure benefits at favourable terms, particularly for smaller schemes. Increased insurer competition and streamlined processes mean schemes under £100m can now access multiple quotations and improved pricing.

To take advantage, charities should engage early with advisers, ensure data readiness, and time market entry carefully. Smaller schemes can now achieve outcomes previously limited to larger schemes, making full insurance a more realistic and accessible endgame option.

Analysis - further information

The ability of a charity to support its DB obligations is more important than the size of the liabilities or deficit in isolation. Our analysis therefore focuses on the size of the pension scheme relative to the size of the charity. The pension deficit in these measures is the FRS102 deficit as reported in charity accounts.

We measured the top 40 charities by income (only including those that sponsor a DB scheme). Therefore, the charities that are included in our analysis may change on an annual basis.

All data is taken from annual charity accounts and therefore may be applicable at different dates, depending on the accounting year end.

Those charities included in 2026 are:

Charity	Charity
Nuffield Health	The British Red Cross Society
The Charities Aid Foundation	Royal Commonwealth Society for the Blind
The British Council	Methodist Homes
United Learning LTD	AQA Education
The National Trust for Places of Historic Interest or Natural Beauty	The Royal National Lifeboat Institution
Cancer Research UK	Macmillan Cancer Support
The Arts Council of England	Royal Mencap Society
Wellcome Trust	University of South Wales/Prifysgol de Cymru
British Heart Foundation	St Andrew's Healthcare
Barnardo's	Order of St John Trust
The Girls' Day School Trust	Canal & River Trust
Change, Grow, Live	University of Wales: Trinity Saint David
Oxfam	Community Integrated Care
The Ormiston Trust	Royal Society for the Protection of Birds
The Salvation Army	Turning Point
Oasis Charitable Trust	Trustees of the London Clinic Limited
Canterbury Christ Church University	Royal Opera House Covent Garden Foundation
The Shaw Trust Limited	Genome Research Limited
The Eric Wright Charitable Trust	United Schools Trust
The Save the Children Fund	The City and Guild of London Institute

Please get in touch with us to find out more:

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