

HYMANS  ROBERTSON

2025 Outlook for charity DB pension funding

September 2025



Summary

Despite volatile markets and growing global uncertainty, charities with Defined Benefit (DB) schemes have continued to see improving financial positions. The overall funding level for charity DB schemes (across the top 40 charities we consider) is now over 100%, on average, presenting charities with a new challenge.

Gilt yields have continued to rise this year. Pairing this with relatively low hedging of charity pension scheme liabilities, has driven funding levels to continue to rise across the charities we have analysed.

However, there is still a long way to go for some charities to secure their members' benefits with an insurer or consolidator.

In light of the new DB funding code, many trustees will be considering aligning their funding bases with Fast Track requirements. Those schemes that are targeting insurance will need to consider the levers they can pull to reach their endgame.

Practical considerations like data readiness, market appetite and GMP equalisation will also need to be discussed as these areas can cause unexpected delays and additional costs if not proactively managed.

Trustees of DB schemes and the sponsoring charities will need to work closely to align endgame objectives.

They should consider practical options for their schemes given their size, funding, covenant strength and appetite from the sponsor to continue running the scheme.

Alternative endgames to insurance may now be becoming more viable for charity schemes, with run-on and consolidators becoming more mainstream.

With the new Pension Schemes Bill making extraction of surplus more viable for some, run-on might now be more attractive. This allows schemes to generate funds for both the members of the scheme and to support their wider charitable activities.

The most recent scheme to join the Clara-Pensions (Clara) consolidator was a charity and utilised Clara's "connected covenant" feature. This should prompt charities to consider if Clara could be a viable option for their DB scheme, allowing them to secure their members' benefits at lower cost and direct more funds to their charitable purpose.

We've analysed the DB pension exposures of the largest 40 charities in England & Wales (by income) over the last 7 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 **£49bn** of reserves – an increase of **£10bn** since 2019.



Aggregate DB liabilities are around **£6bn** which is a decrease from **£9bn** in 2019.

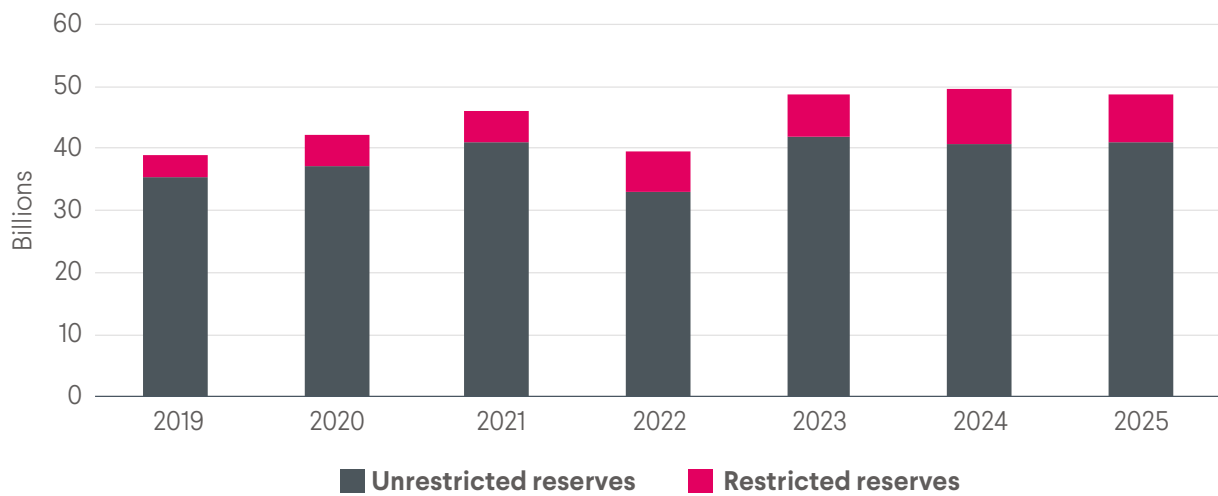


We've also seen a rise in funding level from **81%** in 2019 to **104%** in 2025, the first time we have seen average funding in surplus.



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

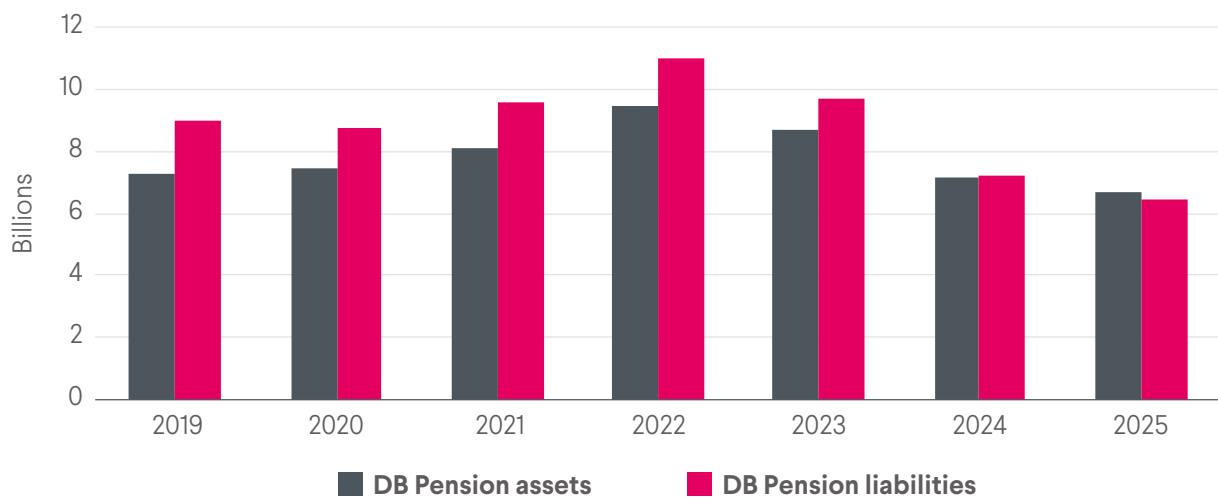
Progression in charity reserves over time, split between restricted and unrestricted reserves



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

Restricted reserves have dropped slightly to £8bn with unrestricted reserves maintaining their 2024 level at over £40bn. This has led to unrestricted reserves as a proportion of the total reserves increasing slightly to 84%. Aggregate total reserves are now c£49bn, down slightly from £50bn seen in 2024.

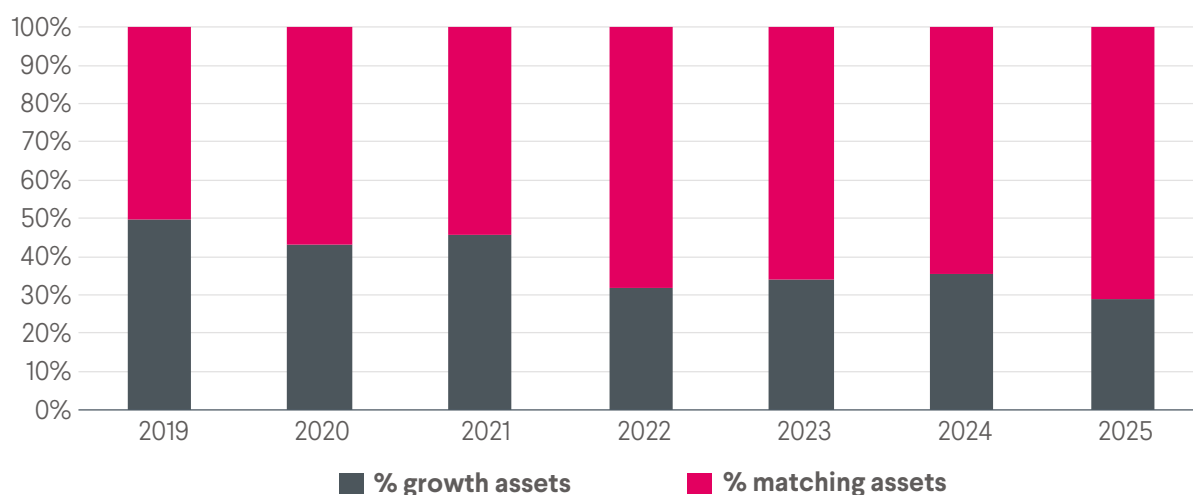
Progression in aggregate DB pension scheme assets and liabilities over time



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

Both assets and liabilities of the DB pension schemes have dropped to around £6.5bn, with a larger drop on the liability side. Liabilities are measured on the charities' accounting basis. This has resulted in an improvement in funding levels to over 100%, which is a significant turnaround in funding over the last few years. There's been over a 5% increase since 2024 (25% since 2019) and is the first time we've seen average funding levels above 100%. The improvement in funding brings endgame options much closer and may open up new options for some. Trustees and employers should consider all their options and start detailed planning for their chosen endgame.

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, the downtrend in growth assets has continued with the average scheme now holding less than 30% of their funds in growth assets. This is down 5% from 2024 and down 20% since 2019. Charity schemes should be considering if the risk in their asset strategies remains appropriate and consider how to manage this in relation to their endgame objectives. Given the average funding level now exceeds 100%, there may be scope to lock in some of these gains and reduce the risk for these schemes. However, schemes that are looking to run-on may require some level of risk in their asset portfolio to cover expenses. This is especially important if they're to become fully self-reliant.

Progression in charity income split between restricted and unrestricted income

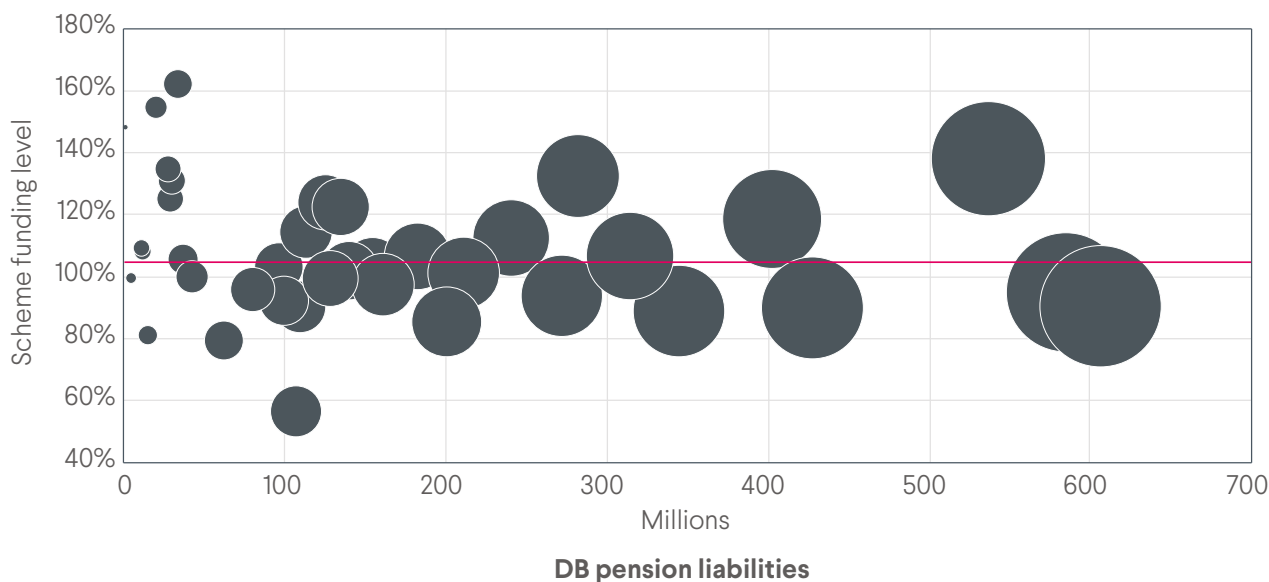


Source: Charity Commission for England and Wales, Register of Charities.

Underlying income from fundraising and charitable activities (grey) has dipped slightly to just below £10bn. However, with strong restricted income approaching £5bn the total charity income has continued at all-time highs of £15bn pa (over the last 7 years).

Size of DB scheme liabilities

Typically, we've found that schemes smaller than £250m have been more hesitant to target run-on due to the ongoing cost of operating a scheme. On the flip side, schemes that are too small may find navigating the risk transfer market difficult due to appetite from insurers. However, the risk transfer market is constantly evolving and transactions for smaller schemes are becoming more common. Hymans have introduced TRUST, a service for approaching the risk transfer market for schemes that typically have less than £150m in assets with transactions below £10m in some cases.



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

Of the 40 charities we have analysed, over 75% had DB scheme liabilities of less than £250m along with over 60% of them having funding levels above 100%.

Superfunds

Clara-Pensions recently completed their first transaction from a charity sponsored DB Scheme. Hymans Robertson acted as lead adviser to Church Mission Society ("CMS") throughout the transfer. This structured deal marks several industry firsts: the first ever 'connected covenant' superfund transaction, the first involving a small scheme and the first for a charity employer.

The innovative connected covenant structure, developed specifically for this transaction, maintains the Scheme's existing covenant protection through an ongoing guarantee from CMS. Not only are members' benefits protected by the additional capital from Clara, but they also continue to be protected by the CMS covenant they enjoyed before the transfer. The outcome is a clear enhancement of member security.

Matt Wilmington, Chief Transactions Officer at Clara-Pensions, said:

"This marks Clara's fourth transaction and a landmark for the not-for-profit sector. We're proud to support the Church Mission Society in securing the long-term future of its members' pensions, while enabling the organisation to refocus on its core charitable purpose. This transfer is not only the first involving a charity, but also the first to use a connected covenant structure – an important new layer of protection for members."

This transaction should prompt charities to consider whether Clara could provide them with a viable endgame for their DB scheme, with enhanced security for members and allowing the charity to re-focus their hard-earned income back to their charitable purpose.

Contact Harry Allen for more information.



Harry Allen

Senior Actuarial Consultant
Harry.Allen@hymans.co.uk
0121 212 8147

What should be on your pension scheme meeting agenda?



DB Funding Code of Practice

The Pensions Regulator's (TPR's) DB Funding Code of Practice was laid before parliament on 29 July 2024, setting out the principles for how schemes comply with the Department of Work and Pensions (DWP) new funding and investment regulations.

Under the new regime, schemes are required to:

- formalise a long-term objective with a plan for reaching this, ensuring the level of risk taken is appropriate for the Scheme's maturity and sponsor covenant reliability.
- pass a number of 'Fast Track' tests, or go down a 'Bespoke' route for compliance (with a greater level of scrutiny from the Regulator, TPR, than under Fast Track).
- report to TPR using a "Statement of Strategy".

Given the increased focus on covenant reliability and appropriate risk management, charities should review their current investment strategies. To meet Fast Track, it's implied that immature schemes can have up to 60% growth assets de-risking to 15% for more mature schemes. We observed that Charities have higher than average allocation to growth assets at just under 30%, making it likely that the more mature schemes would not meet the Fast Track requirements.



Third party capital: taking the pressure off scarce charitable capital

Consolidating into superfunds is becoming a viable alternative endgame option for smaller schemes, making use of the covenant and wider assets held within the fund could provide improved security for the members of charity DB schemes. Schemes that ultimately have an end-game objective to buy-out the liabilities can still use the superfunds as a stepping stone towards that goal given the cheaper costs associated with superfunds than full buy-outs, while providing increased security.

The recent transaction for Church Mission Society in the region of £55m of assets should give confidence to other charities, due to the sector but also the size of the transaction.



Surplus extraction a viable endgame?

Allowing surplus extraction could allow charities to benefit from running on the scheme, for both the members and to allow the charity to use the additional funds for charitable activities. This alternative option could reduce the appetite for charities to insure the scheme benefits. The recent Pension Schemes Bill has removed some barriers to surplus extraction, subject to stringent funding conditions.

The challenge is knowing whether run on could be right for you. Our checklist will help you decide.

[Hymans Robertson offers checklist for sponsors of DB pension schemes looking to run-on | Hymans Robertson](#)

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 2025 are:

CHARITY

Nuffield Health

The Charities Aid Foundation

The British Council

The Arts Council of England

Cancer Research UK

The National Trust for Places of Historic Interest or Natural Beauty

Cardiff University

United Learning LTD

Wellcome Trust

Benefact Trust Limited

The British Red Cross Society

Oxfam

British Heart Foundation

Swansea University

The Ormiston Trust

Barnardo's

Royal Commonwealth Society for the Blind

The Shaw Trust Limited

The Save the Children Fund

The Girls' Day School Trust

CHARITY

Change, Grow, Live

The Salvation Army

Methodist Homes

The Salvation Army Social Work Trust

Oasis Charitable Trust

Motability

The Royal National Lifeboat Institution

Macmillan Cancer Support

Canal & River Trust

University of South Wales/Prifysgol de Cymru

AQA Education

Royal Mencap Society

The Francis Crick Institute

St Andrew's Healthcare

Genome Research Limited

The Eric Wright Charitable Trust

Canterbury Christ Church University

University of Wales: Trinity Saint David

Trustees of the London Clinic Limited

The National Association of Citizens Advice Bureaux

Please get in touch with us to find out more:



Heather Allingham

Head of DB Pensions Consulting for Charities
Heather.Allingham@hymans.co.uk
0141 566 7779



Matthew Dickson

Actuarial Trainee Consultant
Matthew.Dickson@hymans.co.uk
0131 656 5057

London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk

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