HYMANS ROBERTSON

From policy to pensions – corporate strategy and the future of UK retirement

3 SEPTEMBER

LONDON STOCK EXCHANGE GROUP

With so much going on in the pensions market and questions about the future of retirement adequacy, it's a good time to think about how the opportunities and challenges affect corporate pension strategy. Attendees at our London event on 3 September heard insights on these topics from experts from Hymans Robertson and pension providers.

Pension policy oversight

The event opened with a call to action from our Head of Pension Policy Innovation, Calum Cooper. He reminded the audience that the future is what we make it, and now's the time to be bold if we want to build sustainable and adequate pensions for everyone.

A pension is one of the most powerful levers for shaping people's financial independence and quality of later life. Employers have a vital role to play. By acting now, they can help people retire with sufficient income to enjoy life after work.

As well as staving off a potential crisis, some employers are seizing a major opportunity. The cost of buying an income for life hasn't been this low for decades. Employers are exploring behavioural nudges, collective defined contribution (CDC) schemes and 'side car' savings to capitalise on this.

Policy changes could help unlock billions in pensions surpluses and stimulate economic growth, as we detailed in our policy paper in April 2025. Employers have an opportunity to shape the future of UK retirement.

Paul Waters, our Head of DC Markets, outlined initiatives to help people afford retirement and understand their options. Some come from the industry, such as CDC, which could pay higher pensions than traditional defined contribution (DC) schemes.

Other initiatives come from the government. The Pensions Commission is exploring how to boost retirement incomes and create a fairer system that works for those on low incomes. It will report to the government in 2027.

The Pension Schemes Bill includes proposals for all schemes to provide a default decumulation arrangement so savers don't run out of money in retirement – a shift in thinking from how to save to how to spend. The bill also includes the power to direct pension schemes where to invest, and we may yet see mandation in other areas.

DB endgames

The next session provided an overview of endgames for defined benefit (DB) schemes. The number of endgame solutions has increased with there being newer options in the market. Schemes can choose a full or partial buy-in, a buy-out, a superfund, capital-backed journey plans, captive insurance, run on and more. It's crucial to understand this landscape to find the right endgame strategy that fits a company's business objectives and risk appetite.

In our 2025 survey of corporate decision-makers, most respondents say they're focused on meeting ever-changing regulation and avoiding creating a barrier to corporate activity now or in future. Demand for buy-out remains strong: nearly 80% of large schemes are planning to buy out as the insurance market is getting accustomed to large transactions. We expect many small and medium schemes to target buy-out too, by choice or by necessity.

A growing number of schemes are thinking about running on, for a variety of reasons. Some want to manage the accounting implications of a buy-in, others want to generate a surplus, and some simply want to pay benefits many years into the future. Of the schemes targeting run-on, most plan to run on for 5–10 years. But there are a group looking to run on for 20 years or more. The responses show that run-on isn't a single strategy.

Alternative endgames also have a part to play, and the Pensions Regulator (TPR) is more supportive of these being used in the right circumstances. More than 90% of those we surveyed said they would consider using superfunds or some other capital-backed arrangement as a part of their future strategy.

Whatever the endgame, companies need to plan early. One key area to look at is scheme surplus. If running on, sponsors and trustees should agree what to do with the surplus and when. Scenario modelling can help them make the right choice for the objectives of the trustees and sponsor. For a scheme looking at traditional or alternative risk transfer, the sponsor should agree with trustees up front on what to do with a surplus, so as not to lose leverage in negotiations.

It's also important to get data and benefits ready. Administrators are stretched as Guaranteed Minimum Pension (GMP) equalisation and Pensions Dashboards projects gather momentum. But these projects present an opportunity for long-term thinking. Small expansions in scope can produce efficiencies and help to make data ready for many purposes, including insurance or for good governance when running on. It can enable schemes to pivot to another endgame quickly if needed.

Finally, there are funding considerations. The balance of risk and return in the investment portfolio and with longevity risks depends on the company's risk appetite, but also on their endgame strategy. Some assets or risk protections might be more suitable for some endgames than others.

DC – the retirement conundrum

As many DB schemes reach their endgame, DC is becoming the norm. So far, the industry has mostly thought about how to grow DC pension pots through contributions and investments. Now it's looking at the more complex area of how to spend the money in retirement.

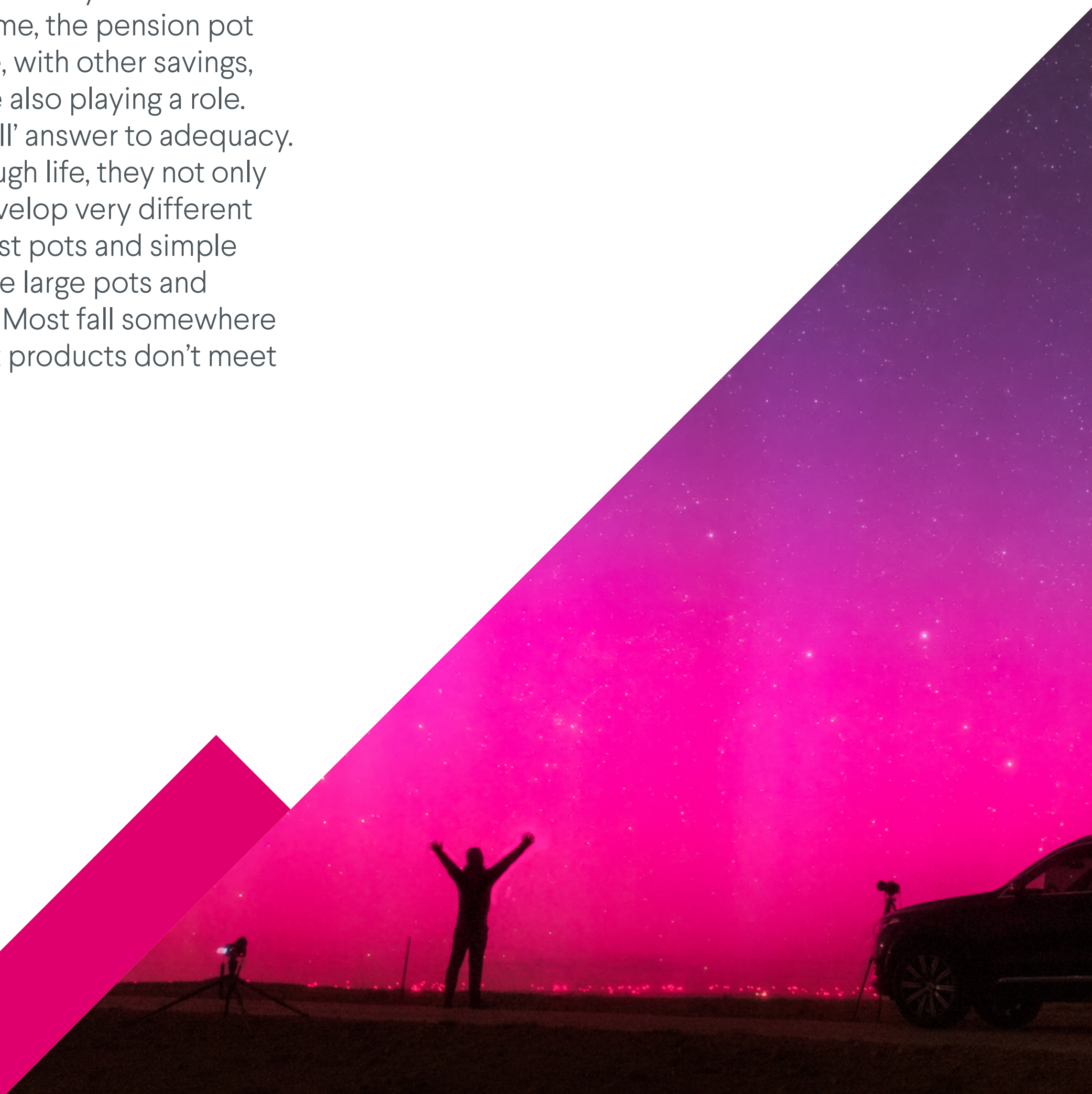
When an employee retires, they must make choices that balance stability with flexibility. They might also be changing their work pattern – more people are working part-time while drawing part of their pension.

These decisions need financial literacy, and looking far ahead into an unknown future. Many people don't know where to get advice or can't afford it. While the government is developing policy to help them, pension providers are also stepping in. This panel discussion brought together three providers to share insights.

Retirement adequacy looks very different from person to person. For some, the pension pot is only part of the picture, with other savings, property or work income also playing a role. There's no 'one size fits all' answer to adequacy. As people progress through life, they not only build savings but also develop very different needs. Some have modest pots and simple requirements, others have large pots and complex circumstances. Most fall somewhere in the middle, yet current products don't meet their needs.

One option is 'guided retirement', where a provider divides up an individual's savings pot to be used for different purposes. The pensioner gets a flexible income for the early part of their retirement, then a guaranteed income alongside a pot for unplanned spending.

Another option is the much-talked-about CDC. This aims to give a retirement income like a DB income for the same level of contributions as DC, through investing in growth assets, and pooling investments and longevity risk. CDC could help both employees and employers to overcome affordability challenges.



Corporate governance of pension schemes

As pensions change in potentially radical ways, retirement provision will become an increasingly material issue for companies and their shareholders. Governance is crucial to managing these changes and endgame decisions. For schemes running on, company and trustee succession planning needs careful consideration, and all stakeholders need the right skills and communication. Schemes buying out must navigate the journey from pre-insurance to wind-up.

Employers have a big role to play in scheme governance. An employer decides on the governance structure, nominates some of the trustees and regularly reviews governance arrangements. It has to maintain the relationship with the trustee board and ensure pension governance aligns with corporate governance policies.

One reason why governance is coming into sharper focus is the significant increase in professional trustees over the past decade, to the point where they're integral to scheme governance. TPR recently extended its oversight to professional trustees, with a focus on how they're appointed and reviewed. This puts the spotlight on the employers who appoint them.

The relationship between the professional trustee and the employer is in focus. A trustee needs to act independently while being a paid supplier to the employer, striking a balance between collaboration and distance, and ensuring decisions are made mindful of conflicts of interest. As professional trustees expand the range of services they offer, greater scrutiny falls on procurement processes and the split of work between trustee advisers and the trustee themselves. Employers reviewing governance arrangements should consider how well this is being managed.

As TPR changes its approach to oversight of governance, companies need to pay attention.

If you'd like to discuss pensions policy, DB endgame options, DC strategy, or corporate governance and how we can help you, please get in touch.

You can also hear what some of our speakers and attendees had to say on the night here.

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