

Setting your run-on investment strategy: the big questions

October 2026



Ross Fleming

Partner

ross.fleming@hymans.co.uk



Ben Fox

Head of DB Investment Strategy

ben.fox@hymans.co.uk

In our [first](#) investment article, we spoke about the decisions needed to step out of limbo and set an investment strategy with confidence. Here, we focus on some of the pivotal questions facing trustees and sponsors when setting an investment strategy for schemes that are running on.

These questions are so important, because the potential value to be had is so high. We estimate that for a typical fully funded scheme, running on could see member outcomes increase by 15%, assuming a 50/50 surplus split between Company and members. Put another way, for a £500m scheme, we see a potential surplus value of around £150m available from running on.

What is your objective and your value horizon?

Firstly, trustees and sponsors should agree an objective for running on. How much surplus do you want to release, for example, and how frequently? This will inform how long the scheme can run on before the economics become unattractive. We've coined a phrase for this: the 'value horizon'.

It's important for all key stakeholders to work together to agree the objective and value horizon early on, as this gives a basis for agreeing what the right strategy should be. This should involve agreeing how the surplus should be shared, something we explored in our article ['Whose surplus is it anyway?'](#).

Asset liability modelling can be used to understand your value horizon, assess the potential upside available and understand what downside risk needs to be managed. This can be tested across a range of surplus release strategies to identify the strategy that best meets the goals of trustees and sponsors. For example, a fixed amount could be withdrawn each year, giving predictability over surplus release. Alternatively, all surplus above a certain funding level could be withdrawn, giving more certainty over the funding protection in place. The approach taken has implications for the risk being run and the optimal investment strategy to set, which asset liability modelling can help to inform.

The membership profile is important here: as members age and benefits are paid out, the scheme naturally shrinks. At some point, the scheme will become too small, and the costs will start to drag to the extent that future outcomes could deteriorate. Knowing this 'value horizon' is hugely important.

What level of return is appropriate for you to target?

Once you've agreed your objective and understood your value horizon, you can work out the level of return needed. You can then set an investment strategy to deliver that return with the highest level of confidence, while mitigating key risks. Other factors that affect the size of surplus you can achieve, and the return you'll need to get there, include the current funding level, scheme size, maturity, appetite for risk and sponsor covenant.

Schemes that have a higher funding level today, that are less mature or have a strong sponsor covenant can target a higher return. Meanwhile, smaller schemes may need to target a higher return to cover ongoing expenses and make running on worthwhile. But it's for trustees and sponsors to decide whether that's appropriate, considering the factors we set out in this article.

The surplus-release strategy determines how static the asset allocation, and target return, should be through time. If regular surplus release is pursued, that's best supported through a consistent asset allocation and target return; surplus release provides a mechanism for rebalancing and keeping the strategy in line with target. Alternative, if the aim is to delay surplus release and allow the surplus to grow, the surplus assets can be allowed to grow without impeding the ability of the matching component to pay the promised benefits. Under this scenario, the allocation to growth assets will grow over time as the surplus does, and the target return of the investment strategy will grow with it.



How do you build the optimal investment strategy?

Once you know your value horizon, your objective and your target return, you can build the investment strategy to deliver these with confidence. And the specific approach you take will shape some of your key strategic decisions. For example:

Investing in private markets

Decisions to invest in private markets boil down to value horizon and the desire for flexibility in the future. Private market assets are usually appropriate for those that are running on for many years and have high conviction that they won't subsequently decide to switch to buy-out any time soon. We've seen innovation in this area, with products coming to market that offer more flexibility to exit than traditional closed-ended private market funds ([semi-liquid private market strategies](#)). These are a route for schemes to invest in private markets and benefit from higher returns and diversification, while retaining a degree of flexibility. However, care must be taken when selecting the fund and manager – ultimately, these are still illiquid assets. The underlying asset type, and investor base in a fund, are key considerations for determining whether it is an appropriate investment as part of a run-on strategy.

Hedging

Hedging decisions are shaped by the approach to surplus release. You may prefer to distribute surplus regularly, but others may allow it to accumulate over a longer period in pursuit of greater value.

For example, a scheme that intends to distribute any surplus above its 105% funding level may choose to hedge up to that level to improve the likelihood of making those payments. By contrast, schemes focused on maximising surplus growth may decide to hedge only their promised liabilities, leaving the surplus itself unhedged and the ability to put more capital to work in return-seeking assets. This can increase the potential for future surplus generation, but also the risk of funding levels fluctuating over time.

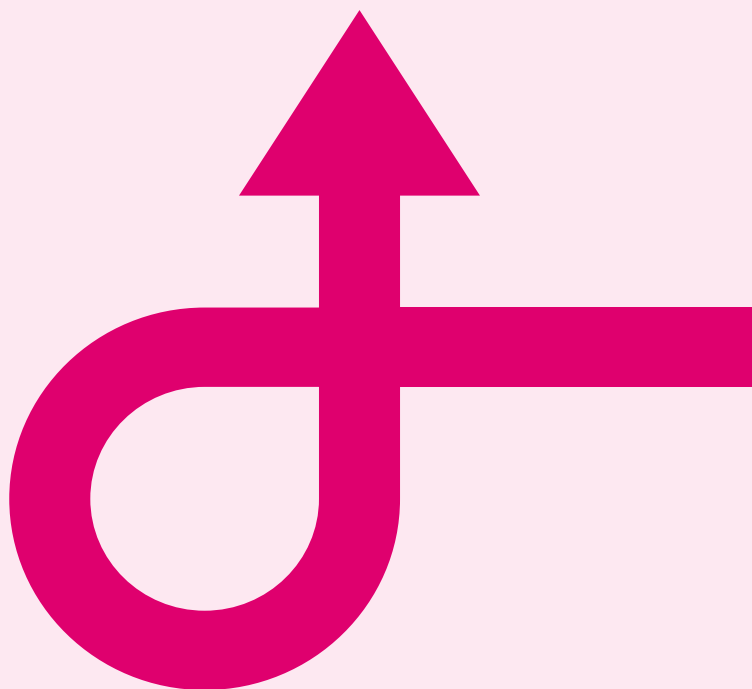
How do you ensure your investment strategy stays appropriate throughout the run-on journey?

Regularly testing your investment strategy can help to ensure it remains appropriate. By reviewing market conditions, you can determine whether any allocations should be overweighted, underweighted or even removed.

For example, we believe that equities have a place in run-on portfolios. As we've remarked on for some time, [US equity valuations are high](#), and we would take an underweight position in the US in favour of other regions.

Credit markets also usually feature heavily in run-on portfolios, as they provide a steady stream of contractual cashflows that can meet benefit payments. With credit spreads so tight, we prefer implementing this exposure via short-duration credit and assets where the income is linked to the base rate, such as asset-backed securities, capital call finance and insurance-linked securities. These are more resilient to future increases in spreads.

Ultimately, considering market conditions when implementing your investment strategy gives you more confidence about delivering your targeted return.



Next steps

In our previous article, we set out the steps needed to move out of limbo and set an endgame investment strategy with confidence. If the endgame decision is to run on, now is the time to bring trustees and sponsors together to agree what you want to achieve, how long you can run on for, and what surplus release strategy should be targeted. By modelling various options, you can confidently set an investment strategy to deliver this.

We can help you explore your options, agree a way forward and develop an investment strategy aligned to your long-term objectives. To discuss anything covered in this article, please get in touch with Ross or Ben.

Don't forget to check out our [Excellence in Endgames hub](#) for practical insights to help you shape and deliver your endgame strategy.



Ross Fleming

Partner

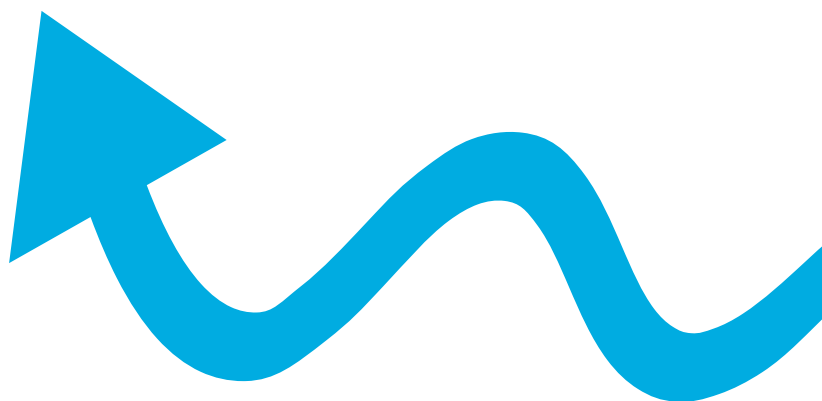
ross.fleming@hymans.co.uk



Ben Fox

Head of DB Investment Strategy

ben.fox@hymans.co.uk



London | Birmingham | Glasgow | Edinburgh

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

This communication has been compiled by Hymans Robertson LLP® (HR) as a general information summary and is based on its understanding of events as at the date of publication, which may be subject to change. It is not to be relied upon for investment or financial decisions and is not a substitute for professional advice (including for legal, investment or tax advice) on specific circumstances. It contains confidential information belonging to Hymans Robertson LLP (HR) and should not be disclosed to any third party without prior consent from HR, except as required by law.

HR accepts no liability for errors or omissions or reliance on any statement or opinion. Where we have relied upon data provided by third parties, reasonable care has been taken to assess its accuracy however we provide no guarantee and accept no liability in respect of any errors made by any third party.

Please note the value of investments, and income from them, may fall as well as rise. This includes but is not limited to equities, government or corporate bonds, derivatives, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of investments. As a result, an investor may not get back the full amount of the original investment. Past performance is not necessarily a guide to future performance.

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities. © Hymans Robertson LLP 2026. All rights reserved.