60-second summary

New models and endgame options in defined benefit pension schemes

The Pensions Regulator has published guidance on endgames for trustees and sponsors of defined benefit (DB) schemes. This includes run-on, buy-out, superfunds and capital backed solutions, as well as wider governance solutions. It emphasizes the importance of determining the most suitable approach for each scheme's unique circumstances.

TPR's latest guidance published on 23 June 2025, New models and options in defined benefit pensions schemes, reflects the growing diversity of strategies available to well-funded schemes approaching their endgame. It highlights the main characteristics of different arrangements, and the issues to consider when assessing if they are suitable directing readers to accompanying guidance as appropriate. The guidance also acknowledges the Pension Schemes Bill 2025 will modify rules on surplus extraction[1], but the Regulator is to consult and publish further guidance as the detail of these changes is pinned down.

The guidance includes several practical case studies that explore the options in more detail. Additionally, the Regulator has issued a separate document summarising feedback received from industry participants during its informal consultation prior to publication.

End-game options

The options discussed fall into the following categories:

- Running on the scheme.
- Financial arrangements such as a superfund or capital-backed arrangement.
- Insurance solutions such as longevity swaps, buy-in or buy-out.
- Governance solutions, either via a fiduciary manager, accredited professional or sole trustee or through a transfer to a DB master trust or multi-trust (these might be used in combination with above options).

General considerations

Trustees and employers should consider options carefully. Each has implications for member security, governance, and long-term sustainability. Not all options will be available to all schemes, and there is no one-size-fits all solution. It is important that scheme-specific circumstances are considered and governance supports decision-making across more complex and potentially unfamiliar models.

Trustees and employers should understand the characteristics of any arrangement they are getting into, the reasons for doing so and the risks involved. Trustees are expected to seek appropriate professional advice, assess the impact of any option on the employer covenant, and fully understand any loss of control or fiduciary implications. They must also manage conflicts of interest, conduct thorough risk assessments and stress tests, and understand the potential consequences of unwinding any arrangement if circumstances change. There is a strong emphasis on the importance of collaboration between trustees and employers.

[1] See our 60 Second Summary, Government fires starting pistol for pension reforms for more details.

Run on and surplus

When considering run on, trustees should evaluate a range of factors including the scheme's funding resilience and employer covenant strength. The scheme's scale and operational efficiency as it matures are also key, alongside cost control and effective trustee succession planning. Potential member advantages include retaining control over member experience (including option terms) and discretionary benefits.

More regulatory guidance will follow as the new surplus flexibilities take shape. However, the guidance does set out a range of issues to consider in respect of surplus. Any framework (including appropriate funding thresholds for release) should be part of a wider long-term strategy and reflect members' and sponsors' interests, with careful risk assessment and compliance with fiduciary duties.

Financial arrangements

Capital-backed arrangements typically retain the employer link and involve third-party capital supporting higher-risk investment strategies, with terms that may limit trustee control, involve fees, and require careful governance, risk assessment, and contractual understanding. Superfunds, by contrast, typically sever the employer link and offer improved security for schemes that cannot afford a full buy-out, with emerging solutions operating either as a temporary 'bridge to buy-out' or on a permanent run-off basis. Trustees must ensure compliance with regulatory expectations, assess whether their scheme meets superfund gateway conditions, and take appropriate advice before entering such arrangements. The Regulator expects evidence of robust due diligence when exploring emerging alternatives to more traditional insurance routes.

Insurance solutions (buy-ins, buy-outs, and longevity insurance)

Insurance solutions offer trustees ways to transfer risk and secure members' benefits, though they come with significant implications for scheme liquidity, governance, and flexibility as complex, often irreversible transactions. Trustees must consider funding readiness, market capacity, member data quality, residual risks, and the impact on member options and discretionary benefits.

Governance solutions

The Regulator emphasises that effective governance is essential, noting trustees may be able to improve the day-to-day management of the scheme and efficiency by adding expertise to the board, delegating duties (e.g. investment management or administration), or transitioning into DB master or multi trust arrangements. However, trustees must carefully weigh up any loss of control, risks and the long-term suitability of such arrangements versus the potential benefits, ensuring regular review and due diligence.

This latest guidance continues to underscore that the DB endgame landscape is shifting with more options and choices available to trustees and sponsors than ever before. As the legislative framework continues to evolve, having clear regulatory guidance to support decision making will be critical. This is a helpful initial round-up of the issues to consider and hopefully signals TPR's focus in supporting this evolving area at pace. Trustees and employers are encouraged to start developing and documenting plans.

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