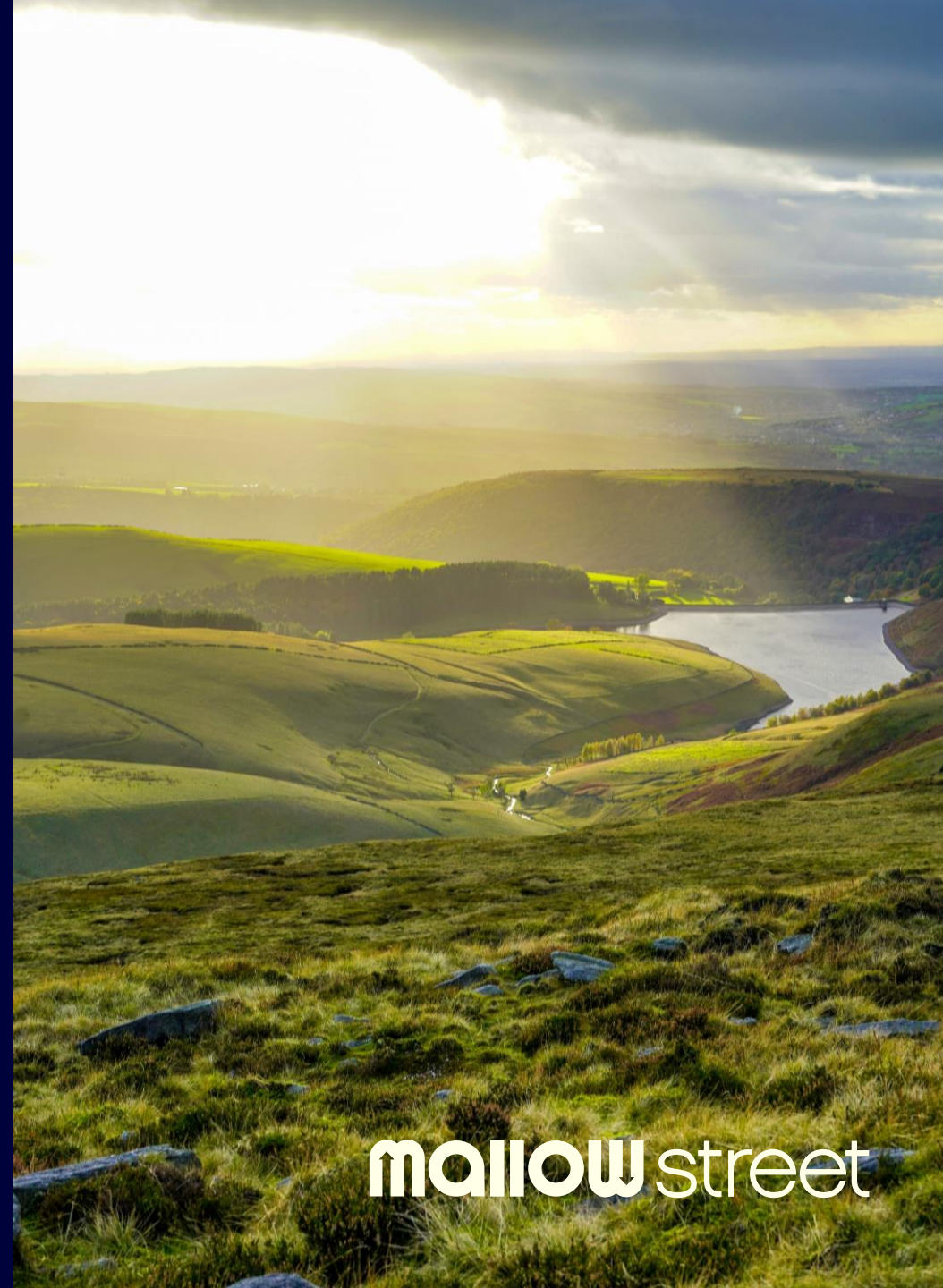


# Endgame Strategy & Priorities Report 2025

 Brightwell

 mallow street



# Staying flexible as endgame plans evolve

DB schemes are facing critical decisions in a landscape shaped by regulatory change, shifting market conditions, and rising governance pressures. Our research with mallowstreet shows that while some schemes are committing to buy-out or run-on, many are keeping their options open. Surplus extraction rules, in particular, could reshape long-term strategies, giving sponsors new incentives to run schemes on.

At the same time, familiar challenges persist. Cybersecurity risks, regulatory burdens, and legal uncertainties such as the Virgin Media case are shaping trustee priorities. Meanwhile, schemes targeting run-on are increasing growth assets but staying hedged, reflecting a measured approach to balancing risk and return. With so many moving parts, staying flexible and informed will be key to ensuring schemes make the right choices for their members, now and in the future. To support schemes that are thinking about running on, Brightwell has developed a run-on toolkit which can be found at [www.brightwellpensions.com](http://www.brightwellpensions.com). It helps schemes consider what a run-on might look like and how to achieve it.



**Morten Nilsson**, CEO, Brightwell

## Welcome

With the new defined benefit (DB) funding code now in force and funding levels remaining favourable for many, UK schemes should have more clarity than ever about the endgame options available. To assess this, mallowstreet partnered with Brightwell for a second year to survey 21 UK DB schemes over £1bn in January 2025, with combined assets over £290bn.

The survey closed just days after the Labour government announced firm plans to enable DB schemes to change their rules and permit surplus extraction where there is trustee-employer agreement.

As a result, our findings are timely and surprising. A growing proportion of schemes are now keeping their options open, awaiting further regulatory clarity. Surplus extraction rules could significantly influence decisions and persuade more schemes to run on. A longer endgame will enable them to increase allocations to growth assets and accommodate less liquid investments without re-risking unnecessarily. This would support the government's ambition to encourage investments in productive assets, which could be perceived to be at odds with the current de-risking path.



**Ally Georgieva**, Head of Insight,  
mallowstreet

## Key Statistics

**21**

UK corporate DB schemes  
over £1bn

**33%**

under £5bn in assets

**67%**

Over £5bn in assets

**38%**

Aiming for run-on

**£290bn+**

Of total assets represented

**15**

questions

**550+**

primary data points



# Executive Summary

## Surplus rules could shift endgame strategies

Large DB schemes are revisiting their plans and keeping options open despite the new funding code and improved funding levels. About half of those targeting buy-out and run-on have agreed a strategy, but many remain undecided, primarily due to uncertainty around surplus extraction. New surplus extraction guidance may alter scheme decisions, particularly for schemes on a path to buy-out but with a longer horizon, or those who are yet to choose an endgame. A clear framework could make sponsors more open to funding schemes more aggressively, which can secure if not improve benefits, but run-on remains the preferred option for those building surplus.

## Run-on schemes invest in growth but remain hedged

62% of schemes targeting run-on are increasing growth assets in tandem with liability driven investment (LDI) and longevity protection. Additionally, these schemes show signs of greater willingness to allow more market and illiquidity risk on their balance sheet, without fully re-risking. Undecided schemes are mixing insurance solutions with growth assets, ensuring they keep their options open.

## Evolving challenges require new innovative solutions

Cybersecurity has become a bigger concern irrespective of scheme endgames. Regulatory complexity remains high for over two-thirds of those on a run-on or undecided path. The aftermath of the Virgin Media case appeal will only add to this if there are further benefit ramifications for contracted-out schemes. Meanwhile, schemes targeting buy-out continue to prioritise guaranteed minimum pension (GMP) equalisation and data accuracy but are the least focused on pension dashboards as they approach wind-up.

\* The segmentation analysis is indicative only because our research sample is small, e.g.: 7 schemes under £5bn, 5 aiming for buy-out, 8 targeting run-on, 8 with an undecided endgame. We have relied on domain knowledge and other research to solidify our findings.

\*\* Throughout this report, figures in stacked bar charts may add up to 99% or 101% due to rounding of percentages. Additionally, some questions required multiple answers, so figures in some bar charts will add up to significantly more than 100%. In such charts, dark blue highlights may be used to emphasise key statistics and help the reader follow the analysis.

## Key Statistics

**81%**

of DB schemes have revisited their endgame plans in the last one or two years.

**43%**

of schemes under £5bn and 36% of larger schemes are yet to decide their endgame.

**40%**

of schemes aiming for buy-out or with an undecided endgame hesitate because of regulatory uncertainty around surplus extraction.

**86%**

say the government should ease surplus access.

**62%**

say surplus rule changes would encourage run-on.

**62%**

of schemes aiming for run-on are considering growth assets to support their endgame.



# Industry Recommendations

## For DB schemes

- Assess your scheme's surplus sharing rules carefully before deciding on buy-out, run-on, or de-risking.
- When revisiting these rules, make sure to balance the interests and needs of the members with those of the sponsor.
- Revisit your endgame plans to ensure they are still fit for purpose and give alternatives proper consideration.
- Use growth assets selectively while maintaining LDI and other hedging to manage long-term asset and liability risks.
- Define your appetite for, and ability to take on, illiquid assets in accordance with your time horizon and journey plan.
- Strengthen cybersecurity measures to protect against rising data breach threats—discuss this with new and existing providers.
- Consider phased buy-ins if targeting buy-out or considering it as a long-term option for the future.
- Prioritise data accuracy to ensure smooth transitions in de-risking and risk transfer strategies.

## For sponsoring employers:

- Ensure the fair use of scheme surplus—it should not disadvantage members or exclude trustees from the decision-making.
- Reconsider the long-term endgame of your scheme once there is more regulatory clarity—running on may create opportunities.
- Work with trustees and providers to evaluate the benefits and risks of different approaches and satisfy all stakeholders.

## For solution providers:

- Support run-on schemes by providing risk management tools that balance growth assets with hedging strategies.
- Develop surplus sharing solutions that help sponsors access funds without destabilising the scheme or deprioritising members.
- Promote flexible investment strategies that can support different journey plans and allow a change of destination.
- Enhance and lead with your cybersecurity capabilities to differentiate your administration and governance services.
- Develop solutions to streamline governance and compliance, in order to help ease the regulatory burden on schemes.
- Provide data accuracy tools to support schemes prioritising GMP equalisation and member records, especially ahead of buy-out.

## For regulatory authorities:

- Relax surplus extraction rules with appropriate safeguards for members' interest—this will encourage run-on and growth investment.
- Promote surplus sharing between sponsoring employers, DB and DC members, as well as making trustees part of decision-making.
- Take a guidance instead of a legislative approach—the pensions industry needs flexibility, not more onerous compliance requirements.

# Endgame options remain open despite new funding code

## Large DB schemes are revisiting plans and keeping all options on the table despite the new funding code and continued improvements in interest rates.

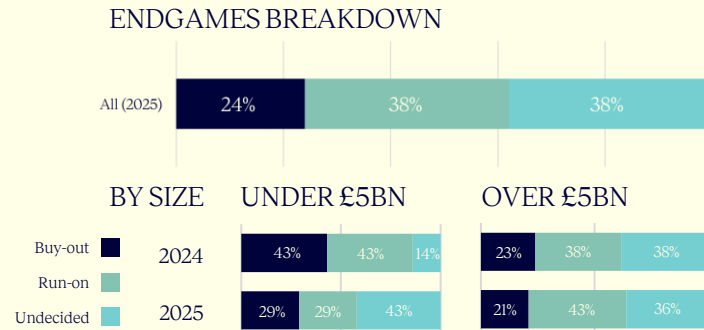
Most DB schemes have revisited their endgame plans within the last two years, and, despite the new funding code, many schemes are still keeping their options open.

This is prevalent among mid-sized schemes with assets below £5bn. While it may signal re-evaluation of endgame plans, this change may be sample-dependent given this year's greater focus on larger schemes. Among larger peers, 36% are yet to decide their long-term endgame — a proportion consistent with last year.

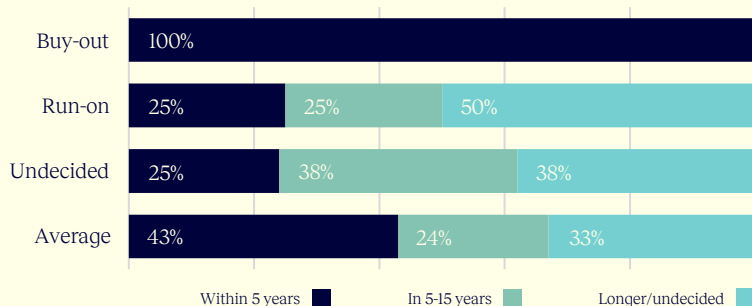
Nevertheless, both insurance buy-out and run-on have decreased in popularity, with the latter now replacing old terminology like 'run-off' or 'self-sufficiency' regardless of whether the scheme is open or closed.

Interestingly, all schemes in our sample which aim for buy-out expect to achieve it within five years, even if they have revisited their plan in the last one or two years (see chart below). This shows that at longer time horizons, schemes are unlikely to commit to a buy-out endgame and instead keep it undecided or choose to run-on for the time being.

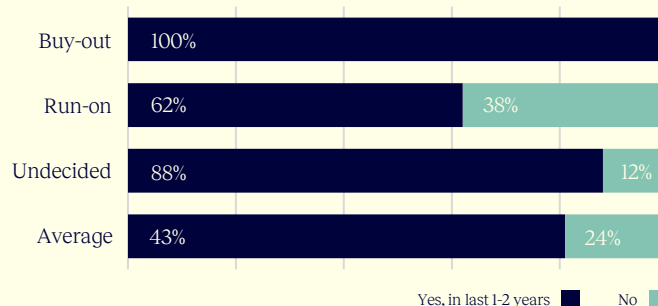
Another interesting point is that 38% of schemes with a run-on endgame have not revisited their journey plan recently. This may mean that they are yet to check if their journey plan is still fit for purpose, or they have decided not to make any changes.\*



### TIME TO ACHIEVE ENDGAME



### ENDGAME REVISTED



\*Please note that revising the endgame journey plan does not necessarily mean changing it. However, the report in its entirety suggests that changes cannot be ruled out and aims to shed some light on the drivers behind them.

## Key Statistics

**81%**

of DB schemes have revisited their endgame plans in the last one or two years.

**43%**

of schemes under £5bn are undecided on their endgame plans, up from 14%.

**36%**

of schemes over £5bn also remain undecided this year.

**100%**

of schemes targeting buy-out expect to achieve it within five years.

**38%**

of schemes aiming for run-on have not revisited their journey plan recently.



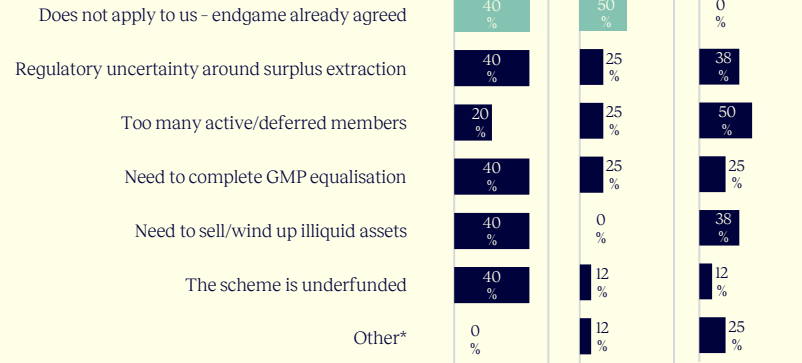
# Regulatory uncertainty delays endgame decisions

**Regulatory uncertainty around surplus extraction is the top reason schemes have not finalised their plans—new rules may make run-on more appealing.**

About half of the schemes targeting buy-out and run-on have agreed their endgame, but regulatory uncertainty around surplus extraction is the top reason others remain undecided.

Among schemes going for buy-out, additional barriers include GMP equalisation, funding levels, and illiquid assets. If preparedness improves, 60% will step on the gas pedal, but 40% would run-on if it becomes more attractive.

## REASONS ENDGAME NOT AGREED



## Key Statistics

**50%**

of schemes aiming for run-on and 40% of those targeting buy-out have agreed their endgame.

**40%**

of schemes aiming for buy-out or with an undecided endgame hesitate because of regulatory uncertainty around surplus extraction.

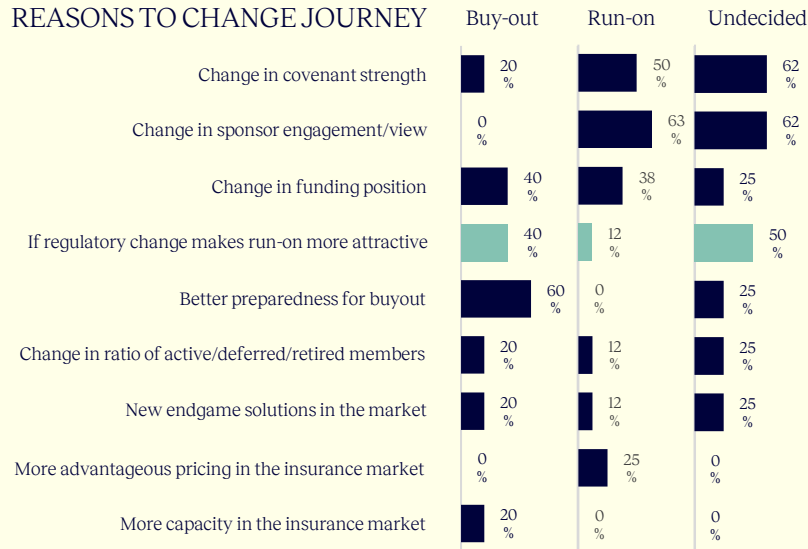
**50%**

of undecided schemes and 40% of those targeting buy-out would consider run-on if the government makes it more attractive.

**62%**

of undecided schemes and those aiming to run on would change journey plans if their sponsor becomes disengaged or changes their view.

## REASONS TO CHANGE JOURNEY



Schemes on a run-on path are more confident in their endgame, but 63% would reconsider if the sponsor becomes disengaged or changes their view—a concern also shared by undecided schemes. This underscores the importance of open communication with trustees about long-term strategy.

Undecided schemes also often struggle with too many active and deferred members, making decisions more complex. Many additionally worry about selling illiquid assets, most likely to keep the buy-out option open. They remain vulnerable to shifts in covenant strength and sponsor priorities.\*

\*Other reasons include the delay in the DB funding code and recent scheme closure; but they exclude: difficulty obtaining buy-out quotes/competitive pricing, a lack of engagement with the sponsor, the potential for a 100% PPF underpin, or investing in a less constrained manner. Just one scheme awaits clarity around consolidation.



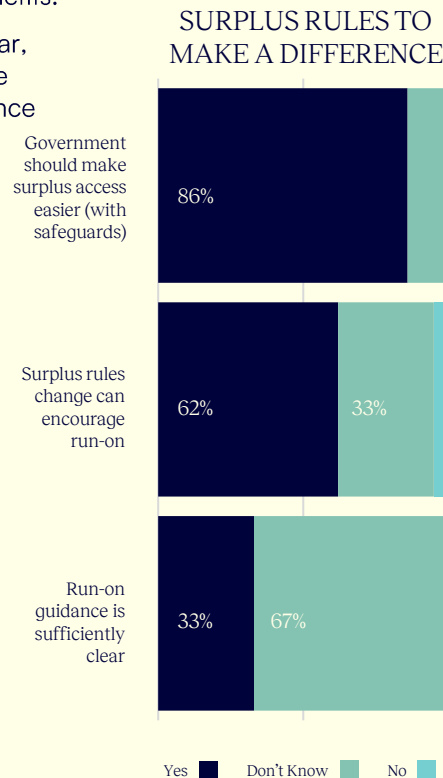
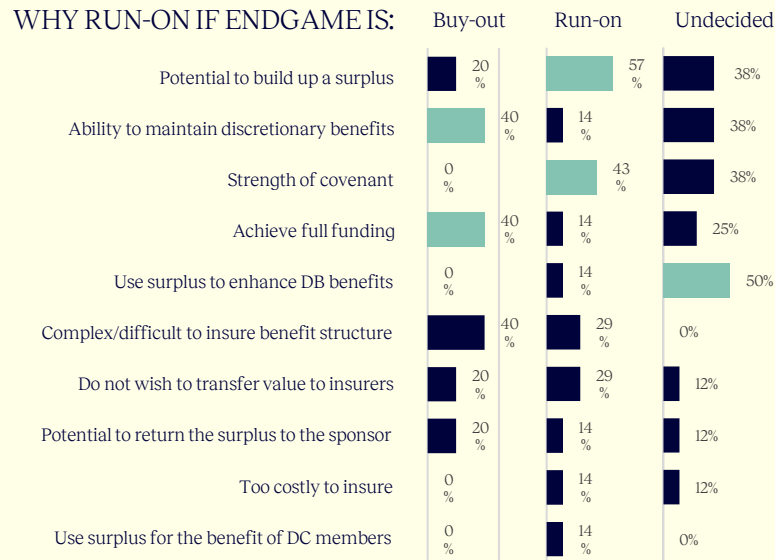
# Surplus rule changes could shift endgame choices

## Schemes may reconsider their endgame if surplus extraction rules change, so schemes with a buy-out or undecided endgame may choose to run on.

Changes to surplus extraction rules could significantly alter endgame strategies. 86% of the schemes surveyed believe the government should make surplus access easier, with appropriate safeguards for member outcomes, and 62% say regulatory change would encourage more schemes to run on. Over half of those targeting run-on do so primarily to build a surplus, but having a strong covenant is a key consideration. And schemes on a buy-out or undecided path are likely to reconsider their plans if surplus access improves, making sponsors more willing to fund schemes more aggressively to secure if not improve benefits.

Schemes aiming for buy-out are more likely to reconsider if the surplus accumulated in run-on helps maintain discretionary benefits or improve funding. Half of undecided schemes also see run-on and building up a surplus as a way to enhance DB benefits.

Despite the potential impact, 67% of schemes feel run-on guidance is still unclear, highlighting the need for further support but not more regulation. New guidance should balance risk-sharing between DB and DC members with productive finance investing.



## Key Statistics

**86%**

of large schemes say the government should ease surplus access.

**62%**

say surplus rule changes would encourage run-on.

**57%**

of schemes targeting run-on would do so to build up a surplus.

**50%**

of undecided schemes would use surplus to enhance DB benefits.

**40%**

of schemes aiming for buy-out would consider running on to improve funding or maintain discretionary benefits.

**67%**

say run-on guidance remains unclear.

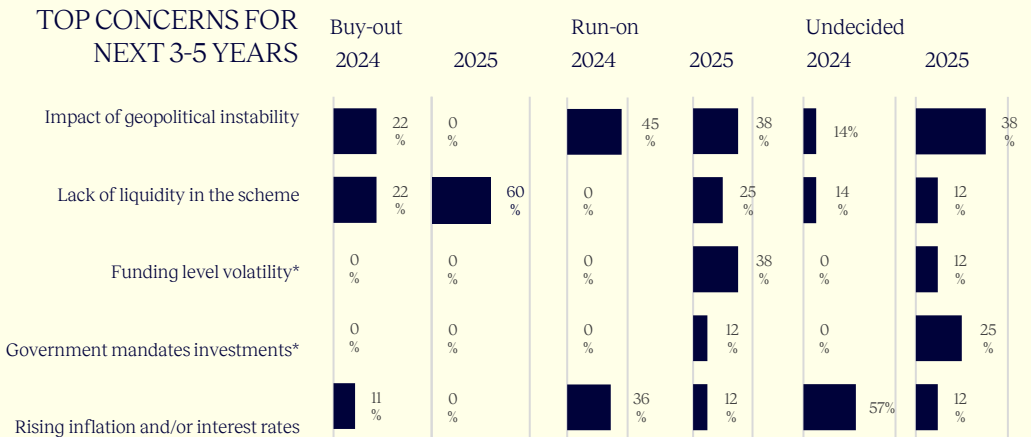
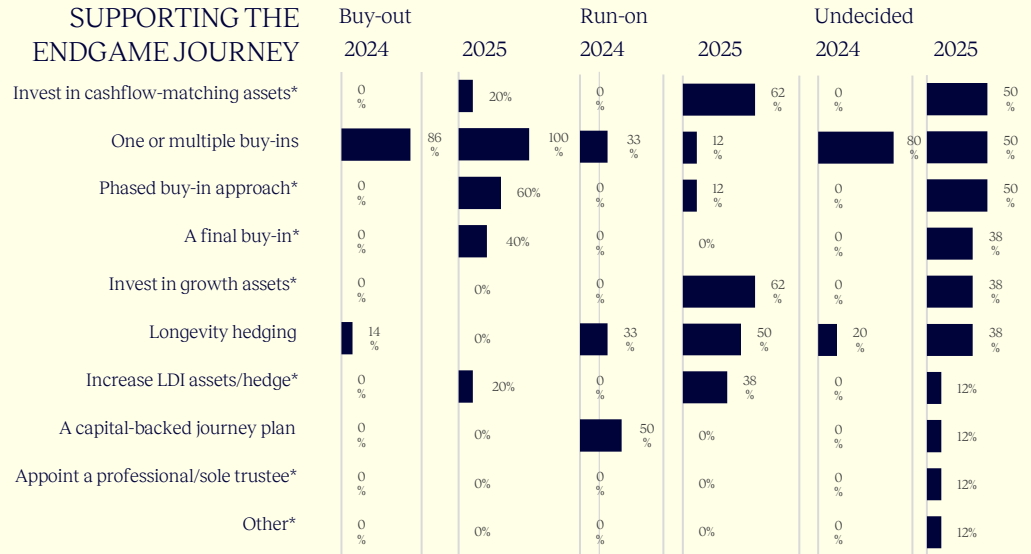
# Run-on schemes add growth assets but stay hedged

**Schemes on a run-on path are increasing growth assets while maintaining LDI hedging, showing they can absorb illiquidity without wholly re-risking.**

Two-thirds of schemes aiming for run-on plan to invest in growth assets in 2025. This, perhaps helped by the slow-down in inflation and interest rates, shows a willingness to allow geopolitical and funding risk back on the balance sheet (see bottom chart). However, it is not re-risking. Run-on schemes balance growth with cashflow-matching, longevity hedging and LDI.

Undecided schemes also plan to invest in growth assets but making use of buy-ins in parallel and thereby keeping buy-out options open. Buy-ins remain 100% relevant for buy-out but far less so for other endgames.

Interestingly, liquidity tops the challenges in buy-out, while schemes with other endgames are not so worried, signalling a readiness to absorb some of the illiquidity associated with growth assets.\*



\*The starred options were introduced as answer choices in 2025. 'Other' refers to increasing scheme liquidity and reducing LDI leverage. The top concerns are a subset of a bigger chart, the rest of which is shown on the next page. Its origin is a multiple choice question allowing respondents to choose all that apply.

## Key Statistics

**62%**

of schemes aiming for run-on are considering growth assets to support their endgame.

**50%**

of run-on schemes are also thinking about longevity hedging.

**12%**

of schemes with a run-on or undecided objective are worried about rising rates.

**60%**

of schemes going for buy-out say liquidity is a top concern.

**38%**

of schemes going for run-on are worried about geopolitical and funding level risk, but not so much about illiquidity, signalling a readiness to take on some risk.



# Evolving challenges require new innovative solutions

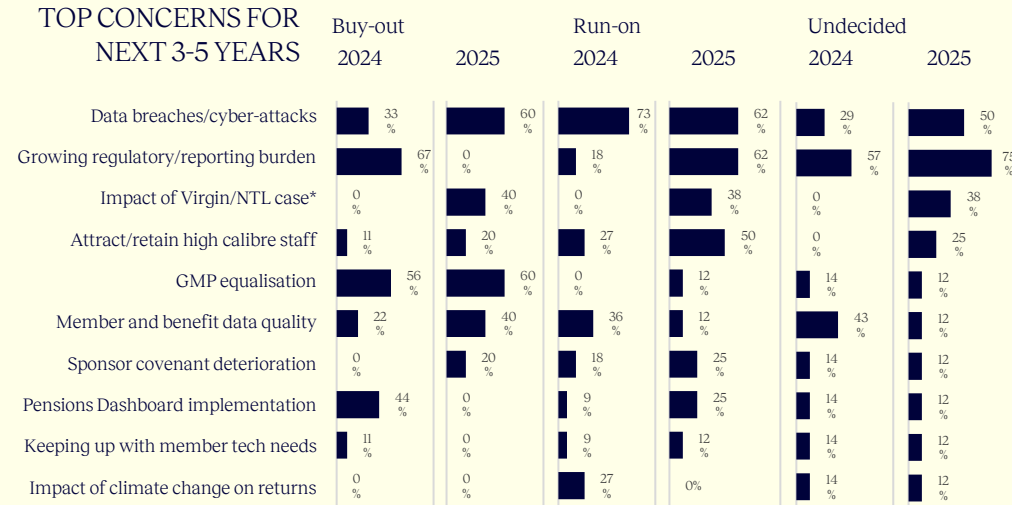
**Cyber and regulatory risks are rising, while buy-out schemes focus on data and run-on schemes prioritise in-house expertise.**

As many may already have the desired scheme and investment governance arrangements in place, the focus is now on finding new solutions to new problems.

Cybersecurity is a rising concern across endgames. Six in ten of those aiming for buy-out now cite it, up from 33% in 2024. They also have a persistent and growing need for data support and solutions (e.g., GMP equalisation and member data quality), even if they are less likely to implement pension dashboards, the closer they get to wind-up.

Indeed, the regulatory and reporting burden keeps climbing for 62% of schemes going for run-on and 75% of undecided schemes. The ramifications that may be needed after the appeal of the Virgin Media case will further add to this for 40% of all DB schemes. Some schemes may be focusing on in-house capabilities, which is perhaps why attracting high-calibre staff is a growing priority for schemes going for run-on.

In this context, climate change impact on returns and keeping up with member tech are not front of mind—but it is unclear whether they are properly resourced or too difficult to prioritise. New challenges demand new solutions, and providers must stay flexible to meet the evolving needs of UK DB schemes. Those schemes and providers that adapt will not only lead the way but also bring greater certainty to an uncertain landscape.\*



## Key Statistics

**60%**

of schemes going for buy-out and run-on now worry about data breaches and cyber-attacks, on the scheme or its providers.

**60%**

of schemes going for buy-out need help with GMP equalisation, and 40% with member and benefit data quality.

**75%**

of schemes with an undecided endgame and 62% of those going for run-on worry about the regulatory burden.

**40%**

of all schemes irrespective of their endgame are also worried about the impact of the Virgin Media case appeal.

\*The starred options were introduced as answer choices in 2025. These charts are a continuation of charts shown on the previous page, which correspond to multiple choice questions allowing respondents to choose all that apply.



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