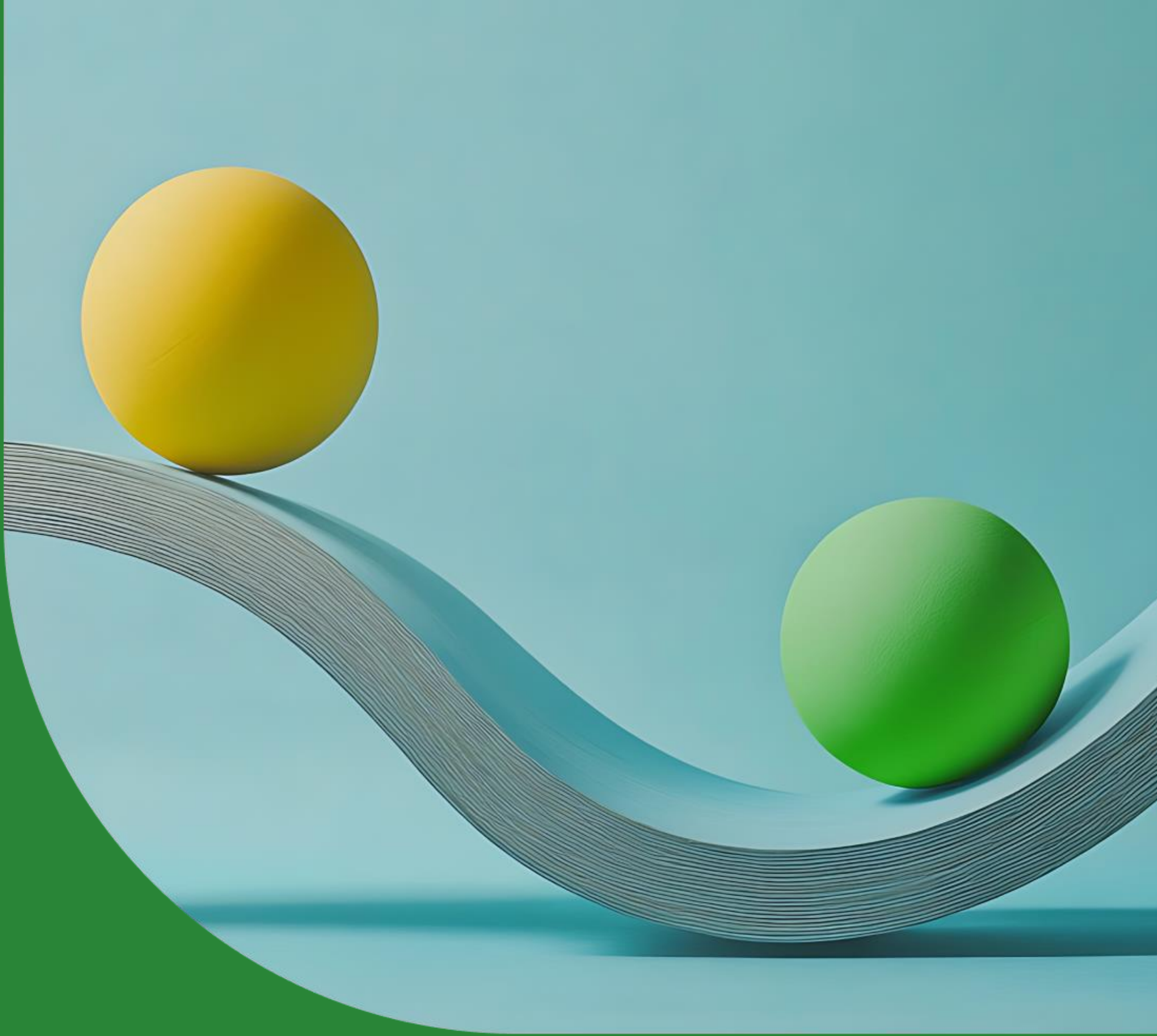
Independent Governance Group

The Pensions Balancing Act

August 2026



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Foreword

Andrew Bradshaw
CEO of IGG

Welcome to our first report exploring the growing importance of pension scheme surplus.

The timing of this publication is particularly significant. With many defined benefit schemes now in a stronger funding position and the regulatory landscape continuing to evolve, sponsors and trustees are facing a new generation of strategic decisions. Surplus has returned to the conversation and, with it, greater choice.

To better understand how organisations are responding to this changing landscape, IGG commissioned research among 100 UK CEOs, CFOs and pension decision-makers. The findings reveal a sector at a pivotal moment, with sponsors reassessing long-held assumptions and exploring a broader range of strategic options for their pension schemes. Notably, our research shows that only one in ten DB sponsors is targeting an immediate buyout.

In many respects, we are seeing both sponsors and Government rethink the role of DB pension schemes, shifting the focus from risk management alone to the strategic opportunities that well-funded schemes can create. Greater flexibility is enabling businesses to reconsider the role their pension schemes can play and the value they can deliver.

As options expand, so do the questions. Should a scheme continue to run on? Is buyout still the right objective, and if so, when? What value could a well-funded scheme create for members, sponsors, or both? How much surplus is enough? And what governance frameworks are needed to support these decisions? These questions are already reaching the boardroom. Eight in ten pension decision-makers told us that C-suite time spent on pensions has increased over the past five years. Among DB sponsors, almost two-thirds have already reviewed their long-term pension strategy, with a further quarter currently undertaking a review.

The challenge for the industry as a whole is to turn greater choice into better decisions. As funding improves and strategic options expand, effective governance, strong sponsor-trustee relationships and access to specialist expertise will be critical in delivering positive outcomes for both sponsors and members.

We hope you find the insights in this report valuable and thought-provoking.

Andrew Bradshaw

Independent Governance Group

Executive Summary

Executive Summary

The defined benefit pensions landscape has changed. Improved funding, new endgame options and significant regulatory reform are giving corporate sponsors greater choice over the future of their schemes.

Our research shows CFOs and senior pension decision-makers are responding, but greater choice is also creating new complexity, heightening the need for professional governance.

Pensions are back in the boardroom.

More than four in five (81%) senior pension decision-makers say C-suite time spent on pensions has increased over the past five years. However, almost two-thirds (62%) say their pension responsibilities create pressure or concern.

Surplus brings opportunity, but also caution.

Just one in ten (10%) DB sponsors are aiming for buyout as soon as practical. Two-thirds (66%) have already reviewed their long-term pension strategy as funding conditions improve and the range of options expands, with a further 27% currently doing so.

Sponsors are reconsidering “endgame”.

There is little consensus over how surplus should be used, but there is caution about returning to deficit. Two-thirds (67%) favour retaining a buffer above the legal minimum before surplus is used or distributed.

Greater choice is increasing the importance of governance.

One in three (34%) decision-makers say stronger alignment between sponsors and trustees would help them make more confident long-term decisions, while 32% want targeted pensions training for board and C-suite leaders.

Methodology

IGG commissioned Censuswide to survey 100 UK CEOs, CFOs and pension decision-makers to assess their views, experience and strategies with regards to their current pension schemes. The data was collected between July 3rd and July 7th, 2026.

DB-specific findings are based on the 73 respondents whose organisations are the sponsors of DB schemes.

Censuswide is a member of the Market Research Society (MRS) and the British Polling Council (BPC), and a signatory of the Global Data Quality Pledge. It adheres to the MRS Code of Conduct and ESOMAR principles.

Pensions return to the boardroom

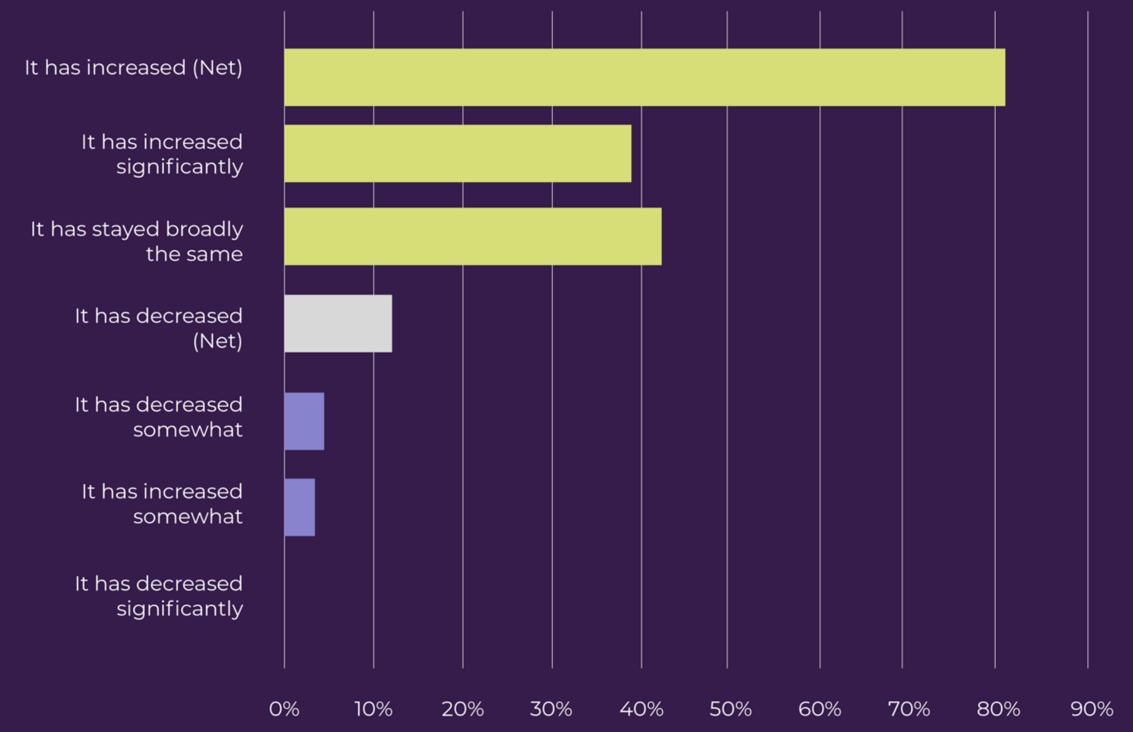
Pensions return to the boardroom

For many CFOs, pensions have historically been a responsibility they would rather keep away from the top of the boardroom agenda.

Defined Benefit schemes were often viewed as a legacy financial risk to be carefully managed, and would attract attention when something was going wrong, or a deficit required rectifying.

Prior to 2022, the direction of travel was typically to improve funding, reduce volatility and work towards an eventual endgame, while ensuring effective ongoing governance. Today, improved funding conditions, and a broader range of attractive options mean that relative simplicity has gone.

C-Suite time spent on pension scheme over the last 5 years



The result is a greater demand on C-suite time and attention. Of the CFOs and senior decision-makers we surveyed, more than eight in ten (81%) say the amount of board-level time spent on their organisation's pension scheme has increased over the past five years. For more than a third (37%), it has increased significantly. It has decreased for just one in twenty.

This isn't a result of pension schemes becoming intrinsically more problematic. In many cases, the opposite is true. Funding has improved, and running a surplus rather than a deficit is the new normal: the UK's aggregate surplus stands at £210bn on a low dependency basis.

This has shifted the questions facing CFOs and sponsors from simply managing pension risk to considering what a well-funded scheme could achieve and what the right long-term objective should now be.

"For years, the challenge for many CFOs was relatively easy to define, even if it was difficult to solve: fund the deficit, manage risk and work towards a long-term objective. Improved funding has changed that equation. Sponsors and trustees now have a wider range of credible options available to them, but that makes decision-making more complex rather than less. Success increasingly depends on strong governance, effective sponsor-trustee collaboration and access to the right expertise."

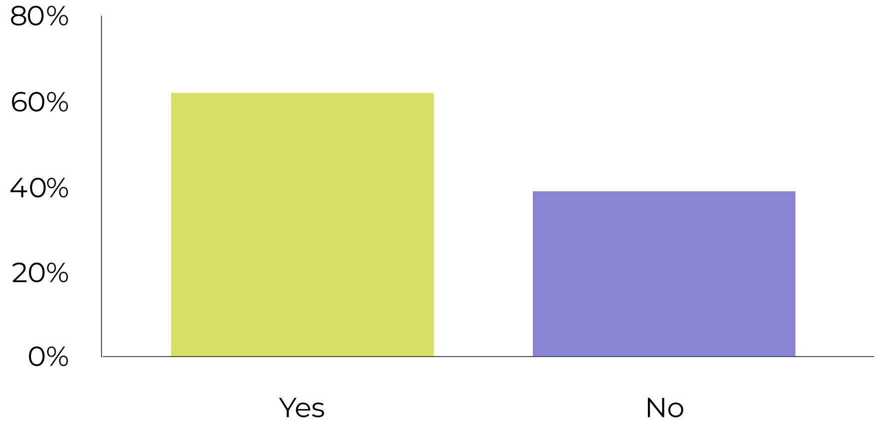
David Farmer,

Trustee Director and Head of Strategic Pension Solutions at IGG

More options, more pressure

For CFOs and senior decision-makers, greater choice is bringing greater responsibility. **Almost two-thirds (62%) of those surveyed** say their organisation's pension responsibilities create pressure or concern for them in their role.

Whether pension scheme responsibilities create concern or pressure

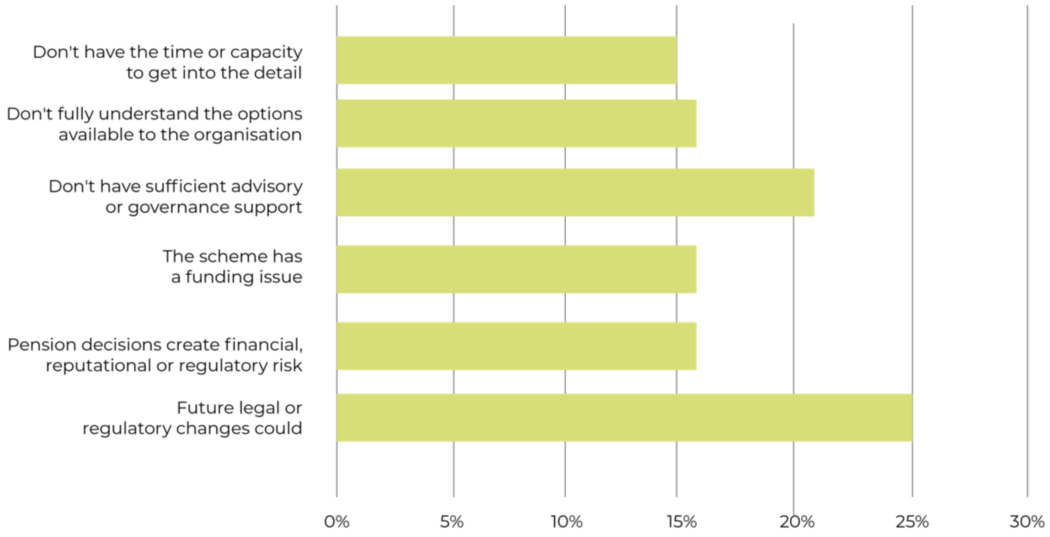


Future legal or regulatory change is the single most commonly cited concern, identified by one in four (25%) decision-makers.

This sense of pressure is compounded by perceived gaps in external support and in-house capacity to engage with such technical detail. More than one in five senior decision-makers state they don't have sufficient advisory or governance support, 15% do not have the time or capacity to get into the detail, while one in six don't fully understand the organisation's options.

Conversely, of the 38% who do not feel increased pressure or concern, the most common reason (18%) is that they have sufficient advisory and governance support in place.

Reasons why pension scheme responsibilities add pressure



“It’s no coincidence that greater choice has arrived at the same time as significant regulatory and legislative change. That is a difficult combination for any CFO to navigate. Sponsors are being asked to weigh unfamiliar options, often with very different long-term implications for the business and scheme members.

“Specialist support and strong governance are becoming more important, not less. Fundamentally, unlike investment risk, regulatory and legal risks cannot be hedged. Professional trustee expertise is one way of mitigating them for the sponsor.”

Hatty Goodwin,
Trustee Director and Head of Risk Transfer at IGG

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Changing perceptions

Improved funding changes perceptions

While a greater range of options may absorb more time and resource among sponsors, it is also changing how legacy schemes are thought of.

Our research suggests the view that pension schemes are a financial risk to be managed and a liability to be removed from a balance sheet is no longer dominant.

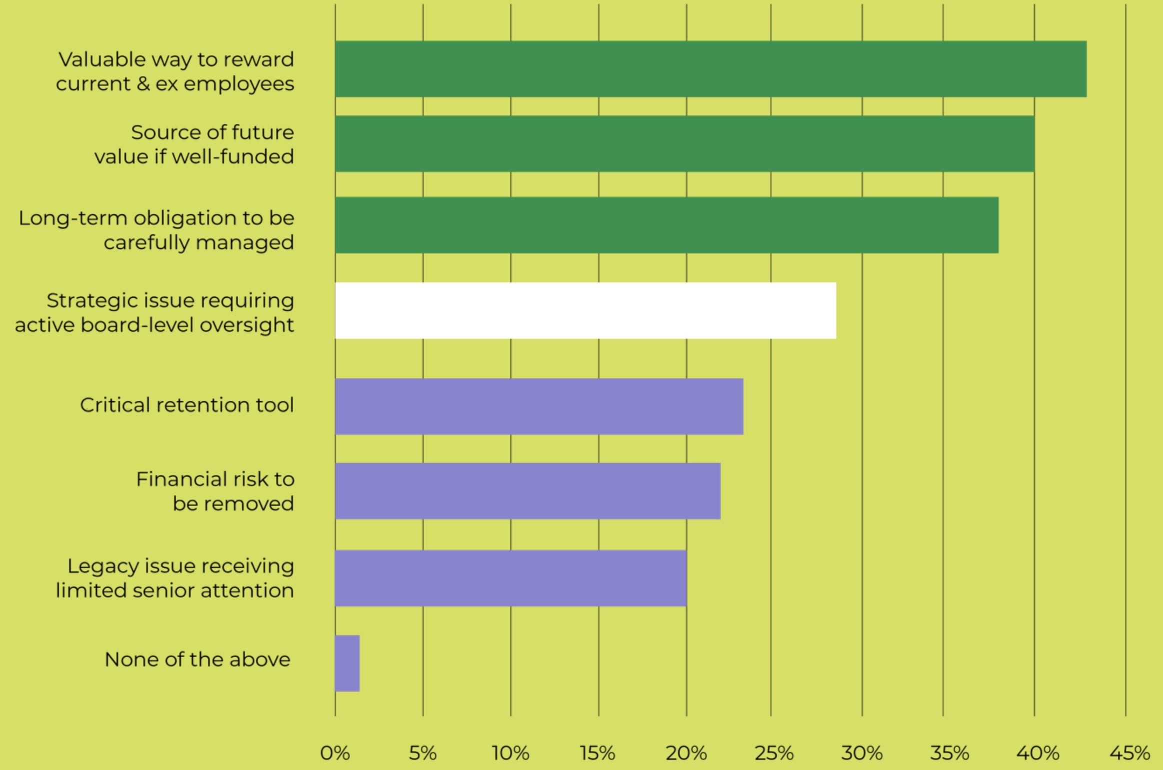
When we asked senior pension decision-makers how they view their organisation's scheme today, the most common answer was people-focused: 43% described it as a valuable way of rewarding current or past employees while a further fifth identified their pension scheme as a critical retention tool.

At the same time, sponsors also recognise the financial potential of a scheme in surplus.

4 in 10 (40%) also see their scheme as a potential source of future value if it is well-funded.

This is now nearly twice the number (22%) of those who primarily view it as a financial risk that should be removed from the balance sheet as soon as possible.

C-Suite view of company pension scheme



Risk and its return

As funding positions have improved, many sponsors are looking beyond the question of how quickly pension risk can be removed and asking what a well-funded scheme could achieve over the longer term – whether for employees, scheme members, or for the sponsoring company.

But that doesn't mean risk has disappeared altogether from the conversation, or that member security has become secondary. CFOs are more than aware of their responsibilities to keep schemes well-funded. More than a third (38%) still describe their scheme as a long-term obligation that needs to be carefully managed.

"A better-funded scheme naturally changes the conversation. If a scheme's strategy is no longer dominated by deficit recovery, sponsors and trustees have an opportunity to look again at what they are trying to achieve. That does not mean taking unnecessary risk or putting member security second. It means asking whether the strategy developed five or ten years ago still delivers the best outcome today."

David Farmer,
Trustee Director and Head of Strategic Pension Solutions at IGG

Beyond the buyout default

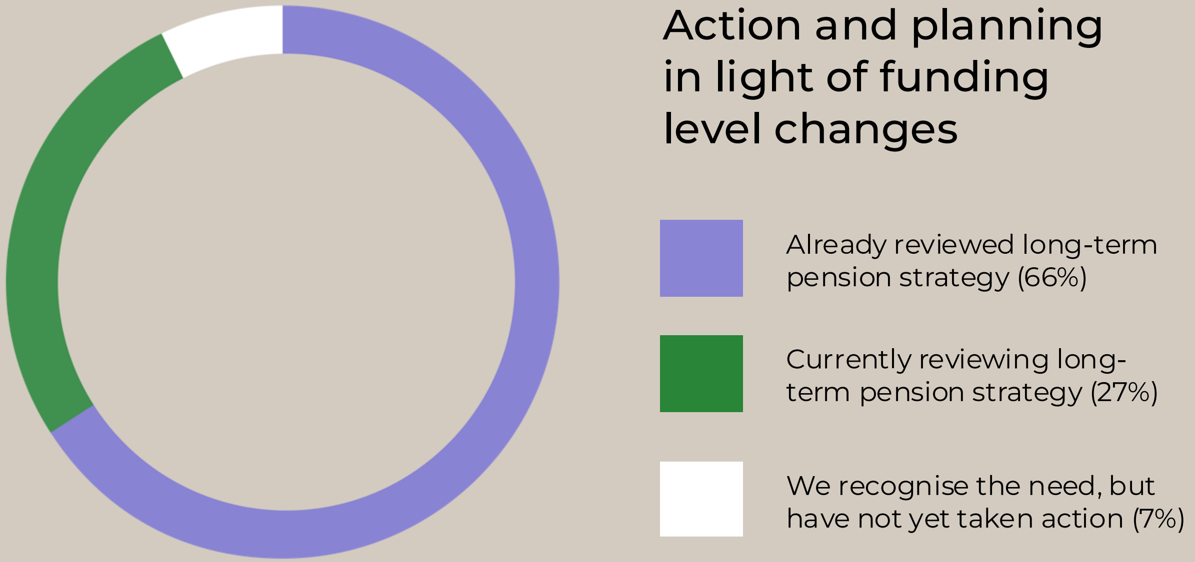
Beyond the buyout default

Sponsors are not sitting idly by as the funding and regulatory backdrop evolves. Two-thirds (66%) of DB sponsors have reviewed their long-term pension strategy in response to improved funding levels.

A further 27% are currently undertaking a review.

In other words, more than nine in ten DB sponsors have either revisited their long-term strategy or are in the process of doing so.

What they have decided reflects the circumstances of their own schemes and businesses, as well as their objectives and relationship with the trustee board.



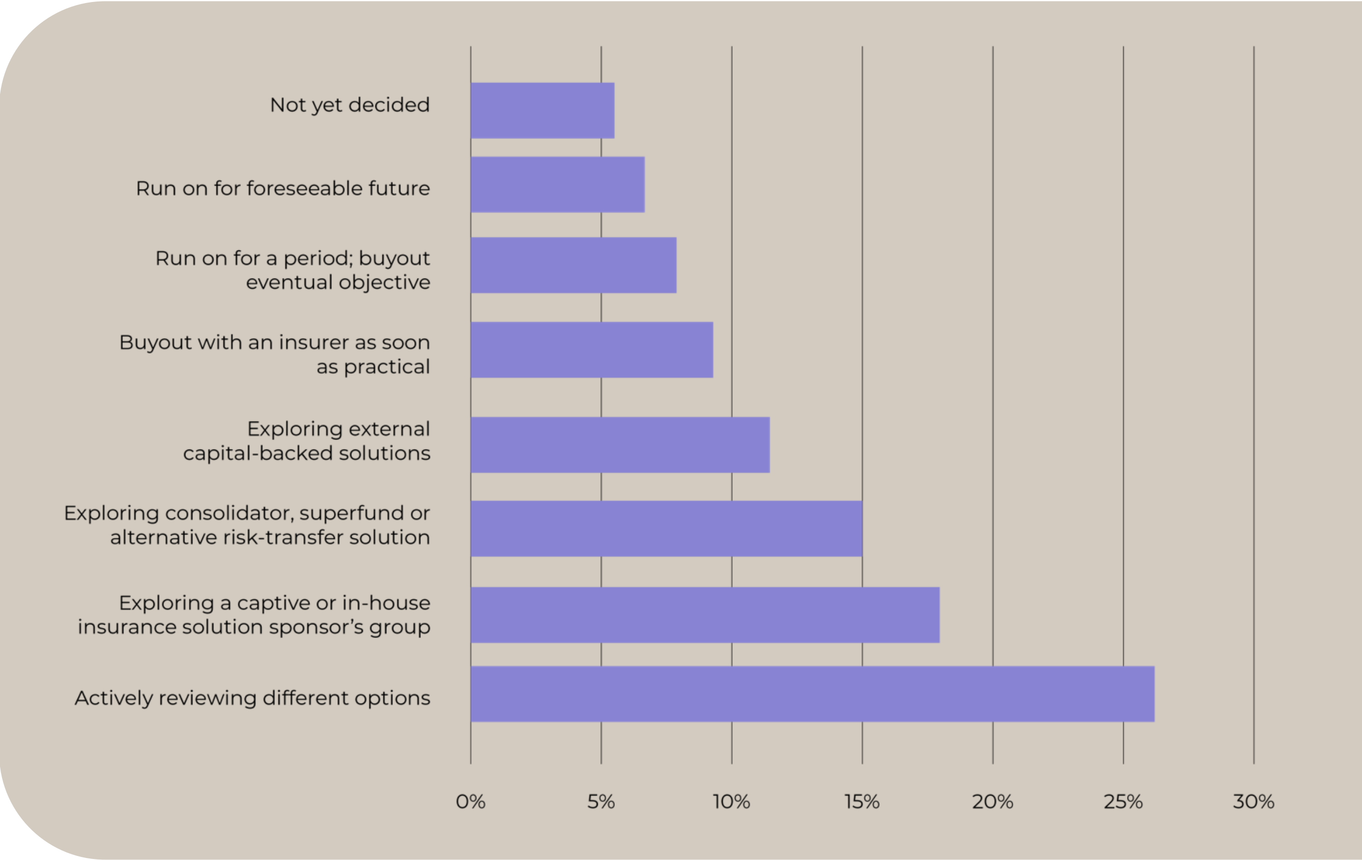
While one in ten (10%) DB sponsors are now aiming for buyout with an insurer as soon as practical, 15% are looking at running on in some form. Of these, more than half see buyout as the eventual objective.

Many continue to view buyout as an attractive long-term destination, but are increasingly considering alternative routes and timings before reaching it. What is clear, however, is that many are also undecided, and are still coming to terms with a new landscape. As mentioned, while more than a quarter are still reviewing their options before deciding on their long-term strategy, a further 5% admit they are undecided on what course to follow.

That is not surprising, given the range of options on the table. Almost one in five (18%) are exploring a captive or in-house insurance solution, an option more common with larger organisations, while 15% are looking at a consolidator, superfund or other alternative risk-transfer solution. A further 11% are exploring external capital-backed solutions.

For many schemes, buyout will remain the right route. But the findings suggest it is increasingly being considered alongside a broader range of potential outcomes, rather than being treated as the automatic destination.

Organisation's current objective for DB scheme



“The debate should not be framed as buyout versus run-on, the focus is now on timeframe. Run-on strategies can be used in the short, medium and long term to achieve better outcomes for members and sponsors; while the insurance market remains a secure route to remove risks off the balance sheet when the time is right.

“The important change is that sponsors and trustees have more credible options available to them and are rightly testing the market to find which best fits their scheme, their obligations and their objectives.”

Hatty Goodwin,

Trustee Director and Head of Risk Transfer at IGG

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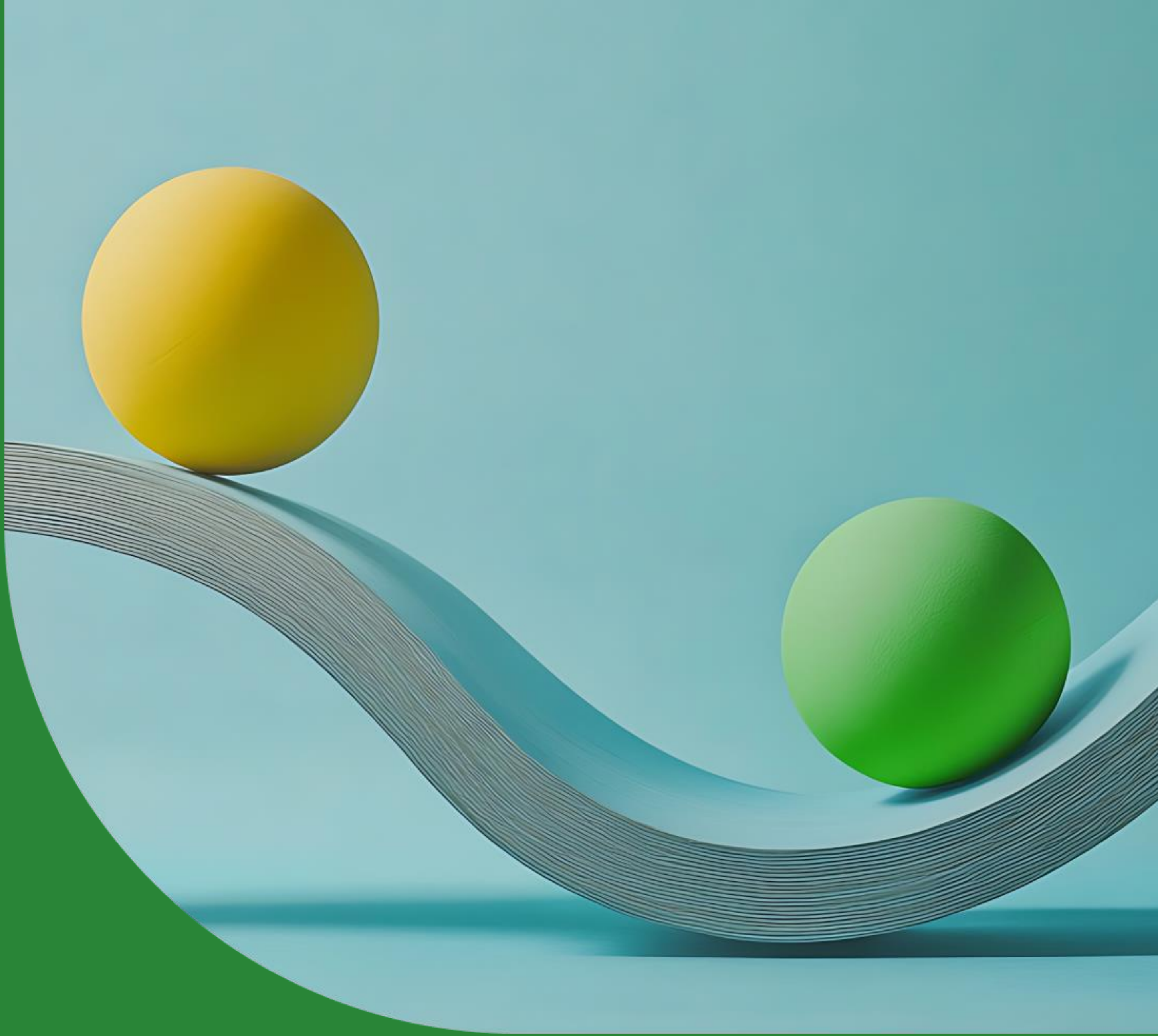
The sponsor balancing act



The sponsor balancing act

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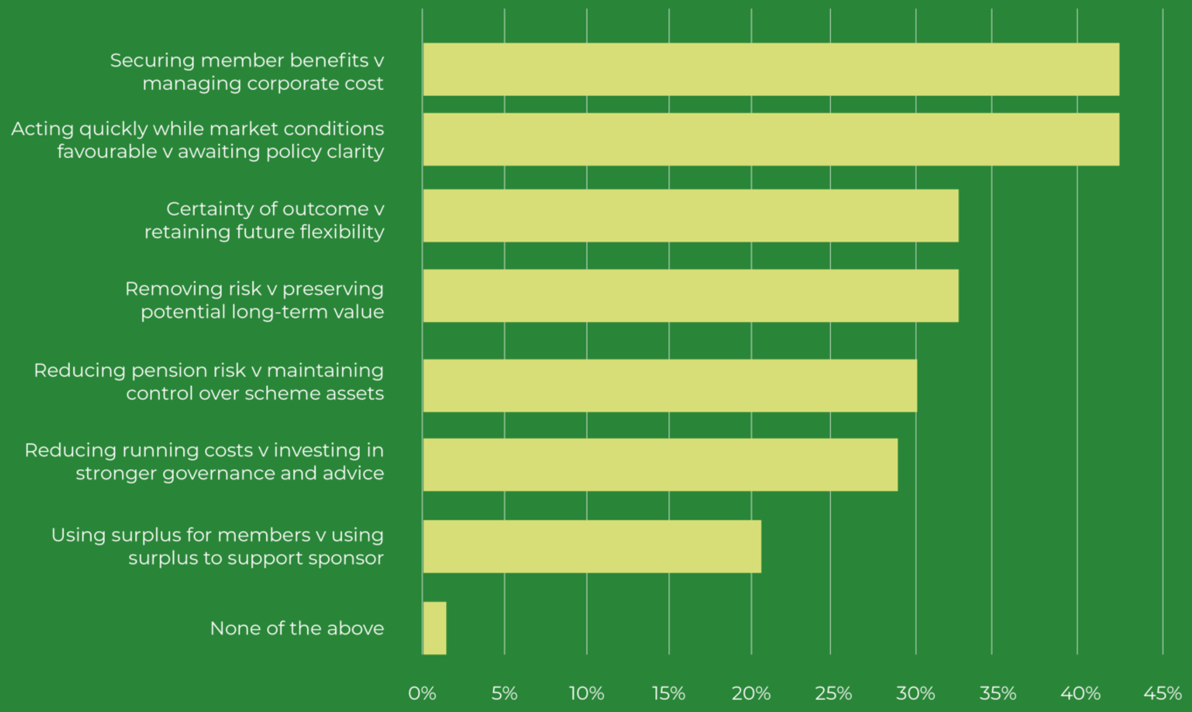
Our research shows there is rarely one factor driving DB strategy. We examined a range of trade-offs CFOs and financial decision-makers face when considering competing priorities, business pressures, and demands from stakeholder groups.

CFOs are balancing three broad sets of priorities: securing outcomes today against preserving future options, the needs of members against those of the sponsoring business, and reducing risk and cost against retaining greater control.

The most commonly identified tensions demonstrate the immediate pressure on corporate decision-makers.

More than four in ten (42%) are balancing securing member benefits with managing corporate cost.

Key priority to balance in pension strategy



The same proportion are weighing whether to act while market conditions are favourable or wait for greater policy clarity.

But the findings also reveal a wider question about how much control and flexibility sponsors are willing to give up. A third (33%) prioritise balancing certainty of outcome against future flexibility, while the same proportion are weighing risk removal against the potential to preserve long-term value.

A further group of tensions centres on how actively schemes should be managed. Three in ten (30%) are weighing pension risk reduction against maintaining control over scheme assets, while a similar figure (29%) is balancing lower running costs against investment in stronger governance and advice.

"CFOs are used to balancing risk and opportunity, but DB schemes bring a particular set of complexities. Decisions made now can have implications for members and the business over many years. What stands out is the sheer number of priorities that must be balanced. There is no universal destination and no one-size-fits-all strategy.

"Each sponsor and trustee board will place different weight on cost, member security, certainty, flexibility and control. The differentiator is increasingly the quality of governance used to navigate those trade-offs."

David Farmer,
Trustee Director and Head of Strategic Pension Solutions at IGG

The question of surplus

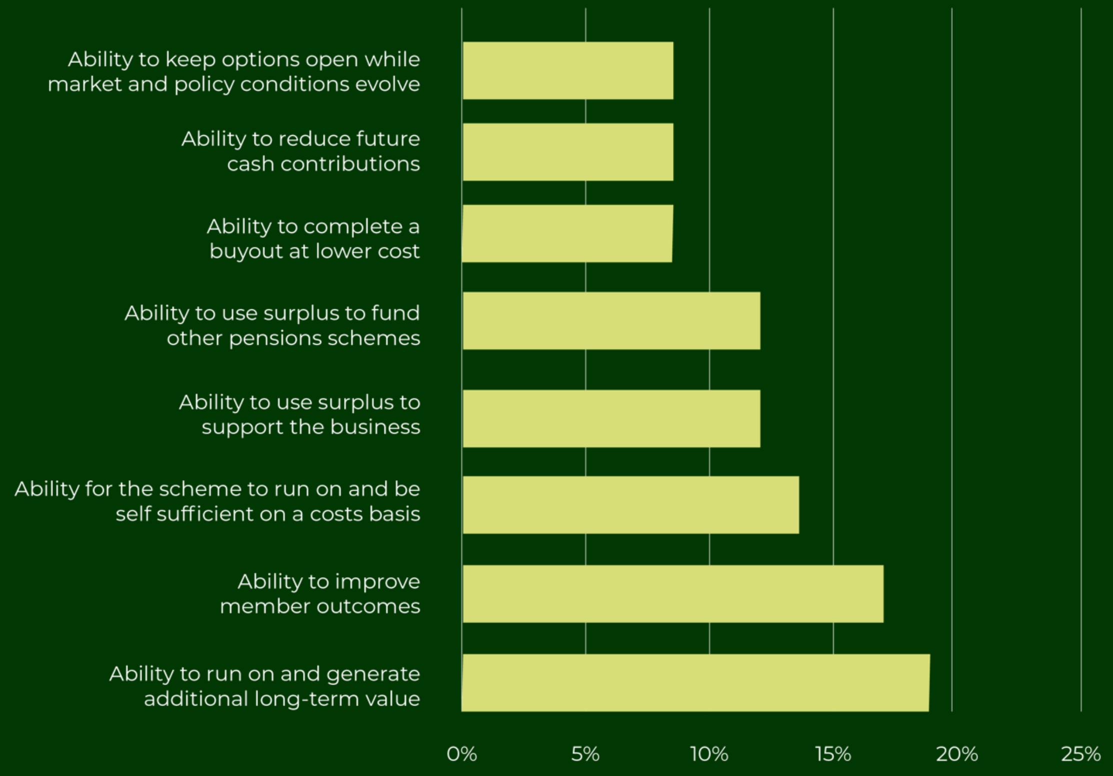
The question of surplus

While surplus is firmly back on the agenda for schemes, sponsors, regulators and government, our research shows there is little consensus on how it should be used. There also seems to be disagreement on what should actually be treated as a surplus.

Asked how their own scheme's surplus should be used, the most common answer was that it should support the employer - selected by 21% of corporate decision-makers. However, more surprisingly, a greater number believed members should benefit in some form. 12% believe surplus should be shared between members and the employer, and 11% believe it should primarily benefit scheme members. While some respondents clearly see surplus as a potential source of value for the sponsoring employer, many also identify opportunities to improve member outcomes, strengthen scheme resilience and enhance benefit security.

A lack of consensus is also evident when sponsors consider the wider value of a fully funded scheme. The most popular option, selected by 19%, is the ability to run on and generate additional long-term value, closely followed by improving member outcomes (18%). A further 14% value the ability for the scheme to become self-sufficient on a cost basis.

Priority for a fully funded DB scheme



By comparison, 12% prioritise using surplus to support the business and the same proportion favour using it to fund other pension schemes. Just 8% see reducing future cash contributions as the most valuable outcome, reflecting both the funding position of current schemes, and the limited number open to accrual.

The spread of responses is significant. There is no dominant view that stronger funding should translate directly into cash being returned to the sponsor. Instead, CFOs appear to see value in a much wider range of outcomes, from generating future value and improving member benefits to creating a more self-sufficient scheme.

But what is notable is the caution in the answers. Almost one in five (18%) believe their scheme's surplus should instead be retained as a buffer against future risk, and 14% favour using surplus to support a buyout or other risk-transfer transaction.

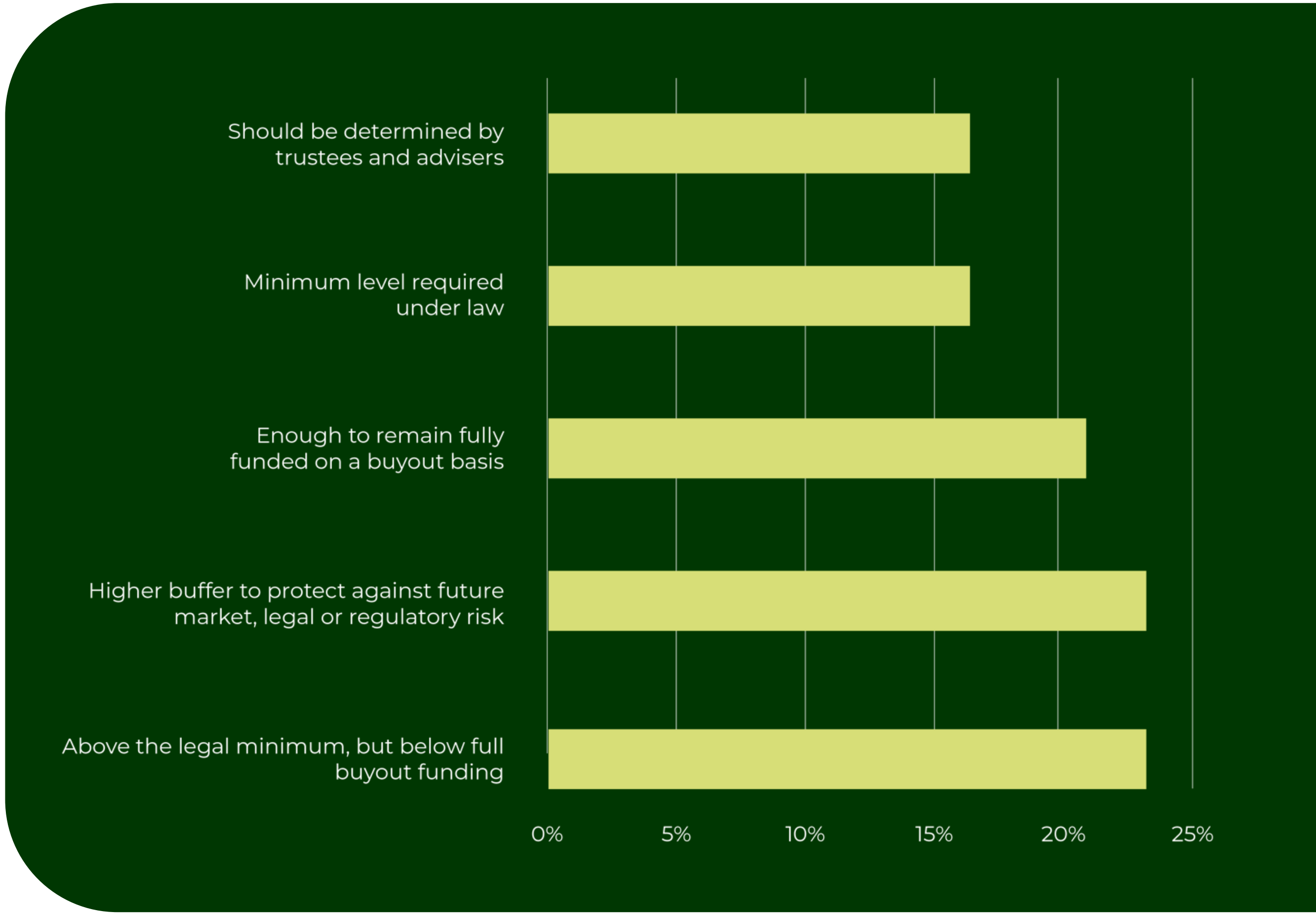
When is a surplus really a surplus?

That caution is even clearer when sponsors consider how much surplus should be retained.

67%

Two-thirds (67%) favour keeping a buffer above the legal minimum before surplus is used or distributed, including 21% who believe schemes should remain fully funded on a buyout basis. Just 16% favour retaining only the minimum required by law.

Ideal funding level before any surplus is used



This suggests a more nuanced view is becoming widespread: surplus cannot simply be treated as a windfall. Instead, sponsors appear to be taking a conservative view of when surplus is genuinely available, a view that aligns well with trustees' fiduciary duties. Even a well-funded scheme can revert to deficit if conditions change, particularly if capital is released too early, risking the need for future cash contributions or the need to scale back member benefits. The question is therefore not simply who should benefit from surplus, but when a scheme is sufficiently resilient to use it, and for what purpose.

The origin of a surplus is also a critical point in discussion over its use. How it has been built up, whether from investment strategy, careful risk management, market movements, changes in actuarial assumptions, enhanced employer contributions, reduced labilities – or a combination of factors.

"For trustees, the focus is no longer solely on closing deficits and securing members' benefits, but on governing potential surplus under uncertainty. The same is increasingly true for CFOs navigating a new pensions landscape.

"That requires a different mindset. Surplus is not simply 'spare' capital, but the product of a funding and investment strategy that must continue to deliver resilience over time. That needs to be understood from the start of any discussion about its use. And while market conditions have improved, surplus can and does disappear. Even well-funded schemes risk reverting to deficit, particularly if capital is extracted prematurely."

Louise Davey,
Trustee Director and Head of Policy and External Affairs at IGG

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From options to action

From options to action

The findings throughout this report point to a DB landscape with more options, but also more difficult decisions. The final question is whether trustees and sponsors feel equipped to make them.

Our research suggests there are clear gaps in confidence among sponsors.

29%

When asked which strategic pension issues they feel least equipped to assess, almost three in ten (29%) corporate decision-makers cited the use of DB surplus.

The same proportion identify understanding regulatory expectations and changes as an area of uncertainty.

More than a quarter (26%) also feel under-equipped to assess employee and member engagement. Just 4% say there are no areas of pension scheme management they feel unequipped to assess.

These findings are particularly significant given the growing C-suite attention and resource being devoted to pension scheme management. CFOs are spending more time on pensions and facing a wider range of strategic choices, but many acknowledge gaps in the knowledge and support needed to assess them.

Desired support for long-term decision-making

Stronger alignment between sponsor and trustees	34%
Stronger alignment between sponsor and trustees	32%
Clearer regulation on surplus use	27%
Greater certainty over buyout pricing and insurer capacity	27%
Clearer expectations from The Pensions Regulator	27%
Clearer guidance on when run-on may be appropriate	25%
More confidence in the employer covenant position	25%
Better funding and risk modelling	22%
More professional governance support	18%

Better decisions require better alignment

When asked what would help their organisation make more confident long-term pension decisions, the most common answer was stronger alignment between the sponsor and trustees, selected by 34%.

Better alignment does not mean sponsors and trustees always agreeing. It means understanding each other's objectives, identifying differences early and agreeing the evidence and principles against which major decisions will be made.

Almost a third (32%) want targeted pensions training for board and C-suite decision-makers. The Department for Work and Pensions' ongoing consultation on draft surplus regulations should provide greater clarity.
But regulation will still need to be interpreted and applied to individual schemes.

With 18% calling for greater professional governance support, professional trustees will have an important role in helping sponsors and schemes put new guidance into practice.

“The range of options available to sponsors has expanded quickly, but the governance around decision-making has not always evolved at the same pace. CFOs do not need to become pension specialists, but they do need the right expertise around them and a strong working relationship with the trustee board. The best decisions are made when sponsors and trustees understand each other's objectives, challenge assumptions early and work through the options together.”

David Farmer,
Trustee Director and Head of Strategic Pension Solutions at IGG

Conclusion


Panel Discussion
Our Year Ahead
Chair: Lou Davey, Trustee Director and Head of Policy & External Affairs
Manni Sohal
Chief People Officer

Making the most of a changing landscape

The DB pensions landscape has changed fundamentally, and our research suggests sponsors know it.

Pensions are taking up more boardroom time. Long-term strategies are being reviewed, and buyout is increasingly being considered alongside a wider range of options. And while surplus is creating new possibilities, sponsors are showing clear caution about when it is genuinely available and how it should be used.

The common thread is greater choice. But choice brings complexity and does not necessarily guarantee better outcomes without the right governance in place.

As the range of options expands, the judgement, independence and specialist expertise offered by professional trusteeship will become increasingly important in helping sponsors and schemes navigate them.

At its heart, this is a balancing act. CFOs and trustees must weigh member security against corporate cost, action today against future flexibility, and risk reduction against the potential for long-term value generation. There is no single route that will be right for every scheme.

The landscape is also still moving. The Government is consulting on the detailed conditions and safeguards that will govern surplus payments to sponsoring employers, with new regulations to follow.

Further guidance from The Pensions Regulator will help shape how trustees approach surplus in practice, while the Government's newly updated pensions roadmap sets out a phased programme of substantial reform over the coming years. A new Prime Minister could bring further changes in political priorities, resulting in additional reform of the pension system. Simply put, while the direction of travel has become clearer over the past year, the rules and expectations sponsors must navigate are still taking shape. This means the burden on CFOs is unlikely to decrease, nor are the demands being placed on trustees.

In this context, improved funding alone will not deliver better outcomes. The real test is what sponsors and trustees do with it.

Strong governance, specialist expertise and better alignment will be critical to balancing competing priorities and turning stronger funding positions into better outcomes for members, sponsors and schemes alike.

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