THE SOCIETY OF PENSION PROFESSIONALS
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Choosing an Endgame

Timing, Trade-offs, and Trustee Decision-Making

An SPP Roundtable Report

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Choosing an Endgame:

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Foreword

As the UK defined benefit (DB) pension landscape evolves, trustees and corporate sponsors face a critical juncture in determining the ultimate destination for their schemes. The traditional assumption that buyout with an insurance company represents the default, automatic "endgame" is increasingly being challenged.

With improved funding levels, shifting market dynamics, and the rise of alternative solutions like superfunds and capital run-on strategies, decision-making has become significantly more nuanced.

To explore these shifting dynamics, last month the Society of Pension Professionals (SPP) convened a roundtable of industry experts including leading actuaries, trustees, legal advisors, investment managers, and covenant specialists.

This paper synthesises their insights into a strategic framework for trustees and sponsors navigating the complex trade-offs inherent in choosing an endgame. The consensus from the roundtable highlights that future decision-making must shift from being outcome-led (assuming buyout as the default) to objective-led, balancing long-term member security against the potential for economic upside, commercial realities, the timing of benefits, scheme size, and the evolving tools available for risk management.

Alex Beecraft
Chair, Choosing an Endgame roundtable

Risk Mitigation and Prioritisation in Endgame Transactions

When trustees and corporate sponsors approach an endgame transaction, their initial focus is invariably driven by risk management. The roundtable identified three primary risks that stakeholders seek to address:

> **Covenant and Security Risk:** The foremost priority for trustees is protecting the long-term security of member benefits, which can be threatened by a deterioration in funding position and/or future sponsor insolvency. Transferring liabilities to an insurer or a consolidator removes the scheme's dependency on the corporate sponsor, and replaces this with the security offered by the insurance and superfund regimes respectively.

> **Funding Risk:** DB schemes remain exposed to fluctuations in funding levels arising from movements in interest rates, inflation expectations, and asset values. Although many schemes have substantially de-risked their investment strategies, funding volatility can still create uncertainty for both trustees and sponsors, potentially leading to additional contribution requirements or delays to achieving endgame objectives. Endgame solutions provide greater certainty by crystallising the cost of liabilities and reducing ongoing funding uncertainty.

> **Longevity Risk:** One of the defining risks for pension schemes is the uncertainty surrounding how long members will live. Improvements in life expectancy increase the value of pension liabilities and can place additional strain on scheme funding. Insurance-based endgame solutions transfer longevity risk to insurers, who are perhaps better equipped to manage it through diversification, sophisticated modelling, and access to reinsurance markets. Other endgame solutions may also materially reduce or pool longevity risk, depending on their structure.

> **Governance burden:** Ongoing scheme management introduces significant regulatory, political, and operational risks. Regulatory unpredictability (such as recent legislative complexities like the Virgin Media ruling) remains a major factor driving schemes toward a clean break.

> **Cost Inflation:** With increasing governance requirements comes increasing running costs. Combined with recent cost inflation, an insurance solution may be the most cost effective solution for smaller schemes in particular.

For corporate sponsors, an endgame transaction is often heavily driven by the desire to reclaim corporate focus. Many organisations view the persistent demand on management time and board attention toward pensions rather than core business operations as a distinct operational risk that an insurance or superfund transaction can eliminate. In addition, sponsoring a pension scheme often requires companies to support an investment strategy that accepts a degree of market risk in pursuit of long-term returns, an approach that may differ markedly from how they would typically manage capital within their own balance sheet, where funds would generally be reinvested in the business or held in lower-risk assets. Furthermore, broader macroeconomic and technological shifts, such as the rapid emergence of Artificial Intelligence (AI), pose potential disruption to traditional corporate business models. The long-term elimination of legacy pension liabilities may therefore be highly attractive to sponsors if it allows them to focus on business risks instead, reducing exposure to risks that sit outside their core commercial activities.

Defining 'Member Outcomes' in Practice

While "member outcomes" is a ubiquitous phrase in the pensions industry, the roundtable participants noted that it is rarely defined consistently and often encompasses conflicting objectives. In practice, a holistic definition of member outcomes must balance several core pillars:

1) **Benefit Security**
At its foundation, an optimal member outcome means ensuring that promised benefits are paid in full and precisely on time. Attendees recognised that insurers and, to an extent, superfunds operate under more stringent conduct and risk management requirements than standard pension schemes. This enhanced regulatory oversight can inherently lead to superior long-term stability and security for members.

2) **The Member Experience**
Beyond financial security, the day-to-day operational reality for members is a vital component of their overall outcome. This includes:

> High-quality, transparent communication.

> Ease of access to personal data and customer services.

> Seamless administration efficiency, particularly during highly stressful or critical life events such as retirement or bereavement.

> Modern, robust digital capabilities and online portals.

> Flexible benefit structures, such as Bridging Pension Options and early retirement options

Particularly where schemes have invested in providing a high-quality experience and financial flexibility to their members, trustees need to understand what options alternative solutions can provide (and what they cannot).

3) **The Discretionary and Surplus Upside**
A key tension in the endgame debate is the trade-off between immediate certainty and future upside. With an estimated £160 billion of aggregate surpluses residing within UK DB schemes[1], the financial stakes are immense. Mathematically, dividing this aggregate surplus across the UK's 9 million DB members[2] equates to roughly £18,000 per member. Even under a 50-50 surplus-sharing split between corporate sponsors and scheme members, this would yield £9,000 per individual - a highly material sum for many.

Consequently, while discretionary increases or benefit enhancements may not be a trustee's primary regulatory or fiduciary focus, they represent a significant potential upside, some of which could be permanently forfeited upon entering an immediate insurance transaction. Trustees must therefore navigate a value judgment, carefully balancing absolute certainty today against potential discretionary improvements tomorrow. The answer will be highly scheme specific and will need to reflect current benefit structures, contribution history and covenant amongst other factors.

Hindsight and the Realities of Insurance Transactions

Evaluating whether historical insurance transactions have definitively improved member outcomes introduces a natural analytical bias. Because there is no alternative timeline, it is fundamentally impossible to calculate the exact missed opportunities or know precisely what would have happened to a membership had their scheme chosen to run-on instead of insuring.

Nonetheless, the roundtable observed that in recent years, highly favourable market conditions, characterised by strong asset returns and surging interest rates, mean that many schemes could have significantly improved member outcomes via surplus generation had they opted to run-on rather than buy-out. However, the industry must be cautious about letting the unusual macroeconomic events of recent years dictate future strategy, as different market conditions could have left many schemes in severe difficulty.

Crucially, the roundtable emphasised that buyout pricing has also become vastly more attractive alongside these market shifts. In many cases, schemes actually benefited simply from waiting, as market exposure and insurer pricing aligned in their favour. The fundamental question has therefore shifted from a binary choice of "should we insure?" to a more precise strategic question: "What is the optimal point in a scheme's journey to transact?" This transition requires evaluating ongoing trade-offs rather than focusing on a simplistic narrative of lost financial upside.

Navigating the Decision to Run-On

For schemes that have deliberately chosen not to transact immediately, trustees must establish a robust framework to get comfortable providing benefit security without insurance backing. The roundtable outlined that a successful run-on strategy requires a comprehensive suite of safeguards:

1. **Strong Corporate Covenant:** A highly profitable, cash-generative sponsor with a stable balance sheet and minimal short-term refinancing risk.
2. **Integrated Risk Management (IRM):** A rigorous monitoring framework with clear, predefined early warning indicators and agreed management actions to respond if financial or funding metrics weaken, which may include changes to investment strategy, funding plans or, where appropriate, additional corporate support.
3. **Robust Professional Advice:** While extensive actuarial modelling can be helpful, half of the roundtable participants cautioned that while actuarial modelling is a vital supporting tool, it cannot solve the value judgment alone and should not form the sole basis of trustee decision-making. Thorough stress testing was seen to be a beneficial exercise.

Crucially, electing to run-on should not be viewed as a permanent rejection of the insurance market, but rather a decision of "not now". The maturation of superfunds as a viable alternative or "Plan B" provides a reliable safety net that should encourage healthy schemes to consider running on with greater confidence.

> *"...the industry must be cautious about letting the unusual macroeconomic events of recent years dictate future strategy"*

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

2 TPR, Occupational defined benefit landscape in the UK 2025, December 2025: https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-benefit-landscape-in-the-uk-2025

The Corporate Accounting Overlap

The decision-making timeline is also frequently influenced by corporate dynamics. For UK DB schemes sponsored by US-parent companies or US-listed corporate groups, buy-in and buyout transactions can trigger severe accounting impacts under US GAAP and IFRS reporting. Even when an insurance transaction is highly attractive from an economic perspective, corporate sponsors are often extremely sensitive to the resulting earnings volatility. This sensitivity directly impacts their willingness to de-risk aggressively, slows down internal board-level approval processes, and dictates the precise timing of execution.

Understanding and Interpreting Member Perspectives

A core challenge for trustees is accurately assessing and understanding the perspectives of their own membership regarding endgame trade-offs. Member engagement in corporate pensions is historically low unless a direct grievance or issue arises. Trustees must recognise that member silence rarely indicates genuine satisfaction or deliberate indifference; instead, it typically reflects the technical complexity of the topic or a lack of understanding.

To bridge this insight gap, trustees generally deploy a combination of direct and aggregated channels:

> **Formal Representation:** Leveraging member-nominated trustees (MNTs) and working closely with trade unions to aggregate and clarify workforce-wide sentiments.

> **Structured Communications:** Utilising targeted member surveys and educational campaigns.

> **Informal Digital Signals:** Monitoring informal digital spaces, such as organic Facebook groups or online member forums. While these online forums are not statistically representative of the entire membership, they provide valuable early warning signals regarding areas of member concern or widespread misunderstanding, creating targeted opportunities for clearer communication.

Ultimately, an individual membership is not a monolith; different cohorts will value certainty, cash flexibility, or potential discretionary upside in entirely different ways based on their personal demographics. Because it is often unrealistic to expect the average member to fully calculate complex, long-term macroeconomic trade-offs, the formal legal responsibility rests with the trustees. They must thoughtfully interpret these fragmented communication signals and act as a fiduciary in the members' absolute best interests.

Managing Adviser Conflicts and the Need for Frameworks

The governance demands placed on trustees and sponsors to evaluate endgame trade-offs are immense. Fiduciaries are expected to weigh member security, corporate funding risks, sponsor balance sheet goals, and highly technical execution constraints across buy-ins, buyouts, superfunds, and run-on strategies.

In practice, the ability of trustee and sponsor boards to execute this evaluation is highly uneven. While large schemes often possess sophisticated internal corporate capabilities, many standard trustee boards rely almost entirely on external advice. Despite the professionalisation of trusteeship, they frequently have reduced direct experience with significant endgame transactions and face severe information asymmetry compared to insurers and specialist consultants who operate in this market on a daily basis.

This creates a structural governance vulnerability: endgame decision-making is often shaped more by how external advisers frame the choices than by an independently constructed analysis by the trustees themselves. This dynamic raises real concerns regarding adviser conflicts of interest, particularly when independent trustees, actuarial, investment, broking, or legal firms stand to receive substantial commercial incentives linked directly to transaction volumes or, conversely, the retention of ongoing advisory mandates. While commercial disclosures, regulatory requirements and the strict separation of professional roles mitigate these risks, they cannot fully eliminate institutional incentives. Therefore, robust trustee governance and a willingness to actively challenge advisory input remain absolutely paramount.

The Regulatory Landscape

The Pensions Regulator (TPR) provides useful high-level guidance on endgame planning but stops short of prescribing a rigid, structured decision-making framework. This leaves an expansive burden on trustees, who must interpret abstract regulatory expectations without the benefit of consistent, industry-wide tools to directly compare disparate strategies. Given TPR’s limited operational capacity and the thousands of schemes under its supervision, case-by-case regulatory intervention is unrealistic, further cementing advisers as the de facto designers of a scheme's decision architecture.

The roundtable concluded that a heavier regulatory hand is probably not the solution. Rather than prescribing specific outcomes, a more effective intervention would involve standardising scenario analysis, stress-testing assumptions, and requiring clearer, auditable articulations of trade-offs before irreversible decisions are executed. The roundtable identified the SPP as being well placed to potentially produce some guidance in this area, to help improve consistency across the industry, ensuring that outcomes depend on trustee-led evaluation rather than advisor-driven momentum. This is therefore something that the SPP is now actively considering.

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The Influence of Scheme Size on Endgame Strategy

While a pension scheme's asset size should never entirely dictate its ultimate destination, it exerts an undeniable practical influence over whether a prolonged run-on strategy is realistic or value-adding.

Scheme Size	Key Strategic Considerations	Optimal Endgame Alignment
Smaller Schemes	Higher per-member governance and administration costs. Limited access to specialised internal or external resources. Difficulty justifying the operational risk and complexity of prolonged run-on.	Insurance Buyout: If a smaller scheme is close to buyout funding, securing benefits permanently with an insurer is typically the most efficient, cost-effective outcome.
Larger Schemes	Substantial economies of scale to dilute fixed costs. Stronger internal governance capabilities and resources. Significantly greater capacity to generate meaningful, distributable surpluses.	Run-on Evaluation: Well-placed to systematically evaluate run-on or delayed insurance, provided they possess a strong corporate covenant.

In practice, schemes as small as £10m have decided they can run-on to better achieve their specific objectives. Therefore, the core question that a board must answer is not a binary label of small versus large, but rather a granular assessment: Is this scheme at a scale where the tangible benefits of running on demonstrably outweigh the additional costs, operational risks, and governance complexities compared to buying out immediately?

Opposition to Mandatory Size Thresholds

The roundtable also addressed the concept of a statutory minimum size threshold for UK DB schemes, under which independent schemes would be legally required to consolidate or wind up. While such a policy would align with the broader governmental direction toward macroeconomic consolidation, the roundtable expressed universal opposition to the idea. Various forms of operational consolidation already exist to provide smaller schemes with scale benefits without stripping away their independence.

A far more proportionate and effective approach would be to require the trustees of smaller schemes to periodically and formally demonstrate why remaining independent continues to be in their members' absolute best interests. This assessment should be backed by a structured review of governance quality, operational costs, funding resiliency, and member outcomes. As one roundtable participant neatly summarised, the industry should look to "obligate the thought process rather than the action".

Conclusion

As the industry moves forward, endgame decision-making must evolve to meet a more sophisticated standard. To counter historical industry momentum that has reflexively treated buyout as the only acceptable choice, the roundtable members recommended that future schemes adopt the following tenets:

- **Transition to Objective-Led Planning:** Trustees and sponsors should break the default assumption of buyout. Strategic planning must begin by aligning on clear, quantified corporate and fiduciary objectives, ranking member security, affordability, surplus generation, and balance sheet certainty, and then objectively mapping which endgame tool best satisfies those goals at that time.
- **Implement Robust Contingency Planning (Plan A & Plan B):** Future governance frameworks must feature documented contingency plans jointly agreed upon by trustees and sponsors. Schemes should maintain a clear primary strategy alongside a fully developed alternative strategy, complete with explicit, objective financial triggers that dictate exactly when a shift in strategic direction is required. These plans must be reviewed regularly to adapt to changing corporate and market circumstances.
- **Align Governance and Surplus Incentives:** Strategic alignment between corporate sponsors and trustees is significantly enhanced when there is upfront clarity regarding surplus distribution. Where trustees possess clear discretion over surplus sharing and winding-up rules, sponsors are demonstrably more willing to fund and support a capital run-on strategy, provided there is absolute transparency regarding how future surpluses will be utilised to benefit both the business and its members.

By moving away from rigid default outcomes and adopting a structured, objective-led framework, the pensions industry can ensure that endgame decisions are genuinely tailored to the unique scale, risks, and opportunities of individual schemes, their memberships and their sponsors.

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About The Society of Pension Professionals

Founded in 1958 as the Society of Pension Consultants, today SPP is the representative body for a wide range of providers of pensions advice and services to schemes, trustees and employers. These include actuaries, accountants, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and pension specialists.

Thousands of individuals and pension funds use the services of one or more of the SPP's members, including the overwhelming majority of the 500 largest UK pension funds.

The SPP seeks to harness the expertise of its around 90 corporate members - who collectively employ over 20,000 pension professionals - to deliver a positive impact for savers, the pensions industry and its stakeholders including policymakers and regulators.

Further information

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