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DB outlook 2026

A year for taking action

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We expect big changes for trustees and sponsors of defined benefit (DB) pension schemes in 2026. New legislation, regulation and market developments are expected to bring both challenges and opportunities.

The range of DB endgame options is wider than ever. Trustees and sponsors must make complex decisions before shaping plans for their scheme's future, focusing on member outcomes and broader corporate goals while capturing opportunities created by the government's plans. Regulatory requirements that we expect to impact schemes include the Pensions Regulator's (TPR's) DB funding code, now in its second year, and 'own risk assessments' (ORA).

We expect the risk transfer market to break records again as schemes look to convert buy-ins to buy-outs faster than ever. Any scheme approaching the insurance market must have insurance-ready data. Innovations from insurers and administrators make this easier, but good data remains essential for all endgames.

Solving the big challenges

The Pensions Commission will take centre stage in the industry debate this year. It's tasked with solving the challenges of adequacy, fairness and sustainability – a rare chance to be bold and ambitious.

The Pension Schemes Bill is due to become an Act in 2026. This will introduce reforms aimed at creating larger, better governed schemes and **unlocking the potential** of over £100bn in surplus DB capital.

Meanwhile, the rise in the **State Pension age** to 67 from April 2026 may widen gaps in pension planning. A defining challenge will be demographic resilience. Longer lifespans and a shrinking working-age population demand strategies that balance sustainability with security.

This year will bring tough choices. Investment in sustainable promises offers hope for a more robust and equitable pensions system.

Action: We urge trustees and employers to review how their schemes measure up to the adequacy and fairness challenges highlighted by the Pensions Commission. Think about what more you can do, and see if the powers in the Pension Schemes Bill can help you take practical steps to improve outcomes for all members.

What's next for DB endgames?

Last year was pivotal for DB endgames. The Autumn Budget reinforced the Pension Schemes Bill's proposed flexibility, confirming reforms that allow direct payments of surpluses to pensioners without an additional tax penalty.

The regulatory guidance expected in 2026 could bring even more innovation and action. As well as a buoyant risk transfer market and regulation that supports run-on strategies, many endgame options are emerging: consolidation, superfunds and capital-backed models.

Many schemes spent 2025 reflecting on the changes and reassessing their priorities. We expect 2026 to be the year when plans move from thought to action, and the impacts of recent policy and market shifts start to take shape. We expect schemes will engage seriously on how they can, and should, share value, and think through the operational detail to make strategies deliver the best outcomes and experience for members.

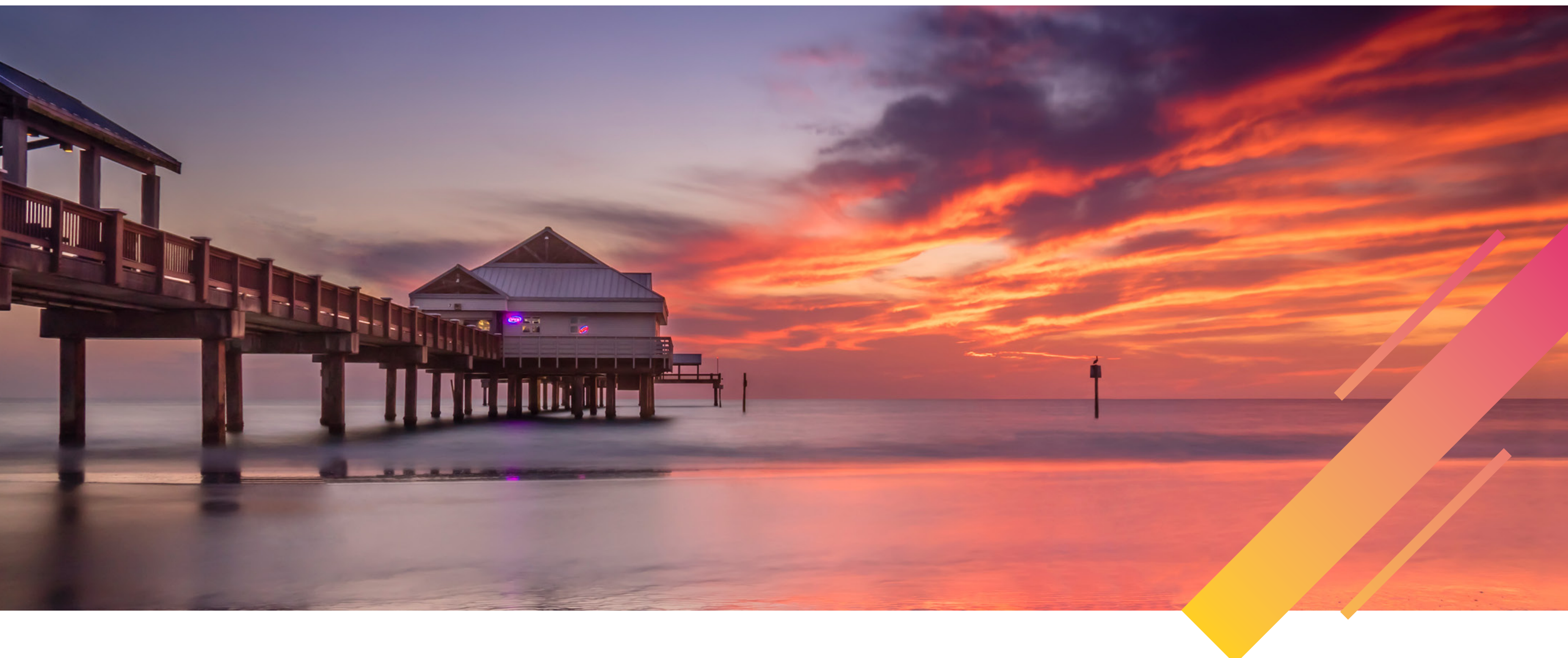
Action: As trustees and sponsors face more complex decisions than ever, they must thoroughly review strategies and consider all available options. Preparation, clarity and strong collaboration ensure the right outcome for all stakeholders.

An investment strategy tailored to the endgame

The government has paved the way for schemes to run on and share surplus. All eyes will be on the Pension Schemes Bill to assess the detail of the proposals; we expect schemes will get much more flexibility. Trustees and sponsors should consider whether running on is right for their schemes, and what it might look like.

Capital markets are well valued in several areas. US equities have lifted global equities to lofty heights in recent years, and the global market is dominated by US technology stocks as tech firms invest heavily in AI. Trustees should consider whether this concentration is a risk they need to take. As credit spreads remain tight, trustees should appoint fund managers that aren't willing to let due diligence slip in pursuit of harder-to-find spreads.

Action: Trustees should consider which endgame is right for their schemes and position portfolios accordingly. A scheme aiming to buy out would get its portfolio 'insurer-ready', and it might be an excellent time to lock in recent profits from growth assets in doing so. Trustees of a scheme aiming to run on must work with the sponsor to find a framework that works for both parties. The better defined a run-on objective is, the better an investment strategy is tailored to deliver it.



A record year for the risk transfer market

The pipeline for buy-ins completing in 2026 is so strong that we expect a record year, beating the £49.1bn of risk transfer deals in 2023. We think the risk transfer market will exceed £50bn for the first time.

The good news for schemes is that insurer capacity is strong: we expect insurers to have capacity for £60bn of buy-ins in 2026. Insurers have high solvency levels, so they have plenty of capital to complete new buy-ins. Many plan to increase the value of buy-ins that they transact in 2026. Large US asset managers are investing in the UK buy-in market, giving access to North American investments that could help insurers price competitively. We expect Brookfield's acquisition of Just and Apollo-backed Athora's acquisition of PIC to complete in the first half of 2026; L&G's strategic partnership with Blackstone will be in full swing.

Insurers will continue to compete for small buy-ins: we expect at least eight of the ten insurers to regularly quote on transactions smaller than £100m. We wouldn't be surprised if the record is broken for the number of multi-billion-pound buy-ins – some insurers could tone down their appetite while they absorb those large transactions.

We expect rapid growth and innovation in alternative risk transfer. In 2025, Clara completed its first 'connected covenant' superfund transaction, and the Stagecoach Group Pension Scheme agreed a run-on and surplus-sharing framework with Aberdeen Group. These deals show that schemes are thinking beyond traditional buy-ins.

We expect several superfunds by the end of 2026, offering competition and choice to schemes considering credible alternatives to buy-out. Options could include the potential for sharing surplus and giving sponsors a clean break.

Action: We expect the competitive buy-in pricing in 2025 to continue in 2026, so trustees and sponsors keen to insure benefits should press ahead with preparations. The strong pipeline of multi-billion-pound buy-ins merits a close watch on market dynamics and, where possible, careful timing.

After the buy-in

We expect a year of innovation in what happens between buy-in and buy-out. We expect more schemes to buy out in the previously aspirational window of six months from buy-in, or even less.

We expect insurers to showcase innovative ways to enhance members' journeys to retirement. These could be better call handling, using AI to help members discuss their benefits, or enhanced digital offerings so members can see their benefits in real time.

In 2025, we mostly heard about delays after several iterations of poor data provided to the insurer. In 2026, we expect more capacity and innovation from insurers and administrators to make data cleansing more efficient. Insurers could explore how they can help trustees with data projects and GMP equalisation to alleviate the burden on administrators.

We expect schemes to increase focus on the member experience after the buy-in. This is already a factor in choosing an insurer, but it's not just about the insurer's administrative capabilities. Trustees are starting to think more about their member communications, going beyond the statutory minimum and looking to educate and reassure members.

Action: When a scheme decides to buy out, it should plan for that buy-out when it starts to plan for the buy-in. In 2026, the buy-out should no longer be a consideration for after the buy-in, but a core part of the overall endgame strategy.

Adapting to TPR's DB funding code

DB schemes continue to adapt to TPR's funding code – the biggest overhaul of funding rules in over two decades. Many schemes have transitioned to the new regime smoothly thanks to strong funding positions, but others have had to substantially change their long-term strategies.

The code emphasises setting and justifying long-term funding and investment objectives. It requires more decisions based on evidence, as well as collaboration and robust planning. Assumptions about expenses and covenant reliance present fresh challenges, and can materially affect funding positions and long-term planning.

Trustees should carefully consider whether the 'fast track' or 'bespoke' compliance route is best for meeting long-term goals. Fast track is a straightforward route to compliance for a scheme that can readily meet minimum requirements. Bespoke gives more flexibility and customisation to scheme-specific circumstances but requires rigorous justification.

As more schemes submit valuations under the new code, we should gain insight into how TPR assesses and engages with submissions. Nevertheless, strategy should drive compliance, not the other way around.

Action: Schemes preparing for valuations under the funding code should emphasise thoughtful preparation and practical, proportionate execution. Experiences from the code's first year highlight the importance of early planning, so a scheme has enough time to accommodate the required steps and documentation. Trustees and sponsors should prioritise clear strategic objectives as a basis for decisions and proportionality. Above all, collaboration between trustees, sponsors and advisers will be crucial in aligning investment, funding and covenant considerations.

A governance priority: own risk assessments

The governance priority for 2026 is completing the 'own risk assessment'. Regulatory expectations are clear: trustees must embed the assessment as a 'live' document that informs decisions throughout the year. A static assessment risks becoming a tick-box exercise; by reviewing it, trustees can use it as a tool to manage risk and guide long-term objectives.

Action: Finalise your own risk assessment, and set a clear process for reviewing at least annually the actions it identifies, to see material changes to funding, investment strategy or governance structures. Keep it central to your governance approach, as an active framework for identifying, monitoring and mitigating governance risks.

The evolution of trusteeship

Regulation is evolving in trusteeship too. In the second year of its corporate strategy, TPR intends to raise standards by setting a baseline of new 'governance quality' measures reflecting elements of the general code.

TPR's new models and options guidance from June emphasised effective governance. That guidance noted trustees may be able to improve the day-to-day scheme management and efficiency by adding expertise to the board, delegating duties or moving to multi-trust arrangements.

TPR will work to bring trusteeship in line with other professions and corporate governance standards, through its professional trustee engagement programme. The Association of Professional Pension Trustees' revised sole trustee code of practice will go live in 2026; TPR has provided input into this code. We expect TPR to start its consultation on trusteeship more broadly in 2026.

Action: As trustees and sponsors agree an endgame and how to get there, they should think about the right governance approach and quality. A scheme planning to use professional trustees should assess the quality of its existing trustee skills and expertise, and consider which gaps professional trusteeship might fill. Schemes need to align their governance model with their long-term objectives, so they should be aware of the benefits and downsides of each.

Corporate priorities: aligning pensions with business goals

For corporate sponsors, 2026 should be the year to move from simply choosing an endgame to ensuring it helps wider business goals. While buy-out remains important for many sponsors, others value flexibility. Companies are considering run-on, capital-backed journey plans or consolidators if they're better aligned with funding strength, risk appetite and long-term business plans. Developments and innovations over the past year make it clear that no single approach suits every scheme.

Outcomes for scheme members and employees should remain a corporate priority. As many DB schemes wind up, workforces rely on DC arrangements that may not deliver the same retirement security. Now is the time to strengthen DC design, review contribution levels and support employees' financial wellbeing.

Action: Pensions strategy and retirement adequacy must go hand in hand. By bringing both together, companies can manage risk and assess value from DB pensions responsibly while investing in the long-term financial resilience of their workforce.

Getting all the data right, all the time

The Pensions Dashboards Programme is due to go live in October 2026. Many schemes and their partners have been working hard to get ready, and there's a lot still to do as testing ramps up.

As with GMP equalisation and risk transfer, the programme has put data quality under scrutiny, echoing guidance from both TPR and the Pensions Administration Standards Association. We're moving from a world where most data is right, most of the time, to one where all data has to be right, all the time.

It's been challenging at times for all parties, but all the work is to benefit members. Pensions Dashboards create the opportunity for a transformative shift in member understanding of their benefit entitlement – and so the potential to meaningfully improve outcomes.

Action: Know your data quality and plan for remediation. Every scheme benefits from knowing its overall data quality, although the approach depends on the endgame. A short-term buy-out and wind-up strategy prioritises different data work from running on. Pensions Dashboards, GMP equalisation, risk transfer and regulatory reporting each shines a different light on data, from which trustees can see an effective plan that gives everyone clarity, control and comfort.

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